"Labour Attrition – the Leaking Pot"

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ABSTRACT

The biggest challenge that’s faced by most of the industries in India, as well as other countries is labour turnover, the attrition. The more the attrition, the more the industry suffer. Attrition hits and badly affects almost all forms of business. This paper would be discussing on Indian industries attrition. This paper is an attempt to find the attrition causes and to suggest plans and strategies to overcome or reduce the level of attrition in industry. According to nascom reports all major It Industries record the increase of attrition rate, and which is a bad scenario for the growth of economy. There is a wide belief that pay masters can sustain their workforce, but is that the fact? this paper try answering this question too. Just paying a hefty package and making employees to stay in work is not the way that will address the issue of attrition, instead there should be other strategies to overcome this. Indian firms invest more in training and are more likely to adopt a unique management culture. One proposition put forward by Pellegrini, Scandura and Jayaran (2010) is that Indian companies enjoy advantages due to a form of paternalistic leadership style consisting of a mixture of benevolence combined with authority. Other scholars emphasis that most of Indian companies does not solely focus on the interest of shareholders and investors, instead they concentrates on strengthening the talent force, which is uncommon in most of the western companies and especially in the US companies. According to Cappelli et al (2010), majority of Indian companies makes a huge investments in the empowerment of their employees and enhancing the employees decision making capabilities and called as Jugaad. Added to this Cappelli et al claim that Indian firms invest more in training and are more likely to measure and track all human resource outcomes.

INTRODUCTION

Recruiting and retaining the work force are inevitable challenges faced by industries across globe. In India it’s a very big burning issue. All the major companies in India today face this problem. Identifying the right talent force is a challenge, and to retain them is more challenging. Human resource managers find it so confusing and strange to identify the reasons for the attrition (Labour turnover). They in fact miserably fail in their attempts to find why employees leave the organizations, even though they have a structured exit interviews. Exit interviews are affectless at most times is what is claimed. The trend of attrition adversely affects the growth of the company and also impacts productivity. Attrition is also like an epidemic viral, because it affects the behavior of the other employees in the organization and makes them to resign the current job and to jump to another job.

“Why attrition happens, and can we reduce it?”

A very general understanding behind why attrition happens in industry is given below. The chart explains the various reasons that were predominated in labour turnover.

The significant growth rate that India has registered over the last decade has made many scholars to research on it. Indian companies adopt a unique management culture. One proposition put forward by Pellegrini, Scandura and Jayaran (2010) is that Indian companies enjoy advantages due to a form of paternalistic leadership style consisting of a mixture of benevolence combined with authority. Other scholars emphasis that most of Indian companies does not solely focus on the interest of shareholders and investors, instead they concentrates on strengthening the talent force, which is uncommon in most of the western companies and especially in the US companies. According to Cappelli et al (2010), majority of Indian companies makes a huge investments in the empowerment of their employees and enhancing the employees decision making capabilities and called as Jugaad. Added to this Cappelli et al claim that Indian firms invest more in training and are more likely to measure and track all human resource outcomes.

The observations and claims of many scholars are showing a promising future for Indian companies in the coming years. They can even surpass many western and foreign companies. All these are evident that Indian companies will have a great competitive edge in ruling the global market. In spite of such great and promising
future, the one big “pitfall” which is being in a fast track and keep increasingly wider is the employee turnover. Excessive labour turnover should be taken seriously as it affects badly on financial costs and hinders the growth of the organization. This in turn leads to system vulnerability and risk. System vulnerability by definition means “degree to which people, property, resources, systems and cultural, economic, environmental and social activity are susceptible to harm, degradation, or distraction on being exposed to a hostile agent or factor” according to the Business Dictionary(2014). Labour turnover is a key issue which leads way to other tangible and intangible losses to the company. Excessive turnover will negatively impact the sustainability of the company. Corporate Sustainability Index by S&P Dow Jones(2014) has listed the link between labour turnover and sustainability, which acts as an guidance for investment choices since 1999.

