



Labour turnover in the retail industry

Predicting the role of individual, organisational and environmental factors

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in the retail
industry

289

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Abstract

Purpose – This paper aims to identify key variables that influence the variability of labour turnover.

Design/methodology/approach – The approach used in this research is a case study of a major retailer. The key data sources are an index for local competitive and labour market factors, an annual employee survey, and internal labour turnover data for each UK unit of the retailer. The method used for analysis is stepwise regression which identifies the key relationships that predict labour turnover.

Findings – The findings show that environmental factors such as local labour markets have a major influence on labour turnover. Organisational factors such as company culture and values are a significant influence. Management behaviour as seen through operational and control variables are also of importance. Individual employee variables are also important in decisions concerning turnover.

Research limitations/implications – The statistical analysis accounts for 38.7 per cent of the total variance in labour turnover. There are, therefore, other factors which are not assessed in this paper which also contribute to labour turnover. Whilst this study is of retail units across the UK as a whole, it is of one organisation and statistical generalisations cannot be made from this research.

Practical implications – A significant paradox is found in which, as employees become more embedded and familiar with the organisation, its valency for them diminishes and labour turnover increases. This poses a challenge for retailers: how can they retain valued employees who find that as their self-esteem increases they wish to search for better jobs elsewhere?

Originality/value – This research uses a statistical approach to provide new findings concerning the attitudes of individuals to their work and good explanations of the factors involved in labour turnover. It also provides statistical predictions which could be used by managers who wish to improve performance and decrease labour turnover at the retail unit level.

Keywords Employee turnover, Labour mobility, Performance management, Retailing, United Kingdom

Paper type Research paper

Introduction

Labour turnover is a key competitive parameter in the UK retail industry. The importance of employees was highlighted by Sparks (1991) who suggested that a total service approach was needed which included qualitative as well as quantitative elements to deliver what customers expected. Companies today generally do recognise the important contribution that their employees play in delivering the offer. However, they also make every effort to drive down internal costs as part of the price commitment. Labour turnover is seen as one area of cost which can be measured and benchmarked. It is seen as a significant factor which management can influence (White, 1995). Low turnover is seen as an asset in the competitive war. High turnover is seen as a problem to be managed (Bannister and Griffith, 1986; Glebbeek and Bax, 2004). Broadbridge (2002),



for example, identified how labour turnover increased when management engaged in a mechanical and quantitative approach to managing people in stores. The importance of allowing managerial discretion to store managers in dealing with the problems they face was recognised. Uncles (1995) suggested that firms need to invest resources in developing employees. This would lead to increased motivation, enthusiasm and increased sales and overall lower labour turnover.

There is a strong belief in what Broadbridge (2002, p. 537) calls the “symbiotic relationship between employees and customers” not just in the academic literature (Rafiq and Ahmed, 2000), but amongst top managers in the industry (Tesco Plc., 2001) and high turnover is generally seen as an inhibitor of this relationship. According to the CIPD (2004), however, only 7 per cent of HR departments calculate the cost of labour turnover.

A variety of management techniques can be used to reduce the relative rate of turnover. Salamin and Hom (2005), for example, showed that a bonus on top of regular pay had more influence on reducing turnover than regular pay rises. Recent contributions to the literature have improved understanding of the triggers that lead to turnover but as a tool for management decision they are difficult to use as the necessary data is no normally available.

This paper focuses on a case study of one major retailer and uses a number of its data sources. It then examines relationships that can account for labour turnover in the light of previous research.

Labour turnover literature

Average labour turnover in the UK is 15.7 per cent according to a CBI (2005) survey. Most firms see labour turnover in terms of a cost to the business that could be reduced by better HR management, training or rewards. Recent research supports this view – Morrell *et al.* (2004, p. 161), for example, suggest that “voluntary turnover incurs significant cost”. They also say that it is often the best performers who are most likely to voluntarily leave.

There are many reasons why employees may leave a firm. Traditionally labour turnover has been seen to be either voluntary (the volition of the employee) or involuntary (McBey and Karakowsky, 2000; Price, 1977; Morrell *et al.*, 2001). Voluntary turnover includes push factors such as staff leaving due to lack of interest in the job, and pull factors such as staff being attracted to another job by incentives.

The idea of what constitutes involuntary turnover has changed over the last decade (Campion, 1991). There are some factors that are, in part, beyond the control of management, such as the death or incapacity of a member of staff. Other factors have been classed as involuntary turnover in the past such as the need to provide care for children or aged relatives. Today such factors should not be seen as involuntary turnover as both government regulation and company policies create the chance for such staff to come back to work, or to continue to work on a more flexible basis. Women still often take on the role of the main carer in a family and as such need to construct working life around their other roles. In the retail industry, the need to take into account these realities is apparent as women provide a very significant proportion of employees, most in part time posts, but also to some extent in senior posts (Brockbank and Airey, 1994).

