Manpower Retention and Cost Control Strategies in Indian Service Sector – A Human Resource Perspective

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ABSTRACT

India had been witnessing an unprecedented growth since 1990 in its economy. Consequently, the job opportunity in India had also evidenced a positive growth. The year 2000 - 2005 had been quite promising in terms of high employment growth rate in India. While the service sector, particularly the IT/ITES sector had registered a massive employment growth rate since the year 1999 till 2008 and even today growth of job opportunities is tremendous. With soaring demand of online shopping, social media and cloud computing more than ever before, the demand for professionals in the IT/ITES domain are getting phenomenal day by day and becoming competitive. Moreover, the estimate projects the market size of Indian IT industry to grow at a rate of 12-14 per cent for FY2016-17 in constant currency terms. The sector is also expected to triple its current annual revenue to reach US$ 350 billion by FY 2025 (IT & ITeS Industry in India, 2017). Subsequently, with opportunity & growth in the sector few daunting challenges have also emerged which calls for immediate attention with special reference to high attrition rate in the job segment of IT/ITES companies. An average of more than 30% of employees in mid-level positions at tech start-ups and e-commerce firms quit their jobs every year, according to human resource (HR) consultants and industry executives (Sapam, 2015). Moreover, attrition rate are found to be higher in firms where business models are rapidly changing. Attrition rate in IT/ITES sector had been registered to be approximately 28% in March 2011 which is considered to be the highest among other employment sectors in India. Retaining the employees despite providing high pay and competitive environment is becoming a challenge and a high cost affair for companies. Thus, the present research work aims at proposing strategies to retain employees in the company and indirectly control on costs which accrue due to attrition. Eventually, factors responsible for attrition would be identified, followed by finding cause and effect relationship to evolve the best fit strategies for retention which indirectly control associated cost implications and challenges for companies in this sector.

Keywords: Attrition, Retention, Human Resource Strategies, Cost Control, Employee Turnover

INTRODUCTION

Increasing attrition rate is emerging as one of the global challenges, and is also getting crucial for the Indian IT/ITES companies to tackle with. Attrition has a multifaceted impact. Though, it is believed that it is just a HR phenomenon andaffectsonly in qualitative domain but actually it has a profound impact in a company's balance sheet than onto the general environment of the company.

The word attrition and turnover is interchangeably used in HR parlance and is often understood as reduction in workforce. While assessing the impact of the HR nomenclature in the company's quantitative score card it has been observed that it differs in its cause of approach despite the fact that in both the case, reduction in manpower occurs at the occurrence of the event whether through turnover or attrition but the approach differ in its cause, turnover in a company seeks someone to replace the employee, while in the later, the employer keeps the vacancy unfilled and sometimes even eliminates that job role.

To counter attack the challenge raised due to attrition and turnover, companies are building retention strategies and deploying it in the company such that both the qualitative and quantitative loss be substantiated. In this sense, retention becomes the strategies rather than the outcome. Thus, enhancement of attrition and retention will lead to organizational growth and prosperity.

LITERATURE REVIEW

Indian IT industry is growing at an unprecedented rate where estimations indicate the market size of Indian IT industry to grow at a rate of 12-14 per cent for FY2016-17 in constant currency terms. The sector is also expected to triple its current annual revenue to reach an astounding US$ 350 billion by FY 2025 (IT & ITeS Industry in India, 2017). Additionally, an average of more than 30% employees in mid-level positions at tech start-ups and e-commerce firms quit their jobs every year, according to human resource (HR) consultants and industry executives (Sapam, 2015). Moreover, attrition rate is found to be higher in firms where business models are rapidly changing. Attrition rate in IT/ITES sector had been registered to be approximately 28% in March 2011 which is considered to be the highest among other employment sector in India(Goswami and Jha, 2012).

Staff retention and consulting services namely Life Work Solutions, had estimated that over 50% of the people recruited in an organization quits their job within 2 years of their service. Secondly, one in four of every newly hired candidate leaves the organization within 6 months of his/her service. Also, nearly 70% of organizations reported facing difficulties in replacing staff. Moreover, it was also evaluated and estimated that approximately 50% of the organizations encounters issues related to retention (Yazinski, 2009).

Thus, fixing the problem of attrition or turnover had become the need of the hour and therefore, factors which cause the triggering of the issues were analyzed in depth. Few researchers have said that 88% of employees leave their jobs for reasons other than pay.

