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**PROBLEMS OF ABSENTEEISM AND ITS IMPACT ON ATTRITION RATE IN
INDIAN RETAIL INDUSTRY**

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ABSTRACT

Retailing in India has emerged as one of the most dynamic and fast paced industries with several players, accounting for over 10 percent of the country's GDP and around eight percent of employment. The emergence of shopping malls is increasing at a steady pace in the metros and there are further plans of expansion which would lead to 300 new ones coming up in India by 2013-14. Indian retail industry hardly needs attention for one of the major problem i.e., absenteeism among the workers. The upshot, from an organisation's perspective, is greater staff turnover or, in some cases, the development of an 'employee-retention problem'. The broad objective of the study is to analyse the problem of absenteeism and its impact on attrition. It is found that majority of the respondents (65%) were unaware about the leave rules and procedures and only 35% of the respondents are aware of their leave rules and procedures. 61 percent of the respondents want to change their shift timings weekly followed by 34 percent fortnightly. Attrition rate of the year had been calculated and found that the average attrition rate of the year 2013 is 4.17 percent that indicates four people out of every 100 people employed left during the course of that year.

Keywords: Absenteeism, Employee-Retention, Attrition

1. Introduction

Retail is India's largest industry, accounting for over 10 percent of the

country's GDP and around eight percent of employment. It has emerged as one of the most dynamic and fast paced industries with several players entering the market.

Retailing in India is gradually inching its way to becoming the next boom industry. The Indian Retail Industry is one of the fastest growing industries in India comprising organized and unorganized sectors, is expected to grow from US\$330 billion in 2007 to US\$640 billion by 2015 (Annual Global Retail Development Index GRDI, 2007). The Indian retail industry is currently growing at a great pace and has reached US \$ 833 billion by the year 2013 (Indian Retail Story, 2013). In the last four years consumer spending in India has climbed up to 75%. In India though, organized retail accounts for approximately 5-6% of total retail revenues, however, with a young population, increasing disposable income, changing life styles and a robust economy India is set to emerge as one of the fastest growing organized retail markets in the world (Business Standard), 2010. Nowadays the Indian consumer gets more hefty pay- packages, is younger, with large number of working women, having western influences, and with more disposable income which have opened a lot of opportunities in Indian organized retail sector. With a huge young population,

increasing disposable income, changing lifestyle the consumer wants all in one place. Even though India has well over 5 million retail outlets, the country sorely lacks anything that can resemble a retailing industry in the modern sense of the term. This presents international retailing specialists with a great opportunity.

2. Absenteeism -The problem of Indian industry

It hardly needs mention that one of the major problems before the Indian industries are absenteeism among the workers. At the beginning day, the managers are suddenly facing with the problem of finding extra people to make up the production crew; either they have to carry large numbers as absentee reserve or will have to shut down machines, for want of crew. This naturally upsets the production schedules. The problem of absenteeism arises when large numbers of workers absent themselves from duty. Type of absence Employees who are absent for reasons viz.,

- Involuntary beyond their control
- Voluntary within their control

While the majority of absence are involuntary, various studies report that voluntary absenteeism could account for between 20- 40% of all absenteeism

2.1 Absenteeism in retail industry

Retailing is a sector which has one of the highest rates of staff absenteeism. Bhatia.S.K, 2005 says that Absenteeism becomes the wide spread problem and 75% of a typical firm's annual operating budgets are spent on human capital costs and absenteeism can cost companies lakhs of rupees. If employees feel that they can exploit loopholes within an organization, they do not turn up for work; this impacts on their self-worth and has a detrimental effect on the organization. Employees who are away from work on recognized holidays, vacations, approved leaves of absence, or leaves of absence allowed for under the collective agreement provisions would not be included. The effects of high levels of absenteeism are wide ranging and affect everyone in the organisation. It cannot be regarded purely as a management problem. Employers, workers and their representatives have an interest in ensuring that a few absent workers do not

jeopardize their prosperity or job satisfaction.

The rate of absenteeism varies from 7 percent to nearly 30 percent across the world. In some occupations it has risen to the abnormal level of 40% in some seasons.