A number of studies have tried to account for labour turnover in the retail industry. Broadbridge (2002) carried out an observational and interview-based study over six months. The relationship between management and employees was the focus of

the research. A key finding was that “a tension exists between espoused company thinking and organisational reality” (Broadbridge, 2002, p. 541). The imposition of a quantitative approach to managing the workforce led to disenchantment of staff. Broadbridge (2002, p. 540) suggests that her research supports the earlier work of Sparks (1991, 1992) and Uncles (1995) in claiming that “another outcome of adopting a cost oriented approach to employment costs is increased labour turnover”. This finding is based on observation and interview, but no quantitative evidence from her study is provided to support this claim. In addition, the study, based on only one branch, was on such a small scale that such a generalisation cannot reasonably be made. Quantitative evidence from a much larger scale study would be needed to be able to support such a view. To be able to support such a view a much larger empirical study is needed. This paper provides the evidence needed to be able to explore this question in more detail.

Another interesting case study of one retailer did identify the main drivers of labour turnover (Hendrie, 2004). This research found that the average labour turnover in the firm was much higher than the national average in the mid-1990s at 44 per cent and it rose to over 80 per cent as the business expanded. The highest rates were found amongst part time, younger employees who had worked less than six months, and these also exhibit lower levels of performance (Tziner and Birati, 1996).

The method used in this work was a postal survey of employees. A total of 589 employees were contacted and 335 valid replies were obtained of which 99 per cent were female (reflecting the nature of the workforce). The main reasons cited by respondents for leaving the firm were: not enough working hours, poor pay, no career prospects, employees were expected to work too many extra hours and unsocial hours; there was poor training, poor staff facilities, a fear of redundancy and staff views were not listened to (Hendrie, 2004, p. 439).

The main reason why employees worked for the firm was for the pay, but at the same time it was also a reason for leaving as the rates of pay were relatively low. This research provided clear evidence of the specific drivers that led to turnover in one firm. The study was, however, of limited relevance as a contribution to labour turnover research. It was based on one firm in one part of the UK (Scotland) so could not be generalised to other parts of the UK. The respondents were almost all of part-time women workers. Other work has shown that there are differences between full time and part time employees in terms of the reasons for working and for leaving (McBey and Karakowsky, 2000). For example, McBey and Karakowsky (2000, p. 46) show how “many of the factors significantly affecting turnover among part-time employees are beyond the direct control of management”. Hendrie’s study is a useful reminder that some firms have yet to engage managerial efforts to deal with the needs of female workers in the areas where management can make a difference. However, it has nothing to say about the opinions of male workers or of full time workers. While it is an interesting case study its contribution is, therefore, limited.

All of the causes of leaving mentioned by the employee responses concerned company policy and were a matter of strategic or tactical management discretion. This suggests some questions that could be tested in a wider context. For example, issues such as poor pay and rewards, poor training, lack of career prospects and not being listened to, may be more widely cited as a cause of labour turnover. Such matters could be seen as management issues, and it would be useful to see if Hendrie’s findings find support from studies of other retail companies.

Models of turnover

The main theoretical model in the literature provides an understanding of the key factors involved in explaining voluntary labour turnover (Hom and Griffeths, 1995). The latest version of this (Hom and Kinicki, 2001) takes account of three main drivers: the external business environment element (unemployment rates, job search and compared alternatives), the personal element (inter-role conflict, withdrawal cognitions) and the job satisfaction element (job satisfaction, job avoidance). This model provides the best available empirically justified understanding of the dynamics of labour turnover. It also provides a predictive capability which in theory could be used as a managerial tool. As a predictive tool for management, however, it is limited, as employers do not have access to data on the personal element of the model. Morrell *et al.* (2004, p. 162) suggest that such models are “unitarist accounts which are restricted to understanding all people’s decisions as influenced by the same factors and considerations”.

If it is not possible for employers to have knowledge of the personal element of the Hom and Kinicki model, and if they do not wish to be limited by levering reality into the categories of the model, then a different approach is needed.

One way of overcoming such difficulties that we use in this paper is to use an unconstrained regression model to account for the relationships between employee behaviour and their perceptions and attitudes. Such an approach does not in any way limit or skew data according to previous conceptual models, but such models may help inform interpretations of the meanings of the output of the data manipulation.

Methodology

A company which had the characteristics which could overcome the methodological shortcomings of previous research was identified. The company is a major food retailer, with locations across the UK. Research access was granted in 2002. The findings are based on a sample of 131,616 employees in 580 UK stores. In this paper, responses from all employees are included, without filtering for gender, age, or number of hours worked.

Company data sources were used to predict the variance in labour turnover. The company had all the data we required to carry out a thorough and rigorous empirical analysis. Three main data sources used were as shown below.

