

## ATTRITION RATE - THE ROLE OF HR DEPARTMENT

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### ABSTRACT

A little back it was "Personnel", now, it's "Human Resources". But even after the name change, the HR department is still not always seen as contributing to overall business success. Company executives routinely give their HR department's lower ratings than the human resource people give themselves. 'Transformation into the best' has become a catch in the industry. The best selling Who Moved My Cheese on accepting change, there are a lot of sources which introduce and offer self-help and management techniques to encourage personal and organizational transformation. In terms of HR, transformation is concept of restructuring flow charts, diversity programs, and team-building exercises. In reality, organizations are filled with old cultural norms that are as elastic as rubber, which make new and innovative ideas difficult to embrace.

Transformation is like oil on water, can live comfortably on the surface of an organization resistant to penetrating the fiber and makeup of the culture. Transformation is a major undertaking that comes at a high price. But when it is implemented, the rewards surpass the painstaking effort. Prior to transforming a culture, it is important to understand what 'culture' and 'organization' are.

Return on Investment delivered by the HR department focuses largely on the people hired. Even many HR professionals themselves seem focused on their administrative tasks-hiring, payroll and benefits- rather than the business benefits HR can deliver. However, a few trailblazing HR divisions are changing their roles to reshape the face of human resources. These HR groups are re-branding themselves, and creating a stronger emphasis on business acumen and coaching, helping to align employees and executives alike around new business strategies.

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### PURPOSE OF THIS ARTICLE

Staff attrition rate and workers' absenteeism means significant costs to the organizations. In many organizations, workers are leaving even after the organization is spending huge amount of money for the benefits of the workers. Many organizations accept workers' mobility as part of doing their business, but it is a matter to be regretted. In these circumstances, the HR Department has got a significant role to play.

### What is meant by Attrition Rate?

The term 'attrition rate' can be defined as "A reduction in the number of employees through retirement, resignation or death." It denotes the percentage change in the labour force of an organization. High percentage of labour turnover is not desirable for the organization because new workers are engaged in place of the workers who left the organization.

### Why do Employees Leave the Organization?

There are a number of reasons for employees leaving the organization. Well, the most obvious reason for employees leaving any organization is higher pay. The main problem here is that employees are moved from one location to another location along with their family. But this problem is taken care of by a salary hike which may be around 20%-35% per annum. Another factor is work timings. In some organizations, work timings are such that they are making employees leave the organization. Another factor is career growth. In many organizations, only 20% of employees are able to go to senior levels. This means that the remaining 80% of employees look for other organization where they can get

opportunities for growth.

One more reason for leaving the organization is higher education. These days, in many organizations, employees are joining at very young age because of lucrative salaries being offered. But with time, they apply for higher education and try to move on to other organizations or sectors to occupy top management positions.

The percentage of women workers is also responsible for higher attrition rate. These days, the percentage of women workers is around 30%. Generally, women workers leave the organization after marriage to take up their house-hold duties, irregular work hours et al.80% of employee turnover can also be attributed to the mistakes during hiring process (Harvard Business Review).

Other factors include accident making the worker permanently incapable of doing work, dislike for the job or place, unsatisfactory work conditions leading to strained work relationships with the employer; lack of security of employment et al also contribute for higher attrition rate.

### Attrition Rates in Different Sectors in India During 2007

The attrition rates in different sectors for the year ended 2007 are shown in the following table: -

Sector	Attrition Rate
FMCG	17
Manufacturing	20
Capital Goods	23
Construction	25
Non Voice BPO	25
IT - ITES	27
Telecom	30
Pharmaceuticals	32
Bio Technology	35
Services	40
Financial	44
Aviation	46
Retail	50
Voice - Based BPO	50

Source: Times of New York

From the above table, we can deduce that for the year ended 2007, the attrition rate in some sectors is grim. It is 50% in Retail Sector and Voice-based BPOs. On an average, the attrition rate in Indian economy i

### The Growing challenges for Human Resources

A lot have been already been written on this which can be referred through our previous write-ups on "IS ATTRITION AND RETENTION BOGGING YOU?" in Business Manager, October 2006 and "TWENTY RETENTION TOOLS FOR CURBING ATTRITION" in Business Manager and NHRD Newsletter May 2008.