**Broader Issues of attrition:**

Turnover affects system susceptibility not only at the company level but additionally at the macro level. Due to categorical characteristic of the provision of edification accommodations in India, Corporate India will perpetuate to witness a high attrition level of its workforce especially of its better educated segment of the workforce. While India might relish a “youth bonus”, with the youngest median age of its workforce being 26.2 years of age compared to the averages of years of the U.S. (36.9), Russia (38.7) and Japan (44.8) in 2013, India nevertheless suffers achronic shortage of managers well trained in meeting modern economic and business demands (Vorhauser-Smith, 2012). Only a diminutive percentage of the Indian population is enrolled in tertiary edification institutions. According to the Coalesced Nations Human Development Report (2012), India achieved a gross inculcative enrolment rate in the tertiary institutions of 16.2% during 2002-11. Even though India continues to expand its sources, factors like skill shortage and pressure on employees put a halt in economic development. According to Mercer (2011) and Hay Group (2013), there is an upswing of labor turnover among Indian youths.

According to D&D Research group the critical challenges faced by the HR team in India is given below. The biggest challenge is “Hiring right person”

![Critical Challenges Faced by HR](image)

*Source: D&B Research*

**The financial burden caused by Attrition:**

High labour turnover involves both hidden and non-hidden costs. There is a wrong belief that company’s turnover costs are only incurred through recruiting, selection and training. But it also includes staff turnover, which includes employee’s departure, expenses due to replacement, losing the productivity and expenses on administration.
Phillips (2012) have come out with twelve categories of cost related to turnover that need to be given proper consideration. They are the followings: exit, recruiting, employment, orientation training, wages, salaries, lost productivity, quality problems, customer dissatisfaction, loss of expertise/knowledge, management time and replacement costs. Darcy Jacobson (2012) emphasis that the cost related to turnover could easily run in to 75% of annual salary of an employee.

Yardstick for Management Sophistication Regarding Training and Development:

Molding new employees and retaining existing staffs require personal involvement of management, if it is not done then the expected results cannot be achieved. The published results of HR measures in India (Srimannarayana, 2010) reported that respondents assess the return on investment in HR primarily by an intuition and perception of senior executives (40.4%). The same study indicated that 64% of Indian CEO’s involvement is line management is limited to 50% of HR programmes are implemented through line managers and the remaining 50% indicate non participating line managers. The inability to influence the people in right way diminishes the mentoring and coach relationship between the levels of management, which in return reduces employees, involves thus creating “bonding deficit”.

The goal of this article is to measure HR investment and human resource retention. This surely not only revival the micro and macro factors but also the possible solutions. This surely concluded with an alternative approach to the monetary response to talent and employee turnover which in return will help in development of performance and competence.

The Survey:
Research Objectives and Samples:
The purpose of this survey was to identify the level and patterns of labour turnover in India. The main objectives of this study are as follows
- To identify the main factors towards employee job turnover in India.
- To understand the organizational practices that leads to attrition
- To unveil HR strategies used to reduce unwanted attrition.

This survey also enlightened current theories of labour turnover and talent management also to manage talent recruitment in effective and efficient manner.

Definition:
An important distinction between employee turnover and job turnover is employee turnover reflects employee turnover transitions from one job to another. Whereas ‘Job Turnover’ reflects job creation and job destruction.

If job turnover is high, then worker turnover will be high. Pries and Rogerson (2005) wrote, “Worker turnover is a larger concept than job turnover, since every instance on job turnover necessarily generates (at least) an equal amount of worker turnover”.

Survey Sample:
For the survey 197 managers were approached, out of which 108 samples responded to the questionnaire. The total sample is scattered as 35% from IT and ITeS, 25% from Manufacturing, 20% from Banking and Finance and 20% from Service. The respondents have given their data pertaining to their years of experience, their functions and their levels of responsibilities.

Demography of the respondents:
A total of 88 senior managers and executives (80% male, 20% female) provided personal info relating to their job, in which 21% were from Top Management, 64% HR and 15% including Finance, Training and Quality Assurance. 44% respondents were sticking to their job for less than 3 years, 25% 4-10 years, 31% more than 11years.

Results:
The survey results indicate that employee turnover increased due to the strong growth of Indian economy, which affects all economic sectors.

In India there is highest tendency for voluntary job change across different categories of employees. 51% of respondents indicates turnover rate from 11% to 20% of knowledge workers.

