Chapter-2

Review of Literature

2.1 Introduction:

Keeping in mind the title of the present study, namely, ‘A CRITICAL STUDY OF ATTRITION TREND IN ORGANIZED RETAIL MALLS WITH SPECIAL REFERENCE TO PUNE CITY’ and the key words appeared in it; efforts have been made to accumulate the present chapter on literature review. The critical study of attrition phenomena is the main thrust of the present study and accordingly, review of the literature in the light of critical examination has been offered into two parts for the purpose of the present chapter.

Therefore, in Part-I, conceptual discussion on the attrition phenomena has been presented with the objective to offer a fundamental base for the present study and as has been pointed out earlier in the title of the present study, Indian retail sector is the primary area of investigation for studying the attrition phenomena, thus, a detailed profile of Indian retailing industry has been portrayed in Part-II. Discussion based on the review of Literature on attrition in the context of Retail Industry is given in Part-III of the document.

2.2 PART I: Conceptual Discussion on Attrition Phenomena

2.2.1 Concept of Attrition

“Employee Turnover” is the term which has been often used to refer to the concept of “Attrition” in most of the literature reviewed for the purpose of this study. “Employee Turnover” has been defined by authors in various ways such as

1) From the point of view of labour market as Abassi et al (2000) and Nel et al (2001) define Employee Turnover as “Rotation of workers around the labour market, between firms and jobs and occupations and between the states of employment and unemployment.” Such a definition is not sufficient to explain attrition from the point of view of an organisation. Also, it does not talk about the causes of attrition.
2) Employees leaving jobs/organisations involuntarily have been included by some authors in their definitions of Employee Turnover from the managerial or organizational point of view.

For example, Price (1977) defines Employee turnover as “the ratio of the number of organizational members who have left during the period of being considered divided by the average number of people in that organization during the period.” Though, this definition provides a good method of measuring or quantifying attrition, again, such definition does not talk about attrition as a process and the factors that lead to it.

Or according to Woods (1995) “Each time a position a vacated, either voluntarily or involuntarily, a new employee must be hired and trained, this replacement cycle is termed as Employee Turnover” Mobley, Grieffeth, Hand and Meglino (1979)\(^1\) has also defined attrition as the process up to replacement of the employee.

3) Some authors define Attrition with a focus on the aspect of reasons for attrition and decision making of the employee in case voluntary turnover. For example, the “Unfolding Model” by Hom and Griffeth (1995), which is based on image theory of decision making, Beach (1990) which argues that employees leave organisations after they have analyzed the reasons for quitting. Vather (2008)\(^2\) refers to Mobley (1982) who has argues Staff Turnover to be a process rather than an action within a business. Vather (2008) argues that attrition should be understood as a complex process which is dynamic and changes based on the employee’s perceptions in relation to where the organization stands at any point of time, since it also allows us to consider the reasons behind attrition which are out of control of the management.

From the point of view of research, the definition of voluntary attrition, with a focus on the aspect of decision making of the employee is considered to be the most relevant, because that would allow us to understand why there is high attrition in retail sector and what could manage it better. In this context, the term Job Related Turnover which is defined as “ Employee Turnover for the reasons that are within the direct control of the employer, which may include dissatisfaction with working conditions/environment, conflicts with supervisors, scheduling conflicts or salary
discrepancies.” as termed by Hammerberg (2002)\(^3\), seems to be the most relevant term for the purpose of this study.

Definition of Employees’ Attrition as per Cambridge Dictionary: “A reduction in the number of employees in a company made by not replacing those who leave, rather than forcing people to leave their jobs”.

Definition of Employees’ Turnover as per Cambridge Dictionary: “The rate at which employees leave a company and are replaced by new employees”.\(^4\)

Several Studies have been done to understand the factors which can cause attrition in organisations. Following are the factors which various studies claim to be responsible for attrition,

2.2.2 Factors that lead to Attrition in Retail

1. Job related Factors

Job related factors directly affect employee’s decision to quit. Some of these factors could be “Economic factors” that indirectly affect employee’s decision to quit and some could be factors related to Job roles. These have been identified by various studies.

Various authors seem to be synonymously agreeing upon certain job related factors such as work hours, job stress and issues of recognition which are typically due to the work environment in Retail. Vather(2008) has referred to Hendrie(2004), Hart et al. (2007), Broadridge (2002), Booth and Hamer (2007) who have listed job related factors such as work hours, recognition, staff facilities, uniform, actual job, working under pressure and lack of training and communication causing attrition in retail. Job related stress, factors that lead to job stress, lack of commitment in the organization and job dissatisfaction, sense of powerlessness are some of the job related factors causing attrition according to Filth et al (2007). Literature review on Employee Turnover by Henry Ongori categorises these factors as individual decisions by employees to quit. Factors related to job roles such as role ambiguity due to lack of clear job description, clear instructions on performance standards etc. also determine the employees decision to stay with or to quit the organization according to Muchinsky (1990), GUINMARAES And Owen (1997)\(^5\).
important job related factor causing attrition as argued by many researchers. Firth et al (2007)\(^6\) have reviewed 39 studies and found that lack of job satisfaction has been the key factor in most of the cases responsible for high rate of attrition.

On the contrary, it has been argued in various studies by Mano and Tzafrir (2004)\(^7\), Schervish (1983)\(^8\), Idson and Feaster (1990)\(^9\) and Trevor (2001)\(^10\) that certain economic reasons make an employee to take the decision to quit organization such as local labour market conditions, size of organization and local unemployment rate. Though these factors appear to be indirectly causing decisions to quit, they are supposed to have direct impact on factors such as organizational stability, job satisfaction of employees, better chances for growth and wages, thus influencing the decisions of employees. A research conducted by Hammerberg (2002) has found that there is a difference between sources of attrition based on the employment status of employees- part time or full time or Hourly and length of employment, according to which, Part time and Full time employees as well as those who have been with the firm for more than 12 months left job due to job related factors.

Arokiasamy (2014)\(^11\) suggests that in addition to the factors such as job stress and job satisfaction, alternate opportunities available to an employee is one of the important factors influencing an employee’s decision to voluntarily quit the job. Hence, it is required to take such other attractions into consideration while understanding attrition.

2. Organizational Factors

Three types of organizational factors have been identified to influence attrition, which include,


2) Adopting a quantitative and cost oriented approach to managing employees (Simon et al) and Dobbs (2001)\(^14\)

3) Transparency and involvement in decision making along with proper HR management practices Lambert et al (2001) – In the absence of proper management practices such as recruitment policies, HR policies and grievance redressal
mechanism the employee may not feel motivated enough to continue and he may decide to quit. A research by Reddy and Chandra (2011) has observed that there are many undercurrents about company policies among the employees and the organisation needs to have a good understanding about them and keep abreast with them time to time so that the HR management practices would respond to them well.

4) Monetary factors

Out of these, the last three factors especially seem to be relevant to our study of attrition in retail industry, which is evident from the fact that in industry, employees tend to quit organisations for minimal hike in salary, clearer career advancement path in organization seems to ensure better retention of the employees in retail sector, more say in decision making alongwith responsibilities also encourages employees to stay longer with organisations in retail, especially in case of the smaller formatstores.

2.2.3 Types of Attrition

Attrition has been classified as Voluntary vs. Involuntary Attrition. According to Ongori (2007) and Allen et al, involuntary Attrition is the one which is caused by factor which are beyond the control of management such as death or incapability of employee to work, retirement or dismissal, but Simon et al (2003) argues that employee turnover due to reasons such as responsibility of dependent child or the aged should not be considered involuntary turnover. Though it needs to be confirmed whether policies and regulations that provide opportunities to such employees to continue working exist in India and how effective they are. It is important to understand whether an employee’s decision to quit is voluntary or involuntary in order to manage attrition, but Chiu and Fransesco (2003) argue that this difference is not where clear and straightforward. It is further explained by Jackofscy (1984), that a case of attrition may look different from the point of view of employer than from the point of view of employee. Some attrition cases may be recorded as voluntary, but they could be involuntary in reality, which could especially be true in case of low performing employees.

