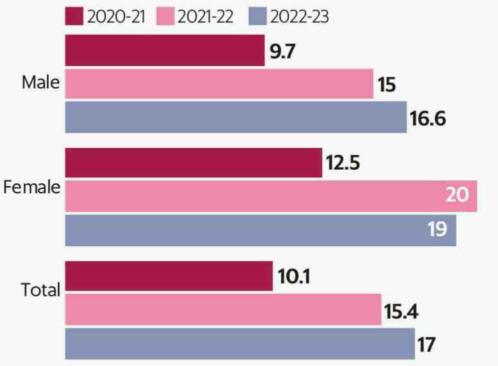
Why India Inc is finding it tough to retain talent

BY NITI KIRAN, NANDITA VENKATESAN, & PAYAL BHATTACHARYA

The median attrition rate of BSE 100 firms stood at 17% in 2022-23, up from 10% in 2020-21 and 15.4% in 2021-22, showed a *Mint* analysis of annual report disclosures. The figure was 19% for women.

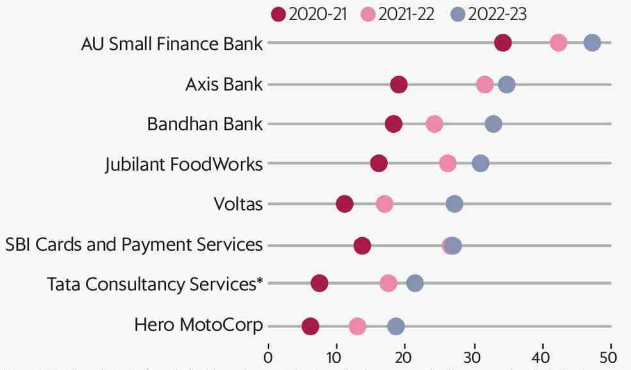
Attrition intensifies, women are more likely to call it quits

Median turnover rate among permanent employees, BSE 100 firms (%)



For some employers, attrition has risen steadily over the last three years

Turnover rates of permanent employees, select BSE 100 firms (%)

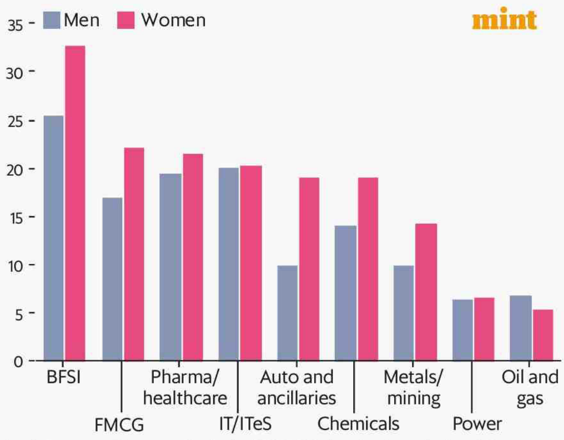


*For TCS, the data is for global headcount, but excludes non-wholly owned subsidiaries.

Analysis covers 73 firms in the BSE 100 index that have declared data reliably for each of the last three years. Turnover rate: the number of people who leave a firm voluntarily (e.g. resignation) or involuntarily (e.g. dismissal or retirement) as a percentage of average strength during the year (average of strength on first and last date).

Attrition is high for both men and women in some sectors such as IT, BFSI

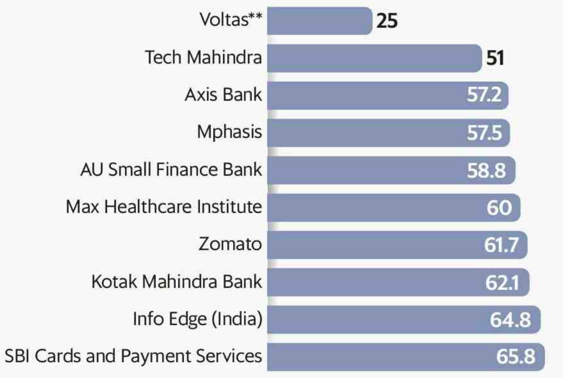
Median turnover rate among permanent employees, BSE 100 firms, 2022-23 (%)



Analysis covers 73 companies in the BSE 100 index that have declared data reliably for each of the last three years. List excludes sectors with fewer than three companies in the sample.

Most firms did well to engage returning parents, but outliers hard to ignore

Companies with the lowest 12-month retention rate* of permanent employees who took parental leave, 2022-23 (%)



Analysis covers 83 companies in the BSE 100 index that have declared the data. *The share of employees who stayed on for at least 12 months after returning to work following parental leave (both paternity and maternity) in the previous reporting period. ** For Voltas, the data is only for women employees as paternity leave was not applicable in 2021-22.