Ramani and Raghunanandan (2008) reported high labour turnover of 20% - 60% for IT firms had low labour market because of the unmatched supply of potential IT technicians and engineers. 15% turnover increase in managerial sector, 2% to 10% in operational workers and executive ranks remain stable.
Implact of Seniority on employee turnover – 1-4 year of employment as threshold:

Employment in the company made difference in turnover. It also suggests that IT firms face acute problem due to young employees beyond the scale expectation which cannot be fulfilled.

Major causes for employee turnover- salary and career advancement:

Employee turnover is influenced by factors like salary, career development and relationship with supervisor.

<table>
<thead>
<tr>
<th>Causes of Turnover</th>
<th>% of Respondents</th>
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<tbody>
<tr>
<td>Salary</td>
<td>78%</td>
</tr>
<tr>
<td>Carrier Advancement</td>
<td>65%</td>
</tr>
<tr>
<td>Relationship with supervisor</td>
<td>48%</td>
</tr>
<tr>
<td>Recognition</td>
<td>41%</td>
</tr>
<tr>
<td>Job Content</td>
<td>40%</td>
</tr>
<tr>
<td>Economic Growth &amp; Talent Competition</td>
<td>36%</td>
</tr>
<tr>
<td>Training &amp; Development Opportunities</td>
<td>21%</td>
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</tbody>
</table>

Cause of turnover related to manager-staff relationship.

Organizational behavior Factors as the major causes of employment turnover – supervisory relationship and leadership:

Economic growth and ensuing talent competition suppress or intake the underlying human resources issue. The relationship between direct supervisor is directly linked with turnover, where is there today ‘leading’ became difficult. Relationship with supervisor 48%, Recognition 41%, together 89% might suggest timely study on management and employee relationship.

Major Interventions used to mitigate employee turnover – monetary incentives and career advancement and unwanted employee turnover prevails because of (salary increase) increase in salary level. Intervention areas to mitigate labour turnover.

<table>
<thead>
<tr>
<th>Most commonly used Interventions</th>
<th>% of Respondents</th>
</tr>
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<tbody>
<tr>
<td>Salary increase</td>
<td>80%</td>
</tr>
<tr>
<td>Carrier Advancement</td>
<td>73%</td>
</tr>
<tr>
<td>Recognition</td>
<td>63%</td>
</tr>
<tr>
<td>Training and Development</td>
<td>57%</td>
</tr>
<tr>
<td>Human Resource Policy &amp; Rules</td>
<td>45%</td>
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</tbody>
</table>

There is a need to assess the strengths and weakness of current Indian Management culture since there is a need for participation and decision making flaws in current HR practices.

Mitigation of the labour market condition - better alignment with skill demands of the industry:

Skill development and close alignment with business is possible only by interventions of HR, in which education and training holds place to bring in high productivity. 80% respondents suggested the government intervention and 60% opted for quality assurance that is through education and training.

Future Trends:

65% respondents indicated that there will be increase in employee turnover over next 5 to 10 years, at the same time 35% disagreed with this statement. There will be competition since graduation students are not sufficient (to fill the vacancies).

Reflections and Lookin ahead:

An online survey says that it is very difficult for the HR in India to recruit and eject the persons, because there exist “talent war” which decreases labor productivity and increases salary. Thus competitiveness is reduced.

Mercer and Hay made a recent study and prepared a report called “preparing to take off” Awarding to (them) Hay, there will be a spice of turnover in 2014 than in 2013 which was around 26.9%. Mercer stated that young generation is leaving their organization due to faster carrier advancement and more money seeking will.

Enlarging the National Talent Pool:

There is intervention (influence) of single company due to talent shortage and skilled labour. There is a need for realignment to create competition where human capital is still the critical factor in business environment. Investing in education is the major strategy and priority in India. Even though India enjoys high
academic reputation with its annual output of 1740 graduates cannot meet the demands for 2735 managers a year.

**Nuanced Approach of Responding to the needs of Employees:**

Monetary incentives training and career development opportunities are used as strategies to retain employees. Subtle approach needs to be considering aspiring the employees. Investment in skills and talent development will add the competence and productivity and “Bench Warmer”, will be kept in check.