Here is a brief on factors:

High level of attrition: While India does have a large talent pool (annually 167,000 engineering students and 1.54

million graduates pass out of the country's educational institutions), not all are 'industry-ready' or equipped with the necessary skill sets to become useful to the companies. This means that while there is plenty of supply at the entry level, there are huge gaps in the middle management and senior management levels. This has resulted in increased levels of poaching and attrition cases. Presently, the average attrition rate faced by manufacturing industry is somewhere around 30-35 percent.

- **Mismatch of expectations:** Expectations mismatch leads to higher attrition. Moon is shown to candidates during joining. This is partly due to the perceptions created in the general public with respect to the career growth, type of work, compensations offered, competition, etc. Many a times, people are not able to create a work-life balance and often opt out.
- **Communication issue:** Lack of effective communication is another contentious issue. The absence of regular, two-way communication between employees, their immediate team managers and the senior management is a common complaint and one of the reasons for high attrition rates.

#### **Mapping Training Objectives to Business Results**

- The training objectives should be linked to performance goals and then to company business results. Managers identify candidates for training. Candidates understand what they need to get out of training, s around 20% where as global average is around 24%.and how they will apply learning back on the job. After training, managers and trainees make sure that trainees drive ROI by achieving meaningful, measurable business outcomes. Having managers focus their employee on what they need to learn and how they'll use it to reach goals when they return, organization can drive a return on investment. If you expend resources on a learning event, it would be irresponsible not to provide objectives and required outcomes in advance." A typical employee development plan aims
- To give employees access to the tools and knowledge to enable them to do their jobs efficiently and facilitate continuous performance improvement.
- To continually strive to support our mission and the strategic plan efforts by determining methods of enhancing staff capacity by building the knowledge, skills and abilities of individuals and of the organization as a whole.
- To address our workforce planning initiatives by assessing the capacity of the current workforce, analyzing future workforce needs and identifying the gaps between what exists today and the agency needs of tomorrow and developing and implementing a plan to close those gaps. Training and development is achieved in a variety of formats, including but not limited to, traditional training sessions; self study materials; computer hands on training; use of reference materials, manuals, etc; contract vendor training; on line help; bag lunches and other informational sessions; speakers at staff meetings; team building exercises; e-learning packages; coursework through educational institutions; work shadowing; mobility assignments; cross training; state offered training classes; and professional organization conferences and seminars. Learning also occurs in the performance management process during feedback sessions, evaluations, and development planning exercises.

#### **Recruitment and retention are important to today's employers**

From the HR professionals with whom we spoke, recruitment and retention are extremely important issues. One statistic, according to The Harvard Business Review, states that reducing employee turnover rates by just 5% lowers operational costs by 10% and improves worker productivity by a significant 65%. Employers are constantly looking at

ways to retain their valued employees. Compensation and benefit packages, end-of-year bonuses, workplace conditions, and training and development are all important factors.

### **Concern about employee satisfaction**

In many organizations, employee morale is sagging, and it's no wonder. Recent surveys indicate that only 25 percent of workers feel a strong connection to their employer; many of the rest are simply biding their time, waiting for the job market to improve. That's why smart HR managers are putting new emphasis on raising employee morale and promoting career development. They recognize that employees who feel valued and engaged represent an enormous competitive advantage.

### **Innovation and productivity**

Successful firms are constantly seeking ways to improve efficiency and effectiveness while, at the same time, foster innovation and creative problem solving. Increasingly, HR managers are supporting these initiatives by helping to create a corporate culture that values learning. For example, a company's performance management and rewards system needs to align with corporate strategies and priorities. Also, strategically minded HR managers continuously emphasize the importance of employee development, giving staff members the opportunity to acquire new skills and learn about practices that have worked in other workplaces, such as Six Sigma quality principles, lean practices, global supply chain logistics, data mining, and team-based problem-solving.

### **Benefits compensation is a major issue for employers and employees**

Employee benefits compensation is a major issue for both employers and employees. Skyrocketing insurance costs are making it more and more difficult for employers to offer their employees a competitive benefits plan. Retirement is also extremely important to employees. People want to know that they'll have a nest egg when they retire. A competitive benefits plan is one of the biggest "perks" employees value and look for in their job, and is an important recruitment tool.

### **Flexibility in Workforce**

The rapid pace of mergers and acquisitions, a global economy, and technology will all continue to have a profound impact on the workforce. More and more companies are outsourcing, driving the demand for consultants, project workers, and in general a more flexible and agile workforce. People are telecommuting and working remote, away from a company's physical headquarters. Flexibility among both employers and employees allows organizations to thrive in times of intense competitive, changing markets, customers, products, delivery systems, and services. HR managers are focused on leadership and succession planning. Experienced HR managers know that the key to attracting and retaining talented employees is the quality of leadership. The old saying that, "People don't leave companies, they leave people" is true. That's why in so many companies, large and small, there's an ongoing commitment to identifying and developing leadership talent among their staff.