Researchers have also reported that employee's fail to deliver best possible performance due to frustration on account of imbalance in work and personal life (Mansour, 2011; Jahanian, 2012). Even the talented employee feels demotivated by job stress and unfair treatment (Wright, Garden, Moynihan, 2003). Therefore, employees should be kept happy and satisfied in order to have high performance rate (Kinicki and Kreitner, 2007). Thus the challenge is for HR practitioners to value manpower and to think for their wellbeing in parallel to organizational objective.MacDuffie (1995) had suggested five Human Resource Management practices that enhance performance which are namely: Training & Development, performance appraisals, compensation, benefits, and employee motivation and recruitment package.

However, 70% managers think employees leave because of pay-related reasons (Yazinski, 2009). The accorded reasons according to them were poor reward system, inadequate wages, salaries or allied benefits and lack in H&S facilities (Caliskan, 2010; Long, 2012)

Moreover, whatsoever may be the factor of attrition or turnover in a company; it had a sweeping impact in an organization. According to the statistical survey and analysis conducted by Right Management (talent and career management consulting firm) it amounted nearly three times of an employee's salary to replace someone in place of the vacancy created because of attrition. It included factors like recruitment, lost productivity, severance and lost opportunities. Besides, it was also found that nearly 70% of organizations reported that staff turnover had a negative financial impact because of cost incurred due to recruitment and training of a replaced employee and the overtime work performed by current employees which was required until the organization can fill the vacant position (Yazinski, 2009).

Thus, the paper attempts to study both the qualitative and quantitative factors and its sensitivity so as to enable the research process to draw and formulate strategies that could result to employees' retention in an organization and consequentially enable to save cost accruing due to attrition.

RESEARCH METHODOLOGY

The work undertaken isprimarily an observational (evidence based practice)study that banks on secondary data to explore the factors which attracted the employeesto stay back in the company/organization and vice versa. Blended approach such as survey series, reports and control studies along with retrospective cohort study has been undertaken to draw inferences from the data. Though the given data so analyzed had weak statistical validity but owing to a large administrative data and analyzing changed trend over time, the study wasundertaken.Moreover, to substantiate the statistical weakness, interview method was instituted to examine the outcome of the study.

Data was collected fromliterature review primarily extracted from published and unpublished articles, journals, textbooks and various surveys. But the main basis of the study was done with the outcome of an independent survey, which was annually conducted every year dating back to 2003 on India's best companies to work for. The objective

of the survey so conducted revolvesaround two dimensions, the first being measuring the levels of Trust, Pride and Camaraderie prevalent in an organization and secondly, to understand the people practices, philosophy and values of an organization.

Companies included in the survey (Great Place To Workin India 2016) rangedfrom IT/ITES, Financial Services, Hospitality, Transportation, Telecommunications, construction and real estate, manufacturing and production, retail, nonprofit and charitable organization. Top 100 companies, across 16 industries, with employee strength varying from less than 500 to more than 10,000, were ranked in the survey.

Based on the research approach and design of the study being carried out, purposive sampling was drawn from the survey to extract ranking of the companies and the number of employees'data of IT/ITES Companies only. As the survey titled ittranslates India's best companies to work for, i.e. it is in a way indicating that the top ranked companies are those companies in which employees either wish to continue their services or seeks to be employed.

From the ranking of top 100, Great Place To Workin India 2016a total of six IT/TIES companies including tech start-ups have been extracted based on the frequency of occurrence in the companies ranking over the past five years (2012-2016),i.e., Google India Pvt. Ltd, Intuit India Product Development Centre Pvt. Ltd, PayPal India Private Limited, OSSCube Solutions, Teleperformance India, Aspire Systems (India) Private Limited. Thereafter, on the basis of the ranking score in the survey, the six companies so extracted were classified into three categories namely: Top retainers (Companies with high retention rate), companies with high attrition rate and companies indicating drastic movements.

The ranking of the companies was then analyzed with the number of employees for the past five years using MS Excel – Dot plot charts to exhibit the positive and negative movement of employees per year. This movement was mathematically calculated by taking out the difference between number of employees or employee count in consecutive years, i.e., difference in present year with the immediate past year (difference in employee count in years 2016 and 2015, 2015 and 2014, 2014 and 2013, 2013 and 2012) employeecount in the same company over five years. The difference was plotted in the dot plot chart where year has been represented in X-Axis and change in employee count in Y-axis. The above working has been illustrated in the dot plot charts exhibited hereunder.