If the HR remains numb in bench warmer existence there will be lack of equity and recognition of potential workers. In 2013, Hay group study, nearly 55% of Indian employees expressed concerns over pay farmers and 48% over the extent to which benefit meet their needs.

The same study found that 37% of people did not have the confidence in brewing able to achieve their carrier target which resulted in lag of learning and development (39%) and supervisor coaching (36%). Different strategies by different companies as being open and equitable.

**Addressing different psychological makeup of younger generation of employees:**

Psychological (mental) engagement of an employee with his company explains his commitment to the business. Working environment and like quality of leadership and supervisory relationship directly influence the commitment of employees. The upcoming young leaders (might) may lead to more turnover since their leadership might be inappropiate of ineffective.

These young leaders are not given support in improving emotional intelligence. Easy promotions will lead to next recruit process which in turn increases the labour turnover. In a study done by Kaur (2013) it is found that 53% employees are not satisfied with their immediate manager.

Corporate working conditions can be strengthened by investing in human capital development, which should also focus on personal development and maturity for the junior manager.

**Building favourable internal conditions for retention:**

**Human Resource Function Redefined:**

In 1986 K.K Tse highlighted the difference in role behavior by stating “….. that not all personnel managers could make the grade to human resources as the latter calls for creation skills and totally different mentality most practicing managers may not possess”. K.K Tse suggested that HR manager know-how to retain quality staff and efficiently utilise their talents which is done by training and development.

In another study which is done in 1980s, it is said that HR behavior should be linked to broader context than individual behavior only. There should be norms in their social networks in and out of their organizations.

**Greater use of the Social Network:**

The youth today have active memberships in social networks, which might contribute to voluntary turnover. Likewise departure of employees turns to be unpredictable as it …… become vulnerable to disruptions.

**Multi level approach to Human Resource Diagnostics:**

To analyze the labour turnover today, HR manager should know the difference between first level and multi level theory and measurement. Ployhart et al (2011) state that “Organizational scholars (are) trained, for the most part, to ‘think micro’ or ‘to think macro’, but not to ‘think micro and macro’ not, that is to ‘think multi level’.

Ployhart et al explains the need to understand how strategically valuable human capital resources have their origins in the psychological attributes of individuals and are transformed through unit – level process. HR manager should know the difference between misconception and evidence based perspectives. David Allen et al (2010) challenge the belief that employees quit because of work pay. He suggests that employee’s decision may only depend on job satisfaction, organizational commitment, work design and relationship with management.

**Addressing systemic vulnerability through preventive measures:**

HR professional should understand how social relationship affects the turnover and performance of the employee which is described as “Social Capital”. The main difference between social capital and human capital is that social capital tells about the assets got from human relationship while human capital deals with individual competencies without the social relationships.

Shaw et al (2005) pointed that if key staffs are lost then it will damage the group performance of other employees. Subramanian et al (2005) took this statement to next level and said effective organization is the combination of human and social capital. This concept helps HR managers to know why there is lack of innovativeness and take proactive measures, which helps to get a hold on recruiting, retaining talents in managing turnover.
Becoming Human Capital Manager:

The transition from personnel manager to Human capital manager should go beyond the tradition and adopt the role of an internal consultant. Vosburgh et al (2007) point that the companies listed in the Hacket Groups report (2004) as world class HR experienced 61% voluntary terminations. HR should implement business strategy and tackle potential performance issues connected to the human factors.

From the perspective of the authors of this article, HR managers should move to Human capital manager to support rapid growth.

In other words, HR manager should be able to manage HC & SC and should not be held responsible be other financial activities. The HCM should executive innovative function should be given freedom to conduct HR research and foresee the future of the business. The survey of leading European Enterprises in regard to the effectiveness of in service training (Saner and Ypu 2009) showed that sufficient investment are not made on training which in turn affects the performance.

Similar research has to be conducted to review the human and social capital of a company. It also explains the turnover merits through sufficient inquiry and analysis.

Conclusions:

There are some potential remedies for employee turnover as such problems cannot be smothered by salary increase and other costly incentives alone.

Ingenuity and case solutions attract will qualify professionals and retaining highly skilled employees, which will help in competing in business. The casual link of higher compensation leads to higher operational expenses. Efforts should be made to strengthen social network membership to talent retention.

REFERENCES