(Refer Table 1 Here)

The broad objective of the study is to analyse the problem of absenteeism and its impact on attrition

Specific objectives are

1. To identify the causes of absenteeism
2. To indicate the trends in absenteeism and attrition
3. To estimate the association between absenteeism and employee attrition
4. To find the causes of attrition and measure its cost.
5. To suggest policies for reducing absenteeism which leads to attrition

3. Methodology

3.1 Sampling procedure

This study was about absenteeism and its impact on attrition among the Customer Service Associates (CSAs) with respect to Reliance Fresh Limited. This is being done by investigating and analyzing the selected employees who remained absent frequently for their work and finally left the job. Total number of employees worked as Customer Service Associates (CSAs) has been considered as the population and it is a finite universe. To fulfil the requirements of efficiency, representativeness, reliability and flexibility one hundred and twenty samples have been selected based on judgment sampling. The persons who took more than ten days leave were selected from the absentees list. From that the persons with contact number were identified then one hundred and twenty respondents were interviewed

3.2 Collection of data

Secondary data about absenteeism was provided by the HR department on a day-to-day basis for the one-year period preceding data collection from the employees. Primary data have been collected from the sample respondents

through telephone interview. The data was collected on the aim of getting details related to general characteristics of the sample respondents, reasons for absenteeism, awareness about the leave policy, about the shift schedules, causes of attrition and characteristics of the respondents on quitting the job, views of respondents about the Reliance Fresh.

3.3 Analytical Tools and Techniques

3.3.1 Percentage analysis

Percentage analysis was used to study the general characteristics of sample respondents. Averages and percentages were worked out for comparison and contrast.

$$\text{Percentage analysis} = \frac{\text{Number of respondents}}{\text{Total sample size}} \times 100$$

3.3.2 Correlation Analysis

Robert kreitner et al., 1999 defines Correlation analysis was to test the

relationship between absenteeism and

attrition, thus

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}}$$

where $\bar{x} = (\sum X - \bar{X})$ and $\bar{y} = (\sum Y - \bar{Y})$

r = Correlation coefficient

X = Number of days absent

Y = Persons left the organization

3.3.3 Multiple regression Analysis

Multiple regression (Kothari C.R, 1989) is an appropriate multivariate technique to examine the relationship between two or more metric independent variables and one metric dependent variable. To test the hypothesis the following model was estimated, using multiple regression analysis:

$$Y = f(X_1, X_2, X_3 \dots X_n, e)$$

Based on the scatter diagram linear multiple regression was fitted as

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + \dots + b_nX_n + e$$

where,

Y = dependent variable

a = estimated constant

b_i , $i=1-n$ = estimated partial regression coefficients

X_i , $i=1-n$ = independent variables

e = error term

Dependent variable

Y - No. of days absent

Independent variables

X_1 - Illnesses, X_2 - Accident, X_3 - Stress, X_4 - To go to native place, X_5 - Boredom on the job, X_6 - Inadequate leadership and poor supervision, X_7 - Rigidity of working hours, X_8 - Workload, X_9 - Lack of job satisfaction, X_{10} - Transportation problems

3.3.4 Absenteeism rate

Absenteeism rate (Ramsey.R.D, 1998) is the total man shifts lost because of absences as a percentage of the total number of man shifts scheduled to work

Mathematically absenteeism is calculated thus

$$\text{Absenteeism rate} = \frac{\text{Total number of days lost}}{\text{Average number of persons} \times \text{No. of work days}}$$

3.3.5 Kendall's Coefficient of Concordance

Kendall's coefficient of concordance (Kothari C.R, 1989), represented by the symbol W , is an important non-parametric measure of relationship. It is used for determining the degree of association among several (k) sets of ranking of N objects. When perfect agreement exists between judges, W equals to 1. When maximum disagreement exists, W equals to 0. Thus, coefficient of concordance (W) is an index of divergence of the actual agreement shown in the data from the perfect agreement.

The procedure for computing and interpreting Kendall's Coefficient of Concordance (W) was done as defined by Kothari (2002).

- All the objects, N , should be ranked by all k judges in the usual fashion and this information may be put in the form of a k by N matrix;
- For each object determine the sum of ranks (R_j) assigned by all the k judges;
- Determine $\overline{R_j}$ and then obtain the value of s as under:

$$s = \sum (R_j - \overline{R_j})^2$$

- Work out the value of W using the following formula:

$$W = \frac{s}{\frac{1}{12} k^2 (N^3 - N)}$$

$$\text{where } s = \sum (R_j - \overline{R_j})^2$$

k = no. of sets of rankings i.e. the number of judges;

N = number of objects ranked;

$\frac{1}{12} k^2 (N^3 - N)$ = maximum possible sum of the squared deviations i.e. the sum 's' which would occur with perfect agreement among k rankings.

If N is larger than 7, we may use χ^2 value to be worked out as: $\chi^2 = k (N-1)$. W with d.f. = $(N-1)$ for judging W 's significance at a given level in the usual way of using χ^2 values.