Attrition can also be classified as Avoidable vs. Unavoidable attrition. It has also been termed as Job Related, Non Job Related and lack of organisation fit by
Buhler (2002) has stated the importance of differentiating avoidable attrition from unavoidable attrition for the purpose of planning the interventions by the management. Unavoidable attrition or Non Job related attrition is about the decisions of the employees which are beyond the control of employer according to Arokiasamy (2013), whereas job related attrition is caused by reasons which are in control of the employer. There is a third type in which the employees leave when they are not fit for the organisation or the type of work environment.

2.2.4 Effects of Attrition

Attrition of employees from the organization costs considerably to the organization both directly as well as indirectly.

- **Direct Costs:**

  Several studies suggest that the immediate effect of attrition is the replacement costs involved is the immediate effect of attrition of an employee. According to Hammerberg (1984), it includes the cost of searching for new candidates, selection process, orientation and training, cost of managers conducting the recruitment process. Meanwhile, the organization may also incur additional costs on measures to maintain output. Cascio (1995) has classified these direct costs into three types as Separation Costs (e.g., exit interviews and payment of accrued vacation time to the departed employee as suggested by Harisson (2014)), Administrative Costs and Replacement Costs and the classification correctly acknowledges the definition of attrition as the complete process from separation of employee from organisation to his or her replacement by the organisation.

- **Invisible Costs:**

  A wide range of invisible or intangible costs incurred due to attrition have been enlisted in various researches. Hammerber (1984) mentions the cost of missed sales due to inexperienced employees newly joining the stores. These are the indirect cost caused by disturbance in operations, loss of human capital, possible gain of competitors getting trained staff. Also, there is a disturbance of social network among employees. The costs caused due such disturbance are invisible but have an impact on profitability. Another research has pointed out the indirect cost of loss of motivation of remaining employees due to extra burden of work and also, as mentioned above, the
loss of a respected co-worker. Phillips (1990)\textsuperscript{20} has given a detailed classification of such invisible costs as Costs incurred due to inefficiency of the incoming employee, Co-workers closely associated with the position, those closely associated with the departing employee, the departing employee and the job vacancy itself.

- **Effect on Profitability:**

  Indian Retail Operations Benchmarking & Excellence Survey 2013 by RAI and TCS\textsuperscript{21} has pointed out that attrition of key employees in smaller format stores can impact sales by 15-20\% which is an immediate direct effect of attrition according to Tata Consultancy Services, India (2013). In addition, there are costs due to loss of productivity, lost sales and management’s time according to Johnson et al, (2000) Loss of social and intellectual capital adds on to the indirect costs and affect profitability of the organization since the competitors gain assets in the form of trained manpower according to Meaghan et al, (2002)\textsuperscript{22} and Dess et al, 2001.

  Attrition is considered to be affecting customer service by Kemal et al (2002). The findings of Indian Retail Operations Benchmarking & Excellence Survey 2013 by RAI and TCS have pointed also claim that significantly lower attrition rates at Smaller Fashion Formats than in Big Box Retailer could be contributing to comparatively better customer services provided at Smaller Fashion Formats. Another study has also proven through secondary data that low satisfaction level of employees causes high attrition which in turn affects profitability in retail industry.

  **2.2.5 Solutions**

  As far as exploring solutions to attrition in retail industry in India is concerned, there could be two approaches of looking at it.

  A) **Taking measures to retain high performing employees in the organization**

  B) **Taking measures to reduce effect of attrition on profitability and customer service**

  While the first approach is essential considering the high cost of replacing employees, training and other reasons discussed before in section 3.e, it is also
important to make profits and customer service levels less vulnerable from the damage caused by attrition. This is especially true because of the following reasons,

- Majority of the retail sector employees joining at entry level in India are youngsters with high expectations of growth in terms of salary and career progression and the sector probably would find it difficult to fulfill these expectations in terms of higher increments.
- Very few of the front end employees can grow up to middle or senior management level. Only the very high performers can be accommodated there, which means there will behardly any career growth in short term for most of them according to Kodikal, Pakkeerappa, Ahmed (2012)\textsuperscript{23}.

So, there will always be a good number of candidates quitting since it will be difficult for the industry to fulfill their expectations. The industry might have to do with a certain level of attrition which will continue to be in spite of taking measures to ensure better retention, and it might have to make our processes strong enough in order to make profit and customer service levels damage-proof from high levels of attrition. Vather (2008)\textsuperscript{24} follows a different approach in the research, in which, the factors that the employees seem to like about retail sector are studies in detail in order to arrive at measures to retain employees.

Hence, we have clubbed the solutions coming up through findings of various research as per the approach they follow among the two mentioned above,

A) Measures to retain high performing employees in the organisation

i) Financial

- Salary Hikes, Incentives and Benefits:

Shaw et al (1998) argues that financial benefits and pay have an important role in retaining high performing employees, though the organisation has to invest for the same. Monetary Benefits have a great effect on attrition in general and the retail industry employees are understood to be very sensitive to them. Research on apparel retail industry has found that 11% salary hike can reduce attrition by 1%. In addition to salary hikes, a couple of other studies including a survey by Delloite, India (2013) suggest measures such as performance based pay and incentives such as bonuses and
profit sharing to minimize turnover. Performance linked variable pay is used by 78% of companies in a survey held by Deloitte for retaining talent according to Delloite, India (2013). There is a link between monetary benefits and job satisfaction which is explained based on the literature review by Arokiasamy (2013). According to this study, job satisfaction is linked to monetary benefits in two ways, satisfaction due to the monetary benefits themselves and also by way of prospect of financial rewards.

According to the report on Indian Retail Operations Benchmarking & Excellence Survey 2013 by RAI and TCS, incentive management is perceived as a powerful tool for retaining employees, but it has been observed that retailers, especially small format players, are now cautiously using this tool according to Tata Consultancy Services, India (2013).

Providing medical benefits, insurance, discount on purchases at the own store could be an encouraging benefit for retaining employees, which was observed to be provided by only 44% retailers surveyed in Indian Retail Operations Benchmarking & Excellence Survey 2013. The survey also observed that Employee Stock Option Plans (ESOPs) is still a less used tool and which is being offered only to senior management, except for 40% of the retailers in Department Store Segment who offer ESOPs to employees. The survey findings have also indicated that Retailers are offering an option of sponsoring higher education of employees, especially in case of Fashion Retail Segment according to Tata Consultancy Services, India (2013).

- **Reward and recognition:**

  Lee et al (1994) has agreed that Rewards, recognitions and fringe benefits are a tool to motivate employees to contribute to the success of the firm and prevent them from thinking about quitting the organisation. According to the Indian Retail Operations Benchmarking & Excellence Survey 2013 by RAI and TCS, the industry is increasingly recognizing the need to appreciate and reward front end staff through various measures as reported by Tata Consultancy Services, India (2013).

  **ii) Non-Financial :**

  - **Ensuring Employee Engagement:**
Employee engagement has been described in 2 different ways in various literatures. Some authors have explained employee engagement in terms of organisation’s capacity to retain and utilise them to the fullest, whereas another author explains it as the qualities demonstrated by an employee when there is a good match between the employee’s expectations regarding work environment and the actual scenario offered.

It is the organisation’s capacity to engage, retain and optimize the value of its employees through well defined job roles, efficient management through delegation of responsibilities and commitment and support shown to employees which determines how long the employee stays with the organization. Alongwith well defined job roles, task characteristics have been found to be affecting attrition by various authors including Couger, (1988), Couger and Kawasaki, (1980), Garden, (1989), Goldstein and Rockart, (1984). Thus, it is claimed that in order to improve employee involvement, the tasks allotted to a job should be carefully designed considering Skill Variety, Task Identity- completeness and visibility, task significance, job autonomy and job feedback-information on effectiveness of the job.

Whereas Sardeshmukh, Sharma and Golden (2012) describe job engagement as high energy – ability to persevere under tough conditions, strong involvement – a sense of significance and enthusiasm and efficacy – belief that employees have control over their work. When there is high level of employee engagement, there are less chances of burnout and thus less chances of having an intention to quit.

The involvement would influence job satisfaction and thus retain employees in the organization according to Blau and Boal, (1989), Brooke and Price, (1989), Brooke et al, (1988), Kanungo, (1982).This strategy is important from the point of view of extending the duration for which an employee is retained and might have a more long lasting impact by saving the loss of high performing human resource. Similarly, it has been found that organization culture plays a critical role in retaining talent in retail according to Dwiwedi (2013).

