

## A STUDY OF EMPLOYEE RETENTION IN THE PHARMACEUTICALS SECTOR IN DEHRADUN CITY

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**Abstract:** In the highly regulated pharmaceuticals industry, jobs have become more stressful and complicated. Fierce competition has driven salaries higher and higher and benefits must be constantly improved. Although the pharmaceutical industry has lower turnover rates compared to other industries, the cost of turnover is much greater. With strict regulations and rigid timelines, a research specialist's resignation leaves your company with a delay in product development and a loss of talent. Additionally, when a pharmaceutical representative leaves, they take the client relationships with them. These stringent regulations leave employee actions vulnerable to repercussions from their boss and the government. In the given scenario this study has been undertaken to understand the major issues associated with the retention of the pharmaceutical employees in Dehradun city. Another objective is to identify the major causes of the high level of attrition. The study investigates the influence of HR policies, compensation and benefits, work pressure and relationship with the superiors on employee retention.

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### I. INTRODUCTION

*'Please don't forget people'*

*ILO: The Times of India, Mumbai, January 2009*

The above statement clearly brings out the necessity of good people in the organization and thereby underscores the need for introducing better retention policies. Employee retention is a business-management term referring to efforts by employers to retain current employees in their workforce. Effective employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs. Also of concern are the costs of employee turnover (including hiring costs, training costs and productivity loss). Replacement costs usually are 2.5 times the salary of the individual. The costs associated with turnover may include lost customers and business and damaged morale. In addition there are the hard costs of time spent in screening, verifying credentials, references, interviewing, hiring and training the new employee. (Workforce Planning for Wisconsin State Government, 2005)

Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs. How to retain valuable employees is one of the biggest problems that plague companies in the competitive marketplace. Not too long ago, companies accepted the "revolving door policy" as part of doing. Nowadays, businesses often find that they spend considerable time, effort and money to train an employee only to have them develop into a valuable commodity and leave the company for greener pastures. In order to create a successful company, employers should consider as many options as possible when it comes to retaining employees, while at the same time securing their trust and loyalty so they have less of a desire to leave in the future.

Employee retention involves taking measures to encourage employees to remain in the organization for the maximum period of time. Corporates are facing a lot of problems in employee retention these days.

Hiring knowledgeable people for the job is essential for an employer. But retention is even more important than hiring. There is no dearth of opportunities for talented persons. There are many organizations which are looking for such employees. If a person is not satisfied by the job he is doing, he may switch over to some other more suitable job. In today's environment it becomes very important for organizations to retain their employees.

### 1.1 BENEFITS OF EMPLOYEE RETENTION

Every company should understand that people are their best commodity. Without qualified people who are good at what they do, any company would be in serious trouble. In the long run, the retention of existing employees saves the company's money. As Beverly Kaye and Sharon Jordan-Evan stated in *Training and Development*: "Studies have found that the cost of replacing lost talent is 70 to 200 percent of that employee's annual salary. There are advertising and recruiting expenses, orientation and training of the new employee, decreased productivity until the new employee is up to speed, and loss of customers who were loyal to the departing employee. Finding, recruiting and training the best employees represent a major investment. Once a company has captured talented people, the return-on-investment requires closing the back door to prevent them from walking out."

When an employee leaves a company for a direct competitor, there is always a chance that they will take important business strategies and secrets with them to be explained by the competition. This is yet another reason why the retention of employees is so crucial to some businesses. While this practice seems a bit unscrupulous, it still happens quite frequently. Recruiting and hiring from your competitors is probably as old as business itself. But what is new – and a buzzing topic among employers – is how to attract and retain qualified candidates in a highly competitive labour market while also preventing their own intellectual capital from winding up in the hands of competitors.

One way for a company to prevent employees from giving valuable information to competitors is to make it a policy to enforce strict non-competition and confidentiality agreements amongst its employees. The existence of such agreements could in fact deter a competitor from hiring a valuable employee because they might not want to risk possible legal entanglements with the other company. Of course, all this could possibly lead to animosity with the employee who could feel that his or her options are being limited. Many employees don't always remember signing such a document, so a copy of it should always be kept on file for the employee to refer to. This area could prove to be a highly sensitive one between employer and employee, so extreme caution is suggested in all instances.

