

Employee Attrition in Indian Pharmaceutical Industry: Causes and Remedies

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ABSTRACT

The pharmaceutical industry has emerged as a significant contributor to Indian economic growth. The Department of Pharmaceuticals in year 2021 had estimated the size of the Pharma industry to be of about USD 41 Bn including drugs and medical devices. The exports stood at around USD 19.13 Bn in FY 2018-19 recording a growth of 10.72% over the previous fiscal. The pharmaceutical industry contributed to almost 1.72% to GDP offering employment to millions. With such huge workforce seeking employment within the sector it becomes mandatory to understand their issues and challenges. Employee attrition is a growing concern in many sectors, and the pharmaceutical industry in India is no exception. The Indian pharmaceutical industry, which is a key player in the global pharmaceutical market, faces significant challenges related to employee turnover.

This research aims to explore the causes and effects of employee attrition within the Indian pharmaceutical industry and to provide recommendations for overcoming its negative impacts. By examining the key factors influencing employee turnover, the study seeks to offer a detailed understanding of the dynamics of employee retention. The findings of this study will assist pharmaceutical companies in India in formulating strategies to reduce attrition and improve workforce stability.

Keywords: Employee attrition, Indian pharmaceutical industry, employee turnover, compensation, career development, work-life balance, retention strategies.

Introduction

The pharmaceutical industry is one of the most crucial sectors in India, contributing significantly to both the domestic economy and the global pharmaceutical market. As of 2023, India is the world's third-largest

pharmaceutical producer by volume and is a key supplier of generic medicines worldwide. According to the Economic Survey 2021, India's domestic pharmaceutical market is expected to grow three times in the next decade and the market is likely to reach \$65 billion by 2024.

Despite its significance, the industry faces challenges related to employee attrition. Employee turnover, especially in critical departments like research and development (R&D), regulatory affairs and sales, can result in operational disruptions, loss of intellectual capital, and increased recruitment costs.

Employee attrition can be costly and adversely affect organizational performance, making it an important area for study. Understanding the causes and impacts of attrition, as well as identifying strategies to reduce turnover, is essential for ensuring the sustainability and growth of the Indian pharmaceutical industry.

Literature Review

Employee attrition in the pharmaceutical industry has been studied globally, but there is limited research that specifically focuses on the Indian context. Existing literature indicates several key factors that contribute to attrition in pharmaceutical companies.

- The competitive nature of the pharmaceutical sector means that employees expect attractive pay packages and benefits. **Ednah & Geoffrey (2017)** focused on Factors Affecting Employee Retention at the University of Eldoret, Kenya to determine the effects of compensation on employee retention. Descriptive research design was adopted for this study. The researchers used purposive sampling method to sample top & middle level managers. A simple random technique was used to determine sample size of other employees. Data was collected through questionnaire from 1500 employees of different levels of management at university of Eldoret. Chi-square test used. The study findings indicated that compensation had significant relationship with employee retention.
- Employees in the pharmaceutical industry often seek opportunities for career growth and advancement. Limited career progression is a major factor driving attrition, as employees leave for better prospects in terms of job roles and professional development (Hewitt, 2010).
- The organizational environment plays a key role in employee satisfaction and retention. **Cascio (2014)** in his book titled *Managing Human Resources: Productivity, Quality of Work Life, Profits* pointed out that a toxic or non-supportive culture, poor leadership, lack of recognition, and insufficient work-life balance contribute to higher turnover rates.
- **K K Maran & Praveen Kumar (2018)** conducted a research study titled 'A study on Employee Perception of Retention Strategies with reference to Software Industry in India, Chennai'. The study focused pull factors influencing the employee attrition. Descriptive Research design was used. Non-Probability, Convenience sampling techniques was used for this study. 500 employees were selected software companies in India. The study also proved that clients may shelve their project if the replaced employees were not up to their expectations. In the case of the impact on employees, stress was found to be more among female employees. Similarly staffing disruptions were found more than experienced employees leave the organizations and too many responsibilities in the wake of team members' attrition force employees to engage in extra work.
- **Judith A Ross (2008)** says provide a room to grow as nothing more is frustrating for an employee than discovering he is out of growth opportunities. The author highlights the significance of career growth and progression opportunities within the organisation can help in reducing attrition rates. He also

mentions that making the workplace creative, fun, and rewarding and helping employees to forge connections to senior management can lead to retention of employees.

- **Poonam Jindal and et al (2016)**, in their study on employee retention strategies describe employee engagement can be one of the major tools to retain employees. In their opinion, disengaged employees are more probable to leave the organization as they are less productive and less loyal when compared to the engaged employees.

Objectives of the study

The objectives of present research study are:

1. To study the causes and factors leading to attrition of employees in pharmaceutical industries.
2. To understand the importance of employee retention in pharmaceutical Industries.

Research Methodology

The study is descriptive in nature and only secondary data has been utilized in it. The secondary data was collected from various articles, books and web sources.

