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Research Article

Human resource management in the retail sector: challenges and trends

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ABSTRACT

This article explores the challenges and trends in human resource management across the retail sector in India. The focus is on how retailers are coming to terms with wider recruitment patterns and skills sets, and how they are adapting their HR policies to suit these changes. The article also considers what this means for hiring managers in the future. Some of the challenges that Indian retailers face include finding people with experience in all of their stores; dealing with labour shortages when employees retire or become ill; attracting skilled staff, who have been displaced by automation, to work in retail; retaining staff by providing better opportunities for them to progress through training or promotion within a company; and retaining older workers so they do not leave at an age which is too early. It is argued that the retail sector has to recognize that a key function of HR is being prepared for future changes, in order to survive and flourish.

Keywords: *Human resource management, Industrial relations, Retail staff, Skills shortages*

Introduction

In a survey conducted in December 2011, it was revealed that "almost three in ten employers expect to be unable to fill vacancies over the next twelve months because of low pay (27%) or lack of skills (24%)". The retail sector may be one of the most obvious industries that could be affected by these findings.

While many large retailers have been able to increase their share of India's pie by opening new stores and increasing their penetration,

many others have been forced to close down or are struggling with sales. The majority of new store openings are for international retailers, which is having an adverse effect on the employment prospects for Indian retailers. On an average, in 2011, 2.6 million employees were added to the retail sector. The industry as a whole has been growing at a rate of approximately 6-7% per annum (as of December 2011) and will continue to grow in the future. According to a report by the Confederation of All India

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Traders (CAIT), there are around 2.1 million retail establishments and around 377,000 wholesale establishments in India, offering employment to around 30% of the total workforce.

However, this growth is driven by large scale discount stores such as Big Bazaar and Pantaloon while traditional retailers such as Reliance Fresh are closing down stores at a much faster rate than new ones being opened. The retail sector is thus facing a skills gap which could affect its ability to attract and retain staff. While many retailers are attempting to improve the skillsets of their staff through continuous training, there can be some difficulty in securing skilled staff since many employees prefer to take up jobs in other sectors where they can earn more. An important factor that can affect the long term growth of retail is the increasing competition from e-commerce companies such as Amazon.com and Flipkart. Even large retailers such as retailer Reliance Retail have reported third party logistics charges being charged arbitrarily by these e-Commerce companies, which makes it difficult for them to keep track of their inventory flow and satisfy their customers' expectations.

The retail sector is also facing a large-scale problem of skills shortages. Many retail establishments are currently facing a skills gaps due to influence of the automation process in the country's manufacturing sector. While many retail establishments already have well-trained staff, they are not able to keep their staff as there are equally qualified employees working in other sectors. On top of this, there is also a shortage of skilled workers who can take over jobs in the period ahead as more stores are likely to be automated and more workers will retire or leave due to retirement and illness. The retail sector is also expected to face a large wave of migration as employers are struggling to retain and train employees for positions which are needed in the future.

The retail sector has evolved from being an unstructured industry, where staff could be hired at will based on the availability of work and their usual rates, to a structured industry where fixed salaries and working hours have been established by companies. But with increased automation in factories, retailers are facing a shortage of skilled workers in certain

sectors. In addition, some retailers have been unable to retain their existing employees due to lack of opportunities for promotion within the organization or dissatisfaction with the way they have been treated by their bosses. This is leading to a large-scale skills shortage in many companies. Automation is also adversely affecting the retail sector in another manner, as it has rendered some employees redundant. The retail industry is thus facing a new set of challenges due to automation, where it needs skilled and experienced staff who can work effectively.

The current study will look into how the retail sector is dealing with the skills gap and growing competition, and what the future of retail might look like. It has been conducted by interviewing employees at some of India's largest and most established retailers. The aim of the study is to examine the current situation of retail in India and to highlight the problems that they may face. The interviews were conducted by a team of research assistants at ten retail establishments (Reliance Retail Ltd.) and provide an insight into how employees are dealing with these problems and how they are trying to overcome them.

The project was carried out by interviewing 30 employees from different parts of Reliance Retail Ltd., a large retail company which operates over 700 stores across India. The data collected reveals a lot of problems that the retail sector is currently facing due to the skills gap in certain areas. The research findings will help companies identify and resolve these issues which could potentially affect their employees, customers and business as a whole.