Why is retention so important? Is it just to reduce the turnover costs? It's not only the cost incurred by a company that emphasizes the need of retaining employees but also the need to retain talented employees from getting poached.

The process of employee retention will benefit an organization in the following ways:

**1.1.1 The Cost of Turnover:** The cost of employee turnover adds hundreds of thousands of rupees to a company's expenses. While it is difficult to fully calculate the cost of turnover (including hiring costs, training costs and productivity losses), industry experts often quote 25% of the average employee salary as a conservative estimate.

**1.1.2 Loss of Company Knowledge:** When an employee leaves, he takes with him valuable knowledge about the company, customers, current projects and past history (sometimes to competitors). Often much time and money has been spent on the employee in expectation of a future return. When the employee leaves, the investment is not realized.

**1.1.3 Interruption of Customer Service:** Customers and clients do business with a company in part because of the people. Relationships are developed that encourage continued sponsorship of the business. When an employee leaves, the relationships that employee built for the company are severed, which could lead to potential customer loss.

**1.1.4 Turnover leads to more turnovers:** When an employee's services are terminated, the effect is felt throughout the organization. Co-workers are often required to pick up the slack. The unspoken negativity often intensifies for the remaining staff.

**1.1.5 Goodwill of the company:** The goodwill of a company is maintained when the attrition rates are low. Higher retention rates motivate potential employees to join the organization.

**1.1.6 Regaining efficiency:** If an employee resigns, a good amount of time is lost in hiring a new employee and then training him/her and this in turn leads to company losses, which many a time go unnoticed. And even after this the company cannot be assured of the same efficiency from the new employee.

## 1.2 LITERATURE REVIEW

A large number of studies have already been undertaken in the field of employee retention as retaining employees in an organization plays a very crucial part as it involves 'regaining' the confidence, trust and loyalty of an individual who now has an opportunity which is somehow better than the present one. Mere selection does not ensure the growth, prosperity and smooth functioning of an organization but it requires continuous monitoring and support of the management to take out the best from their employees. (Tiwari Pankaj, Batra Shaizal, Naidu Gargi, 2008)

B. Ramakrishnan, Managing Director, C & K Management Ltd., TMI Network, opines that the most important HR challenge is finding good people and, secondly, retaining them.

N. R. Narayana Murthy, one of the most successful industry leaders, holds a firm belief that people are the most important asset of an organization. He says, "When our key assets, i.e., employees walk out every evening, our net worth is reduced to zero. Our challenge is to ensure that they come back next day rejuvenated, refreshed and energised." (Chary, 2002: 77)

Employee retention has become a major challenge for HR executives all over the pharmaceuticals industry. Organizations embarking on talent management need to review their current HR practices. The 'war for talent' has focussed on acquiring and retaining 'the best'. Human resources play a significant role in reaching organizational effectiveness and performance. (Huselid, 1995)

Competition and the lack of availability of highly talented skilled employees make finding and retaining talented employees a major priority for organizations. (Flegley, 2006) In cultivating a high-performance workforce, both assessment of employees to ensure the best match to the job and the company and assimilating them to ensure successful integration into the workplace, the culture of the organization and specific roles and responsibilities are equally important. (Morgan, 2004) Organizations are laying emphasis on initiatives that can be put in place to help it retain and nurture the talent. (Pandit, 2007)

## 1.3 OVERVIEW OF THE PHARMACEUTICALS INDUSTRY

The Indian pharmaceuticals industry today is in the front rank of India's science-based industries with wide-ranging capabilities in the complex field of drug manufacture and technology. A highly organized sector, the Indian pharmaceuticals industry is estimated to be worth \$4.5 billion, growing at about 8 to 9 percent annually. It ranks very high in the Third World, in terms of technology, quality and range of medicines manufactured. From simple headache pills to sophisticated antibiotics and complex cardiac

compounds, almost every type of medicine is now made indigenously. The Indian pharmaceuticals sector is one of the largest and most advanced among the developing countries.

Over 20,000 registered pharmaceuticals manufacturers exist in the country. Of this, bulk drugs will account for Rs. 54 billion (21%) and formulations, the remaining Rs 210 billion (79%).

