A Study on the Importance of Employee Retention in Pharmaceutical Sector in India

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ABSTRACT

In India over the past few years, the Pharmaceutical sector has been growing in leaps and bounds like any other sector. But this has equally posed certain challenges to the Human Resource team. It is the biggest challenge for them to retain the talented and ambitious employees. While Pharmaceutical sectors contribute a lot to Indian economy and also create employment opportunity it is also placed on top in terms of attrition. Retention is more important than hiring. Employee retention is a process in which the employees are encouraged to remain with the organization. The purpose of this paper is to identify the major factors that influence the employee retention in Pharmaceutical sector. It also throws light on what organizations need to do to retain their employees. Primary data was collected with the help of structured questionnaire administered to 150 employees of 3 different pharmaceutical companies in Chennai. It is very important to understand the major causes for attrition and then to know how talent can be retained. The paper also focuses on how to control attrition and retain the workforce. The findings suggest that organizations should learn from exit interviews, employee’s grievances. Complaints should be treated seriously and if required counselling should be done to retain the best talent. Employee engagement plays an important role in employee retention.

Keywords: Pharmaceutical sector, employee retention, employee turnover, Talent strategies.

INTRODUCTION

One of the most critical issues facing organizations today is to retain the employees especially in the Pharmaceutical sector. Even though more and more Pharmaceutical companies are coming up, the turnover rate is considerably high compared to other industries, ranging from 20 to 30 percent\(^1\). Gone are the days when organizations could hire the best talent and expect them to stay on board until retirement. When the organization looks for a replacement there is certain amount of intangible costs in addition to loss in productivity.

Retaining employees is very important in any organization. It becomes more pertinent in the Pharmaceutical industry to retain the key performers. Successful organizations recognize the worth of retaining their best employees and continuously look for innovative ways to do so. Employees leave for various reasons which include ambiguous and unchallenging role, poor supervision, inadequate peer support, and limited career growth, lack of recognition, limited control over work, perceived pay in equity and perception of more favourable opportunities in other companies. The organization is completely at loss when these employees leave. Employee retention strategies should be taken into account so that an individual stays in an organization for the maximum period of time. With lot of opportunities it is a very difficult task for employers to hold their employees. Losing employees means losing knowledge, capital, skills, and experience. Loss of talented employees is loss of productivity and revenue.

EMPLOYEE RETENTION

Employees are important in running a business; without them the business would be unsuccessful. However, according to the 2008 Bureau of Labour Statistics, more and more employers today are finding that employees remain for approximately 18 to 24 months. It has become a key challenge in organizations to retain the best and most desirable employees. With labour being unpredictable today's employers prefer to have a stable, committed and yet flexible workforce. The goal of employers is generally to decrease employee turnover, which helps in decreasing training costs, recruitment costs and loss of talent and organizational knowledge.

Employee retention is critically important for all organizations for two main reasons:

1. Expensive Turnover.
2. Business performance driven by Top performers.

It's impossible to prevent every employee from leaving a company. However, turnover becomes dysfunctional when the wrong people are leaving, or when the turnover rate becomes so high that the other costs and instability outweigh the benefits.

Role of HR Professionals in Employee Retention

HR professionals working in Pharmaceutical industry are finding it difficult to formulate Retention Strategies. Nothing seems to work in their favour. The average attrition rate in this sector is still very high. Good perks, high rewards alone are not sufficient to retain the employees. When an organization loses critical
employees, there is negative impact on innovation and major delays in delivery of customer services, consequently affecting the production. Below are some of the reasons listed as to why employees are leaving profitability of the organization.

- Quick career advancement
- Multiple job opportunities
- Downsizing done by the organizations
- Structural changes and recession

Other reasons why employees quit their job include low salary, a negative environment at the workplace, lack of growth prospects and motivation, politics, complicated hierarchies, lack of challenging work and poor supervision.

Retaining a healthy team of committed and productive employees, therefore, is necessary to maintain corporate strategic advantage. Hence HR must design appropriate strategies to retain their quality employees. These strategies can vary from lucrative compensation packages to involving employees in every sphere of the functioning of the organization.

Review of Literature

It’s no wonder workplaces everywhere are obsessed with employee engagement. Engaged workers are more productive, perform better, motivate others and, perhaps most importantly – stay. So it is also no surprise that in a labour market such as India attrition rates of 20-30% are normal.

A recent Mercer survey highlights that no fewer than 54% of Indian workers are seriously considering leaving their jobs, and that figure spikes to 66% in the 24 to 28 year age bracket. And they’re not kidding – other independent studies confirm the correlation between intentions to leave and actual turnover.

In another survey conducted among 250 employees job satisfaction emerged as the primary retention factor (51% of all respondents indicated this reason) and was followed by extrinsic rewards (41%), and constituent attachments (34%). In terms of the actual responses that were given regarding job satisfaction, employees mentioned enjoying the actual work involved serving customers and having fun while on the job.

For extrinsic rewards, employees cited aspects of the company’s compensation such as competitive wages, health benefits, retirement contributions, and incentive plans as primary reason for staying.

MacLean,4 says firstly we have to consider the idea that best people, who we wished working for us, are working somewhere else. Secondly we need to rethink ‘qualified’ as ‘Quality’. We can train for skill but not for talent or for attitude. Perhaps our Practices must shift to hiring people who have talents, values and qualities that meet our organizational needs. Retention begins long before an employee’s first day at job, it starts when we take a decision to fill a position and start finding someone to fill it.