Employee Turnover Dot Plot Charts with Tables

From the above given Figures & Tables it was analyzed and interpreted that the companies which have points plotted at the positive Y-axis have high retention and low attrition which is demonstrated in Figure 1(a) and 1(b). Positive growth in employee count yields a positive value of the difference in employee count year by year. Similarly, the patterns of companies with low retention and high attrition is depicted in Figure 2(a) and 2(b) and shows the negative growth or fall in employee count, as it yields a negative value of the difference in employee count year by year. Finally, the patterns of
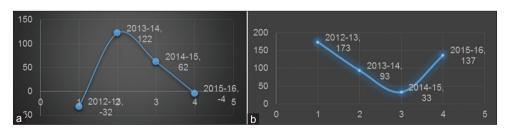

Figure 1: High Retention - It/Ites Companies, (a): Google India Pvt. Ltd, (b): Intuit India Product Development Centre Pvt. Ltd

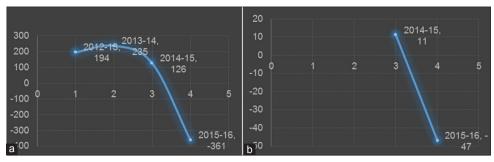| Year	Employee count	
	Google India Pvt. Ltd.	**Intuit India product development centre Pvt. Ltd.**
2016	1683	943
2015	1687	806
2014	1625	773
2013	1503	680
2012	1535	507

Table 1: Employee count by year

Figure 2: High Attrition – It/Ites Companies, (a) Paypal India Pvt. Ltd, (b) Osscube Solutions
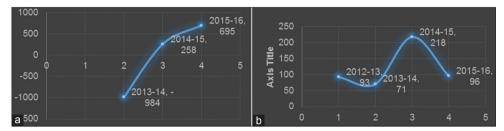

Figure 3: Drastic Movements/Change-It/Ites Companies, (a) Teleperformance India, (b) Aspire Systems (India) Pvt. Ltd.

Table 2: Employee count by year*		
Year	**Employee count**	
	Paypal India Pvt. Ltd.	**OSSCube solutions**
2016	1037	210
2015	1398	257
2014	1272	246
2013*	1037	-----
2012*	843	-----

*Some tables may be incomplete due to data unavailability

Table 3: Employee count by year*		
Year	**Employee count**	
	Teleperformance India	**Aspire Systems (India) Pvt. Ltd.**
2016	4638	1370
2015	3943	1274
2014	3685	1056
2013	4669	985
2012*	----	892

*Some tables may be incomplete due to data unavailability

companies with drastic change/movement has been exhibited in Figure 3(a) and 3(b) respectively on the basis of the above pattern.

The data was taken from the survey's website "greatplacetowork.in", but owing to the insufficiency of the data on the six companies under study and to draw concrete conclusions on retention and attrition information, additional feedbacks and reviews of work culture from various other websites such as glassdoor.com, quora.com, and other e-Journals were also considered. The data under study was found to have weak statistical analysis and validity. Therefore, interview of 30 post graduate students of IT Institutions who had some past work experience in the six companies under study was also taken. The interview was based on their frequency of responses and their opinion on reasons accorded by the interviewee on the cause of retention in the company ranked as most favored company to work in, followed by recording reasonson why employees leave the least chosen company and to authenticate the cause of drastic shift in the moveof few select companies, the data was recorded to evaluate the ranking factorwhich was extracted from the general attrition factors cited by many scholars that affects employee's retention in a tabular form.

Table 4 highlights on the top two companies having high retention rate and is considered among top companies to work in the domain of IT/ITES, one of them being Google India Private Limited, while the other was Intuit India Product Development Centre Private Limited.

On averaging the first three frequencies in descending order it was found that the most pronounced factor was work life balance, followed by comfortable company culture which was further trailed by career package to continue with the retention drive in the company.

Table 5 draws attention on two companies having high attrition rate and is considered among companies where employees do not want to continue their services, particularly in the domain of IT/ITES. The two companies were PayPal India Private Limited and OSSCube Solutions.

Reiterating, the averaging process as done in the top retention companies, the first three frequencies was evaluated in descending order and it was found that the most pronounced factor for attrition was work life balance, followed by comfortable company culture which was missing in the priority list of the company.