What is Employee Attrition?

Employee attrition is also known as Employee turnover. Attrition in human resources refers to the trend of employees leaving the organisation over time. In general, fairly high attrition is problematic for companies. Modern day enterprises in majority of sectors are facing challenge of high employee turnover. Consequently, the HR professionals frequently assume a leadership part in designing company compensation programs, work culture and motivation systems that help the organization retain top employees.

Findings and Analysis

The literature review clearly highlights the factors leading to employee attrition in the Indian Pharmaceutical Industry as follows:

Compensation and Benefits:

Employee perception of a good job is seen to be in terms of pay package and fringe benefits. Although Indian pharmaceutical companies offer competitive pay at the entry and mid-career levels, higher compensation packages in multinational pharmaceutical companies and the absence of performance-based incentives can be considered as reasons for attrition.

Limited Career Development Opportunities:

Employees associated with pharmaceutical companies also look for good career development opportunities. Furthermore, in the wake of increasing number of pharma companies in India the employees are exposed to larger recruitment market. Consequently they can look for growth and development opportunities in various allied industries. This makes them leave the existing employers and join newer groups. Thus, lack of career prospects and growth opportunities also is another significant reason for their departure. Studies also indicate

that employees, especially in smaller companies, find absence of clear career progression paths and professional development programs. This makes the attrition rate quite high.

Workplace Culture and Stress:

Modern day Pharmaceutical companies are witnessing tough competition not only from domestic players but also from global players. This consequently is leading to target-oriented performance measurement systems. Undoubtedly this can lead to work-related stress. The stress coupled with an unsupportive organizational culture is another reason for high attrition. Issues like long working hours, work pressure, and poor leadership have been frequently mentioned in research studies. Employees also expressed dissatisfaction with the lack of recognition for their contributions.

Job Security and External Factors:

Many research studies have also indicated that employees working in pharma companies have face uncertainty surrounding job security and the constant changes in regulations, mergers, and acquisitions within the industry. This is also a factor that leads to employee attrition. Regulatory changes and intense market competition often lead to restructuring, which affects job stability.

Impact of Employee Attrition

Employee attrition in the Indian pharmaceutical industry has several consequences:

Operational Disruptions:

High turnover rates, especially in research and regulatory departments, result in delays in product development, clinical trials, and regulatory approvals. This disrupts the overall workflow and leads to inefficiency.

Loss of Knowledge and Expertise:

The pharmaceutical industry relies heavily on skilled professionals. The departure of experienced employees results in the loss of valuable intellectual capital, making it difficult for companies to maintain continuity in their operations.

Increased Recruitment and Training Costs:

Continuous attrition leads to higher recruitment and training costs. Pharmaceutical companies spend a significant portion of their budgets on hiring new employees and training them to fill the gaps left by departing employees.

Employee Retention Strategies

Based on the literature reviewed, the following retention strategies were identified as effective in reducing employee turnover:

Competitive Compensation Packages:

Companies that offer competitive salary packages, bonuses, and performance incentives are better positioned to retain employees. Providing healthcare benefits and stock options can further improve retention.

Career Development Programs:

Offering employees clear career advancement opportunities through training, mentoring, and leadership development programs is crucial in improving retention. Companies should focus on creating a transparent pathway for growth and internal promotions.

Improved Work-Life Balance:

Flexible working hours, work-from-home options, and employee wellness programs are essential in improving job satisfaction and reducing burnout. Promoting a healthy work-life balance is crucial in retaining employees.

Positive Organizational Culture:

A supportive and inclusive work environment is key to employee satisfaction. Companies should focus on leadership development, recognition of employee achievements, and creating a culture of open communication.

Employee Engagement:

Involving employees in decision-making processes and maintaining open channels of communication can help address concerns early on and prevent attrition due to dissatisfaction.

Conclusion

Employee attrition poses a significant challenge to the Indian pharmaceutical industry, affecting productivity, innovation, and profitability. The findings of this study highlight the critical factors contributing to employee turnover. Pharmaceutical companies in India need to invest in retaining skilled talent by addressing the core reasons for attrition. By offering competitive compensation, ensuring clear career growth opportunities, fostering a supportive work environment, and maintaining job security, companies can reduce turnover and retain experienced professionals.

Recommendations**Regularly Review Compensation Packages:**

Ensure that compensation is competitive with both national and international standards, with performance-based bonuses and rewards.

Focus on Career Development:

Invest in employee training programs, offer leadership development opportunities, and ensure clear career advancement pathways.

Improve Organizational Culture:

Foster an inclusive and supportive work environment that encourages open communication and recognizes employee contributions.

Provide Work-Life Balance:

Offer flexible work hours, remote work options, and wellness programs to reduce stress and improve employee satisfaction.

Monitor External Factors:

Stay informed about regulatory changes and market conditions that may impact employee retention, and offer support during periods of organizational change.

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