Annual employee survey data

The company administers a survey annually in all divisions of the company, to measure the attitudes and perceptions of employees on factors which the company believes to be important drivers of company success. The questionnaire asks employees the extent to which they agree or disagree to a set of statements, which affirms the way the company would like to work. Each independent variable was measured as the percentage of respondents who agree (or strongly agree) with the statements provided. The survey provides data on the personal and job satisfaction element of the labour turnover decision.

Employees are asked to respond on to the following themes:

- *Degree of commitment.* Questions are asked about their level of morale and how individuals felt about the firm.
- *Job satisfaction, trust and respect.* Questions here concerned to what extent employees agreed with statements regarding job satisfaction, whether their work

is recognised and appreciated. In addition, questions seeking information on the degree to which the corporate values are practised fall in this category.

- *Management support.* The survey asked about the extent to which jobs have become simpler, the support they receive from their manager, the degree to which they receive clear direction, whether they understand the standards and objectives to be achieved in their work, whether work is manageable, whether individuals receive sufficient training, whether they have quality tools and equipment to do their job, and whether they have received information on corporate performance and if they have received sufficient information to do their job well. Factual questions regarding whether respondents have received a performance review or career discussion are also asked.
- *Career development and fairness.* The survey asked about employee levels of satisfaction with their career development and their perceptions of fairness towards the pay they receive.
- *Work conditions and improvements.* Questions are asked about employee views on whether improvements had been made since the previous survey.

As this study focuses solely on labour turnover in stores, questionnaire responses were filtered to retain only those working in stores. We gained data at the employee level, with work location indicators for each respondent, which allowed us to filter out head office and distribution responses. Following this process, over 130,000 employees were included in the analysis. The overall survey response rate in stores was 88 per cent.

As we had obtained data on labour turnover at the store level, employee questionnaire responses were aggregated to store level. This resulted in one score for each survey item for each store, represented as the percentage of positive responses out of all responses. This approach is supported by the research of Smart and St John (1996) and Zammuto and Krakower (1991).

Store characteristic data

Data on the region (based on standard regional codes, e.g. South East, South West), store format (four store formats determined by the square footage, and size of product assortment), and opening hours (whether a store operates 24 hours) were provided for each store. This provided information about the local business environment of each retail unit. Each variable was formatted into discrete dummy variables for inclusion in the regression. In the case of regions, “north” was used as a benchmark variable. Therefore, any regional variables identified as significant would be relative to the North region. Checks were made to ensure that these stores had not undergone any major alterations, e.g. a refit or change in opening hours, which may have had an effect on labour turnover.

Labour turnover data

The company provided annual labour turnover data for each store in the UK. This was extracted directly from the company’s payroll system. They calculated labour turnover using the separation rate method. Of course, there are a variety of calculation methods, each of which have their own advantages and disadvantages (Price, 1977). The most popular approach is the separation rate (CIPD, 2004; Mowday *et al.*, 1982), largely because it is simple to calculate and understand (Wild and Dawson, 1972) and since it is used widely, is effective for benchmarking purposes. The main disadvantage of this

method is that it only provides an overall picture of labour turnover, and does not distinguish between categories of employee, e.g. by length of service, or whether turnover was voluntary or involuntary.

The labour turnover formula is based on a 52-week period and is calculated using the formula:

$$\text{Labour turnover percentage} = \frac{\text{Total number of leavers}}{\text{average total number employed}} \times 100$$

It is important to be aware that the dependent variable is total labour turnover. The company did not collect any data at the store unit of analysis to establish reasons for labour turnover. At the store level, therefore, we are unable to identify whether turnover is voluntary or involuntary, functional or dysfunctional.

However, we were able to access data at a higher level of analysis – retail group. A retail group is a geographically clustered set of 15-20 stores. Based on a random sample of four retail groups in 2002, we can provide a rough estimate of voluntary vs involuntary turnover for the organisation. We found that of all occurrences of labour turnover, an average of 9.61 per cent could be classed as involuntary from the perspective of the employee. Hence, an average of 90.31 per cent is voluntary turnover, which falls under management control. We allocated the following reasons for leaving under “involuntary”: death, dismissal (including breach of contract, gross misconduct, misconduct, end of trial period, unsatisfactory references, capability, general ill health), compulsory redundancy, retirement due to ill health.

Method

Multiple regression analysis is used to predict labour turnover, as an effective means to identify the unique contribution of each independent variable to the prediction. This method of analysis builds on previous work (Silvestro and Cross, 2000) whose statistical regression model provides an excellent approach to the analysis of large data sets. Multiple regression is appropriate where the relationship between two or more independent variables and one dependent variable is of interest (Kerr *et al.*, 2002). It is also said to be the most widely used technique in the social sciences (Allison, 1999). This method is, therefore, consistent with the approach taken by similar research in the area.