These strategies would be mainly targeted at reducing voluntary turnover caused by job related factors.

- **Emotional Connect and sharing of information:**
Indian Retail Operations Benchmarking & Excellence Survey 2013 by RAI and TCS has also identified certain practices through which the retailers have recognized the need of their young employees to feel emotionally connected, such as recreation zones, mentoring and morning huddle according to Taa Consultancy Services, India (2013). Knowledge / Information Accessibility is also considered an important aspect that would make employees feel that they considered worthy and appreciated which will eventually help in making the employees stay longer as per Meaghan et al (2002). This finding is important from the point of view of our study pertaining to retail industry since maintaining a culture of transparency and collaboration within organization is highly likely to be appreciated by the employees in retail industry majority of whom are young people.

- **Training:**

  The importance of training for improving job related knowledge of employee and ultimately for better retention in retail has been recognized by many researchers. Hammerberg (1984) has suggested that new employees should be given a good introduction to the job role, their responsibilities, and expectations so that they get molded in the culture of the organisation. Several researches have argued that there is certainly a negative relation between Training and employee attrition in an organisation. Amos et al (2008),\(^{27}\) argues that the organisations having a good training program for employees have a lower rate of attrition and higher rate of success and their employees are more committed to the organisation. Tata Consultancy Services, India (2013) has stated that training has been observed to be affecting attrition rates positively at franchisee stores. Also, in case of retail fashion segment, it has been observed that 77% retailers surveyed had mandatory training plan of 40 hours per year for employees. 31% of Fashion Retailers and 40% percent of department stores have made these a part of store manager’s KRA. Inclusion of training hours in the KRA’s of managers indicates that training is given importance by most of the retailers, but there are some limitations faced by retailers. Retailers seem to prefer to up-skill the existing staff or attract already trained staff from other organisations, though such measures would not be able to meet the large scale skilled workforce demands of the industry. Hence, the need to invest in training of new staff continues to exist. According to Vather (2008), retailers face financial constraint in training the new staff and hence government support would be needed by the sector.
The training strategies would be mainly targeted at reducing voluntary turnover caused by job related factors.

- **Career Development Plans:**

  Tata Consultancy Services, India (2013) observes that there are some organisations, especially the small format retailers, have strong and customized career development programs which are monitored closely by senior management. Similarily, Vather (2008), Loquercio (2006) and Breauer (2000) have argued about the importance of having definite career development plans for retail employees. These authors indicate that newly joined employees need to have closer relationship with their managers through an internal mentoring program. Vather (2008) has recommended companies to conduct regular career discussions in order ensure acknowledgement of aspirations of employees, which would ensure that employee enjoy being in retail organization.

  Tata Consultancy Services, India (2013) suggest that only 8% of Fashion Retailers had a clearly defined career progression model for the employees as against the 40% Department Stores which had one. The data also indicates that there serious absence of career progression model for employees in Value Retail since none of the respondents had one for their employees. These retailers are exploring options of sponsoring vocational and management education. Also, it has been elaborated through examples in the survey that the policy of doing senior level appointments from within the organization could be motivating for the employees from career growth perspective according to Tata Consultancy Services, India (2013). Making a similar point, findings of a survey by Deloitte, India (2013) state that “Designations” are being used as a tool to retain employees in Indian retail industry. The survey has also found that a company that implemented various measures such as internal hiring of old employees for new stores and career movement based on curriculum and assessment managed to maintain attrition rate below 30% according to Deloitte, India (2013).

  As reported by Tata Consultancy Services, India (2013), the effectiveness of these measures taken by Fashion Retail industry can be evaluated based on the Indian Retail Operations Benchmarking & Excellence Survey 2013 by RAI and TCS survey data that 69% retailers surveyed have been able to maintain the attrition rate below
8% per month which is the overall average of the retail industry. Whereas, in case of
the department stores segment has been able to maintain the attrition rate below 4%
per month in case of 40% retailers and between 4-8% in case of 60% retailers. The
comparison of people management practices and attrition rates in various segments of
retail industry suggests that lack of clearly defined career progression model for
employees might be taking a toll on employee retention according to Consultancy
Services, India (2013). It is good to see that many of the companies are exploring
ways in which they can provide better career progression for employees either
through sponsoring higher education, tying up with management schools, providing
higher entry level salaries for trained front end staff etc.

- **Innovating Hiring:**

Retail organisations in India are opening up to recruit physically challenged
persons for certain roles and such groups have shown better retention according to a
report by Deloitte on Retail Sector-An HR point of view. It would be worth to
discover and document such inclusive and innovative practices and their impact on
rate of attrition as per Deloitte, India (2013).

In addition to hiring, organisations need to be innovative in their selection
process so that they choose those employees that best suit their organisation
requirements. Hammerberg (1984) has suggested scored application process in which
the suitability of the employee is judged based on the score given to the type of work
they have done in the past. Training interviews, personality testing etc. has also been
suggested in the research by Hammerberg (1984)

- **Better Management Practices and working conditions:**

Preventing attrition of employees may depend on the people management
skills of the managers whom the new employees report to. According to Breauer
(2000) refered by Loquercio (2006) in the literature review, some retail organisations
which have succeeded in retaining their employees have used the strategies such
making the manager accountable for the retention of employees directly reporting to
them. These managers are also given orientation since beginning about using their
people skills to help them retain their staff. In addition to these, better performance
appraisal measures are supposed to be encouraging better achievement from employees according to Reddy and Chandra (2011)\textsuperscript{29}.

Providing good working conditions such as neat and clean changing rooms, good uniforms etc., and good management practices such as timely payment of salary, timely processing of leave request, loan requests, better complaint handling can help retain employees according to a study, managing work load and responsibilities for part time workers, flexible hours, allowing employees to maintain work-life balance. Similarly, Hammerberg (1984)\textsuperscript{30} has also suggested that it is important for retail industry HR managers to prevent role overload, such as the one caused by work-life conflict to avoid losing good performers. Acknowledging this, some retailers have now began to introduce various facilities such as flexible work hours, on site day care facilities, parental leave etc.

These strategies would be mainly targeted at reducing voluntary turnover caused by job related factors.

Though various studies have enumerated various strategies being used to retail talent in retail industry, there is need for further elaboration on

1) Measuring the impact of these strategies on attrition rates

and

2) Comparative effectiveness of various practices to reduce attrition.

**B) Measures to reduce effect of attrition on profits and customer service**

Since, retail is one such sector in which performance is dependent upon repetition of standard tasks. Higher profits and better customer service can be achieved if it is ensured by management that standard processes are followed in a very disciplined manner. Hence, higher conformance to standard processes can reduce the impact of attrition on profit and customer service. This has been proven by research, especially in retail industry according to Ton and Huckman (2008)\textsuperscript{31}.

**Section 2. f) Theories of Attrition**

There were three different theories found in the literature that have been used to describe attrition phenomena is various ways. Out of these the Human Capital
Theories and Job Matching Theories describe attrition from the point of view of their good or bad consequences on the organisations, whereas the Burnout theory looks more into the source of attrition or the process which leads an employee to attrition and the various factors contributing to it. The following review attempts to suggest a theory which would be the most suitable for the purpose of this research after describing the various theories suggested by various authors.

According to the Institute For The Study Of Labour, Germany (2006)\textsuperscript{32}, the human capital theories of attrition look at attrition from the negative point of view that it leads to loss of human and social capital available with the firm since when an employee quits the firm loses the skills and capabilities of the employee, the network built by the employee inside as well as outside the organization. The theory focuses mainly on the negative impact of attrition on the organisations.

On the other hand, according to Jovanovic (1979) refered by Institute For The Study Of Labour, Germany (2006), the Job Matching Theory argues that the employees less suitable for the job leave the organization earlier, thus making space for hiring new employees who could be the better match for the organization. The theory also believes that the better performing employees generally stay longer with the organization. So, according to the Job Matching Theory, attrition has a good effect on the productivity of the organization.

