



A REPORT BY  
**M+V ALTIOS FOR VDMA**

SEPTEMBER 2022

# THE GREAT RESIGNATION

HOW TO HIRE & RETAIN  
SUCCESSFULLY WITHIN  
ENGINEERING SECTOR

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# FOREWORD

BY MR. KLAUS MAIER &  
MR. RAJESH NATH



Dear VDMA Members,

VDMA & Maier+Vidorno (M+V Altios) are pleased to share this summary of our collaborative research into "The Great Resignation" and its impact on foreign subsidiaries in India.

M+V Altios surveyed almost 80 companies—VDMA members and other German engineering SMEs—with in-depth questions about the impact of resignation and the challenges they experience as SME German Engineering companies operating in India.

Companies across India saw business revival post-pandemic and a renewed need to readjust their business model to meet changing consumer & employee expectations.

The study revealed that while the Engineering sector may have somewhat insulated from the impact of the 'Great Resignation', the challenge still ahead is to hire & retain talent in the coming years.

The report highlights indicative trends seen worldwide to draw out some initiatives taken by companies in India.

We are happy to present this study on "The Great Resignation: How to hire & retain successfully within Engineering Sector" at the 11th VDMA Mechanical Engineering Summit in Pune.

Yours sincerely,

Rajesh Nath  
Managing Director - VDMA India

Klaus Maier  
Partner - M+V Altios

# EXECUTIVE SUMMARY

With a renewed interest in opportunities available in India, Leaders are forced to balance growth expectations, changing demands and rising expectations from customers and the psychological needs of their employees.

The companies' surveys also displayed a clear recovery and reshaping of business models post Covid-19. The growth in markets reflected by order booking, and initiation of projects, is clearly paving a path to explore new forms of responding to external and internal demands.

All participating companies stated the following three as top business objectives:

- ▶ Increase revenue - new markets, products/services, deepen market share
- ▶ Increase profitability - eye on the bottom line!
- ▶ Build & retain talent - both for India & Global outreach

One unanimous agreement is that the talent landscape has fundamentally shifted, and part of that is what could have fueled the phenomenon of "great resignation. These shifts are also felt by participating companies. Parity in pay, work-life balance and roles with purpose were touched upon in varying degrees by respondents.



# EXECUTIVE SUMMARY

Almost 80 Indian subsidiaries within the Engineering sector participated in this survey. With a heterogeneous representation across business format/model (trading, sales & service, assembly/manufacturing), size & turnover, and tenure of doing business in India, there is a singularity in perception and direction for the future:

- ▶ While this is a global phenomenon, **61%** of the respondents stated **engineering sector was comparatively insulated** in comparison to the impact on the IT and Services Sector within India.
- ▶ **79%** of the respondents stated **hiring difficulty** due to the unavailability of quality engineering/manufacturing **talent** to have had a greater impact
- ▶ **Flexibility**, amongst other changing work preferences, **challenging engagement** within the teams with a special focus that needs to be placed on **'young entrants'** and **'mid-experience'** employees

In current times, predictions are 50-50 (reflective of respondents' view of volatility in the workforce) in face of massive disruption and changes. Leaders are building a task force that responds with agility to ideas that are plausible, probable, and most likely possible. Ears to the ground and Genuity(/authenticity?) at heart – People Leaders are armed for the great reset!

# KEY TRENDS

WHAT WERE THE KEY TRENDS  
DURING OUR RESEARCH

Our interviews with the companies yielded these compelling data trends:

- ▶ The engineering & manufacturing sector remained stable and insulated from the phenomenon, it is important to state that even with a **surge in attrition numbers by +3% - 5%** in the sector it is much lower compared to the average attrition of 20%+ in IT & Services sectors.
- ▶ During our survey, **36%** of respondents stated to have **experienced > 10% attrition** and **19%** of the respondents were **below the 5%** attrition mark.
- ▶ % Respondents stated these departments witness max. attrition within their companies - **Sales & Marketing** (41%) followed by **Research & Development** (^20%), **Production** (^20%) and **Service/Technical Support** (17%).
- ▶ The **highest attrition** was experienced in these employee levels: **Executives** and **mid-level employees** then followed by **department heads**.
- ▶ Respondents expressed a **higher concern regarding the widening of the Talent Gap** within the sector, where **75%** of the respondents highlighted the difficulty in hiring the right talent/skills. With respect to candidates dropping out after job acceptance, respondents relate to the experience with other sectors with as much as **40% dropout cases** (offered-to-joining ratio).
- ▶ The change in jobs to **pursue better-paying jobs** is observed more in **'young' entry-level workers, and 'mid-level'** who are easily quitting jobs to pursue better offers at a higher salary.
- ▶ **42%** of respondents noticed an **increase in employees' demand for pay/salary** hikes mostly driven by **competitors offering 25% - 35% higher** than their current salaries.
- ▶ **53%** of respondents were unable to **quantify in monetary terms the impact of attrition** in their company; while **loss of critical skills** and **impact on customer service** were the **top repercussions** cited under the business impact of employee movements.

Leaders are optimistic by next year the workforce volatility will be on a decline, but only if people & business structures are effectively implemented. Amongst these IT & HR infrastructures become fundamental.

# KEY THEMES

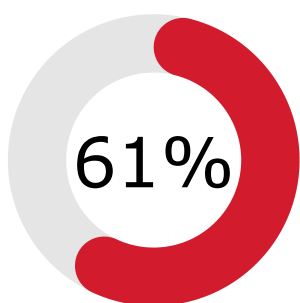
## IMPACT OF RESIGNATION

With an assumption that 'Great resignation' has an impact on all sectors, our survey was designed to explore the impact of attrition in the workforce, reasons for leaving —and how companies rearchitect the workplace.

Three Themes emerged from our in-depth interviews; leaders are encouraged to use insights from these themes as only illustrative ideas of what lies within the organisation. The themes can be easily used as a template to 'springboard' discussions with core members to validate, reiterate or re-think improvements needed.

The insights can help organizations to better harness and leverage people processes, empower people, and create a better experience for all employees while delivering superior outcomes for customers and stakeholders.

*Great Resignation has not impacted engineering sector, at least not in quantifiable terms*



Companies who experienced attrition in 2021-22, much lower than averages in ITES, Services / Banking / Hospitality sector.

There is an increase in attrition compared to previous years.

80% stated 'Great Resignation has no impact' and 'not a key challenge' to be managed.



# KEY THEMES

## IMPACT OF RESIGNATION

36% of the respondents (75) stated higher than 10% attrition numbers within the company. Around 45% of the respondents were classified as small-mid sized based on employee strength (<90 employees), most of which showed higher than 13% attrition. This, if not addressed is a looming threat to growth. The top reasons cited for the attrition are – opportunities due to growth within the sector / new sectors, a substantial increase in offered salaries, and shifts in the psychological needs of employees.

Companies that experience a high growth cycle, are under pressure from three fronts: time, productivity and the need to meet the +20% demands with the same capacities, and are being pushed to look outside at ready talent rather than working on building internal talent. This is a major reason why Industrial and application Sales, R&D Engineers as the most poached or head-hunted skillset. Since the sales eco-structure i.e., freight and logistics has not fully recovered, the sales professionals are actively seeking opportunities for higher pay as compensation.

An increase in the number of startups in Green Energy projects & e-mobility is igniting the talent war with Research & Development departments for qualified Electronic, Electricals and Mechanical Engineers – skills which are scarce. Automation companies have experienced a higher level of talent movement with increased competition from the IT sector.

25%-30% increase in offered salary lured many individuals to make an easy shift thus stretching internal parity for companies. The companies that wanted to retain top talent were forced to make mid-term corrections/adjustments in line with 10%-15% increases. While the increase in top-line does help absorb the delta, it may increasingly put pressure on smaller teams where all roles are critical to success.

Higher turnover was seen in 'young' entry-level incumbents or employees with less than 2 years experience, and mid-level employees with 5-7 years experience compared to pre-covid times, largely stating better benefits, work-life balance, and higher salaries.

# KEY THEMES

## IMPACT OF RESIGNATION

Experienced employees (aged 30 to 45) were, additionally, considered at risk of being headhunted, if they perceived that their growth and flexibility within the team is stalled. These are typically also heads of functions/ teams with considerable impact on morale.