What happens in the first few days, will affect the new recruits with the remainder of their career with the organization. Good employees want to develop new knowledge and skills in order to improve their value in the marketplace and enhance their own self-esteem. Therefore it is wise to plan the first initial days of his work and train him for the work he is going to perform in the office, rather than leaving him on his own. Many large organizations cringe at the costs of serious training. But it should be remembered that it is to contribute to fill an educational gap. Leading employers see this not as a cost but an opportunity to both harness worker potential as well as a talent attraction and retention lever.

Compensating employees fairly is the next step in retaining them. A serious issue of compensation has arisen in Pharmaceutical sector. If the compensation is inadequate, the person may accept the job because of his constraints but will leave as soon as he finds a job with better compensation. Company must be aware of the prevailing compensation norms in the industry. Company should keep the compensation system at par. Though majority of the employees do not have job hopping because of monetary gain but certain percentage do follow the same. In the old days, companies essentially paid people for their time. Today, more and more companies pay for performance – in every position. To retain employees, your compensation plan needs to incorporate this trend. When people exceed expectations, give them a bonus. It helps to lay the plan out ahead of time so that employees understand your expectations and know what they have to do to get the bonus.

Employees with high job satisfaction are highly motivated and have little desire to leave their jobs. Productivity of such employees can be linked to factors like competitive pay and benefits, good working conditions, advancement and growth opportunities, etc. It can thus be attributed as a function of how well such workers are motivated. Such employees are less likely to look for another job. However, smaller companies are unable to attract and retain the best talent because they cannot offer the competitive compensation packages that bigger organizations offer. The cost of recruitments and labour turnover per individual become much greater when new staff leave after a short period of time. (CIPD2004)

Some employees have less peer support to draw on. In today’s workplace, there are many employees who find themselves in situations where they are either helpless or decide to move on because the management of their organizations had not been able to put in place an effective employee retention strategy. Retaining valued employees. Research has pointed out that most employees leave out of frustration and constant friction with their superiors or other team members. According to workplace experts, it is really difficult for organizations to
retain the employees who decide to quit for a better opportunity\(^1\). 

**METHODOLOGY**

The objective of this study is to find out the reasons for employee turnover and how employee retention can be optimized. In order to accomplish this research a systematic and organized methodology was adopted. A structured questionnaire was prepared for analysis. The population for the study was chosen from three pharmaceutical companies in Chennai with a sample size of 150 employees at various levels. Their average length of service in organization was 2.5 years.

To gain a better insight of employee turnover and employee retention secondary data was collected from journals, books, magazines and other online information. The primary and secondary data were collated and analysed for suggestions to the organization.

In order to ascertain the various aspects of retention strategies in pharmaceutical industry, two sets of questionnaires were designed with a mix of open and closed ended questions. The idea behind was to gauge the designing of and consequent repercussions of retention strategies of companies.

The HR managers of all the three companies were approached with prior appointments and the purpose of study was explained. In each centre the HR personnel gave appointment to come at 2 different times so that employees from all shifts could be covered. Gathering the information took a fortnight. Information included demographic characteristics (age, sex, designation, work experience and number of organizations worked with before) while filling their names was an optional. It also pertained to questions related to how they feel about their company, supervisors, work conditions, job, and even intentions for staying in the organization. Respondents were informed and convinced that the purpose of the survey was purely academic in nature and confidentiality would be maintained.

**RECOMMENDATIONS**

Employee retention techniques go a long way in motvating the employees for them to enjoy their work and avoid changing jobs frequently. Effective employee retention strategies are one of the major factors to reduce attrition in Pharmaceutical firms. On completion of the analysis the recommendations were summed up. Though these suggestions are organization specific, every organization should come up with their own policies that are best for them.

There is an increased need to retain top performers by driving focus on performance management and career planning. There are many approaches that can be explored as levers to increase retention, including compensation packages and rewards, benefits, telecommuting options, and work/life balance initiatives. Each may have a place in a company’s portfolio of retention strategies. As a retention strategy every organization must analyse that which are the employees to be retained and why they should be retained, will they be loyal, stay with the company, be committed and productive.

It is really difficult for organizations to retain the employees who decide to quit for a better opportunity. Also retaining individuals who thrive in the workplace can be challenging because they are always on the lookout for greener pastures.

The challenge, workplace experts say, is often how companies approach retention - reactively. Constant Training, Leadership and Direction, Recognition and Reward are to be practiced. If organization could help them focus on their career development, they are likely to be more loyal. Recognition doesn't always have to be about a monetary reward. Employees often express that if someone just noticed and showed appreciation, it would mean a lot. Find out what type of recognition employees seek. Individualize the recognition as much as possible. Proper Exit Interviews to be conducted by HR.

One of the major attributes from the survey analysis showed 68% of the employees expected employee engagement. Strengthening this in the organization can help retain employees.

On measuring engagement found that highly engaged employees were five times less likely to quit than employees who were not engaged. Other factors include that HR should plan the career path of people and provide them rewards and promotion on time and keep them satisfied such that they do not think of alternative employers.

**CONCLUSION**

Organizations should create an environment in which one would be willing to stay. In order to encourage organizational loyalty among employees the very first step towards effective retention is the acceptance of the reality that movement of employees is governed not only by the organization, but also by the market. Fast moving markets require fast-moving organizations that are continually refreshed with new talent.

Retention issues should not be ignored until the company suspects an employee might quit, at which point it is addressed by offering the employee some kind of perks to stay, and then it’s back to business as usual. This approach might work in the short-run, but does nothing to cultivate long-term loyalty.

A better approach is to address retention proactively as a strategic issue. HRs should look forward to commitment, enhance job satisfaction and to provide support to facilitate employee retention.

Finally, Retention strategies are not only for an individual Pharmaceutical organization but for the industry as a whole.
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