3.3.6 Attrition rate

The basic formula to calculate the employee turnover (Stephan Taylor, 2005) is

$$\text{Attrition rate} = \frac{\text{Total number of employees left in the year}}{\text{Total number of employees at date}}$$

4. Result and Discussions

4.1 Awareness about the leave policy and shift schedule

It is strongly believed that the shift schedules make the employees to take leave. In any firm the shift schedules should be flexible such that the employees could find time to do their personal works. Hence information related to the preference to change the shift schedules, flexibility of shift timings were collected and put on view here. In any organisation the employees should know about the leave rules and procedures to take leave. To analyse that, the information related to leave rules and procedures were collected primarily from the respondents.

4.2 Information given to the authority prior to taking leave

The man- hours or man days lost by employees who were absent from their jobs for various reasons should inform the superiors to avoid the difficulties to allocate the shift timings of the other employees. With regard to this the information about whether the superiors were informed about the leave taken, it was found that 92.5 percent of the respondents had informed their superiors about their leave before and only 6.5

percent hadn't informed them about the leave.

(Refer Table 2 Here)

4.3 Awareness about the work burden to other employees

It is clear that nearly everyone (97.5%) was aware about the work burden on co-workers. They all knew that the workload will be increased in case of their absence and only 2.5 percent of the respondents were not aware of the higher workload to their co-workers because of their absence.

(Refer Table 3 Here)

4.4 Awareness about the leave rules and procedures

It was inferred that majority of the respondents (65%) were unaware about the leave rules and procedures and only 35% of the respondents were aware of their leave rules and procedures.

(Refer Table 4 Here)

4.5 Flexibility of shift timings to do their personal work

The largest part of the respondents (65%) revealed that the shift timings are not flexible to spend time with their personal works. But 35 percent of the

respondents said that their shift timings were flexible to meet out their personal needs.

(Refer Table 5 Here)

4.6 Reasons of absenteeism

The coefficient of determination (R^2) was 0.410 and was significant at 1% probability level that means 41 percent variation in absenteeism is explained by 10 variables included in the study. The sign of the coefficients were in confirmation with *a prior expectation*.

Among the independent variables, the variables such as illness, stress, lack of job satisfaction, inadequate leadership and poor supervision, workload, Rigidity of working hours and transportation problems had a positive and significant influence on absenteeism

(Refer Table 6 Here)

(Refer Table 7 Here)

It was understood that more number of leaves (approximately 11 days) were taken for the reason high workload followed by lack of job satisfaction and transportation problems (10 days) per year.

4.7 Absenteeism rate

Absenteeism rate of the employees have been calculated by using the above formula. It was found that the absenteeism rate is 10.96 percent which reveals only 89 out of 100 people are available for work.

4.8 Causes of attrition

Self-evidently, it is necessary to find out why people are leaving the organisation before we put in place measures to improve the employee-retention record. Individuals may choose to resign their jobs for various reasons. In the light of all the factors, the factors such as better salary, poor relationship with the superiors, Rigidity of the timings, excess workload, better designation, higher studies, no motivational rewards, no recognition of ideas, illness, marriage, relocation of home town, job security, transfer of location, better organisation, good carrier growth, personal problem, maternity, no proper communication are identified as the causes of attrition. it is inferred that the most of the respondents left the organisation for better salary followed by the reason that there is no good relationship with the superiors

consequently the Rigidity of the timings is ranked as third reason.

(Refer Table 8 Here)

To test the significant agreement in ranking assigned by different respondents Kendall's Coefficient of Concordance (W) is used. It was found that the value of W is 0.111.

The calculated value (187.05) of Chi-square test is greater than the table value (5.812) in the degrees of freedom 18 which shows that $W = 0.111$ is significant. Hence, we reject the null hypothesis and infer that the respondents are applying essentially the same standard in ranking the reasons i.e. there is significant agreement in ranking by different respondents at 1% significant level.

4.9 Attrition rate

The basic formula to calculate the employee turnover is:

$$\text{Attrition rate} = \frac{\text{Total number of leavers in the year to date}}{\text{Total number of employees at date}} \times 100$$

With this formula the attrition rate for every month of the year 2007 was calculated and reported below in the Table 9.

(Refer Table 9 Here)

Attrition rate of the year had been calculated and found that the average attrition rate of the year 2007 is 4.17 percent that indicates four people out of every 100 people employed left during the course of that year.

4.10 Cost of attrition

There will be a cost to the organisation each time an employee leaves the organisation. Several different approaches can be used to calculate the cost of attrition. One is simply to total up the most obvious direct costs (eg. Recruiting and training a replacement)

(Refer Table 10 Here)

Cost of attrition per employee
= Rs.2715

Total number employees left the organisation in one year = 515

Cost of attrition per year
= Rs.13.98 lakhs.

Therefore, when the employee quits the job it involves Rs.2, 715 to recruit and refill the vacant place. The total cost of the attrition is Rs.13.98 lakhs per year.