Lastly, in transition to post-pandemic times, respondents observed a shift in the mindset of employees. During pandemics & lockdowns leaders addressed the needs of safety, wellbeing, and security – to now a mindset that values 'Flexibility', 'Work-life-balance' and 'aligned towards larger purpose'. These are some strong anchors. More about this in later sections.

## WHAT INSIGHTS WE DRAW?

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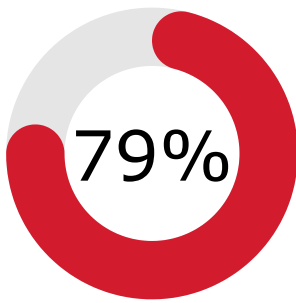
A working definition from experience of doing this research

- ▶ Companies that undertook compensation benchmarking for critical-to-business roles and resources successfully managed to keep their employees from being scouted and proactively controlled competitive offers to made
- ▶ Companies which closely monitored the trends in the west were positioned to offer solutions to parent/group subsidiaries to offshore larger projects to India giving learning & growth opportunities to their team members and successfully insulating them from luring offers.
- ▶ Engagement with team members by the leaders and mid-level managers was the strongest anchor when employees looked for alternatives

# KEY THEMES

AVAILABILITY OF  
QUALITY SKILL SETS

*Finding & retaining right talent, not resignation, is the bigger challenge.*



% Respondents stated the availability of quality talent to be a challenge

Building a talent pipeline is a must

<25% of companies were aware of the Govt. schemes & initiatives

Respondents highlighted the looming threat to the engineering & manufacturing sector due to lower 'employability' rates for engineering graduates, lack of institutional pieces of training or slower coverage under skill development initiatives has adversely affected talent availability. In comparison to the international engineering talent, the variability in quality and capabilities averages are much lower here, while the top percentile of engineers is at par with international standards.

The skill gap is widening, specifically, Mechanical Engineering is impacted additionally due to changes in employee aspirations; unwilling to work in field/project site, need to have office jobs. This scarcity of "quality" talent was also highlighted in R&D; machine operators in specific. The overall responses indicate that this will be a critical challenge for companies to manage.



# KEY THEMES

## AVAILABILITY OF QUALITY SKILL SETS

Thus, forcing companies to develop in-house training / upskilling centres. Principals and head offices augment this with in-country technical skills training programs, projects, and deputation in a few cases. Industrial skill councils are also bridging the skill gap to some extent.

## WHAT INSIGHTS WE DRAW?

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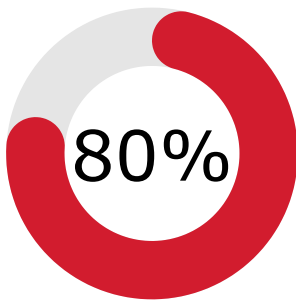
A working definition from experience of doing this research

- ▶ Companies drafting a proactive recruitment strategy were better placed to hire and retain the talent. The long-term focus is typically integrated initiatives such as the industry-led programs in institutes, and placements & skill training opportunities that build on the availability of talent
- ▶ The focused shift in demographics and diversity- assessing second innings career aspirants, gender diversity on the shop floor and key managerial roles - has shown a positive impact on talent availability.
- ▶ Companies with an appetite to accommodate time from training to productivity were successful to establish on-job training programs and with over 3 years of experience workforce
- ▶ Companies who found applicability and availed benefits under different government initiatives and schemes (21% of companies) build a pipeline for the skilled workforce at entry levels - ITI / diploma/graduate engineers among other roles.

# KEY THEMES

COMPETENCE BUILDING &  
EMPLOYEE ENGAGEMENT

*Competence to lead & engage rather than supervise is a game changer.*



% Respondents identified soft-skill training to build competence within managerial group

This initiative considered important for employee retention

>75% of companies do not have a structured program to address

While building engineering capabilities is a necessity for business growth, building competence within managerial level employees will be a competitive advantage!

