

ANALYSIS OF EMPLOYEE ATTRITION IN AUTOMOBILE INDUSTRIES

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ABSTRACT

The Automobile Industries have now realized the importance of retention and attrition management. However, the study focus on identifying the present retention process and aims at providing suggestions and recommendations for the organizations to improve its attrition and retention strategy. The study not only focuses on retention but also helps to identify employees overall satisfaction by taking into accounts the factors such as work culture, pay, training and coordination. The research will diagnose the causes of turnover like lack of job satisfaction, Commitment to the organization, Availability of other jobs, Pay and benefits, or any other direct or indirect factors there in Ahmedabad. Work environment is good, equitable pay and performance systems are adopted and finally finding whether the organization paves way to build employees' motivation and commitment with respect to various factors like gender, age, educational background, years of experience in different positions. The paper helps to identify employee's attrition reasons and perspectives of an automobile company.

Keywords: Job Satisfaction, Foreign Direct Investment, Organizational Culture

INTRODUCTION

Automobile industry is the key driver of any growing economy and plays a pivotal role in country's rapid economic and industrial development. It caters to the requirement of equipment for basic industries like steel, non-ferrous metals, fertilizers, refineries, petrochemicals, shipping, textiles, plastics, glass, rubber, capital equipments, logistics, paper, cement, sugar, etc. It facilitates the improvement in various infrastructure facilities like power, rail and road transport. Due to its deep forward and backward linkages with several key segments of the economy, the automobile industry is having a strong multiplier effect on the growth of a country and hence is capable of being the driver of economic growth. It plays a major catalytic role in developing transport sector in one hand and help industrial sector on the other to grow faster and thereby generate a significant employment opportunities.

In India, automobile is one of the largest industries showing impressive growth over the years and has been significantly making increasing contribution to overall industrial development in the country. Automobile industry includes two wheelers, three wheelers, commercial vehicles and passenger vehicles. The Indian automobile industry has made rapid strides since delicensing and opening up of the sector in 1991. It has witnessed the entry

of several new manufacturers with the state-of-art technology, thus replacing the monopoly of few manufacturers. There are 19 manufacturers of passenger cars & multi utility vehicles, 16 manufacturers of commercial vehicles, 10 manufacturers of two wheelers and 7 manufacturers of three wheelers in India. The norms for foreign investment and import of technology have also been liberalized over the years for manufacture of vehicles.

At present, 100% foreign direct investment (FDI) is permissible under the automatic route in this sector, including passenger car segment. Presently, India is the world's second largest manufacturer of two wheelers, fifth largest manufacturer of commercial vehicles and fourth largest manufacturer of tractors. It is the seventh largest passenger car market in Asia as well as a home to the largest motor cycle manufacturer. The installed capacity of four wheelers is 3.88 million units, two and three wheelers is 14.31 million units. The Indian automobile industry has attained a turnover of USD 56,259.57 million and provides direct employment to 1 million people and indirect employment to 18 million people in the country. The sector has shown great advances in terms of development, spread, absorption of newer technologies and flexibility in the wake of changing business scenario. The majority of India's car manufacturing industry is based around three clusters in the south, west and north. The southern cluster consisting of Chennai and Bangalore is the biggest with 35% of the revenue share. The western hub near Mumbai and Pune contributes to 33% of the market and the northern cluster around the National Capital Region contributes 32%. Chennai, is also referred to as the "Detroit of India" with the India operations of Ford, Hyundai, Renault, Mitsubishi, Nissan, BMW, Hindustan Motors, Daimler, Caparo, and PSA Peugeot Citroën is about to begin their operations by 2014. Chennai accounts for 60% of the country's automotive exports.

The Indian Automobile Industry manufactures over 20.4 million vehicles and exports about 2.9 million vehicles each year. The dominant products of the industry are two-wheelers with a market share of over 75% and passenger cars with a market share of about 16%. Commercial vehicles and three-wheelers share about 9% of the market between them. About 91% of the vehicles sold are used by households and only about 9% for commercial purposes. Tata Motors is leading the commercial vehicle segment with a market share of about 58%. Maruti Suzuki is leading the passenger vehicle segment with a market share of 45%. Hyundai Motor India Limited and Mahindra and Mahindra are focusing expanding their footprint in the overseas market. Hero MotoCorp is occupying over 41% and sharing 25% of the two-wheeler market in India with Bajaj Auto. Bajaj Auto in itself is occupying about 58% of the three-wheeler market.