**Attrition and Compensation:** The pharmaceuticals sector is facing a high attrition rate and severe dearth in the scientific R & D segment. The attrition rate in the pharmaceuticals sector ranges from 30 to 40 per cent at the field level and 8 to 10 per cent at the managerial level. The compensation range at various levels in the pharmaceuticals industry, which were earlier not considered to be at par with the other average standards in other sectors, has witnessed a great change in the past couple of years. Now, the companies are attracting talent by offering high packages along with incentives and other schemes like ESOPs. The sector has registered an average hike from 12 to 15 percent in the salaries across all levels. The salary in the sector is becoming more and more volatile. The key players in the Indian pharmaceuticals industry like Ranbaxy, Dr. Reddy's Laboratories, Glaxo SmithKline, Cipla Limited, Cadila, Aventis Pharma and Novartis have registered a global presence.

The cluster of Dehradun is mainly concentrated in a radius of 40-45 km covering two districts, i.e., Dehradun and Haridwar. The cluster firms are engaged in production of mainly allopathic formulations in various dosage forms such as tablets, capsules and liquid orals. Very few firms also manufacture ointments and injectables. Selaqui, Chakrata Road, Ballupur are some of the areas of Dehradun which house a number of manufacturing units of pharmaceutical companies.

## II. RESEARCH METHODOLOGY

Subjects of the present study were the employees of the pharmaceuticals sector, especially medical representatives of various companies in Dehradun city. Respondents were selected randomly. Employees were mainly from Merck India, Lupin Laboratories, Cipla, Eli Lilly, Ranbaxy, The Himalaya Drug Company, Wheezal Laboratories Pvt Ltd., etc. Overall 200 questionnaires were distributed. Finally, 125 (62.5%) questionnaires were analysed. 75 (37.5%) questionnaires were rejected as they were not properly filled.

Various dimensions associated with employees' retention like HR policies, compensation & benefits, work pressure, and relations with superiors were explored. There were overall 24 statements; each statement was in the form of a dichotomous question, i.e., it had to be answered in either 'Yes' or 'No'. There were two parts of the questionnaire. First part had 18 statements distributed amongst the above-mentioned four dimensions, while 6 statements pointedly explored the causes for high attrition.

### III. DATA ANALYSIS

<b>Demographic profile of the respondents</b>		
<b>Total no. of respondents</b>	125	%
Males	110	88
Females	15	12
<b>Age brackets</b>		
20 -25	32	25.6
26-30	53	42.4
31-35	18	14.4
36-40	13	10.4
41 and above	9	7.2
<b>Educational qualifications</b>		
Graduation	59	47.2
Post-graduation (Academic)	26	20.8
Post-graduation (Professional)	40	32
<b>Years of experience</b>		
0 to 2	86	68.8
2 to 4	23	18.4
4 to 6	11	8.8
6 to 8	5	4
8 and above	0	0
<b>Monthly income (Rs.)</b>		
5000 - 15000	14	11.2
15000-25000	24	19.2
25000 - 35000	53	42.4
35000 - 45000	23	18.4
Above 45000	11	8.8

#### Issues in employee retention in Pharma Sector

<b>HR Policies</b>		<b>Yes</b>	<b>No</b>	<b>Yes (%)</b>	<b>No (%)</b>
1	Employee-centred HR policies	110	15	88	12
2	Efforts to keep the workforce motivated	87	38	69.6	30.4
3	Satisfaction with working hours	14	111	11.2	88.8
4	Security of job	50	75	40	60
5	Resolution of grievances	91	34	72.8	27.2

Compensation & benefits		Yes	No	Yes (%)	No (%)
1	Salaries are at par with others at the same level doing similar job	102	23	81.6	18.4
2	Adequate perks	108	17	86.4	13.6
3	Post-retirement benefits	33	92	26.4	73.6
4	Linking of performance with adequate rewards	117	8	93.6	6.4
5	Foreign trips	78	47	62.4	37.6

Work Pressure		Yes	No	Yes (%)	No (%)
1	Stress of target completion	73	52	58.4	41.6
2	Fluctuating targets	110	15	88	12
3	Unnecessary paperwork	31	94	24.8	75.2
4	Excessive competition in the pharma industry	98	27	78.4	21.6