Table 4: Companies (high retention) factor priority/ranking		
Companies (high retention)	**Factors affecting employees**	**Analysis (priority/ranking of retaining factors through interview)**
Google India Private Limited	<1> Career package.	<3>
		<1>
	<2> Career path.	<5>
		<2>
	<3> Comfortable company culture.	<4>
Intuit India product development centre Private Limited		<5>
		<3>
	<4> Diversity of responsibilities	<1>
		<4>
	<5> Work life balance	<2>

Table 5: Companies (high attrition) factor priority/ranking		
Companie (high attrition)	**Factors affecting employees**	**Analysis (priority/ranking of factors for attrition through interview)**
Paypal India Private Limited	<1> Career package	<5>
		<1>
		<4>
	<2> Career path	<2>
	<3> Comfortable company culturee	<3>
OSSCube solutions		<5>
		<2>
	<4> Diversity of responsibilities	<3>
		<1>
	<5> Work life balanc	<4>

Table 6: Companies Drastic movement/changes) factor priority/ranking		
Companies (drastic movement/changes)	**Factors affecting employees**	**Analysis (Priority/ranking of factors for drastic change through interview)**
Teleperformance India	<1> Career package	<3>
		<5>
		<4>
	<2> Career path	<2>
	<3> Comfortable company culture	<1>
Aspire systems (India) Pvt. Ltd.		<2>
		<3>
	<4> Diversity of responsibilities	<4>
		<5>
	<5> Work life balance	<1>

Even, the company (Teleperformance India) which showed drastic movement in its ranking on a positive side of the survey of Best place to work in, supplements the above factor such as work life balance, comfortable company culture and diversity of responsibilities that was responsible to increase the employee count.

Similarly, the company (Aspire Systems (India) Pvt. Ltd) which showed drastic movement in its ranking in the survey of Best place to work in supports the above pronounced factor missing in the company culture.

DISCUSSION & RECOMMENDATIONS

The inference drawn from the study verified the predominance of work life balance and comfortable work culture over other three factors taken for the purpose of carrying the research work. It is clearly evident that work life balance is playing a predominant key factor over other four factors. Besides, factors related to monetary issues took a back seat. Seemingly, for attaining equilibrium, the weights of non-monetary issues have to be added upon, to foster increasing retention rate in organizations.

Employees are the greatest asset of any organization. Effective retention strategies and best practices have to be formulated and deployed such that it revolves around improving the factor of work life balance and career growth in an organization which in turn could control lot of cost arising out of attrition. To instill the identified factor, reliance has to be placed on active participation in decision making process in the entire work culture or environment as it crafts a sense of belonging which could act as an essence for semantic bond between the employer and employee that would result in overall reduction in employee attrition.

Moreover, as the entire environment is witnessing drastic changes, the working population is left completely stressed and imbalanced. This is because of their daily hectic and demanding schedules, and thus they suffer the most. Therefore employers should implement effective and efficient strategies for enhancement of work life balance of the employees. A reliable work environment, community engagement opportunities, designated quiet spaces in office, childcare services, work from home options during emergency situations are some of the measures that employers should implement for enhancement of employees work life balance.

Suggestions should be sought after by the employees for changes needed to improve and develop work life balance in their organizations. This will help in overall organizational growth and prosperity that could also minimize employee engagement cost and overall enhancement of staff turnover and organizational morale.

Here are some of the success factors of various companies for achievement of ideal work life balance and high retention rate which should be adopted by companies as strategies where attrition rates are found to be increasing:-
* "Letting go"– This strategy is basically impelled byGoogle which is known for its flexible schedules and work life balance. The concept is basically based on freed up manpower and waste reduction. It helps the employees to learn time management, multitasking, collaboration and hence work in a creative, open and stress free ambience.
* Unstructured time/Flexible work hours – This strategy is adopted by companies like Intuit, Colgate, Google, American Express, Wegmans and Coldwell Banker that believes in promoting flexible time management that results in value enhancementby the employees, which is one of the key component to attain work life balance. Such activities increase productivity and reduces cost of production.
* Respect and value creation of employees – Companies like Intuit, RMSI, Google, SAP Labs India, ensure that the employees feel motivated by nurturing employees performance in a way that enhances individual skills, creativity, leadership, teamwork and results in overall achievement of excellence.
* Smart savingsprogram– This initiative has been launched by American Express India toretain their best employees. The programendorses financial wellness of employees by providing them with attractive employee benefit from the occasional domestic traveler to the frequent international traveler. Such strategic initiatives help to craft a semantic relationship between the employee and employer. Yetanother unique drive by American express India for its employee is by means of offering compensation package that included stock options for employees, formation of pre-tax savings account, providing health insurance benefits for retirees and restricted stock units for employees.