Stepwise cross-lagged regression analyses were conducted, using labour turnover data from one year after the survey was carried out. This is the preferred approach to establishing causality (Wilderom *et al.*, 2000); however, this is used in just a few studies (Denison, 1990; Gordon and DiTomaso, 1992; Koys, 2001; Petty *et al.*, 1995; Silvestro and Cross, 2000). This research is among the few studies which are designed in such a way to infer cause-and-effect linkages.

In order to identify significant cause and effect relationships, a detailed in-depth study over a short-term time horizon has been used successfully by researchers such as Iverson (1999), Lee and Mitchell (1994) and Koys (2001) and this research builds upon that foundation.

Findings

A stepwise regression was employed using SPSS. All variables were entered into the equation, to identify which combination of variables best predict labour turnover in the UK stores.

The ANOVA table was examined to assess whether the model is a significant improvement over the mean. Table I shows that at each stage of the regression, the model is highly significant ($p < 0.001$). Model 13 represents the result of a stepwise regression, where all statistically significant variables are added, whilst those that no longer contribute are removed at each stage. We are 99.9 per cent confident that the population is not equal to 0, and there is a probability of 1 in 10,000 that this result would occur by chance alone.

Table II shows the model summary and the proportion of variance explained by each variable in the model. The model explains 38.7 per cent of the total variance in labour turnover. R^2 is the total variation explained by the equation. The model improves significantly at each stage of the regression. We can, therefore, be confident in making conclusions in respect of 38.7 per cent of the variance in labour turnover – the remainder remains unexplained. To improve the model further, future research may include other exogenous variables which have not been included here.

Table III shows the β -coefficients, standardised β -values, standard error, t -statistic and probability values for each variable in the final model and legend for the variable categories.

There are a total of 13 explanatory variables in the model. Ten variables relate to survey items and three relate to geographic variables. Four of the survey variables relate to specific corporate values prescribed by the company. The model identifies those variables which provide a unique contribution to predicting labour turnover.

The second column on Table III identifies the standardised coefficients. These indicate the most important coefficients on a common scale. Of all variables, “values: trust and respect between employees” is the most important significant predictor of labour turnover. Contrary to the company’s belief that when the corporate value is practised more, employees are more likely to stay working for the company, the relationship is in the opposite direction. As levels of trust and respect develop between employees, levels of labour turnover increase. As respect increases, there could be heightened recognition that colleagues could find better opportunities elsewhere. Trust and respect may provide employees with both the push and the pull factors: they alter the external self-worth perceptions of colleagues as well as there being heightened respect of colleagues who have decided to leave in order to better themselves. As collegiality amongst employees increases, there is respect not for the organisation but for each other.

Morale is the next most important predictor. Again, there is a counter-intuitive positive relationship between levels of morale in a store and the level of labour turnover. At the broadest level of analysis, we would not normally expect levels of morale to be negatively related with labour turnover. If morale is high, we might expect collegiality to foster a tighter-knit workforce which will help to retain workers. However, when we consider the definitional meaning of “morale” there might be a more insightful explanation as to the direction of relationship. The *Oxford English Dictionary* (2004) defines morale as:

The mental or emotional state (with regard to confidence, hope, enthusiasm, etc.) of a person or group engaged in some activity; degree of contentment with one’s lot or situation.

Morale, therefore, is an indicator of the emotional state of a person. An increase in morale is a measure of an increase in confidence, hope and enthusiasm which may be

Table I.
ANOVA of multiple *R*:
predicting 2002 labour
turnover percentage

Model	Sum of squares	df	ANOVA ⁿ		Sig.
			Mean square	F	
1	Regression	18,192.703	1	18,192.703	0.000 ^a
	Residual	94,442.656	574	164.534	
	Total	112,635.4	575		
2	Regression	23,754.290	2	11,877.145	0.000 ^b
	Residual	88,881.068	573	155.115	
	Total	112,635.4	575		
3	Regression	28,723.562	3	9,574.521	0.000 ^c
	Residual	83,911.797	572	146.699	
	Total	112,635.4	575		
4	Regression	31,601.705	4	7,900.426	0.000 ^d
	Residual	81,033.654	571	141.915	
	Total	112,635.4	575		
5	Regression	33,618.690	5	6,723.738	0.000 ^e
	Residual	79,016.669	570	138.626	
	Total	112,635.4	575		
6	Regression	35,040.050	6	5,840.008	0.000 ^f
	Residual	77,595.309	569	136.371	
	Total	112,635.4	575		
7	Regression	37,027.308	7	5,289.615	0.000 ^g
	Residual	75,608.051	568	133.113	
	Total	112,635.4	575		
8	Regression	38,284.319	8	4,785.540	0.000 ^h
	Residual	74,351.040	567	131.131	
	Total	112,635.4	575		
9	Regression	39,315.091	9	4,368.343	0.000 ⁱ
	Residual	73,320.268	566	129.541	
	Total	112,635.4	575		
10	Regression	40,407.411	10	4,040.741	0.000 ^j
	Residual	72,227.947	565	127.837	
	Total	112,635.4	575		