The Indian Automobile Industry has flourished like never before in the recent years. This extraordinary growth that the Indian automobile industry has witnessed is a result of a major factor namely, the improvement in the living standard of the middle class and an increase in their disposable incomes. Moreover, the liberalization steps, such as, relaxation of the foreign exchange and equity regulations, reduction of tariffs on imports, and refining the banking policies initiated by the Government of India, have played an equally important role in bringing the Indian Automobile Industry to great heights. The increased demand for Indian automobiles has resulted in a large number of multinational automobile companies, especially from Japan, the U.S.A., and Europe, entering the Indian market

and working in collaboration with the Indian firms. Also, the institutionalization of automobile finance has further paved the way to sustain a long term high growth for the industry.

The rising competition and increasing global trade are the major factors in improving the global distribution system and has forced many auto-giants such as General Motors, Ford, Toyota, Honda, Volkswagen, and Daimler Chrysler, to shift their production bases in different developing countries which help them operate efficiently in a globally competitive marketplace. During the second half of the 1990's, the globalization of the automotive industry has greatly accelerated due to the construction of important overseas facilities and establishment of mergers between giant multinational automobile manufacturers. Over the years, it is being observed that India is emerging as a global automotive hub. India has growing potential market for automobiles due to rise in demand. As a result, more and more manufacturers are bringing in new forms of the existing product because diffusion of a new product depends upon demand statistics. Automobile manufacturers, particularly car manufacturers are attracting buyers with new model, shopping to tap growing demand for automobiles. Utility vehicles also post significant growth. Further, two and three wheeler industries, specially the motorcycle segments, have shown a steep jump, while the volume growth of all the players has recorded pretty good market share.

REASONS FOR ATTRITION

Employees expect more from their jobs, including a healthy working environment and a sense of accomplishment. For many firms, surprise that employee departures can have a negative effect on the execution of business plans and may eventually cause a parallel decline in productivity. The research shows the general reasons for employee departures and depicted from Figure 1.



Figure 1: Reasons for Employee Attrition

- i. Employee/manager relationship.
- ii. Inability to use core skills.
- iii. Not able to impact the organization's goals, mission.
- iv. Frequent reorganizations; lack of control over career.
- v. Inability to grow and develop.
- vi. Employee/organization values misalignment.
- vii. Lack of resources to do the job.
- viii. Better organizational climate.
- ix. Unclear expectations.
- x. Lack of flexibility; no work life balance.
- xi. Salary with other non-monetary benefits.

Reasons of attrition in Automobile sector

Today manufacturing is technology-dependent and there are high levels of atomization in every industry. Technology drives everything and anyone can be trained on technology-related matters these days. The typical reasons why employees wish to leave any organization for another are the same: better compensation, better opportunities, the nature of the job, health problems. At all levels of management, the pattern remains the same across manufacturing, marketing, and service companies: junior managers cite compensation as the primary reason for leaving; managers at all other levels choose career opportunities and health and the nature of the job are relevant only for senior-level and top managers. Manufacturing Industries are competitive only at the entry level and senior levels. This is evident from the fact that the Manufacturing Sector is seen to be a good launch pad for fresh Engineers. Employees in Manufacturing, especially in Line functions, are least satisfied with the level of innovation in their compensation package. The voluntary job related reasons for employee to change from one company to other is depicted in Figure 2.

