REASONS GIVEN FOR EMPLOYEE TURNOVER IN A FULL PRICED DEPARTMENT STORE

by

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ABSTRACT

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Employee turnover in the retail workplace has become an important area of research from both a theoretical and a practical standpoint. It is important from a theoretical perspective, in understanding how the underlying causes of turnover can provide insights into how to control the growing problem and where a retailer's specific turnover problems lie. However, from a practical standpoint, learning how to minimize the turnover of skilled employees is crucial from the business expense side. Retailers in the twenty-first century must be able to keep knowledgeable and experienced employees working in their organization. This problem is even more critical in today's retail world considering unemployment rates are hovering near a 30-year low.

This study examined 1190 employee exit interviews from a chain of fifty-three department stores to analyze the reasons given for leaving the organization.
The 41 different reasons for leaving the organization were organized into categories based on similarities found. Significant differences were found in the reasons given for termination based on employment status and length of employment.

Full time and part time employees most often left due to job-related reasons. Hourly employees most often left due to non-job related reasons. Exiting employees who had worked in the department store three months or less most frequently left without notice (27.8%), while exiting employees who had worked 12 months or more most frequently left due to job-related reasons. No significant differences were found in the reasons given for termination by males and females. The findings of this research can be used in the development of appropriate programs to reduce the level of employee turnover within retail organizations.

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CHAPTER ONE

INTRODUCTION

The problem of employee turnover has been one of the most studied topics in retail history (Schwab,1991). Employee turnover continues to plague many retailers because there are no clear resolutions to the problem despite years of research. A great deal of the early research literature, especially prior to 1980, focused primarily on the causes of turnover (Mueller & Price, 1989; Price, 1977; Staw, 1980). The findings of these researchers revealed some of the major causes of retail turnover and made use of a variety of definitions for employee turnover, which are delineated in the following paragraphs.

The exact definition of what constitutes employee turnover varies from one research study to another. Price (1977) defines turnover as “the degree of individual movement across the membership boundaries of a social system” (p.4). When a group of employees is considered a social system, this definition would apply and includes accession and the hiring of new employees within an organization. Macy & Mirvis (1976) viewed turnover as “any departure beyond organizational boundaries” (p. 224). Although these definitions vary somewhat, each was appropriate in the context of the specific research study in which it was used.

For this study, Mobley’s (1982) definition most accurately reflects the conceptual position of the research. Mobley stated that turnover is “the cessation of membership in an organization by an individual who received monetary compensation from the organization" (p. 10).

Given corporate America's increased use of temporary workers, this definition insures that those contracted for a temporary period, often through an outside agency, would not be considered. Also excluded from consideration are those who transfer within the same organization. A final salient feature of Mobley's definition is the inclusion of all forms of ***cessation*** from the organization, which would most typically include an interruption such as a layoff, disability or permanent discontinuation.

Previous research findings indicated that some causes of employee turnover are job-related factors that are somewhat within the direct control of the employer. Examples of such factors would be dissatisfaction with working conditions, supervising conflicts, scheduling conflicts or salary discrepancies. Understanding the causes of job-related turnover is crucial in being able to identify problems within an organization that might be controlled by the employer. Corrective steps taken in this area included training programs for supervisors, clarification of the employee's purpose or role and identifying scheduling solutions (Ulschak & Snowantle, 1992).

In contrast, non job-related causes of employee turnover are generally out of the employer's control. Non job-related causes of employee turnover are those things in the employee's personal life that impact their performance in the workplace. Examples of these would be relocation, family problems and chemical abuse. Although these causes are not directly within the employer's control, some organizations have sponsored responsive programs for the non job-related category such as employee assistance programs and stress management training that better prepared employees to deal with personal issues that impact their work performance.

More recently, the retail industry has been alert to the changing needs of employees and has modified and expanded position offerings to address these needs (Ulschak & Snowantle, 1992). The dynamics have changed the way positions are developed and will evolve over an employee's tenure with the organization. Additional insight into the causes of employee turnover within an organization helps to focus attention on finding real solutions to a problem that will not disappear.

Purpose of the Study

The purpose of the study was to investigate the causes of employee turnover in a chain of 53 full-price department stores located in the midwestern portion of the United States. The findings of such an investigation would be useful in refining personnel practices and hopefully decreasing the incidence of job-related employee turnover in the organization.

Problematic employee turnover rates have continued to plague the retail industry. From a very practical standpoint, minimizing the turnover of skilled employees is crucial in reducing the escalating costs associated with replacing the exiting employees. At this particular time, when overall unemployment has been at or near a 30-year low, it seems particularly prudent to keep knowledgeable and experienced employees working in an organization.