4.11 Association between absenteeism and attrition

The association between two variables i.e. absenteeism and attrition is measured by correlation. The estimated correlation coefficient 'r' was 0.78 and significant at 5% level. It indicates that those who take more number of days leave ultimately quit the job.

5. Conclusion

Carrot and stick approach uses policies and discipline to punish offenders and develops various programs and rewards for employees with outstanding attendance. It was found from the interpretation that the annual cost of attrition is 13.98 lakhs. Instead of spending the money to new recruiters, incentive or any other packages can be given to the existing employees to improve the attendance. A great deal of absenteeism and turnover could be avoided if managers were to take greater care to treat their staff with respect and understanding, to involve them in decision- making, and to give consideration to their basic needs. Recognition also can be intangible and

psychological in nature. Managers and supervisors acknowledge the extra effort and performance of individuals provides recognition, even though monetary rewards are not given. The use of flexi time may be helpful for employees who need to take off of work for a doctor's appointment at the last minute or other personal situations. A feedback mechanism for receiving and reflecting on its contents and being seen to act upon some of the messages can be a very positive way of securing employee's trust and gaining their respect.

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List of Tables:

TABLE 1 Attrition rates in the world

Country	Percentage
US	42

Australia	29
Europe	24
India	18
Global Average	24

* Source-Times News, New York

Table 2 Information given to the authority prior to taking leave

S.No	Particulars	No. of respondents
1	Informed	111 (92.5)
2	Not informed	9 (7.5)
3	Total	120 (100)

(Figure in the parenthesis indicate the percentage to the total)

Table 3 Awareness about the work burden

S.No	Particulars	No. of respondents
1	Aware	117 (97.5)
2	Not aware	3 (2.5)
3	Total	120 (100)

(Figure in the parenthesis indicate the percentage to the total)

Table 4 Awareness about the leave rules and procedures

S.No	Particulars	No. of respondents
1	Aware	42 (35)
2	Unaware	78 (65)
3	Total	120 (100)

(Figure in the parenthesis indicate the percentage to the total)

Table 5 Flexibility of shift timings to do their personal work

S.No	Particulars	No of respondents
1	Flexible	42 (35)
2	Not flexible	78 (65)
3	Total	120 (100)

(Figure in the parenthesis indicate the percentage to the total)

Table 6 Factors influencing absenteeism (n = 120)

Leaves taken due to the reasons	Estimated Partial Regression Coefficients	Standard Error	t Statistic
Constant	8.448*	0.638	13.328
Personal Problems			
X ₁ (Illnesses)	1.526*	0.283	5.393
X ₂ (Accident)	0.378	0.522	.725
X ₃ (Stress)	1.426*	0.569	2.505
X ₄ (To go to native place)	0.432	0.557	.776
X ₅ (Boredom on the job)	0.381	0.283	0.757
Organisational reasons			
X ₆ (Inadequate leadership and poor supervision)	1.133*	0.549	2.066
X ₇ (Rigidity of working hours)	1.467*	0.578	2.539
X ₈ (Workload)	2.200*	0.512	4.292
X ₉ (Lack of job satisfaction)	1.783*	0.526	3.387
Logistic reasons			
X ₁₀ (Transportation problems)	1.634*	0.578	2.827

Note: * indicates that the variables are significant at the 1% probability level

Table 7 Mean Days of leave taken per annum

S.No	Reason	No. of Days
1	No reason	8.448
2	Illness	9.974
3	Accident	8.826
4	Stress	9.874
5	To go to native place	8.88
6	Boredom on the job	8.829
7	Inadequate leadership and poor supervision	9.581
8	Rigidity of working hours	9.915
9	Workload	10.648
10	Lack of job satisfaction	10.231
11	Transportation problems	10.082

Table 8 Causes of attrition

S.No	Reasons	Mean Rank	Rank
Personal problems			
1	Far distance from company	11.66	VI
2	Higher studies	12.15	VII
Organisational reasons			
3	No good relationship with superiors	10.40	II
4	Timings	10.48	III
5	Excess workload	10.79	IV
For career growth			
6	Better salary	10.05	I
7	Better designation	11.56	V

Table 9
Attrition

Rate

Month	Total No of Head count in Stores	Total No. of Separations	Attrition Rate (%)
Jan	792	49	6
Feb	741	18	2
Mar	781	21	3
Apr	881	28	3
May	1013	34	3
June	964	46	5
July	956	60	6
August	998	40	4
Sept	1099	67	6
Oct	1131	48	4
Nov	1270	46	4
Dec	1396	58	4

Table 10 Cost of attrition per employee

Particulars	Cost (Rs.)
Recruitment literature	90
Induction programme+ Initial training programme	2,100
Uniform	175
Identity card	100
Miscellaneous	250
Total	2715