Another theory which looks at the attrition phenomena from the point of view of various factors that subsequently lead to attrition of an employee and the various pathways in which the process may lead to attrition, it about the “Burnout Phenomenon”. The term burnout in this context refers to chronic stress experienced by employees on the job. It constitutes of three factors according to Queiros, et,al (2013)\textsuperscript{33} and Behestifar and Omidvar (2013), which are, exhaustion – mental fatigue, Cynicism – distrust about the organisation and co-workers and anger and inefficacy – personal belief that they are not able to make a meaningful contribution. The theory attempts to describe a model which shows how the various factors may result into Exaustion, Cynicism and Inefficacy. According to Harisson and Gordon (2014), the factor that lead to a Burnout in job situation, is the mismatch between an employees expectation about the job and the work environment. The various areas of work environment regarding which an employee could find a mismatch and thus experience
burnout are viz. workload, community, fairness, control, reward and values. The model further describes how these factors are strongly correlated and how most of them emerge from control i.e ability to make decisions for making meaningful contribution to the firm.

From the point of view of further research, the theory of Burnout leading to Turnover is the most relevant since it looks at the process which leads to turnover and research can arrive at solutions to attrition rate prevention based on the models established using this theory. The mediation model described by Harisson and Gordon (2014) provides insights into how Mismatch about Control over work expectations may lead to various other factors of work environment related expectations mismatch, which in turn may lead to burnout conditions, finally resulting in turnover intentions. The following figure shows the pathways from Control to Turnover Intentions through various aspects of work environment and burnout conditions.

Figure 1: Mediation Model based on Burnout Phenomena leading to attrition by Harisson and Gordon (2014)

According to the model described in Figure 1 by Harisson and Gordon (2014), the feeling of control over work affects the feelings about fairness, community and rewards which in turn affect the value match with the organisation. Values mismatch then may lead to burnout feelings, making the employee have intentions to quit.

The second pathway, again starts from control. The feeling of control over work determines the feeling about workload, which means, if the employee feels that he does not have much control over his work and less role in decision making about his work, there are chances that the employee will soon feel unsatisfied about the
workload and will feel over-burdened, stressed. This, ultimately leads to mental fatigue and exhaustion which has a strong relation to employee’s intention to quit.

PART-II

Section 1: Profile of Indian Retailing Industry

Introduction

The present part on the Indian retailing industry has been presented with the help of seven sections and the subsections. The financial overview and economical considerations of the Indian retailing industry has been reviewed, discussed and presented in Section-(a). It is worthwhile to offer a brief profile of key players of the retail industry in India. This aspect of key players has been presented with the help of Section-(b). In Section-(c), review on government policies and measures undertaken by the concerned authorities has been discussed and various trends in Indian retail industry has been furnished in Section-(d). Indian retail industry has a significant potential to grow and a bright future prospect to nurture. This aspect has been elaborated in Section-(e). It is natural and obvious to observe some kind of limitations which have to be considered as challenges to be confronted by the developing economies such as India in the context of availing potential opportunities in retail sector, which has been sufficiently detailed in Section-(f) of the present part and the overview of these challenges has been considered and presented in this Section.

The above paragraph is essential in the context of present study. Quite naturally, it may be observed that, attrition is the phenomena of investigation under direct control of HR professionals in corporate era. This contextual aspect of HR management with respect to the Indian retailing industry has been presented in Section-(g).

Section 1.a): Financial Considerations and Economic Context

Indian retail industry is one of the largest retail destination with a size of Rs.2,23,572 Crore. It has been worthwhile to mention that the Indian retail industry has been growing at 7 per cent per annum and this fact would lead to the probable
estimation of Rs. 4,87,423 Crore as an expected reach by 2015 as per FICCI (2011)\textsuperscript{34}. According to the Global Retail Development Index 2011, India has been ranked as fourth most attractive nation for retail investment as reported by FICCI (2011). The total retail sales in Indian market will grow from US $ 395.96 billion in 2011 to US $ 786.12 billion by 2015 as per the BMI India Retail Report from the third quarter of 2011 which has been referred by Reddy and Chandra (2011)\textsuperscript{35}.

This growth of Indian retail industry witnessed in urban and as well as rural areas, may be attributed to the reasons of empowerment of middle class families; according to the FICCI (2011)\textsuperscript{36}, this middle class is today of the size of close to 300 million people and growing at nearly 2 per cent a year. Nevertheless, Indian retail market is a highly unorganized with only 15 per cent contribution of organized retailing. Emergence of large retail outlets and shopping malls focusing on business in urban and semi-urban areas would be a primary reason for this fact of unorganized business followed by the second reason of its management which is in the hands of skilled human capital.

Human capital engaged in organized retail industry in India is about 35.06 million people, leads to understand the fact that retail industry is playing the significant role of larger employment provider. The proportion of employment provided by this retail industry is second largest employment providing sector next to the agricultural activity in India according to Earnst And Young, India (2013) report\textsuperscript{37}.

Even a cursory glance at the exponential growth of the Indian retail industry and capacity of this sector to provide large scale employment has been facing serious issue of managing its attrition rate. According to Bijou Kurien, President and CEO, Reliance Retail, attrition rate in retail industry is about 40 per cent on an average considering all retail chains. The forecast made by the analysis of Bijou about probable increase in the attrition rate in case of food and grocery will be up to 60-65 per cent and 25 per cent would be in apparel and other lifestyle retail industry. High rate of attrition is being considered as one of the major roadblocks acting as barriers in smooth growth of the industry. Considering the importance of this issue of attracting and retaining good skilled human resources in the industry, many of the organisations have been trying to collaborate with institutes offering training and
education in retail management and experimenting with various models of tapping trained manpower from such sources, according to Kodikal, Pakkareepa and Ahmed (2012).

Section 1. b): Brief profile of key players

India’s retailing industry has been witnessing and expanding growth which has been aggressively creating a great demand for real estate business. This aspect of expanding growth of real estate business can be attributed and may be treated as an indicator of growth of India’s retailing industry. According to Global Retail Development Index (GRDI), prepared by the US based global management consulting firm, namely, A T Kearney, the cumulative retail demand for real estate is expected to reach 43 million square feet by 2013. This demand has been, significantly, coming from Tier-1 cities. The contribution from the Tier-1 cities has been witnessing around 46 per cent of the total estimated demand between 2009 and 2013 according to Gupta (2009). The organised retail industry in India is growing steadily with various departmental stores, hyper markets, super markets, specialty stores coming up, expanding while replacing the traditional retail formats as reported by Reddy and Chandra (2011).

The present study of attrition phenomena witnessed in retailing industry has been called upon portraying the profile of key players of retailing industry.

In India, there are over 12 million retail outlets of various sizes and formats in India according to Saxena et al (2011). The organised retail stores account for only 4% of the total estimated US $ 180 billion dollars and only 0.5 % are modern stores among them according to Saxena et al (2011). The major retail formats in India are as follows according to Gupta (2009),

- Mom-and-pop stores: Family owned traditional retail outlets
- Departmental stores: General retailers offering quality products and services
- Convenient Stores: Stores located in residential areas providing convenience at slightly high prices
- Shopping Malls: Biggest forms of retail which offer mist of all types of products and services under one roof
- E-trailers: Retailers providing online buying and selling of goods
• Discount Stores: Factory Outlets giving discounts on MRPs
• Vending: Items can be bought on vending machine through this format
• Category Killers: Small Specility stores providing variety of categories such as sporting goods, electronic goods etc.
• Specialty Stores: Retail chains dealing in specific categories such as Crossword Book Store, RPG’s Music World etc.

It is worthwhile to have a look at the key players among the organised sector players in retail industry in India.

• Pantaloon Retail Ltd., a Future Group Venture:

Over 12 million square feet of retail space spread over 1000 stores across 71 cities in India has been credited to Pantaloon Retail Ltd., a Future Group venture. In the year 2011, Pantaloon Retail added 2.26 million square ft retail space and booked 9 million sq ft space for future expansion as reported by FICCI (2012). The data is indicative of the rapid rate at which the retailer is growing. The very well known brand of hypermarket has been launched by this group is identified as ‘Big Bazaar’. It was the first hyper market brand launched in the country. The retail segment covered by Pantaloon’s Big Bazaar is spread over around 8 types, namely; Food and grocery segment (Food Bazaar); home solutions (Hometown, Furniture Bazaar); Consumer Electronics (E-zone); Shoes (Shoe Factory); books, music and gifts (Depot); health and beauty care (Star, Sitara); E-tailing (Futurebazaar.com); Entertainment (Bowling company).