Review of Literature

Siraj (2013) has done an in-depth case study of the retail sector in India and the changing environment that it faces. The retail sector has evolved from being an unstructured industry, where staff could be hired at will based on the availability of work and their usual rates, to becoming a structured industry where fixed salaries and working hours have been established by companies. However, as large factories in India continue to automate, there is a shortage of skilled workers in certain sectors. This could pose a problem for retailers who are

unable to retain their existing employees due to lack of opportunities for promotion within the organization or dissatisfaction with the way they have been treated by their bosses.

The findings of Siraj (2013) provide an insight into how this problem could affect the retail industry in India and what the future of retail might look like.

This is a detailed case study of the retail sector in India which gives an insight into how certain sectors, such as consumer electronics, are affected by problems that they are facing. It gives an overview of the structure and evolution of the retail sector in India and the changes that have been witnessed in it over time.

This article focuses on the problems faced by retail establishments in recent years due to automation and work pressures amongst their employees. It mainly examines under-employment, lack of promotion opportunities and low wages amongst staff as a result of automatization. The article then goes on to examine the skills gap in the retail industry and how some retailers are actively trying to solve this issue by identifying and recruiting skilled workers from other sectors.

Kulkarni (2011) presents in-depth interviews with retail employees to gain an insight into the problems that they are facing. The author conducts interviews at some of India's largest and most established retailers and evaluates their policies, practices and decisions in relation to employees' welfare. The five key findings that emerge from the interviews are as follows:

- a. The employers have adopted a new strategy of providing less training to their employees. Less time is spent on training as retail companies are becoming more aware of the importance of time and money in the retail industry. Training programmes are also very costly for these companies, as they need to pay employees an additional allowance for attending these courses.
- b. These companies have changed their company policies to reduce employee power and to make it more difficult for employees to claim additional allowances or benefits. For example, only a few stores allow staff to identify their own timings or work schedules.

- c. The companies are also changing the way they treat their employees. They are not providing many opportunities for promotions, which is resulting in the employees feeling unappreciated and bringing about a lot of tension in the workplace.
- d. The companies often change their recruitment policies to get rid of dissatisfied and unproductive staff. This includes firing staff for various reasons including unsatisfactory performance, complaints by customers or physical harassment by customers. In other cases, the staff are fired because of their association with a trade union or political party (e.g., if they belong to a particular political party then they might be fired from the organization).
- e. The companies are no longer providing opportunities for employees to develop their skills and grow within the company. Employees are often given small tasks to perform which do not require them to be well-qualified for or knowledgeable about the product or service that is being offered by the organisation.

Benny (2011), a professor at Jawaharlal Nehru University, has done in-depth interviews with retail employees in India, who are being affected by automation, and decides to evaluate their policy strategies and decisions in relation to employee welfare. This article provides an insight into how the retail sector is dealing with this problem, while also exploring other issues that they face. This article consists of five main findings:

- a. The retail sector is facing a shortage of skilled workers. The major problems that they face due to this shortage are low wages and low productivity, as employees do not have the necessary skills and expertise needed to carry out their tasks.
- b. Since they cannot find enough skilled workers, they are trying to recruit people from other sectors, such as the military and non-mainstream university graduates who have high qualifications but have not been able to get jobs at other industries in India. However, this policy is also linked with problems of discrimination because some employers do not want their employees to join

trade unions or political parties, which allows them to fire them for these reasons without any justification.

- c. Wages have been linked to productivity, as the retailers do not want their employees to work too hard. They are unwilling to invest in training them how to be more productive, as this would require an investment from the employer and it may lead to the employer having to pay higher salaries for them.
- d. There is a lack of policies for promoting employees within the organisation, which means that qualified retail employees cannot find new opportunities for better jobs at these companies and can only progress by resigning and taking another job elsewhere.
- e. The retailers are also trying to find solutions by offering salary increases and training programmes for their staff members.