A similar concept namely"Care for Life"initiative is followed by SAP Labs India with the objective to support employees financially in times of emergency. This initiative is managed and funded by the employees themselves and had proved to be significant andfortifying.

- Women Care Initiative such as "Run Mummier" and "Business Women Network- Initiated by SAP Labs India ishighly appreciated by employees. The former being a maternity return program while the latter is a forum fostering promotion of diverse workforce especially focused on women empowerment.
- Work from home policy –Practiced by companies like SAP Labs India, Intuit, Google, etc.toensures employees working for the company from home. Although various companies have various protocols for the policy, the underlying concept of working from home remains the same. Similarly policies such as compressed work weeks have been alternatively adopted by few other companies with the objective of providing flexibility and comfortable work environment so as to promote quality work with increased efficiency.
- Exercise Access – This step of giving employees access to exercising is very famous nowadays especially in IT/ITES industries like Google, SAP Labs India, Intuit, etc. It helps in maintaining health, reducing stress and work pressure. Gym facilities with efficient trainers are very normal nowadays at offices.
- Childcare Services – This initiative has been taken up by many companies such as Infosys, SAP Labs, etc.especially for employees' children. Its prime objective is to safeguard childcare interests. This helps the company in gaining the trust of the employees and keep them motivated for overall organizational development.
- Company outings – This practice is being followed by most of the companies. It is found out to be one of the best possible strategy for development of employee morale, communication and teamwork skills. Occasional outings arranged and sponsored by company can thus give lucrative returns.
- Make Life Easier Benefits – Facilities should be created within the organizational premises to add convenience to the general life of an employee such as free beverages, personal concierge facilities, massage therapy, convenience stores, banking facilities, discounted rate for public transportation and food, on-site package/mailing services, discounted coupons or ticket sales, weight watchers meetings, dry cleaning, personal travel services as availability of such services add stress free and convenient lifestyle for employees and allow them to devote quality time for the organization.

A positive and comfortable work culture also helps in developing a stress free, productive and harmonious atmosphere within the organization. Employers should develop a work culture in which employees can care for each other and work like a family. Moreover, appropriate compensation plans should be formulated and planned that would help the employers invest accurately and the cost incurred by the company for the employee may not get wasted.

Just as organizational growth is the prime objective of the owner of the organization, similarly career growth is the prime objective of a career oriented employee. Therefore enhancement in formulation of an effective strategy for employee career growth is essential and very important. Growth opportunities should be provided to each and every employee of the organization. An unbiased democratic platform should be provided for overall career growth of employees. Referrals should also be encouraged so that employees can bring in new talents. This also helps in creating a trustworthy and motivated environment within the organization. Recruits from within or internal recruitments is also an efficient strategy. Employers can also use social media strategies as a HR tool for enhancement of teamwork coordination. Social media analytics have also showed that social media is a dynamic, flexible, efficient and effective tool for employee communication and motivation. It also helps in employee awareness and engagement. Therefore social media is an essential tool for implementation of retention and cost control strategies.

CONCLUSION

Implementation of effective employee retention strategies have become an essential and primary ingredient for the success of any organization. It has been justified that lower the attrition rate of valuable employees, higher would be the growth factor of the organization. Researchers havealready emphasized that88% of employees leave their jobs because of reasons other than pay related problems. This paper had been evidencing the same trend on factors of attrition. The sensitive factors according to this study was more on work life balance, comfortable work culture and careerpath.Therefore best practices deployed in select company which focuses mostly on the non-economic parameters were suggested to be deployed in companies that faces higher attrition rate. The best practices already deployed in this direction have shown significant positive impact.

The research proposition was carried primarily through secondary data which was further extended using primary data (through interviews). The personal interview method though incorporated with a view of adding statistical viability and removal of biasness still lacked sufficiency due to small sample size of interviewees. Therefore, future study based on both questionnaire and interview approach should be undertaken with a higher sample size and employee diversity for authentication, validation and quantification of the impact of deploying the strategies/best practices.

Additionally, huge costs accrued due to screening, verification of credentials/references, interviews, hiring and training a new employee would be significantly saved.

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