• Shoppers Stop Ltd.

Shoppers Stop Ltd. is retailer in Fashion Retail segment. It has over 1.82 million square ft. retail space spread over 35 stores, in 15 cities as reported by FICCI (2012).

• Tata Group:

Tata Group with its subsidiary Tata Trent is also one of the major players in retail in India. The group operates Westside and Star India Bazaar. It owns over 4 lakh sq. ft retail space across the country.
• **RPG Group:**

RPG Group was one of the earlier entrants in the sector in the retail market in Food and Grocery segment in the year 1996 when it started its Food World stores. Later the group has also opened up “Health and Glow” pharmacy and beauty and care outlets.

• **Reliance Group:**

Reliance Group is another one of the biggest players in retail industry in India. There are more than 300 Reliance Fresh stores and Reliance Mart which is expecting to increase its sales rapidly in near future.

• **AV Birla Group:**

AV Birla Group is one of the key players in Apparel Retail Industry in India. It has brands like Louis Phillipe, Allen Solly, Van Heusen and Peter England. The group is also expanding in the other segments of retail.

• **Lifestyle Retail, Landmark Group venture:**

Lifestyle retail has nearly 15 lifestyle stores and 8 home centres as reported by FICCI (2012).

Some of the major foreign players in the Indian retail market according to FICCI (2012) are ,

• **Carrefour:**

The retailer opened first cash and carry counter in New Delhi.

• **Metro Cash and Carry:**

It has opened 6 wholesale centres in the country.

• **Walmart:**

Walmart is planning to invest in India as a Joint Venture with Bharti Retail.

• **Tesco Plc (TSCO):**
Tesco has partnered with Tata Trent to set up cash and carry stores in India.

- **Marks and Spencers:**

  The retailer has a joint venture with Reliance Retail in India.

**Section 1.c) Policies of Government concerning retail industry in India:**

- **Policies regarding FDI in retail:**

  Between 2006 to 2012 the Government of India has progressively taken steps to liberalise the Foreign Direct Investment Policy in Retail, which has proven to be an important regulatory change driving the retail industry in India, as per Earnst and Young, India (2013). The policy earlier allowed FDI upto 100% for Cash and Carry wholesale trading and export trading under the automatic route and FDI up to 51% in single-brand product retailing. According to Ministry of Commerce and Industry, Department of Industrial Policy (2012) and Promotion has declared the amendment of existing policy of Foreign Direct Investment in Single-Brand Product Retail Trading as reported by FICCI (2011). According to this amendment, the policy now allows an Indian entities having Foreign Direct Investment can undertake single brand product retailing of foreign brands in the country. This amendment has a great potential to generate a number of opportunities in Indian Retail Industry. The policy allows up to 100% FDI in Single Brand Product Retailing. In this context, it is important to note that, during April 2000 to June 2011, the cumulative foreign direct investment (FDI), stood at US $ 69.26 million.

  The policy earlier did not allow Foreign Direct Investment in Multi-Brand Product Retailing, but according to Ministry of Commerce and Industry, Department of Industrial Policy (2012), the policy has been amended to allow up to 51% Foreign Direct Investment, under Government route, in Multi-Brand Retail Trading. This amendment is also an encouraging move by the Government of India which will result in better growth and opportunities in Multi-Brand Retail in India.

- **Taxes and other regulations:**

  There are multiple laws and regulations in force and central, state and local levels in India for governing the retail sector. There are multiple laws such as the Essential commodities Act, the Cold Storage Order, the Weights and Measures Act,
labor laws and The Shops Establishment Act as reported by FICCI (2011). There is a lot market distortion and complexity due to these multiple regulations. Mohan (2014) argues that the tax structure in India is still evolving and complex and there is also large grey market which deters retailers from expanding and scaling up in India and believes that political consensus is required for eradicating taxation hurdles. The proposed regulatory changes such as GST and Direct Tax Code are also supposed to be beneficial for simplifying the supply chain, reducing prices to customers, thus encouraging growth in retail industry as argued by Earnst and Young, India (2013). Though, there are definitely some positive changes in the regulations and policy scenario, Mohan (2014) sees a lot scope for improving in terms of Government policies for retail industry in India, as he argues that numerous license requirements, permit and registration requirements are a major hurdle for growth in retail in India. According to FICCI (2011), there needs to be quick implementation of the Agriculture Produce Market Committee Act so that there is institutionalization of market intermediaries, contract farming and other provisions.

- **Multiple Governing Bodies:**

  As per FICCI (2011), the organised retail in India is currently being governed by 2 ministries viz. Ministry of Commerce and Ministry of Consumer Affairs. The Ministry of Commerce takes care of retail policy and Ministry of Consumer affairs controls the licensing and other legislations. Lack of a single apex body for governing retail industry causes delayed growth in retail industry.

  **Section 1. d): Trends in Retail Industry**

  Though the percentage share of organised retail industry in India is low as compare to the traditional format retail stores in unorganized format, the preference of the customers for organised stores is increasing. Some of the reasons attributed to this trend are the increasing number of nuclear families, increased no. of working women for whom convenience during shopping has become an important factor, increased work pressure, increased commuting time according to Saxena et al (2011). According to Mohan (2013), an increasing trend has been seen in retailing through formats such as supermarkets, hypermarkets, department stores and specialty chains. There are many foreign players entering the market directly as well as through franchisee model. The rate at which the organised retail is replacing the traditional
stores is very high. Saxena et al (2011) argues that this pace is particularly disquieting for the local retailers, especially since India seems to achieve the change in 10 years, something for which the other major markets in the world took up to 25-30 years. Inspite of the rapid growth, Mohan (2013) argues that the organised retail in India is still small and crowded with a number of market players. This hinders the organisations in reaching economies of scale in order to achieve sustainability.

In addition, a strong trend is being seen in retailing through direct selling, tele shopping from home and online shopping according to Mohan (2013). The online retail format has a high potential for growth in near future, with rapid spread of IT infrastructure, increased and improved use of internet and smartphones among the population. This segment is growing at the rate of 35% in India as reported by FICCI (2011), from Rs. 2000 Crore to Rs. 7000 Crore by 2015. There are several brands which are now aiming to tap the potential of this market to reach out to Internet Savvy customers. According FICCI (2011) Infiniti Retail , which runs Croma stores for electronic gadgets and the Future Group are in the process of tapping the potential of online retail with the Future Group’s Futurebazaar.com aims to achieve up to 10 % sales thr’ough online portal mode.

**Section 1. e): Future Prospects in Retail Industry**

Retail industry in India is considered to have bright future for growth, due to the 3 important characteristics of its growing population, which are

- Being young
- Belonging to Middle Class, Upper Middle Class or Elite Class
- Residing in cities

If we look at the future demographic trends in India, the median age of the Indian population is expected to touch upto 31 years by the year 2025, according to Earnst and Young, India (2013). So, India is expected to continue to be one of the youngest population in the world, with upto 67% i.e. approximately 886 million persons belonging to the working age-group of 15 years to 64 years. Most of this population will contribute to the consumer group, indicating the scope for growth of retail industry. Also, according to Earnst and Young, India (2013), around 59% of the population is likely to fall in middle income group by 2020 and the population of elite
group is expected to increase to 13% by 2020, which again indicates the scope for sustaining the growth of retail industry in India. FICCI (2011) reports that by 2030, 570 million people are expected to be living in cities in India.

In addition to the favourable demographic aspects, easier availability of credit and increased vehicle population are the factors contributing to increased retail sales. Due to the demographic characteristics, India offers a huge market for various retail players from all over the world. According to CII-A.T.Kearney, India report (2011), India is the third most attractive retail market for global retailers among the 39 largest emerging markets.

Apart from the scope for growth of retail industry in general, there is also great scope for the growth of organised retail industry in India. Currently, the organised retail in India constitutes only 4% of the total market according to The Indian Retail (2011). This percentage is very low at present, but it is expected to grow up to 25% by 2018 according to analysis by The Indian Retail (2011).

Considering these developments, it is expected that there will be huge scope for employment and growing requirement of manpower for the industry. As reported by Indian Retail (2011). Experts estimate that the sector will generate employment for 2.5 million people in 2010 as per Gupta (2009).