(continued)

Model	Sum of squares	df	ANOVA ^a		Sig.
			Mean square	F	
11	Regression	41,548,668	11	3,777.152	0.000 ^k
	Residual	71,086,691	564	126.040	
	Total	112,635.4	575		
12	Regression	42,744.139	12	3,562.012	0.000 ^l
	Residual	69,891.220	563	124.141	
	Total	112,635.4	575		
13	Regression	43,640.501	13	3,356.962	0.000 ^m
	Residual	68,994.858	562	122.767	
	Total	112,635.4	575		

Notes: ^aPredictors: (constant), fair pay; ^bpredictors: (constant), fair pay, manageable workload; ^cpredictors: (constant), fair pay, manageable workload, values: customers focus, morale; ^dpredictors: (constant), fair pay, manageable workload, values: customers focus, morale, wales; ^epredictors: (constant), fair pay, manageable workload, values: customers focus, morale, wales, values: management's treatment of employees; ^fpredictors: (constant), fair pay, manageable workload, values: customers focus, morale, wales, values: management's treatment of employees, development and career-building satisfaction; ^gpredictors: (constant), fair pay, manageable workload, values: customers focus, morale, wales, values: management's treatment of employees, development and career-building satisfaction, values: trust and respect between employees; ^hpredictors: (constant), fair pay, manageable workload, values: trust and respect between employees, development and career-building satisfaction, values: trust and respect between employees, development and career-building satisfaction, values: customers focus, morale, wales, values: management's treatment of employees, job satisfaction, values: trust and respect between employees, job satisfaction, values: management's treatment of employees, development and career-building satisfaction, values: trust and respect between employees, job satisfaction, south west; ⁱpredictors: (constant), fair pay, manageable workload, values: customers focus, morale, wales, values: management's treatment of employees, development and career-building satisfaction, values: trust and respect between employees, job satisfaction, south east; ^jpredictors: (constant), fair pay, manageable workload, values: customers focus, morale, wales, values: management's treatment of employees, development and career-building satisfaction, values: trust and respect between employees, job satisfaction, south west, south east, any personally beneficial improvements since last survey; ^kpredictors: (constant), fair pay, manageable workload, values: customers focus, morale, wales, values: management's treatment of employees, development and career-building satisfaction, values: trust and respect between employees, job satisfaction, south west, south east, any personally beneficial improvements since last survey; ^lpredictors: (constant), fair pay, manageable workload, values: customers focus, morale, wales, values: management's treatment of employees, development and career-building satisfaction, values: trust and respect between employees, job satisfaction, south west, south east, any personally beneficial improvements since last survey; ^mpredictors: (constant), fair pay, manageable workload, values: customers focus, morale, wales, values: management's treatment of employees, development and career-building satisfaction, values: trust and respect between employees, job satisfaction, south west, south east, any personally beneficial improvements since last 13 periods

Table I.

Variables	β	B	s.e.	T	p
Values: trust and respect between employees	0.475	0.372	0.127	3.729	0.000
Morale	0.447	0.330	0.080	5.590	0.000
Values: management's treatment of employees	-0.353	-0.275	0.110	-3.199	0.001
Fair pay	-0.342	-0.254	0.069	-4.978	0.000
Values: support between employees	-0.348	-0.243	0.129	-2.702	0.007
Development and career building satisfaction	0.322	0.217	0.079	4.056	0.000
Manageable workload	0.395	0.214	0.085	4.633	0.000
Values: customer focus	-0.428	-0.198	0.112	-3.823	0.000
Job satisfaction	-0.275	-0.180	0.098	-2.806	0.005
Any personally beneficial improvements since last survey	-0.162	-0.153	0.050	-3.233	0.001
<i>South west (yes = 1; no = 0)</i>	6.048	0.210	1.326	4.561	0.000
<i>South east (yes = 1; no = 0)</i>	6.415	0.141	1.663	3.857	0.000
<i>Wales (yes = 1; no = 0)</i>	-4.345	-0.074	2.062	-2.108	0.036
R^2	0.387				
Adjusted R^2	0.373				

Table III.
Coefficient values for the
prediction of 2002 annual
labour turnover

Notes: Survey items in bold; geographic variables in italics

guided towards the group or to the individual. Thus, when morale increases, we might also expect employees to feel good about themselves and their prospects. Greater levels of self worth result in higher levels of labour turnover because employees judge themselves more highly against employment offerings, and consequently the belief that they can do better than working for the company. Thus, they will look for a richer and more rewarding working environment.