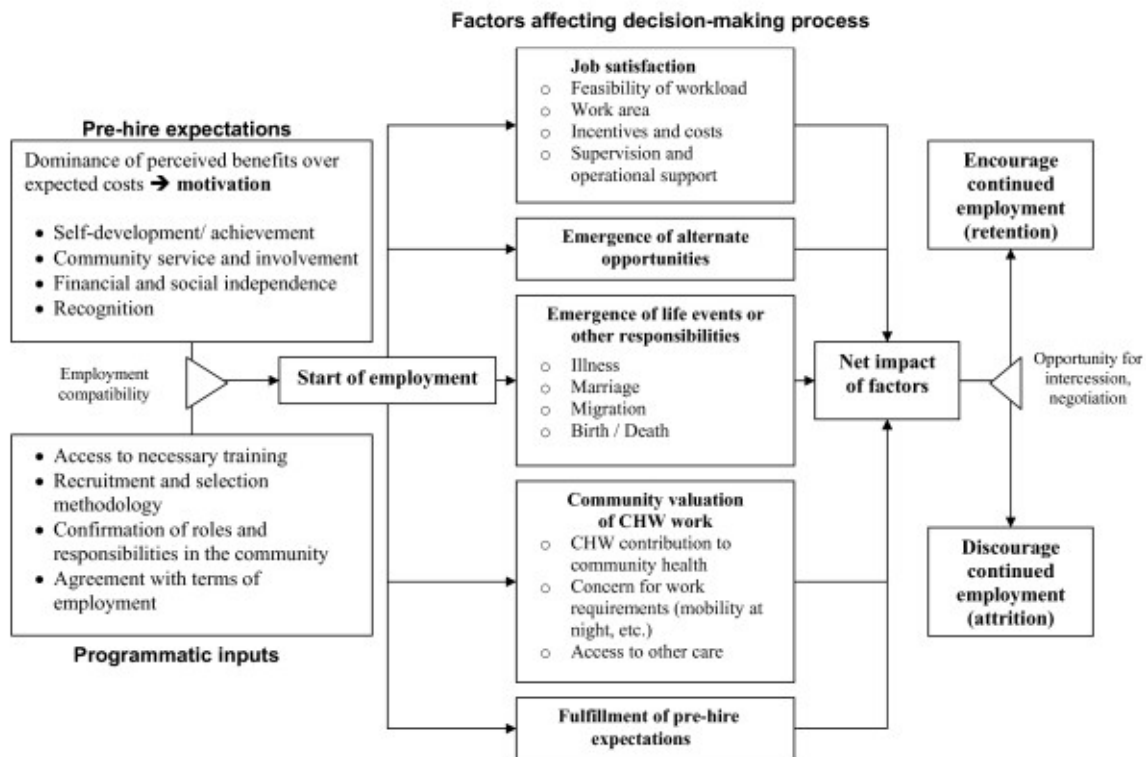


Figure 2: Reasons for attrition in automobile industry

While the salaries at the entry and junior levels of management are competitive, the manufacturing sector finds itself hard put to match salary levels of the new economy sector in the middle and senior levels of management. The manufacturing sector has a challenge of retaining talent at the upper echelons of the management. Perhaps the biggest reason for this is that this sector finds its hands tied when it comes to making counter-offers to separating employees. Pay grades are defined very rigidly in this sector and there is very little room for negotiation. Besides, the rise in salary levels across levels is not as high. There is clearly a need to bring in ‘a breath of fresh air’ in compensation structuring in the manufacturing industry- less employees here perceive fairness and transparency in salary hikes, promotion practices etc. More employees are unhappy with the level of innovation in their compensation package as also with the ability of the package to address medical needs of dependent parents. Although employees agree that their salaries are competitive and their pay package flexible, more employees in this sector are dissatisfied with existing reward-for-performance systems. In an intensely competitive environment, where Human Resource managers are poaching from each other, organizations can either hold on to their employees tight or lose them to competition. For gone are the days, when employees would stick to an employer for years for want of a better choice. Now, opportunities are abound.

CONCLUSION

The organizations should know to recognize the benefits of holding the employees with the goal that it can accomplish its business objective and can increase upper hand over their rivals. As employees are the bases for company, retention of employees is a noteworthy concentration for HR division. The administration ought to recognize the critical variables that influence retention and should take essential measures to enhance these. Likewise, the administration should take proper measure to distinguish the reasons of employees willfully leave. It is just the employees that actualize and offer substance to the corporate mission. At the end of the day in the event that it is the most astounding rung in the corporate chain of importance that has thoughts, it is the employees' rung that has the etch to breath life into the vision. This study examined the connection between different variables like predominant subordinate relationship, ascribes affecting to stay in present organization, work condition, organizational culture, prizes and acknowledgment with employee attrition management.

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