Section 1.f): Limitations and Challenges

- Shortage of Skilled Human Resources:

  There is lack of skilled and trained manpower for retail sector in India though there is a huge number of unemployed youth. 75 to 80% of the manpower in organised retail sector belongs to the front end staff in operations of the organisation as reported by FICCI (2011). In spite of this there are very few training courses targeted at these job roles. There are very less efforts made in systematically training youth in retail and the stringent employment laws make it even difficult for the employers as argued by Mohan (2014). FICCI (2011) reports that the industry also needs training programs especially targeted at training the youth for specialised functions such as merchandising, supply chain etc. In addition to this, the industry also needs to tackle the challenge of retaining the employees being trained and recruited as noted by Harikumar (2012)44.
• Underdeveloped Supply Chains:

Lack of well developed logistics infrastructure, cold chain networks, national distribution networks and hub and low penetration of supply chain management systems in rural areas pose a challenge for retailers trying to scale up in India.

• Insufficient Utilities:

Insufficient utilities such as that of power, transport, communication, water and gas sources and internet facilities also prevent fast growth of retail in India. Reliable IT infrastructure is important for managing modern supply chain systems, in the absence of which retailing business cannot prosper to its best, according to Mohan (2013).

• Real Estate Hurdles:

With the rapid growth of retail industry in India, the demand for real estate space for retail is also increasing. Real estate development for retail is a challenge in India due to high costs of land, rigid laws, lack of urban planning models and lack of transparency in the system, according to Mohan (2013). FICCI (2011) has also reported that the retail sector finds it difficult to get suitable spaces for establishments, due to various reasons such as lack of planning for retail industry in the cities, fragmented private holdings in cities, infrequent auctioning of Government owned vacant lands and disputes between land owners.

• Limited Consumer Insights:

According to Mohan (2014), there is very little knowledge about the customer base in India, gained through scientific market research on consumer behavior in India. This argument is also supported by HARIKUMAR (2012), according to whom the growth in retail is less than what was projected earlier and in fact the players in the industry are finding it tough to attract customers and convert it to sales while maintaining low costs.

Section 1.g) : HR Management in Retailing:

The importance of skilled manpower and efficient Human Resource Management practices in Retail industry has been illustrated by various authors
through research. Reddy (2011) has concluded that the entry of global players in retail industry has increased competition to a great extent and in order to stand in the competition, the retailers need efficient manpower. Retail industry is considered to be a Human Resource Intensive industry with unique type of Human Resource requirements which makes Management of Human Resources, a very crucial component in this industry as reported by Harikumar (2012). In order to understand the distribution of human resources across various segments of retail, it will be useful to have a look at the following Table 2.1,

**Table 2.1: % Share of Human Capital in Organized Retail:**

<table>
<thead>
<tr>
<th>Retail Forms</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and Grocery</td>
<td>17%</td>
</tr>
<tr>
<td>Beauty and Body Care</td>
<td>3.56%</td>
</tr>
<tr>
<td>Books Music and gifts</td>
<td>13.08%</td>
</tr>
<tr>
<td>Pharmacies</td>
<td>2%</td>
</tr>
<tr>
<td>Jewelry and watch</td>
<td>10%</td>
</tr>
<tr>
<td>Footwear</td>
<td>32.84%</td>
</tr>
<tr>
<td>Clothing and Textile</td>
<td>36%</td>
</tr>
<tr>
<td>Homedecor and Furnishings</td>
<td>8.76%</td>
</tr>
<tr>
<td>Consumer Durables</td>
<td>17.04%</td>
</tr>
</tbody>
</table>

Source: Kodikal, Pakkeerappa and Ahmed (2012)

It is clear from the table, that Clothing and Textile and Footwear are the largest formats contributing to more 65% of share of human resources, followed by Food & Grocery and Consumer Durables. The attrition in retail industry is a sever challenge especially at the entry level – sales associate level. The reason behind this is the nature of job at the front-end level, work hours, working conditions and stress involved as per Hammerberg (1984). The overall rate of attrition is estimated to be up to 30% by Cohen and Schwartz (1980). Though it is true that attrition is one of the serious issues being faced by the Human Resource Managers in Retail industry at this stage, it is often seen that most of them tend rely upon their own experience based assumptions for which there very little or no evidence available in scientific literature. Harisson and Gordon (2014) and Rousseau (2006) argue that this can lead to costly interventions which may not be effective in reducing attrition and they strongly
suggest that the managers need should base their decision on evidence based scientific information about attrition. This also brings a great scope for research in this area, especially in Indian context for exploring evidence based information on attrition in Indian retail industry front line employees.

Section 1.h) : Comparison of Retail Industry in China and India

China is another country, which is witnessing rapid growth in its retail industry as India does. The real growth of sales of consumer goods in China was 14.8% in the year 2010 and 16.6 % in the year 2011. The retail industry in China, similar to India, is also expected to continue to have a very rapid growth in coming years. Hence, in order to better understand the retail industry in India, it will be good to look at and compare the Retail Industry in India with that of China, which is also dealing with certain similar challenges of huge population growth, middle class growing at a high rate and rapid urbanization.

China is the world’s most attractive destination for Retail market especially for Apparel segment, which has been growing at the rate of 20%, and is expected to grow in similar manner in future. It is also evident through the no. of international companies entering Chinese markets. Similarly, India is also considered as the second most attractive destinations for foreign retail companies to invest in, ranking 2nd in the world according to a study by an international consulting firm A T Kearney, which is referred to in a study by Kodikal, Pakkeerappa, Ahmed (2012). This growth is attributed mainly to its huge population, growing middle class and the increasing disposable income in the hands of this class due to low interest rates and increased wages in some provinces as per Ming, Zivlak, Ljubicic (2012). Similarly, the retail industry in China is also facing the problem of high attrition of employees. As far as the issue of attrition among employees in retail sector in China is concerned, studies by Tian-Foreman (2009) and Sin and Yau (1995) which have been referred to in another research on employee turnover in Chinese Apparel Retail, have shown that there attrition is higher if the job satisfaction levels are lower among the employees according to Ming, Zivlak, Ljubicic (2012).
PART III

Attrition in the Context of Retail Sector

Section 3. Attrition in Retail

In spite of being the second largest employer in India, Talent Management is the major challenge faced by the retail sector in India. As described in a report by Deliotte, India (2013), the sector finds it difficult to attract and more importantly retain people mainly due to increased expectations of the youth in India due to emergence of IT, ITES and similar other sectors and the perception about retail being considered as a low aspiration job as per Tata Consultancy Services, India (2013). While the retail sector has seen a very rapid growth and expansion in India in recent years, one third out of 34 the retailers were found to have an attrition rate of more than 8% per month according to a recent survey conducted in July 2012 to January 2013 by Tata Consultancy Services and the Retailers Association of India (RAI). Further, it has also been found in the survey that 33% of the retailers have recorded more than 8% attrition rate per month with 26% having an attrition rate of more than 10%. This issue of retaining the employees in organisations is expected to continue in future with the growth of the sector and emergence of new players providing more choice to the workforce according to Tata Consultancy Services, India (2013).

Following chart derived from the findings Indian Retail Operations Benchmarking & Excellence Survey 2013 by RAI and TCS shows the comparison of Employee Attrition per Month in various Retail Segments, Table 2.2:

<table>
<thead>
<tr>
<th>Retail segment</th>
<th>Employee Attrition Per Month (Percentage of Respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Up to 4% per month</td>
</tr>
<tr>
<td>Fashion</td>
<td>15%</td>
</tr>
<tr>
<td>Department Store</td>
<td>40%</td>
</tr>
<tr>
<td>Value Retail</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: Tata Consultancy Services, India (2013),
We can see from the above table that attrition seems to be a very serious issue in Fashion and Value Retail segments, since more than 80% of the retailers have more than 4% rate of attrition.

If we have a look at the attrition rates as per seniority of roles, there is almost 20% attrition among front end staff which is high comparing to middle or senior level staff.