Statement of the Problem

This research examined the causes of employee turnover in a chain of 53 full-price department stores located in the midwestern portion of the United States. The study utilized data extracted from the exit interview questionnaires completed by 1190 exiting employees of the chain, which included the individual reasons given for leaving the organization.

Objectives of the Study

The objectives for this study were:

1. To identify the type of employees who terminate employment in a chain of full price department stores located in the midwestern part of the United States.
2. To identify the causes of employee turnover in a chain of 53 department stores located in the mid-western United States.
3. To identify possible opportunities for the employer to decrease future employee turnover within the organization.

Hypotheses

In order to complete this study, the following hypotheses were tested:

1. There is no statistically significant difference in the reasons given for employee turnover by full-time, part-time and hourly retail employees in the selected department store chain for the period of June 1, 1999 through September 30, 1999.

2. There is no statistically significant difference in the reasons given for employee turnover by male and female retail employees in the selected department store chain for the period of June 1, 1999, through September 30, 1999.

3. There is no statistically significant difference in the reasons given for employee turnover based on length of employment in the selected department store chain for the period of June 1, 1999, through September 30, 1999.

Definition of Terms

For clarity and understanding throughout this study the following terms were defined.

Employee Turnover. This term is used to describe the ending of a relationship between an organization and a person who received monetary compensation from the organization.

Job-Related Turnover. This term is used to describe employee turnover for reasons that are within the direct control of the employer. Job-related reasons given for leaving the organization include dissatisfaction with working conditions/environment, conflicts with supervisors, scheduling conflicts or salary discrepancies.

Non Job-related Turnover. This term is used to describe employee turnover due to things in the employee's personal life that impact the individual's performance in the workplace. Examples of these non job-related reasons would be relocation, family problems, marriage, children and chemical abuse.

Organizational Fit. This term is used to describe how well an employee fits in to a particular work environment. A poor organizational fit occurs when the personality or beliefs of an employee contrast greatly with the company and or co-workers. This can lead to disagreements and a distressing work environment.

Assumptions

It was assumed that the exit interviews collected from the corporate human resource offices were a reliable measure of employee turnover during the period. It was also assumed that the responses made by exiting employees accurately reflected their reason or reasons for leaving the organization.

Limitations

1. The participants in the study were limited to the 1190 exiting employees who completed an exit interview during the period of June 1, 1999 through September 30, 1999.
2. The findings of this study are limited only to this particular retail organization and do not allow generalizations to the larger population or to the retail industry as a whole.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Employee turnover has become an important area of research from both a theoretical and practical standpoint. It is important from a theoretical perspective, in understanding how the underlying causes of turnover can provide insights into how to control the phenomenon. However, from a practical standpoint, learning how to minimize the turnover of skilled employees is crucial in reducing employee replacement costs (Keaveney, 1992). Also, decreasing employee turnover keeps knowledgeable and experienced employees working in the organization. A large portion of the employee turnover problems that we have seen in the recent past can be directly linked to the fact that jobs were plentiful and employees were scarce, considering overall unemployment was at or near a 30-year low. In this chapter the researcher reviewed a variety of published literature dealing with employee turnover in general and some more specific to employee turnover in the retail industry.

Turnover Defined

Employee turnover has been one of the most studied subjects in organizational behavior literature (Schwab, 1991), yet continues to elude any concrete conclusions. To better understand the implications of turnover, one must understand how turnover is defined.

Price (1977) defines turnover "as the degree of individual movement across the membership boundary of a social system" (p. 4). This definition includes accession and the hiring of new employees. Macy & Mirvis (1976) succinctly state that turnover is "any departure beyond organizational boundaries" (p. 224).

Although the literature is filled with many other definitions, Mobley's (1982) definition most accurately reflects the conceptual position of this thesis. Mobley states that turnover is "the cessation of membership in an organization by an individual who received monetary compensation from the organization" (p.10). Given corporate America's increased use of temporary workers, this definition insures that those who may have been contracted for a temporary period, often through an outside agency, will not be considered. Also excluded from consideration are those who transfer within the organization. A final salient feature is Mobley's inclusion of all forms of ***cessation*** from the organization.

The employee turnover rate is usually calculated by dividing the number of employees separated from the company they were working for by the base number of jobs during the period. Employees who transfer to other positions within the same organization are not considered in the calculation, as well as those who retired, had their job phased-out or were terminated due to downsizing.

Turnover rates for employees can be measured and compared over time and across companies using what is commonly referred to as the employee turnover index.

The index is calculated as follows:

TTR = [S/N] x 100

TTR = total turnover rate

S = number of employees separated in the period

N = average number of employees in the unit in the period

Some companies add in the number of new positions added during the year to get a more accurate turnover figure. Employee turnover that results in vacancies caused by internal promotions are not included in most turnover statistics.