Source: Company filings, Mint calculations

PARAS JAIN/MINT

India's top listed companies appear to have a growing crisis of retaining talent. The median attrition rate of BSE 100 firms stood at 17% in the year ended 31 March, sharply up from the 10% attrition in 2020-21 and 15.4% in 2021-22, showed a *Mint* analysis of companies' annual reports. Women consistently exited more than men.

The figures pertain to a set of 73 firms that declared their turnover rates in each of the last three years. The turnover rate refers to the number of employees who leave—voluntarily or involuntarily—as a percentage of the average strength during a period. A little over half of the companies have seen two back-to-back years of increasing employee exits, 42% of which have seen the rate rise by over 10 percentage points since 2020-21.

The reasons are many. First, it was the pandemic-related upheaval; then the "Great Resignation", which took an ugly turn as companies handed pink slips during cost restructuring. Voluntary exits also became common, as work-life balance, pay disparities, workplace culture, career growth concerns, and employee well-being took centre stage. A survey by Indeed and Forrester Consulting in March revealed that a "vast majority" of employees in India were dissatisfied, stressed, and not thriving at work.

"It suggests a shift in employee preference towards better opportunities and work conditions," said Navneet Singh, founder and chief executive officer (CEO) of Avsar, a recruitment consulting firm. "It also reflects poor adaptability of companies in retaining talent during these challenging times."

For employers, adapting to evolving workforce expectations is the need of the hour

Information technology (IT), banking and financial services, and fast-moving consumer goods (FMCG) segments suffered the worst. "This reflects industry-specific challenges, such as high competition for tech talent in IT, market fluctuations in BFSI (banking, financial services and insurance), and competitive pressures in FMCG," Singh said.

THE GENDER GAP

The median attrition rate was 19% for women in 2022-23, against 16.6% for men (both are up from 12.5% and 9.7%, respectively, in 2020-21). "This period has seen women disproportionately impacted by layoffs and resignations due to a combination of systemic, social, and economic reasons," said Pallavi Pareek, founder and CEO of Ungender, an advisory firm. "Women were also more vulnerable as they work more in some of the sectors hit hard by covid, such as hospitality, retail, and tourism."

In addition, those who are in roles that their employers use primarily for diversity purposes, or for supporting, non-essential activities, are typically the first to face the axe during job cuts, Pareek added. Considering the diverse challenges women face, the problem demands a holistic approach that ensures not just women's retention but also their growth and well-being, she said.

FAMILY-FRIENDLY? MAYBE.

Employers can take solace from the loyalty shown by employees going on parental leave. In their latest annual reports, companies declared two ratios related to this: return-to-work (the share of employees returning to work after the leave), and retention rate (the share of employees who stay on for a year after returning to work following the leave). Both ratios exceeded 90% for many companies.

There were some outliers. Among the 83 companies with this data, 18 had a retention rate of 75% or less. "These discrepancies highlight that not all organizations provide the necessary support for returning parents," Pareek said. "The absence of facilities such as daycare can be a significant barrier. Returning parents often grapple with emotional and logistical challenges. If companies don't offer flexible hours or a gradual reintegration into the workplace, they risk alienating these employees."

However, low retention rates after parental leave may not always reflect a lack of supportive policies and could have similar reasons as high overall attrition.

WHAT'S THE TRICK?

Retaining employees—whether after parental leave or in general—will need employers to be more attentive to their staff's needs—and companies are learning this the hard way. "Flexible or part-time work is not the panacea to all problems," said Nirav Patel, partner at Uniqus Consultech, a consultancy. "A lot of CEOs are now focusing on company culture. That's where the chain starts."

Singh said initiatives such as competitive pay, robust professional development programmes, and increasing focus on well-being, diversity and inclusion could help.

All this also turns the spotlight on transparent reporting by businesses around matters of sustainability and diversity. Some of the data analysed by *Mint* was reported by companies for the first time under new regulatory guidelines that became mandatory from 2022-23. It's clear that with mandatory disclosures, firms have begun to focus more on employee welfare. Some large firms, including Bajaj Auto and Bandhan Bank, have launched their paternity leave policy over the last year or so.

Patel lauded such guidelines, describing them as comprehensive compared with international frameworks, but said there was still a lot of ground to cover. While the disclosures are mandatory, what goes into them has little oversight or regulation, he said. (The *Mint* analysis found a few annual reports with incorrectly reported attrition data; such companies were excluded.) Also, with just one year's data on return-to-work and retention rates, Patel said a meaningful trend would emerge only over time.

This is the second of a two-part series based on the analysis of BSE 100 annual reports. The first part (https://bit.ly/3Q6Qx97) *covered representation of women and disabled people in the workforce.*

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