On the background of the attrition rates in retail industry in India, the same study has also found that at the store level “Improving Employee Happiness/retention” is the top priority for 11% of the retailers surveyed and it ranks 4th among the various key focus areas identified. It is evident from the figure that the retailers in India have gradually begun to recognize the importance of the issue of attrition and the need to analyze it further. Based on the literature reviewed for the purpose of this study, following are the key factors which are found to be influencing attrition rate in retail industry,

Section 3. a) Attrition and job satisfaction

Various theories of Job satisfaction have been considered so far in research to study the increasing attrition rates and a research claims that the Hackman and Oldham’s Job Characteristics model (1976) is much useful to explain how job characteristics of retail sector affect in job satisfaction and hence the high rate of attrition in retail sector according to Ton and Huckman (2008).

Section 3. b) Attrition and Salary Benefits

According to a compensation survey, retail companies have a simple pay structure which includes a basic salary, allowances, reimbursements, variable pay and key benefits such as PF and Gratuity. Increments have been at 12% in the year 2011-12 and the median variable pay in the sector is 18% which is higher than industry bench mark of 16.2%. The increments at junior level are subjected to less scrutiny at junior level staff as per Tata Consultancy Services, India (2013).

Inspite of this, the salary hike offered on switching jobs is considered to be the primary reason for attrition and several studies in India and also in other countries with similar situation such as China, have found that a small hike in salary offered on
switching job can result in employee turnover. A hike of merely Rs. 200 to Rs. 500 per month is attractive enough for the front end staff to switch jobs as per Tata Consultancy Services, India (2013). Similar results have been found in a survey of retail employees in India as reported by Dwiwedi (2013) and as per Ming, Zivlak, Ljubicic (2012), employee turnover in Apparel retail in China in which 37.78% respondents have stated low salary as the reason for leaving. In general, the companies offering higher salaries have been experiencing lower attrition rate according to Ming, Zivlak, Ljubicic (2012). This shows the criticality of salary offered in preventing attrition in retail, but also draws attention to the fact that Retail Sector employees are highly sensitive to salary hikes. Higher sensitivity to salary hike means that an organization may be able to postpone the attrition of an employee having intentions to leave only until the employee is offered even higher salary by the competing organization, thus resulting in attrition. Hence, Monetary measures, though effective in curbing attrition, need to be used with caution.

The findings of this research provide a very useful clue for HR Personnel to see in practice whether Monetary Benefits is a factor where an intervention is required to get immediate results in controlling attrition rates. However, the industry needs to look at the feasibility of monetary measures of managing attrition. As reported by Deloitte, India (2013), the sector is finding it difficult to match up with the salary expectations of staff at all levels.

Section 3. c) Attrition and Working Conditions

The working condition or work environment consists of various aspects such as workload, community, fairness, control, reward and values as described by Harisson and Gordon (2014). Harisson and Gordon (2014) have also explained these terms in simple manner saying, workload is “the amount of work that an employee can handle in a given time”, community is “relationships that employees have with their fellow coworkers and their managers.”, Control is “the ability to make decisions”, rewards is “the monetary or non-monetary reward a person may receiving for successfully completing a task” and fairness is “the perception that managers treat all employees equally and with trust and respect” and Values are the “Beliefs that an individual holds to be true”. If there is a mismatch between what is expected by an employee in terms of any of these factors and what is actually being offered in the
organisation or the job, a burnout situation is expected which may lead to an employee’s intention to quit.

There is more empirical research done in Indian context as well which has shown that working conditions matter in retaining or losing well performing employees. Most of the research agrees to the fact that salary hike and high qualification are the key drivers of increased rate of attrition in Retail Industry in India. According to a study of retail sector employees conducted in May-June, 2013 to understand and analyse the reasons behind high attrition rates in retail industry in North Eastern part of U.P in India Dwivedi (2013), it is not denied that there are various other factors such as working conditions of retail store and personal preferences regarding career prospects which might be affecting the decisions of employees resulting in attrition.

Section 3.d) Attrition and Career Growth Prospects

The survey conducted to analyze the reasons behind high attrition rates in retail industry in North Eastern part of U.P in India has found that Lack of motivation is the second major factor influencing attrition rates after Monetary Benefits which is a key finding for HR personnel in the industry. Though there might be a scope to find out whether interventions for improving employee motivation and growth prospects in organization would have a more long-lasting impact on attrition rates than interventions related to salary benefits. High Qualification of employees is cited as one of the possible reasons of high level of attrition in Retail industry based on observations of a senior executive in a major retail chain as mentioned in the above research. This view has also been supported in Deloite, India (2013) saying that the majority young workforce in the sector expects a good career progression. According to Dwivedi (2013)48, the industry could be failing to match the career aspirations and growth expected by better qualified employees resulting in higher attrition rates among them. Also, the findings of the report by Tata Consultancy Services, India (2013) state that about 27% of the retailers did not have well-defined, documented career plans for their store employees. As a result of this, it is often seen that the employees, especially youngsters do not look at Retail sector as a long term career option. In fact, Vather (2008) refers to Heyes (2007)49 who reports that young
workers see retail sector employment as a temporary preliminary requirement to further education or a better job.

**Section 3.e) Attrition and Personal Reasons**

Personal Benefits to the employee in terms of Skill Development and Job Security were found to be among the factors having significant influence on attrition in retail in the survey of organised retail employees in North Eastern U.P in India as reported by Dwiedi (2013). Considering this, it is important to look at how the Tata Consultancy Services, India (2013) has evaluated the efforts made by employers for skill enhancement of their employees. Only about 26% of the employers have assigned sufficient importance to training by making it part of store manager’s key result areas according to the study according to Tata Consultancy Services, India (2013).

**Section 3.f) Attrition and Social Status**

Research by Price (2001) which has been referred by Ming, Zivlak, Ljubicic (2012)\(^{50}\) in a study, suggests that those jobs which have a low social status are likely to experience higher attrition rates, since they are less informed and low-paid. It can be derived from these findings that monetary benefits in the form of say rewards and recognitions and more importantly, keeping the employees better informed about career progression planned by the organizations.

Recognition and Promotions play an important role in improving the perceived social status of the particular job.

**Section 3.g) Attrition and Psychological Contract**

Psychological Contract of the employee with the employer is described as unwritten rules and expectations that define the relationship of an employee with the employer according to Vather (2008) and Grobler, Warnich, Carrell, Elbert and Hatfield (2006). Such psychological contract is always being reviewed by employees as well as the organization and it keeps changing as the relationship progresses. It is important to understand the psychological contract in case of this relationship since it helps the employer explain why an employee intends to resign. It will be easier to understand which employees may have an intention to resign if the organization
understands the psychological contract and the perceptions about it by the employees. Creating an employer brand is a way of defining the psychological contract so that the employee takes the decision of joining or staying with the organization.

According to Rousseau (2004) referred by Vather (2008) in a study, there could be 2 types of psychological contract that an employee has with her employer. It could be a relational psychological contract or a transactional psychological contract. The characteristic of a transactional psychological contract is that the employee sees the relationship with employer only as a stepping-stone for reaching to the next milestone. In case of retail, it needs to be investigated that whether the employees mostly have a transactional type of psychological contract with their employer since they are not able to see a long term career with the organization. But, Rousseau (2004) also argues that once, the employee decides to continue in retail sector, the employee then realized the importance of key skills such as say communication skills and computer skills etc. which are required for a better career in this sector and thus his psychological contract becomes more relational. This brings us to the discussion, about how to help the employee take this decision about whether or not to stay in retail, which could be achieved through regular career discussions and mentoring by senior managers. This could be the scope for research on attrition of employees in retail.

Section 4. Labour- a competitive advantage in retail

Customer service is a very important aspect for better performance in retail industry. Offering better customer service depends on the quantity as well as quality of staff employed by the industry. If the organisations operate with sufficient number of employees, they are able to provide better services through longer hours operations. If the organisations have skilled staff, they are able to provide a better customer experience. Longer hours of operations and better customer experience both can result in better performance of the organization. Institute for Study of Labour, Germany (2006)\(^\text{51}\) points out that in a competitive environment such as that of retail sector, quality of customer service, which in turn depends on employees, becomes an important advantage for the organization.
Section 5: Attrition and Sustainability

What is a sustainable store-maintaining profit in spite of attrition, knowledge of staff not lost with them when they leave?