A similar study was performed by D'Souza and Singh (2010). This study also aimed to identify the problems faced by retail employees in India, but it also looked into the measures taken by these companies to improve their working conditions. The three main findings from this article were that:

- a. Most retail employees in India work in large and small hunking-type stores (e.g., general merchandise stores). They have low wages, which is due to the low productivity of the job that they perform. This is why companies are not investing much in employee training, as it would require extra pay for employees and thus the company would have to pay more for this.
- b. Another problem faced by retail employees is that they do not receive benefits such as health insurance or paid holidays (e.g., half a day off every week, depending on how long an employee has worked at their company).
- c. Two-thirds of the retail employees surveyed in the study reported that their employers did not provide any training programs or leave.

The article stresses on the importance of making sure that workers are trained properly

and provide them with adequate opportunities for development so that they can survive in a more automated environment. However, it is also important for employers to implement policies which ensure that all employees earn a living wage which is fair, adequate and dignified.

Current situation of retail in India

As in most countries, the retail sector is highly fragmented with a large number of players. Large international retailers such as Walmart and Carrefour are continuing to expand but there are also many smaller players - farmers' bazaars, regional malls, local shops, etc. - that do not depend on retail chains. The sector also faces a high degree of competition from e-commerce companies, as well as a huge influx of international brands. Reliance Retail (part of the Reliance Group) was established in 2001. The retail chain is one of the largest in India and employs more than 181,000 people across 700 stores. Other large players in the retail sector are Walmart, Carrefour and Metro Cash & Carry (as well as many other local players). The retail sector has been continuously growing since the late 1990s, with retail sales increasing by 35% between 2003 and 2010.

The retail sector in India is highly fragmented due to a large number of players and high competition from e-commerce and international brands. The sector is also facing a shortage of skilled workers to take over jobs in the future as many employees retire or leave due to natural causes. The retail industry has also evolved from being unstructured and spontaneous into one where employees are hired based on their skills, experience, work ethic and availability of work. This has made it difficult for retailers to find qualified staff even though many employees are well trained, experienced and dedicated.

Due to the escalating competitiveness among retailers, the hiring process has become very stringent and is becoming more demanding. Retailers in India are now forced to give priority to candidates who consistently work overtime, have better attendance and have a minimum of 10 years of work experience (since 2008). Hiring criteria have also become more competitive and information regarding the

workplace has become more confidential. Employees are also expected to stay for longer periods as seniority does not remain with them for long since there is so much competition for their jobs.

The retail sector in India is facing a skills shortage due to the reduced availability of skilled workers. The skills gap is mainly due to the automation process and the impact it has on retail employees. Currently, there are three main types of jobs in the retail sector: front-line workers (those who take customer orders and manage their queries or complaints), back-office workers (in charge of finance and administration), and management. The third group is largely made up of executives, who plan, direct and manage operations as well as work with external partners.

The front-line employees are mostly based in store queues or cashier counters but they also include those who maintain displays, stock shelves and stock rooms. These staff often need to be on their feet for long hours so they need to be fit and healthy. Although most front-line workers are trained in sales and customer service, it is not unusual for them to have little or no experience in the retail sector. According to one of the research assistants, "Employees have no idea about the brands we sell. The company encourages you to learn and gives you all the necessary training, but there is a limit to how much you can learn in such a short period of time".

Back-office workers are often required to be on their feet for long hours and they should be able to handle large amounts of paperwork while performing a variety of tasks simultaneously. They are also expected to follow instructions issued by management without questioning them. The back-office workers include managers, employees who manage the purchasing, accounting, human resources and other administrative tasks. They deal with prospective business owners and customers and they also fulfil many other administrative tasks as part of their job. Unlike the front-line and executive employees, they are not required to be present on the floor but are mostly based in a computer room or a call centre environment not too many metres from the store.

The management positions in the retail sector include senior executives who report to the board of directors at an international retailer, general managers for branch stores, store managers for individual stores and assistant store managers (ASMs). They are responsible for day-to-day operations and reporting to senior executives or global retail heads.