Types of Turnover

There are a few generally accepted models of employee turnover. The first model suggests that turnover is either voluntary or involuntary. Suggesting that an employee has chosen to leave the organization (voluntary) or they have been forced to leave (involuntary). However, Jackofsky (1984) explains that modeling turnover in this manner can vary significantly from an employee viewpoint to that of the employer. Below average performers may be forced out of an organization with threats of firing or with unattractive hours or assignments, yet if the employee initiates the terminations they are recorded as voluntary. These types of employee initiated resignations are not truly a function of the employees desire to leave and, therefore, should be treated separately (Jackofsky, 1984). In addition to the voluntary/involuntary model there is a second model that has been generally described as *job-related, non-job-related,* and *lack of fit* within the organization (Ulschak & Snowantle 1992).

Job-related turnover includes employees who left the organization due to reasons that were somewhat within the control of the employer. Such factors would include dissatisfaction with working conditions, supervising conflicts or salary discrepancies. Non-job related turnover occurs when an employee leaves the organization due to things in the employee's personal life that impact their performance in the workplace. Examples of these would be relocation, family problems, marital issues, emotional instability or mental health, addictions, and chemical abuse. The third type of turnover is due to the employee's lack of fit within the organization. Examples of this type of turnover would include employees who were so uncomfortable in the work environment that they could not continue the employment. The discomfort may be due to many reasons. Possibly they are not fully qualified and they are having difficulty fulfilling the position, or perhaps the employee is qualified but does not work best in the work environment he or she is being placed in. These are just a few examples of an employee's lack of fit within the organization.

Factors Leading to Turnover

Controlling employee turnover can constitutes a complex and challenging task for both the workplace and administrators. Managers may have difficulty understanding and or accepting employee turnover within their organization, due to a myopic perspective of the situation. However, identifying the underlying causes, quantifying the problem, and identifying possible solutions to high employee turnover can prove to be valuable information for managers who wish to make a difference (Mobley, 1982).

Numerous researchers have tried to identify the various contributing factors to employee turnover in the workplace in addition to the causes of turnover and dissatisfaction. Traditional theories have focused on how employees make their decision to leave the workplace. Within these studies, several of the following factors have continued to surface in relation to turnover, showing that there are leading underlying factors that exist in causing the actual act of turnover.

Intent to Leave. Intent to leave is one's behavioral attitude to withdraw from the organization, while turnover is considered the actual separation from the organization. Intent to leave has replaced job satisfaction and organizational commitment as the strongest predictor of turnover in the studies that have actually examined turnover (Keaveney, 1992). Intent to leave is based upon an attitudinal variable and is most typically found in job-related turnover (Cotton and Tuttle, 1986).

Job Satisfaction. Job satisfaction can be explained as the positive emotional state resulting from appraisal of one's job or experience. Developing more slowly over time than satisfaction and being more extensive, organizational commitment is one's identification with and loyalty to an organization (Mowday, Steers, & Porter, 1979). The vast majority of evidence supports the claim that job satisfaction leads to organizational commitment (Brown & Peterson, 1993; Williams & Hazer, 1986).

Job Dissatisfaction. Job dissatisfaction has been found to be a common occurrence with several levels of severity. A direct positive correlation was found in the employee’s level of dissatisfaction and the chance that the employee would leave the organization.

For managerial trainees in a large merchandising firm, Porter, Crampton and Smith (1976) found that organizational commitment diminished prior to the individual’s actually leaving the organization. Also, the level of job dissatisfaction did decrease when employers attempted to accommodate all reasonable requests for improving the work situations.

Role Stressors. Staw (1980) identified three role stressors, which contribute to employee turnover. These three role stressors are role ambiguity, role conflict, and role overload. Almost the opposite of lack of responsibility, role stress is a result of work environment perceptions and thus, influences affective responses such as organizational commitment. Role ambiguity results when an employee is uncertain how to perform the job. This could occur when there are undefined management positions within an organization. Role conflict is experienced when an employee receives two or more sets of expectations or demands that are incompatible and cannot be simultaneously satisfied (Churchill, Ford, & Walker 1976).

The first two, role ambiguity and role conflict are stressors that are experienced within the organizational framework itself. Unlike the first two, role overload is when extra organizational variables are added into the context of the workplace. An example of this could be work-family conflict, where the pressures of the two roles conflict and one or both areas are in need of consideration. Work-Family conflict is likely to directly affect intent to leave, and the more work-family conflict an employee experiences, the greater the employee's intentions to leave the organization.