Unlike the previous two predictors which indicated significant positive relationships, management's treatment of employees is negative. As managers treat employees better, labour turnover falls. This corporate value is intended to recognise the "happy staff equals happy customers" notion (Luggiero, 2003). Employees are more likely to enjoy working for a company where managers attend to their needs. This is consistent with Mobley's (1982) suggestion that labour turnover is related to supervisory style – specifically, consideration and authoritarianism. This could involve a range of managerial roles or behaviours, such as providing good pay and benefits, praise and encouragement and support and training, or even at the most basic level, ensuring employees receive their correct rest periods at work. If managers responded to this item by looking after staff better by 10 per cent, *ceteris paribus*, this would result in a fall of labour turnover of 3.53 per cent, or 1,694 fewer employees leaving. We are in a position to make this claim as this study has developed a statistically significant model which explains 38.7 per cent of labour turnover. The model allows us to identify and quantify the unique contribution (and, therefore, the variance associated) of each variable.

Fair pay is also a significant predictor of labour turnover. There is a negative relationship between perceptions of fair pay and labour turnover. In stores where employees perceive their pay as fair, there is on average a lower level of labour turnover. In other words, employees are less likely to leave the company if they believe they are being paid fairly. This is consistent with equity theory, which introduced the idea of fairness in comparison with others as an influence on a person's motivation (Vecchio, 1984). There is also general acceptance that distributive justice is negatively

related to labour turnover (Mueller *et al.*, 1994). This is the degree to which rewards and punishments are related to performance inputs, and the fairness to which employees are treated in terms of their effort, responsibility and education (Iverson, 1999). Turnover studies tend to neglect the fairness of organisational rules and procedures for reward allocation (Greenberg, 1990), but in this case there is evidence that fairness is an important contributor in explaining behaviour.

Belief that pay is unfair may be as a result of job search which convinces the employees that their current employment arrangements are not attractive relative to alternatives in the market. This establishes a link between pay and retention – if the company continues to ignore the importance of fair pay, it will continue to lose more staff. The question which then follows is whether it may be losing its best staff because they have the skills and abilities to obtain jobs which attract higher wages elsewhere. In quantifying the linkage, it can be said that a 10 per cent improvement in the perceptions of fair pay results in a 3.4 per cent reduction in labour turnover. In respect of the number of staff, this would result in 1,631 fewer staff leaving its stores. Fair treatment by employers indicates they value employees and care about their well-being, as well as reinforcing employees' expectations that they will be treated fairly throughout their tenure (Moorman *et al.*, 1998). More generally, this finding is consistent with other research, which focuses on pay "satisfaction" rather than "fairness". The higher the satisfaction with pay or financial rewards, the lower the level of turnover behaviour (Dalton and Todor, 1979).

The next significant predictor of labour turnover is another corporate value: "give support to each other". Giving support may relate either to physical (operational) or emotional (encouragement) support. When employees give support to one another, they now share the workload of what would previously been dealt with by one employee (House, 1981). This support allows the employee to do a job better, reduces the amount of pressure or stress on the employee and thus makes jobs more manageable. It is essentially the benefits or synergies that can be derived from staff working together. The result is consistent with findings of Terborg and Lee (1984) who found a significant negative relationship between voluntary turnover and supportiveness climate. However, this was only found for managers under study, and did not apply to first line workers. This result, therefore, extends this finding to first line workers.

The finding also relates to classic studies on groups or teams, such as the Hawthorne studies which identified the importance of a supportive work group (Boddy, 2002). Similarly Likert (1961) suggested the "principle of supportive relationships" in agreement with Maslow (1954) that people value receiving a positive response from others as this helps to build and maintain self-esteem. The sum of these factors in making the workplace a less stressful environment and the effect of increased self-esteem, leads to employees enjoying their work and remaining with the company.

We might also expect a feedback effect as a result of improved service levels in stores where colleagues are more inclined to offer their support. Where support is offered, particularly in situations where there are staffing shortages, customer service levels will be improved. Customers will be served more quickly, and each member of staff will have proportionally more time to give to each customer query or requirement. Customer responses in these situations are likely to be more positive than in stores where employees do not attend to customer needs. Not least on the basis of

reinforcement theory (Skinner, 1969), the feedback from customers is likely to impact on the drive and morale of the employee. In another respect, to “give support” may mean verbal support or encouragement, and thus might develop a higher degree of motivation.