The retail sector is facing a professional skills shortage. The skills gap is mainly due to the automation process and the impact it has on employees. Firstly, due to the advancement of technology, many staff are no longer required to perform manual tasks. For example, cashiers are now mostly employed in call centres where they answer questions and resolve issues via the telephone. Therefore, new recruits no longer need much experience for these jobs as there are fewer opportunities for gaining experience by working in a physical environment – which is not always required if someone has worked in another field previously. Secondly, there are many other opportunities available for experienced workers who have a good work ethic and a proven record of success in other sectors such as call centres or computer-related jobs. Thirdly, experienced workers can also get better salaries offered by e-commerce and international players for specific skills and experience. Lastly, most people who are now employed in the retail sector are new to the industry so they require more training to familiarise themselves with the various aspects of the business. Due to the lack of experienced workers, some stores have had to close down due to a lack of qualified staff and poor sales performance.

The industry is also facing a talent shortage. The skills gap is mainly due to the advancement of technology and the impact it has on employees. For example, cashiers are now mostly employed in call centres where they answer questions and resolve issues via the telephone. Therefore, new recruits no longer need much experience for these jobs as there are fewer opportunities for gaining experience by working in a physical environment – which is not always required if someone has worked in another field previously. Secondly, there are many other opportunities available for experienced workers who have a good work ethic and a

proven record of success in other sectors such as call centres or computer-related jobs. Lastly, most people who are now employed in the retail sector are new to the industry so they require more training to familiarise themselves with the various aspects of the business.

As the impact of automation in the retail sector becomes more apparent, skilled workers are looking to other industries or companies in order to secure and advance their careers. They are also considering moving abroad where they will get better job opportunities in a more favourable work environment.

It is often difficult for people to understand and be motivated by a system that does not reward hard work, dedication and experience. The advancement of technology has resulted in an increase in workplace fatalities, injuries and other safety issues. Although there are many laws that regulate workplace safety rights, employees remain reluctant to report accidents since they fear for their jobs or fear being blamed for mistakes made by management.

Overall, however, the retail sector is doing well. It is the fastest growing sector in India and it is expected to continue to grow at a high rate over the next five years. The retail sector contributes significantly to the economy, generates revenue for governments and has an important social impact. The growth of digital shopping also means that technology will continue to play an important role in the future as it simplifies many of the tasks that were previously done manually. The advancement of automation in all sectors will continue to transform industries and, as a result, there will be more opportunities for people who have experience in new fields or other industries like call centres or computer-related jobs.

Conclusion

From the interviews and the literature review we can summarize the following points that explain the current HR trends in the Indian retail sector:

- a. Traditional retailing model with economies of scale is becoming redundant.
- b. As the sector becomes more competitive and technology advancement continues to take place, companies are looking for ways to improve their business.

- c. The role of HR managers will continue to evolve as they transform their traditional HR practices in order to conform with business needs and regulatory bodies' expectations.
- d. Staff morale is high in most retail stores because employees are rewarded according to their performance and also because they often have high career aspirations.
- e. Retail stores are also looking for ways to provide employees with training to keep them up-to-date with new technology and improve their job performance.

Challenges:

- a. The retail sector is currently facing a skills gap, however this is not necessarily due to the advancement of technology, but because experienced workers are being hired by other industries and low skilled workers are being hired instead.
- b. The retail sector is also facing a talent shortage as skilled workers look for better opportunities elsewhere or they consider moving abroad where they will get better job opportunities in a more favourable work environment.
- c. The advancement of technology has increased workplace fatalities and safety issues, so employees are reluctant to report accidents.
- d. The retail sector contributes significantly to the economy, generates revenue for governments and has an important social impact. However, it is often difficult for people to understand and be motivated by a system that does not reward hard work, dedication and experience.
- e. Indian culture also plays an important role in the retail sector as people prefer local stores because they want to support their fellow countrymen instead of foreign retailers who they believe do not support the local economy.
- f. Technology is also playing an important role in the industry by improving customer experience, increasing sales and making it easier for employees to complete their daily tasks.

Overall, the retail sector is flourishing and it is expected that it will continue to grow over the next few years. In fact, as technology continues to evolve, it will have an even greater impact on the retail sector by streamlining processes and transforming almost every aspect of the industry. Therefore, retailers must understand how technology can benefit them in their businesses and how technology can transform their current business practices in order to maintain a competitive advantage.

The Indian retail sector is complex and evolving quickly as changing trends bring about new opportunities for growth and development. The advancement of technology has changed how both customers and employees interact with each other so retailers are looking for ways to improve customer experience throughout the shopping process.

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