The company will be less likely to pressure the employee or manager into a conflicting situation that could contribute to the work-family conflict, knowing that increased levels of role conflict will negatively effect commitment to the organization. This is something that must be considered when promoting an employee considering that in many retail organizations promotions are often contingent upon geographic relocation (Brown & Peterson, 1993).

Poor Employee Training and/or Orientation. Training is a method used to increase job related employee knowledge. Employees beginning a new job need to be introduced to the job, its duties, and the expectations that will be placed upon them. This training should be only the beginning process to mold the employee into the corporate culture and ideals. "It has been estimated that in the United States organizations spend approximately $30 billion per year on formal employee training programs. In addition, the sum of approximately $180 billion a year is spent on informal training and coaching" (Warshauer, 1988). Warshauer also identified eight critical elements in successful training sessions. These items include program content, training methods, employee input, and an assurance that the training meets organizational needs.

Lack of Advancement. When employees perceive no growth areas/future or desire to advance within the system, they have no reason to remain in the current work situation. If growth is desired but leaving the current employer is required, it will result eventually in the employee's departure.

Income. It is not uncommon for people to leave one position for a higher paying position, sometimes within the same company. It is hard to keep employees when paying significantly less than others are offering, which has been common in the retail setting.

However in past studies income has been consistently, related negatively to turnover (Cotton and Tuttle, 1986).

Lack of Respect. Certain businesses have been criticized for not giving employees the respect that they feel they deserve. Employees expect to be treated with dignity and respect at all levels of the job.

Employees can be the deciding factor in an organization's success. For this reason, employers should treat employees with respect and in the same manner in which they would like to be treated. If management does not realize that employees are its most important assets, it will continue to have substantial turnover, mediocre productivity and inadequate customer relations. In the book The One Minute Manager, the authors mention that people are not pigeons, they think for themselves, and do not want to be manipulated by others (Blanchard & Johnson, 1982).

Lack of Responsibility. It has been stated, "…responsibility is the single greatest motivator in business" (Weinstein, 1992, p.92). In some instances individuals perceive that they are ready to make the decisions yet, management may never give them the chance. Responsibility is a major factor that can provide a lasting change of attitude (Herzberg, 1966). Therefore, empowering the employee could be a critical investment in a company's future.

Opportunity to Move. The long hours and lower pay scales typically found at the entry-level management position have contributed to the conflicts of a work/life balance. Also, understanding the implications of promotions within retail that are often contingent upon geographic relocation, has led many firms to recognize that it is better to keep valued employees happy and in a stable, albeit slower, career track that doesn't have as great a risk of disrupting the employee or their family's well-being with a move. Entry-level managers also have faced the potential dilemma of receiving assignments and possibly, not having the personnel to complete the assignment. Therefore, retailers and employees need to recognize and weigh the possible outcomes with the opportunity to move.

Turnover in Retail Positions

While the administration of employee turnover has generated much interest in the non-retail sector, there has been limited research in the retail sector. This is also evidenced with Mobley's (1982) publications referring to approximately 100 articles or presentations in the industrial sector, but limited attention has been devoted to its study in the retail sector. Despite the lack of research in the retail sector, the fact remains that retail organizations rank among the highest in turnover when compared with other organizations (Keaveney 1992).

In the retail industry, high turnover is expected at the sales associate job level because many of these positions are part-time, the hourly wage is low, and they encompass many of the reasons discussed above that aid in causing high turnover. This is evidenced in existing retail investigations, which have been limited to non-managerial positions (England, 1971). One would expect turnover among management positions to be considerably less than in entry-level sales positions. Although many of the previous issues exist on all retail levels, it is in these executive positions where greater insight into the problem of turnover can be most beneficial.

Overall, the employee separation rate for the retail sector is reported to be 30% per year (Cohen & Schwartz, 1980). More specifically, the volume of retail managerial turnover was reported as follows: 54 % for department store managerial trainees (Gable & Hollon, 1984), 24 % for managerial trainees in a large merchandising company (Porter, Crampton, & Smith 1976) and 30 – 35 % for bookstore managers (Ford 1983). Greater understanding of the reasons for turnover is particularly important in management because the loss of key managers could be quite detrimental to an organization. A recent study (Keaveney 1992) indicated that the average job tenure for retail managers has fallen from 8 - 9 years to 6 - 7 years. This was attributed to the very mobile job market and the particular job environment, known for its long hours, comparatively low pay, and promotions that are often contingent upon relocation.

Another retail position that deserves a closer look at turnover is that of a buyer/product manager and their unique boundary spanning activities. Boundary spanning activities refer to job-related activities that require the employee to cross both internal and external boundaries. Considering the time that a buyer spends at market in the company of vendor representatives, there is a chance for feeling isolated from the employing firm. This could allow for relationships with the employer to deteriorate while relationships with vendors improve. Accordingly, there is a sense of anxiety, tension and stress for this 'man in the middle' outlook (Darden, 1989).