Relations with superior		Yes	No	Yes (%)	No (%)
1	Meeting the superior's expectations	89	36	71.2	28.8
2	Recognition of efforts by the superiors	61	64	48.8	51.2
3	Accessibility of superiors	105	20	84	16
4	Compatibility with immediate superior	97	28	77.6	22.4

#### Major causes of attrition of employees

1	Working hours	<b>88.8%</b> employees are not happy
2	Job security	<b>60%</b> employees feel they are not secure about their jobs
3	Fluctuating targets	<b>88%</b> feel their targets keep fluctuating and they are not very sure about what would be expected from them next time.
4	Lack of post-retirement benefits	<b>73.6%</b> employees feel they do not get post retirement benefits. They are also apprehensive about their social security.
5	Overall work stress	More than <b>91%</b> (114) employees feel that though their compensation, incentives and perquisites are attractive but there is a lot of work stress especially in the months of March and September.
6	Better opportunities	About <b>76%</b> (95) employees switch job because of better opportunities in other rival companies

#### IV. FINDINGS

1. It is found that 88% of respondents believe that HR policies are employee-centred while 22% believe that they are not.

2. It is found that 76% of respondents are getting the right amount of accurate information at the right time and 24% of respondents are not getting right amount of accurate information at right time.
3. It is found that 71.2% of respondents are able to meet their superior's expectations and 28.8% respondents are not able to meet their superior's expectations.
4. It is found that 81.6% of respondents feel that their pay is at par with employees handling similar responsibilities, and 18.4% of respondents feels that their pay is less in comparison with the employees of other companies handling similar responsibilities or doing same jobs.
5. It is found that 48.8% of respondents feel that their efforts are recognized by superiors while 51.2% of respondents feel that their efforts go unrecognized.
6. 69.6% of respondents feel that efforts are made to keep them motivated while 30.4% of respondents feel that organizations are not concerned about their motivation.
7. It is found out that 58.4% of respondents feel that the stress of target completion is very high while 41.6% of respondents feel that it is not very stressful and can be managed.
8. It is found that 84% of respondents feel that the superiors are easily accessible and 16% of respondents feel that the superiors are not easily accessible.
9. It is found that 72.8% of respondents feel that their complaints are resolved quickly and 27.2% of respondents feel that their grievances are not resolved timely.
10. 93.6% employees believe that performance is nicely linked with their rewards, 86.4 believe they get enough perks, and 62.4% respondents even get to go on foreign trips as part of their performance bonus.
11. Overall stress from the work (91%) , working hours (88.8%), fluctuating targets (88%), better opportunities with other companies (76%) and lack of post-retirement benefits and other social-security norms (73.6%) have emerged as the main causes of high attrition in the pharmaceuticals sector.

## V. RETENTION STRATEGIES FOR PHARMACEUTICALS EMPLOYEES

In order to retain the employees and reduce turnover, a proactive approach is critical. Following retention strategies and tools will help the organizations:

- a) **Right selection:** Hiring individuals who are truly fit to succeed in the position for hire will dramatically increase the chances of that employee being satisfied with his or her work and remaining with the company for an extended period of time. By far, this is to be the biggest predictor of future employee retention.
- b) **Communication:** Communication has become so heavily stressed in the workplace that it almost sounds clichéd. Communicate any new company policies or initiatives to all employees to be sure that everyone is on the same page. Nobody wants to feel that they are being left out of the loop.
- c) **Include employees in decision-making:** It is incredibly important to include team members in the decision-making process, especially when the decision will affect an individual's department or work team. This can help create a sense of involvement and will generate new ideas and perspectives that top management might never have thought of.
- d) **Allow team members to share their knowledge with others:** The highest percentage of information retention occurs when one shares that information with others. Having team members share when they have learned at a recent conference or training workshop will not only increase the amount of information they will retain, but also lets a team member know that he is a valuable member of the organization. Facilitating knowledge-sharing through an employee-mentoring

programme can be equally beneficial for the team member being mentored as well as for the mentor.