For the stores in retail industry to be sustainable, it is important that they are consistently able to maintain sufficient levels of profit and customer service in spite of the attrition of employees. Research has shown that, in order to achieve this, the stores need to have standard operating processes and they should try not to deviate from the standards as much as possible. Because, if there are standard processes, it is ensured by the management that they are being followed strictly and there is a way of transferring the knowledge about these processes to new employees, even though some of the experienced employees leave the organization, performance will not be hampered much according to Ton and Huckman (2008).^{52}

Section 6: Attrition and Performance of Stores

In general, it is expected that stores having high rate of attrition will have a low performance than the stores having low rate of attrition. However, it has been argued in a research that loss of an employee would affect a store having a low attrition rate more than it would affect a store having a high rate of attrition. Based on these findings, the research suggests “High Process Conformance” as one of the ways to mitigate effect of attrition on performance. It has been provide in this research that 1 standard deviation in employee turnover at a “Low Process Conformance” store leads to 3.8% decrease in profit margin as reported by Ton and Huckman (2008).

In spite of this, it needs to be explored further whether the measures to manage the impact of attrition should be given more focus and spent more resources upon. It still needs to be studied whether, we should be cautious while taking up costly measures to reduce attrition. Should such measures be worth using in a selective manner only to retain critical, high performing employees with keen focus on their growth and development in the organization?

Section 7: Benefits from Attrition

Since attrition allows the organization to let new employees join the organization, it might bring in fresh approach in the organization and more
enthusiasm if fresher are hired to replace employees leaving the organization as per Ton and Huckman (2008). Having said this, it will be important to consider how much the job roles in question over here in retail industry actually have a scope and need to be innovative. If the new hires among front line staff are expected to be following the processes according to set standards, having a fresh approach might not have much relevance.

Another research refers to findings from Staw’s research\textsuperscript{53}, that employees might take more effort to give a better output during their initial period with an organization according to Ton and Huckman (2008). Research has observed that being a high stress job, retail sector employees have an inverted U shape learning and performance curve, where in the employees perform very high and are enthusiastic in the beginning as they learn, become stable for a period and then the motivation level goes down when they might perform low. If this type of behavior pattern is typical for retail employees, attrition may actually turnout to be suggestible for retail sector as pointed out by Staw (1980).

Also, studies suggest that some amount turnover of employees might allow adjustment of between employer and employee to arrive at a good match over a period of time as argued by Ton and Huckman (2008). Similar views have been stated by Institute for the Study of Labour, Germany (2006), while explaining Job Matching Theory. It is important to mention the classification of Voluntary Turnover as Functional (Beneficial to the organisation) and Dysfunctional (Detrimental to the organisation) which is done by Dalton, Krackhardt and Porter (1981). The functional voluntary turnover would in a way make way for better perform candidates to join as employees. But there is further scope to explore how this type of turnover could be differentiated.

As it has been discussed in PART II Section 2.e: Solutions, if the retail sector in India has to manage with certain levels of attrition for various reasons discussed, it needs to be understood, in what conditions does the attrition proves to be beneficial to retail industry. Based on various studies reviewed as a part of another research, certain factors have been identified which determine whether attrition would be beneficial. For the purpose of the study, following factors seem to be the most relevant to the analysis of attrition in retail sector as per Ton and Huckman (2008).
1) Degree to which the turnover is predictable, since in retail there is high dependence on trained frontline staff especially during peak hours, days and seasons (Price 1977, Staw 1980)

2) Degree of innovation required in the tasks to be performed, since the sector requires and provides less scope for innovation in junior roles (March 1990)

3) The tenure of the employee with the organization, since a good performer leaving the organization too soon might be due to an issue of lack of career progression seen in the organization or lack of emotional connect etc. (Staw 1980)

The industry might also have to consider how it can take advantage by ensuring such conditions through better management or by taking better decisions based on this understanding.

Attrition can be considered to be beneficial compared to recruitment if we look at it from the point of view of cost. Institute for the Study of Labour, Germany (2006) argues that attrition improves profit and recruitment reduces it, since new hires incur cost of recruitment and training.

Section 8. Role of HR Department

As the retail industry emerged, rapidly grew, expanded in India and now that is trying to achieve better profitability and matching with international standards, the role of HR has been changing. From the one focused on hiring in initial years, the HR department has now shifted focus to retaining talent, matching with international standards and optimizing costs. Since, considering the prevailing issue of attrition, in future, HR is expected to focus upon building practices to retain talent and create a strong performance driven and learning culture as per Delloite, India (2013).

Section 8.a) Way Ahead for HR

Most of the authors have agreed upon the fact that Human Resource Departments of Retail industry need to take up an innovative approach to tackle the issue of retention of employees. Designing competitive compensation structures, flexible working arrangements, investing in and designing career plans for high performers, encouraging internal upward movement, cross functional movements are some of strategies suggested as per Tata Consultancy Services (2008). Harisson and
Gordon (2014) and Rousseau (2006) have rightly pointed out in their research that managers tend to base their decisions regarding Human Resource upon experience based assumptions and incomplete or little evidence. This can lead to a lot of cost in the name of strategies to reduce attrition and such strategies may not actually work for retaining the talent. Hence, the managers need to look for evidence based scientific data before they define their HR strategies for reducing attrition rates. This also points out to a great scope for research in this area, especially in Indian context for exploring evidence based information on attrition in Indian retail industry front line employees.

HARIKUMAR (2012) has suggested that considering the volatile and continuously evolving nature of the retail industry, the key to better HR Management would be to always be on the move and keep innovating, changing for the better. Especially, since many foreign players are now entering Indian Retail market, the domestic players as well as the traditional players need to adjust themselves in terms of their Human Resource practices in response to the external competition. But, according to Davis et al (2005) Considering the importance of training in managing attrition as explained in most of literature reviewed, the major focus of HR managers would have to be on training of employees for better skills and knowledge. In fact, Mohan (2014) recommends that the medium and large size retail firms should proactively come up to tie up with training institutes to develop talent for the industry.

Section 8.b) Challenges faced by HR

Challenges faced in case of Human Resources in Retail Industry have been discussed in this section based on the literature reviewed,

- Cultural alignment with Organisational values and vision

As argued by HARIKUMAR (2012), in order to source talented manpower in sufficient numbers, the industry recruits candidates from diverse backgrounds which causes a challenge of ensuring alignment of cultural values of the individuals with organisation’s values and vision, which is important for better performance and retention of culturally diverse individuals in the organization.

- Managing ethical dilemmas and balancing Empowerment vs. controls
High level of decentralization of various operations and decision making especially regarding store level procurements and supplier relationships and younger age of the staff are peculiar characteristics of the retail industry and according to HARIKUMAR (2012), it is a challenge for HR managers to minimize un-ethical practices resulting out of it. At the same time, it is also important to provide freedom and empower store level employees to take decisions in this industry. Hence, it is not possible to exercise high level of controls. Balancing the two is another HR challenge as discussed by HARIKUMAR (2012).

- Capability building of Human Resources

Considering the young age and lack of experience of most of the staff at managerial positions who have to handle challenging responsibilities, building capacities of these human resources within the organization is key challenge for HR managers according HARIKUMAR (2012).

- Difficulty in matching expectations of employees (Job Security, Career Growth and Salary)

Youngsters joining the industry tend to come with expectations about career growth, job security and attractive pay packages. We have already seen in the previous sections on reasons behind attrition, that these are some of the key factors determining attrition in retail. HARIKUMAR (2012) argues that due to the volatile nature of the industry and thin margins at which it operates, it is not an easy task for the HR manager to assure job security, provide a convincing career growth path and salaries matching the expectations of employees.

There is a need to give a proper orientation to the incoming employees about the job expectations and the expected scenario of security, growth and increments in the organisation. But there is a scope for further research in the area of measuring inconsistencies with the initial job expectations and the actual scenario experienced by employees.

- Increasing productivity of employees
Getting better sales and profit margins while maintaining low costs is one of the general challenges faced by the retail industry which has been discussed before in Section on Introduction to Retail Industry. HARIKUMAR (2012) has briefly discussed the further challenge arising out of the economic considerations, which is the constant need to get better productivity out of existing human resources which again needs a lot of capacity building efforts.

- Stressful nature of the job

A job in retail industry is considered to be quite stressful given its customer facing nature especially at the entry level. HARIKUMAR (2012) argues that such stressful nature, the need to work on weekends and odd working hours is a challenge for HR management.
References:


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