Increasingly more retailers have come to understand the work/family balance and have attempted to decrease value conflicts through flexible work hours, parental leave, and on-site day care facilities. Greater understanding of the role related constraints on work and family life, has led to a closer examination of the requirements of both entry-level and upper management positions.

As employees reach higher levels of management, hours may become more stable, they may travel less, and the pay may be higher -- all of which may reduce the loss of good employees and foster the work/family balance. Greater sensitivity to the job-level demands placed upon upper level managers has led to conflict resolutions and alternate strategies, which create positive outcomes at work and in the family. Employers need to monitor the conflicting situations that often come from those outside the immediate job assignment. This is essential in that management may form a negative view of the organization as a whole but be satisfied with the immediate job assignment and the people associated with it (Keaveney 1992).

Improvements in internal customer relations have been found to contribute greatly to job satisfaction and favorably impact turnover rates. Upper level management employees experienced other problems when the role conflict stems from working with groups who have differing sets of values. Shareholders may have held certain priorities whereas CEOs, presidents, and subordinate employees held to different sets of values. Often the value sets have not been compatible. Keaveney (1992) suggested that appropriately addressing upper management current and future needs should concentrate on negotiation skills, conflict resolution, and team building.

Costs of Turnover

In any successful business, owners and managers must control expenses to increase profits. Understanding the importance of how employee turnover relates to the expense and implications on a business is essential in all business, not excluding retail. Managing turnover can also be a cost-effective way for retail management to show their commitment to the organization (Gardner, 1986). Strategies for effectively managing turnover necessitate both prediction and the previous explanations of how turnover works.

Hard Costs and Missed Sales

Financial costs of turnover to organizations are often significant and poorly understood. According to Schwab (1991), there are two categories of costs that are attributable to turnover. These categories, known as hard costs and intangible costs, need to be factored into the overall cost of turnover.

Hard costs. The first category of financial costs, known as hard or tangible costs or expenses are associated with recruiting (advertising), selecting and training new associates. These costs included expenses and manpower. A manager spending time in the hiring process could otherwise be devoted to managing everyday functions.

Large companies also require additional staff to process the significant number of applicants because of the constant turnover. This also drains profits and could indicate a weak employee selection process. Hard costs have been estimated between $800 and $1200 per new hire. Thus, a specialty store with positions for ten sales associates and a turnover rate of 120% will need 12 new hires each year, at a cost of approximately $10,400.

Intangible costs. The second type of costs, known as intangible costs are more difficult to quantify. They are incurred when missed sales occur due to lack of experience in new sales associates, or overall efficiency and worker morale. The reduction of store profit attributed to turnover due to sales and overstaffing varies depending on length of time sales associates require to adapt to their new environment. Typically sales efficiency is measured by sales per hour and is considered to be at 55% after one month, 70% in the three to six month period and jumps to 100% after the ten month mark of company service. Analyzing this data would suggest that an inexperienced sales associate would lose 10% of the sales dollars that a veteran could have sold (Gardner, 1986).

Unless these causes of turnover are identified, low morale may lead to more negative consequences, such as tension with management and disruptive behavior. Feedback from employees and executives must occur on a regular basis and must be used to assess the workplace environment for identification and correction. This could also be critical in solving or preventing workplace violence.

Separation, Replacement and Training Costs

Cascio (1995) breaks turnover costs into three broad areas: separation costs, replacement costs, and training costs. Costs associated with separation include administrative processing and exit interviews. The most apparent cost of turnover, for researchers and practitioners alike, is the administrative one. Replacement costs are typically associated with job posting and advertising, interviews, testing, travel, and moving expenses. Training costs include formal and informal activities, materials, and management time.

Other miscellaneous costs could occur in the standard "out-processing" costs for employees that are leaving (Mobley, 1982). These costs may increase if the turnover is generated by downsizing and requires premium severance packages. Also, if the turnover is the result of involuntary termination there may be additional administrative costs to document just cause, along with possible legal fees if the employee claims to have been the victim of discrimination or unfair practices.

Cascio (1995) notes that turnover is "now estimated to cost as much as $75,000 in the case of a middle manager, and 3 to 5 times annual salary for a CEO" (p. 311). Cascio (1991) cites turnover for automobile salesperson's costs, on average, $18,000 per employee. Additionally, Cascio (1995) cites a study by Weekley and Champagne in 1983 that found that the cost for releasing a manager of a large retail department store to be over $11,000.