The need to cater to individuals' changing aspirations and mindsets is forcing the managerial cadre to assess and realign these with overall engagement. Not an easy task, as these not only are difficult to identify within a short period of time, but realignment requires frequent dialogues with team members.

With millennials joining the workforce, respondents acknowledge the need to personalize the managerial approach and increased focus on mentorship rather than coaching. The 'young' entrants require compelling purpose, exciting projects, and relatability with existing employees to productively contribute toward team goals.

# KEY THEMES

## AVAILABILITY OF QUALITY SKILL SETS

Though less than 3% of respondents intend to rethink soft skill programs, it will become a pressing need as indicated by HR trends worldwide.

To enable managers to develop these skills, focused 'new age people practices' are required - such as redesign of work processes, enlarged empowered roles, and policy framework that supports faster decision making.

## WHAT INSIGHTS WE DRAW?

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A working definition from experience of doing this research

- ▶ Companies with a higher % of women representation in the workforce experienced higher stability & retention with teams. These companies mandated close to 30% participation including critical roles such as procurement, and engineering, and not just on the shop floor.
- ▶ Companies that mandated internal HR teams/consultants to build competency-based soft skills programs during lockdowns had a head start and experienced better retention.
- ▶ Leaders who placed higher importance on people processes and empowered line managers saw the successful implementation of career paths & increased growth opportunities.



# LESSONS TO LEARN

HOW GREAT LEADERS LEAVE  
A SUSTAINED IMPACT

As companies continue to forge ahead leaving the pandemic behind, they are straddled to find a way in the new era of work demands of "Flexibility". Changing talent & competition landscape has caused companies to re-evaluate the initiative considering not just past but future business objectives, just the way employees rethought personal priorities during lockdown!

A leadership imperative is required to understand (reassess), adapt (re-imagine), and implement (re-align) these changing priorities within a company for growth. Giving a unified yet individualized experience for employees, managers, and the group at large is the call of the hour.

In the engineering & manufacturing sector, it is what an engineer wants for work and flexibility to accommodate the demand; may include a hybrid work model, creating individualized work plans, and focusing on goal-oriented processes, providing appropriate tech, positive work culture, or better compensation package amongst other things.

Similarly, it also is critical to reimagining the career path for existing teams and/or new teams with internal mobility, upskilling, or reskilling, allowing the "voice of employees" as an integral design input. Leaders are mandated to look within and review internal processes to positively impact employee engagement and retention.