The next highly significant predictor of labour turnover is employees’ level of “development and career building satisfaction”. In stores where more employees are satisfied with their career development, there is on average, higher labour turnover. Once again, therefore, the direction of the relationship runs counter-intuitively. We might expect that in stores where employees are satisfied with their career development, they stay because they believe they have a long-term future with the company. However, it is also conceivable that the increased levels of labour turnover are a consequence of the selection process of suitable employees for development opportunities. We might actually expect that as satisfaction increases, there is a much clearer picture for employees in the company as to whether they have future promotion prospects. These employees are thus likely to leave in order to work for a company with which they can have a future. An alternative explanation is that as satisfaction increases, the skills and training provided prior to the promotion makes employees more marketable in the labour market. In addition to the development opportunities enhancing employee confidence, the additional skills release more opportunities outside as well as inside the company. In the resultant comparison of the employment conditions, the firm compares poorly as these employees then choose to leave. No similar predictor variable was found in the literature. However, supporting the direction of the relationship presented, Pelled and Hill (1997) found a positive association between an “upward-striving value” (a desire to seek a higher-level job) and turnover intentions. In contrast, in a meta-analysis by Griffeth *et al.* (2000) a variable called “promotional chances” was found to be negatively correlated with voluntary turnover. However, chance of promotion and career building satisfaction are not the same, and therefore the results cannot be compared.

The next highly significant predictor of labour turnover is the degree to which employees consider that they have a manageable workload. In stores where more employees agree that they have a manageable workload, we find a higher level of labour turnover. A 10 per cent improvement in the manageable workload indicator results in labour turnover increasing by 3.95 per cent. This might suggest corporate programmes aiming to simplify work and processes, based on De Bono’s (1999) simplicity principle, are counter-productive. Simplicity is one of the firm’s central operating principles. However, it would be considerable cause for concern that the resultant simplification of jobs and processes results in uninspired staff to leave the company. The empirical finding from this study is that as work becomes simpler, it becomes more manageable; however this may result in boredom and insufficient challenge for employees. The consequence is quantifiable by the increase in labour turnover – 3.95 per cent increase in turnover for a 10 per cent increase in simplified work. This finding is consistent with previous research where making work more routine was positively correlated with voluntary turnover (Griffeth *et al.*, 2000).

Consistent with the recommendations of Price and Mueller (1981) to include size of the organisation unit in a causal model, store format indicators were included in the regression. Interestingly, there are no significant store format indicators. This suggests that there is not a size of workplace effect in relation to labour turnover.

This is contrary to expectation, where higher labour turnover might be expected in larger workplaces because they problems with communication, poor group cohesion, impersonalisation, and bureaucratisation may be experienced (Terborg and Lee, 1984). However, this finding is consistent with work by Terborg and Lee (1984), who found that voluntary turnover and size were unrelated.

However, there are several highly significant predictor indicators for geographic location of stores. South-east and South-west England, and Wales were identified as significantly different to North England in predicting labour turnover. Compared to the North, stores in Wales have on average 4.35 per cent lower labour turnover, whereas southern regions of England predict higher levels of labour turnover than the North by 6.05 per cent (South-west) and 6.42 per cent (South-east). These figures are supported by job density indicators developed by the Office of National Statistics. This is a measure of the total number of jobs as a ratio of the number of people of working age in a given area. Both South-east and South-west England have the highest ratios of anywhere in the UK, whilst Wales has one of the lowest (Hastings, 2003). This indicates the level of supply and demand for labour, and clearly in areas where supply is proportionally less than demand, stores experience higher labour turnover rates. Previous research has also found a positive relationship between local demand for labour and turnover rates (Griffeth *et al.*, 2000), with the same finding amongst retail sales personnel specifically (Terborg and Lee, 1984).

The degree of job satisfaction amongst employees in stores is also a significant predictor of labour turnover. Job satisfaction is defined as “a positive attitude towards one’s job” (Daft, 2003, p. 483). People are said to experience job satisfaction when their work matches their needs and interests, when working conditions and rewards (such as pay) are satisfactory, and when the employees like their co-workers (Daft, 2003). Managers at the firm hope employees experience job satisfaction because they believe that it will in turn lead to better customer service. Although this is not confirmed by this study, it does indicate that where employees find that their work does not match their needs or they are not happy with their working conditions, more tend to leave the organisation.

This is consistent with previous empirical research which found a negative relationship between voluntary turnover and job satisfaction (Arnold and Feldman, 1982; Griffeth *et al.*, 2000), although this factor was found to be the best predictor, unlike in this study. Other research contradicts these findings, where job satisfaction was found not to be a significant predictor of voluntary turnover (McBey and Karakowsky, 2000). The authors suggest that this is due to the part-time work context that they were studying, although considering that two-thirds of the staff in this study work part-time, the conclusion of McBey and Karakosky that the part-time context is imposing unusual conditions on predictors of turnover and the need for further research in the area is cast into doubt.

The corporate value of “first for customers” is also a highly significant predictor of labour turnover. In stores where this corporate value is practised by team members, there are generally lower levels of labour turnover. If this value increased its score by 10 per cent, labour turnover would fall by 4.28 per cent.