Inefficiency and Other Costs

Phillips (1990) studied his company's turnover, citing nine categories of potential cost. He found five variables related to inefficiency: inefficiency of the incoming employee, co-workers closely associated with the position, departing employees, those closely associated with departing employees, and the job vacancy itself. The remaining variables were made up of out-of-pocket processing costs, HR department costs, non-HR processing costs, and relocation costs. He found that for the typical employee with an annual salary of $38,900 the company incurred $58,100 in costs.

Other recent studies indicate turnover costing an average of 1.5 times an employee's annual salary (Gardner 1986). Turnover costs included in this figure account for both tangible and intangible amounts. The tangible amounts would include recruiting and training expenses, the intangible amounts would include loss of customer confidence in new personnel and decreased productivity while a new staff gets acquainted with their positions. There are moderating factors to costs associated with turnover that are also factors in the current high turnover in retail. Staw (1980) notes that tightness in the labor market can increase the cost of replacement while high unemployment in the marketplace should reduce the cost, since the ability to attract and hire personnel is typically easier. Staw also notes that the level and complexity of the job to be filled is another possible moderator. It is intuitively stated that finding a replacement for a position, which requires lower skills, should result in lower replacement costs than those with higher-level skill requirements.

Unfortunately, in most companies, the need for qualified employees co-exists with a shrinking labor pool and a workforce that feels little compunction over leaving to accept a better job offer. Figures supplied by the Santa Clara, California - based Saratoga Institute's Human Resource Financial Report paint a dismal picture when retailers consider front-line workers--those who meet and establish relationships with their customers. Positions with little responsibility (exempt) have turnover rates at 17.7%, in line with many other industries, but for positions that include responsibility (nonexempt), turnover jumps to 78.8%. Due to this, many retailers resign themselves to accepting this kind of turnover rate as another one of the costs of doing business.

However, it may not prove to be the best course of action to allow a valued employee to leave the company over a wage dispute. According to information from Ford (1983), reporting on the management of turnover among bookstore managers, B. Dalton has tried to combat their turnover issues, reporting a 20 percent reduction in turnover by increasing annual salaries, using realistic job previews, and providing opportunities for managers to receive recognition. Competitive wages and benefits are critical to most retention programs, yet successful retail companies often tie increased compensation to longevity, employee ownership in the company or to the employee's own efforts.

Turnover and Productivity

There are few empirical studies regarding the relationship of turnover to the performance of the work unit. However, several researchers have speculated about negative and positive effects to the organization and/or attempted to quantify costs. Therefore, a brief review of these studies and findings is warranted.

Nordstrom Inc. is an upscale retailer with headquarters in Seattle, Washington. The organization works to attract people who want to earn good money and then creates an atmosphere in which they can meet this expectation. One of the ways in which Nordstrom Inc. makes this possible is through its pay-for-performance commission system. "We have salespeople on the floor that made $100,000 last year," says Joe Demarte, vice president of human resources. Scheduling of work hours for employees also rewards merit and ability. Employees who rate high in sales and customer service are scheduled during the busiest hours. These practices enable Nordstrom to build a staff that is loyal, evidenced by a turnover rate as low as 35%, even with part-time employees included in the calculations.

Nordstrom offers one of the best benefits packages in the retail industry, promotes from within the organization, gives a generous employee discount on merchandise and offers company profit sharing opportunities to employees. Nordstrom's believes that if they have salespeople who stay with their company and build relationships with their customers, they will also see a favorable performance in sales and customer service.

Dalton and Todor (1979) noted the tendencies for short-term disturbances experienced by the organization due to the interruption of normal operations.
They further stated that this situation resulted in issues ranging from managerial irritation to organizational mistrust. While the effects of disturbances may vary, depending on variables such as turnover rate, the personnel who leave, low employee morale, a number of researchers agree with the fundamental proposition that a disruption of social and communication structures is related to turnover (Mobley, 1982).

Drawing on past research, Muchinsky and Morrow (1980) note that increased turnover rates seem to result in increased “amounts of formalization, statements of explicit norms about the social system (and lower levels of integration) and participation in primary groups” (pp. 280-281). In addition to social and communication disruption, there is operational disruption. Staw (1980) notes that an employee leaving affects the interdependence of work roles, with the primary moderator of this disruption being the centrality of the particular role to the organization’s functioning. According to Mobley (1982) and Staw (1980), decreased satisfaction among employees who stay may lead to their demoralization and affect their performance and the organization’s effectiveness.

An important moderator impacting the morale of employees who stay is the perceived reasons given by employees who leave (Steers & Mowday, 1980). While the costs of lower-level employee turnover often focus solely on financial aspects, turnover of higher-level individuals is often attributed to disruption or demoralization effects (Staw, 1980).