*Way forward: Only through resetting & reimagining engagement.*

# LESSONS TO LEARN

HOW GREAT LEADERS LEAVE  
A SUSTAINED IMPACT

## WHAT INSIGHTS WE DRAW?

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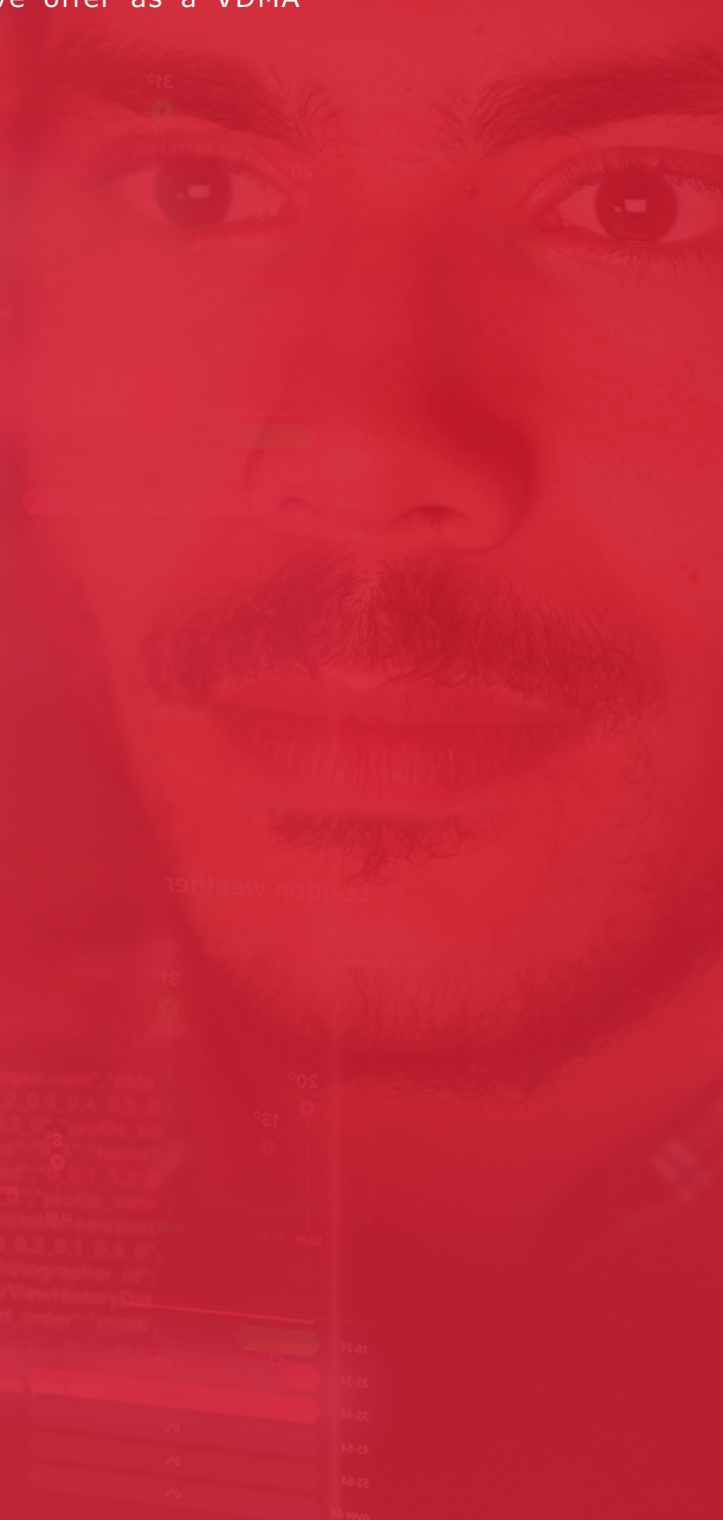
- ▶ Companies focused on re-evaluating initiatives in the context of current realities have to build higher flexibility within teams' working together rather than just flexibility in working hours or place of work.
- ▶ Companies actively empowering HR teams by conducting internal audits on processes and frameworks, aligning managers to participate in identifying future competence are much ready in comparison.
- ▶ Employees from companies who restructured work processes, adopted technology, were multiskilling and experienced better growth opportunities.



*We understand the struggles of attracting and retaining top talent with your sector.*

Let us be your sparring partner in the journey to re-evaluate, re-align and re-imagine hiring strategies, compensation & benefits (parity), and framework. We understand how these are imperative to your success.

Scan/Click the QR code to avail your exclusive offer as a VDMA member.





# KEY INFORMATION

## HOW TO USE GOVT. SCHEMES AT ENTRY LEVEL

Ministry of Skill Development and Entrepreneurship (MSDE) is responsible for coordination of skill development efforts. The ministry is aided in the initiatives by its functional arm - Directorate General of Training (DGT), National Skill Development Agency (NSDA), National Council for Vocational Education and Training (NCVET), National Skill Development Corporation (NSDC), National Skill Development Fund (NSDF) and 38 Sector Skill Councils (SSCs) as well as 33 National Skill Training Institutes (NSTIs/NSTI(w)), about 15000 Industrial Training Institutes (ITIs) under DGT and 187 training partners registered with NSDC.

Amongst its many schemes & initiatives - National Apprenticeship Promotion Scheme (NAPS) launched by the Government in August 2016 has a high applicability for engineering sector as well. The scheme entails financial support to establishments undertaking apprenticeship programs – sharing of stipend and cost of training.

Industry Partnership & CSR: within the participating company, we received very positive feedback on this partnership. The said company was successfully in building operator level capability through their CSR Activities. These options are available through National Skill Development Corporation (NSDC)

# REFERENCES

INTERESTING GLOBAL  
RESEARCHES

Microsoft work trends, 2021-22

Deloitte Great reimagine

Beyond the Noise: The Megatrends of Tomorrow's World

Top HR Trends for 2022

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