### **Wrapping up**

Within this pressured environment of organizations, there is a need for (and opportunity for) the Human Resource function to play a critical role in helping organisations navigates through these transitions. In order to play this role, however, HR has to enjoy a real and perceived value that's appreciated by managers and workers alike. The role of Human Resources has been evolving for some time. The shift from "personnel" to "human resources," for example, was part of the movement to acknowledge the value of employees as an organizational resource, and was an attempt to

remove some of the stigma that was associated with slow, bureaucratic personnel departments. This shift in label was accompanied by a call for HR to become a strategic partner with the leaders of the business - to contribute to significant business decisions, advice on critical transitions, and develop the value of the employees. Interestingly, the trend of companies outsourcing Human Resource functions continues to gain steam. There is talk that by 2008 outsourced HR departments will be common. The mere fact that outsourcing is an option is prompting some people to reassess traditional HR job functions. And, in itself, that's not a bad thing. After all, being an HR professional is no longer exclusively about handling payroll issues, negotiating contracts and benefits or training supervisors and executives.

It's more about sitting next to the chief executive, making recommendations about what functions to outsource, developing long-term recruitment and retention strategies and finding ways to save the company money. HR professionals today need to understand what the products and services are, who the customers are and who the competitors are. It's essential for the HR professional to get out of the office and be involved in making things happen in the business.

### **Role of HR Department**

Attrition Rate is good for the organization as long as the rate is at normal level. This will help the organization to get new blood into the organization and for the organization to develop. But it becomes a problem when the attrition rate is abnormal. Therefore, HR Department has the most crucial role to play in any organization. At the time of conducting interviews, the HR personnel try to bring right candidate to the right job. Similar is true even when the attrition rate is abnormal, so they have a very crucial role to play.

### **Following are some of the tips to reduce attrition rate: -**

- Hiring individuals who are truly fit to succeed in the position for hire will dramatically increase the chances of that employee being satisfied with his or her work, and remaining with the company for an extended period of time. Employees should not only be selected on the basis of communication skills and educational qualifications.
- Communication of employee's roles, job description and the responsibilities within the organization, new policies will help to retain employees.
- **Participative Decision Making** - It is incredibly important to include employees in the decision making process, especially when decisions are related to employees. This can help to generate new ideas and perspectives that top management might never have thought of.
- **Sharing of Knowledge with others** - Allow the members to share their knowledge with others. This helps in retention of information. This also lets a team member know that he is a valuable member of the organization. Similarly, facilitating knowledge sharing through an employee mentoring program can be equally beneficial.
- **Shorten the Feedback Loop** - This helps the employees to know the feedback to their work within a short period. This also helps to keep performance levels high and reinforce positive behavior among employees.
- **Pay Package** - Any employee wants to be appropriately paid and fairly for the work he or she does. For this, conduct a research to find out the pay package in other similar type of organizations at regional as well as at national levels.
- **Balance Work & Personal Life** - No doubt family is exceptionally important to employees. When work begins to put pressure on one family, no pay package will keep an employee in the organization. Therefore, there should be a balance between work and personal life. Small gestures like allowing an employee to take an extended lunch once a week to watch his son's cricket game will result in loyalty and helps to retain the employee.
- **Organizational Culture** - Try to select the candidates who believe in the organization culture and adopt with ease

to organization culture.

- Exit Interview with the employees who are leaving the organization will help the organization to find out the reasons why the employees are leaving the organization. This will also help to find out any drawbacks in the organization.
- Another method to reduce attrition rate is that they should find out why employees are leaving the organization from the employees who are working for the past so many years.
- **Motivational Training** - It is sure that motivational training helps to retain the employees. One of the crucial aspects to motivate employees is to ensure that they have ample growth opportunities which can be provided through training.
- **Multi-Tasking** - One of the ways to retain the employees in the organization is try to get people with different qualities like smart, adaptable, and capable of multi-tasking.
- **Referrals** - Another technique is to try to get the employees hired through referrals. This makes them stick with the organization.
- **No Favoritism** - One of the surest ways to create animosity and resentment in an organization is to allow favoritism and preferential treatment towards an employee. Be sure to treat all employees equally and avoid favoritism at all costs.

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