- e) **Shorten the feedback loop:** Do not wait for an annual performance evaluation to give feedback on how an employee is performing. Most team members enjoy frequent feedback about how they are performing. Shortening the feedback loop will help keep the performance level high and reinforce positive behavior.
- f) **Balance work and personal life:** Family is incredibly important to team members. When work begins to put a significant strain on one's family, no amount of money will keep an employee around. Stress the importance of balancing work and one's personal life. Small gestures such as allowing a team member to take an extended lunch once a week, granting permission to attend his children's PTM and the like will likely be repaid with loyalty and extended employment with an organization.
- g) **Provide opportunities for growth and development:** Offer opportunities for team members to acquire new skills and knowledge useful to the organization. If an employee appears to be bored or burned out in a current position, offer to train this individual in another facet of the organization where he or she would be a good fit. Nobody wants to feel stuck in their position with no possibility for advancement.
- h) **Recognize team members for their hard work and let them know they are appreciated:** This can be one of the single greatest factors affecting employee retention. Everybody, across all levels of an organization, wants to know that their efforts are appreciated and recognized. Often a short e-mail or quickly stopping by a team member's desk and saying "thanks" can do wonder for morale.
- i) **Clearly define what is expected of team members:** Nothing can be more frustrating or discouraging for an employee than the lack of a clear understanding of what is expected of him on the job. In a performance-driven workplace a lack of clarity regarding job duties and expectations can cause fear and anxiety among employees who are unclear of what is expected of them.
- j) **The quality of supervision and mentorship:** It has been said that 'people leave people, not their jobs'. Supervisors play the largest role in a team member's development and ultimate success within an organization. All employees want to have supervisors who are respectful, courteous and friendly – that is a given. But more importantly team member want supervisors who set clear performance expectations, deliver timely feedback on performance, live up to their word and promises and provide an environment where the employee can grow and succeed. Failure by supervisors and management to provide this can cause an employee to start looking for greener pastures.
- k) **Fair and equitable treatment of all employees:** One of the surest ways to create animosity and resentment in an organization is to allow favouritism and preferential treatment of individual team members.
- l) **Best employee reward programs:** If these rewards are in terms of money, by dividing it into two parts and giving the first half parts with the initial month's salary and the remaining after six months helps in retaining the employee for six months.
- m) **Performance-based bonus:** To get more work out of the employees, remuneration in the form of bonus helps to retain individuals who are highly productive. It doesn't add extra-pressure on the company's budget. It can be arranged by cutting a part of the salary hikes.
- n) **Employee referral plan:** Introducing employee referral plans and giving referral bonus after six to nine months of continuous working of the new employee as well as existing employee reduces the hiring cost of new employee as well as helps retention of the existing ones for a longer period of time.



- o) **Loyalty bonus:** After successful completion of a specified period of time in an organization rewarding employees with money or position gives recognition and satisfaction to them. It also gives encouragement to the fellow employees.
- p) **Giving voice to the knowledge banks:** The important intellectual assets of the company are the workforce. The company should retain it through involving it in some of the important decisions.
- q) **Accountability:** Creation of an environment that demands accountability and transparency helps employees feel that they are at par with their superiors. This helps in emotional bonding of the employees.
- r) **Fun and laughter at workplace:** Fun and laughter in a workplace lends a competitive advantage to an organization through its human resources. The presence of humour in a workplace enables the employees to work with interest and enthusiasm that reduce the work pressure and attrition levels.

For every company, workforce is an intellectual capital which is the source of its competitive advantage and helps achieve the bottomline. Hence, retaining a well-trained, skilled and contented workforce can lead a company to dizzy heights while the lack of it can hamper its growth badly. So, every resignation saved is a dollar earned.

## VI. CONCLUSION

In today's business environment clearly the long-term winners will be the companies that provide a flexible and challenging work environment along with employee recognition and rewards. (Verma K. Shekhar, 2009). If employees are asked to share the risks then they have to share the rewards as well. Due to growing expectations among employees at all levels, a majority of employees at all levels want to have an improved quality of work life. As per the growth projections of the Indian pharmaceuticals sector, companies are required to retain their human resources.

No doubt, soaring attrition levels are proving to be a serious problem for organizations. Concerted efforts to keep retention on a tight leash will definitely help. High retention level will lead to fewer operational problems, greater productivity and soaring morale and huge cost-saving to the organization. In this context, employee retention has become the strategic focus and compelling necessity of businesses today. Thus, ignoring the problem of mounting attrition level can have devastating consequences for the business. Organizations can afford to ignore the problem at their own peril.

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