In retail units where employees respond that they have noticed personally beneficial improvements as a result of the previous annual employee survey there are, on average, lower levels of labour turnover. As this score improves by 10 per cent, labour

turnover falls by 1.62 per cent. The staff survey is sold to employees on the basis that the results will be used to bring about improvements in their working lives. There is likely to be a proportion of staff that are not happy with aspects of their employment, and consequently see the staff survey as an opportunity to initiate change. Resultant lack of changes from year-to-year would understandably develop resentment and disappointment amongst staff. There may be a feeling of deceit, and development of the attitude that the survey is a “waste of time”. Employees are more likely in the following years to claim that “nothing ever happens”. Indeed, according to the survey manager, this comment was apparently common on survey forms before the free-text comments section was removed. Amongst these unhappy staff will be groups that will put up with the conditions of their employment and those that withdraw.

The significance of this variable as a predictor of turnover may indicate that insufficient attention is given to post-questionnaire work; although this situation would not be new. Vandenberg and Nelson (1999) suggested that it is too often the case that organisations implement surveys rather blindly with no real attempts to uncover why responses were given. Scarpello and Vandenberg (1991) note that this practice results in the loss of important information and usually results in greater employee scepticism and lower morale than before the survey was administered. Consistent with this view, post-hoc analysis finds a moderate positive relationship between morale and response to previous surveys ($r = 0.369$, $p < 0.01$). Consequently, this highlights the importance of practical managerial responses which directly deal with the factors identified from the results of the survey in order to retain staff in subsequent years.

The model derived from the regression analysis can be shown diagrammatically in Figure 1.

Conclusions

The analysis of results reveals a somewhat instrumental approach to work in this case study. Plausible explanations of relationships have been given. Paradoxically, as employees become more embedded with the culture of the firm, they tend to leave. The development of a strong culture which enhances a sense of self-worth and respect between employees elicits a response for a better working life which is more likely to be found elsewhere. Labour turnover increases because the work environment and jobs which people perform are not held in sufficient esteem to meet the desires of employees who develop a higher self-worth. Where employees trust and respect one another, this is to the detriment of organisational trust or organisational loyalty. These factors combined develop a situation where more employees appear to feel that they can find better employment elsewhere. In short, some of the corporate values actually reduce some aspects of organisational performance.

This model accounted for 38.7 per cent of the total variance in labour turnover. Whilst this is a significant improvement on previous research (Bretz *et al.*, 1994; Hom and Kinicki, 2001; Iverson, 1999; Lee and Mowday, 1987; Price and Mueller, 1981), 61.3 per cent of labour turnover variance remains unexplained. However, as Morrell *et al.* (2001) advises, no model has fitted labour turnover perfectly. This may be due to the inherent complexity of social phenomenon which poses problems for any universal account (Checkland, 1981).

The implications of this study reinforce the longstanding rule in organisation development to follow up on survey results to identify why a response was given

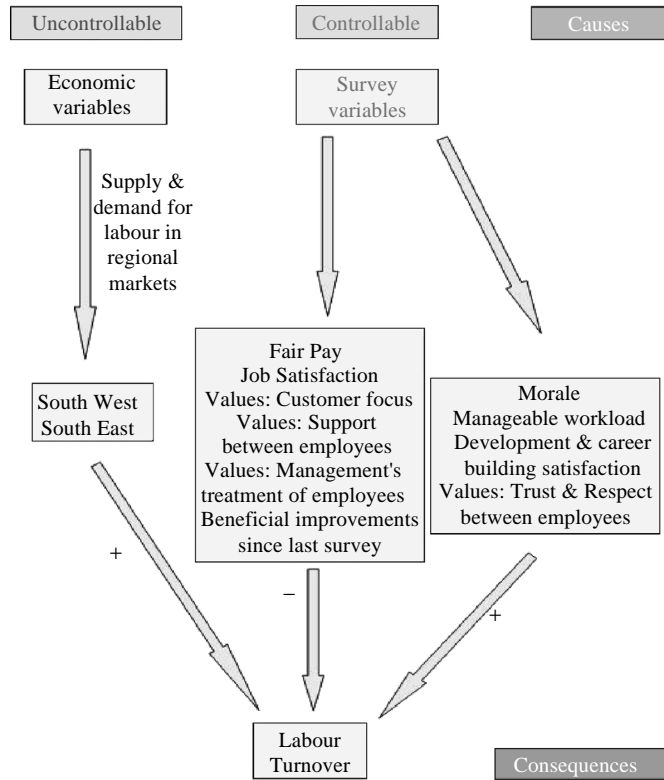


Figure 1.
Model of the relationships
between controllable,
uncontrollable factors and
labour turnover

(Cummings and Worley, 2001). Consistent with Hulin *et al.*'s (1985) view that job alternatives and satisfaction could have substantially different effects on employee turnover across various populations, future work may benefit from the isolation of particular work groups or categories of employees.

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