Losses in productivity while replacement employees are hired and retrained are also incurred (Mobley, 1982). Staw (1980) adds that the amount of loss varies according to the time period for which the new employee's performance is below that of the departed veteran employee. While productivity loss may be obviated if the replacement eventually becomes more efficient, the negative relationship between turnover and productivity has been found in many studies. Huselid (1995) found this negative relationship between turnover and productivity.

Cascio (1995) concurs, citing reduced productivity during the learning period as perhaps the highest individual cost of turnover. Cascio cites a study by a major brokerage firm, which found that the learning period for replacement employees varied from 10 weeks for office and clerical workers, to 104 weeks for broker trainees, depending largely on the complexity of the position being filled. The study found that productivity lost during the first third of the learning period ranged from 60% for office and clerical workers to 85% for broker trainee. High levels of lost productivity continued in the second third (75%) and the final third (50%) of the learning periods. Due to the high cost of lost productivity, it would seem that adequate employee wages to avoid such losses would be in order.

Much of the literature has focused on the individual quantifiable costs associated with the loss of employees. These studies have centered on administrative costs regarding recruiting, processing, meetings, examinations, etc. Studies have chronicled training expenses, learning curves, and efficiency costs. These are intuitive and real costs to the company. Some have attempted to quantify workplace disruption and the loss in social or communication structures. These factors led to the conclusion that organizational performance is adversely affected by high employee turnover. However, several studies have now found that employee turnover may, in fact, also have positive consequences.

Positive Consequences of Turnover

Although retail turnover is generally considered by industry experts to be too high most retail managers agree that not all turnover is bad. Some situations occur where an employee is not well suited to the organization and it is better for the individual and the company for that person to leave. Dalton and Todor (1979), responding to researchers' continued emphasis on the negative aspects of turnover, took a unique and positive look at turnover. They commented, "from an organizational standpoint, turnover costs may be misrepresented because of a failure to account for the benefits as well as the costs of turnover" (p. 231). The possible benefits of turnover depend on the job, the extent to which it demands physical or psychological abilities and on who actually leaves (Staw, 1980). Staw comments that "turnover rates do not, as a statistic, provide such information" (1980, p. 261).

Dalton, Krackhardt, and Porter (1981) expand the traditional method of categorizing employee turnover as a voluntary or involuntary, by dividing voluntary turnover into functional, beneficial to the organization, and dysfunctional, detrimental to the company components. By separating voluntary turnover into functional and dysfunctional components, Dalton made the case that in fact turnover of the poorly performing employees might actually result in positive effects for the employer. Thus, if a better replacement for a poorly performing employee could be found, the organization would achieve a positive net impact, possibly in productivity, employee morale, or other tangible benefits.

Williams and Livingstone's (1994) analysis did a through job of studying previous research on the relationship between voluntary turnover and individual performance and they found a robust negative relationship between these two variables. It should be noted that this relationship was stronger in companies that provided performance-contingent compensation. Based on their robust, although not unequivocal findings, they found limited support for Jackofsky, Ferris, and Breckenridge's (1996) curvilinear relationship findings, that is that lower and higher performing employees leave the organization in higher rates than average performers, and could not discount Schwab's (1991) positive relationship for tenured college faculty. Hollenbeck and Williams (1986) contended that since it is believed that poorer performers are most often likely to leave a company, future research might actually recommend increasing turnover frequency in order to improve turnover functionality.

Several studies provide important empirical support for Mobley's intuitive assertion that, "perhaps the most obvious positive organization consequence is replacement with better performers" (1982, p.22). Depending on the level of the position, replacements may infuse the organization with new skills and knowledge, and give the organization the ability to make use of new technology (Mobley, 1982).

Referring to previous research, Muchinsky and Morrow (1980) note that, “there exists some evidence that higher amounts of managerial turnover produce higher amounts of innovation of new ideas and procedures and, by bringing in new blood and new ideas, succession can vitalize the organization so as to enable it to adapt more adequately to its ever-changing internal demands and environmental pressures” (p. 281). Mobley concurs, noting that replacements may “stimulate changes in policy and practice” (1982, p. 33). Replacements may also be “more highly motivated than the old employee” (Staw, 1980, p. 259) and high stress positions that can lead to employee burnout might particularly benefit by fresh, motivated replacements.

Staw points out that there is a relationship between the type of the job and the relative performance curve of the employee. Showing that depending on the type of position, turnover might be advantageous in certain occupations, based on stress and burnout. The traditional pattern of performance with an employee is similar to that of the letter “J”. The employee learns early, grows in performance effectiveness and then begins to plateau, continuing a high level of performance as a higher tenured individual. This shape would then support Cascio’s (1995) assertion regarding lost productivity discussed earlier, and makes an argument for the negative effects of turnover. However, other curves do not demonstrate this negative effect. The early burnout curve is believed to be experienced in jobs with high stress levels, where high motivation early tends to continually reduce over time. Jobs such as nursing, police, and social work are cited as typical burnout positions. Staw believes that the inverted “U” shape is actually more typical than any other pattern. It acknowledges the learning curve, where effectiveness grows during the learning period, early in the employee's tenure, then peaks and plateaus for a period, and then decreases as motivation for the job and desire to learn wanes.

Staw (1980) makes a case for turnover as an effective means to improve organizational performance, especially turnover at that time when an employee's performance has plateaued and started down the performance curve.

Mobley (1982) also found the positive effects of turnover for the organization. In addition to those already stated, he cites additional benefits of turnover. He comments that internal mobility expectations met, as opposed to unmet, was associated with more favorable work-related attitudes". These opportunities to move people between jobs and functions may lead to new ideas and greater satisfaction through better career options for high-level performers.

Increased structural flexibility is also cited as a possible positive effect of turnover. The company gains an opportunity to enhance performance through realignment of its structure and reporting relationships. Mobley (1982) notes that withdrawal behaviors are often evident with employees who are dissatisfied with or disinterested in their jobs. These employees are more likely to have higher absenteeism, lower morale, and a higher level of apathy. Employee turnover can also lead to opportunities for cost reduction and consolidation, which in turn can increase organization efficiency. Mobley also notes that a possible reduction in conflict can result when a less motivated, poorer performer leaves the organization.

Summarizing the popularly accepted positive consequences of turnover, and drawing attention to how these possible consequences are dependent upon numerous variables, Staw (1980) states:

> Turnover can increase organizational performance, but this effect depends on the role performance curve and contingency of the organization's reward system. Turnover may also reduce conflict in the organization, but this result depends on the ideological nature of the organization and whether core beliefs or values are involved in the conflict… turnover may lead to organizational innovation and adaptation, but this result may, in turn, be moderated by the hierarchical level at which turnover occurs and whether inside or outside succession is followed.

Some who study hiring and retention recommend figuring out which employees you want to keep and aiming your retention efforts at them specifically. David Foote, a research and management consultant, calculates that companies will find 5-10% of their work force include top achievers who should be retained, and about 25 – 40% are steady performers, worth retaining up to a point.

Turnover may have several positive consequences, yet high turnover rates in retail remain a reality. Finding the solution to this issue is crucial to retail survival.

Reducing Employee Turnover

A booming economy has several prosperous benefits, yet attracting and keeping competent loyal employees isn't one of them. Despite the overall prosperity of the economy, it is getting harder and harder to find qualified employees to fill positions (Gardner, 1986). When the economy is strong and jobs are plentiful, it makes hiring the right people imperative.

Hiring qualified people who will stay is well worth the time and effort when the negative implications of a single bad hire are analyzed. During the labor squeeze, several suggestions have been offered to help find and retain key employees. These suggestions included: keeping a file of possible hiring candidates, offering higher wages, internet advertising, implementing a probationary period in which new employees would be rated, awarding a bonus to those employees who successfully refer someone (must stay for a certain period of time), and extending the employee training period. Job banks are another way of staying on top of the turnover issue.

Companies should be constantly recruiting and not waiting until there is a vacancy, keeping a file of possible candidates, even if there are no job openings. When there is an opening, there will be a list of contenders. Finding the right candidates for a specific job could include “rounding up” current employees who have been successful and testing them. A test such as the MBTI (Myers Briggs Type Indicator) may reveal personality traits common to strong performers within the organization.

Types of Turnover in Relation to Reducing Employee Turnover

Three types of employee turnover were highlighted earlier in the chapter. They were described as job-related, non job-related, and lack of fit within the organization. Within each of these turnover types corrective strategies can be put in place in order to combat against turnover.

Job-related turnover includes employees who left the organization due to reasons that were somewhat within the control of the employer. Such factors would include dissatisfaction with working conditions, supervising conflicts or salary discrepancies. Corrective steps taken by some employers to decrease this type of employee turnover include training programs for supervisors, clarification of the employee's purpose or role and identifying scheduling solutions.

Non-job related turnover occurs when an employee leaves the organization due to things in the employee's personal life that impact their performance in the workplace. Examples of these would be relocation, family problems and chemical abuse. Some employers have responsive programs to address the problems in this category, including employee assistance programs and stress management training.

The third type of turnover is due to the employee's lack of fit within the organization. Examples of this type of turnover would include employees who were so uncomfortable in the work environment that they could not continue the employment. Attempts have been made to address this area of potential problems. The preferred method would be to take a proactive stance by testing the potential employee. This would require pre-employment testing along with the interview process. An example of this approach would be to develop a behavioral profile of the candidate using a standardized test instrument and compare that against the demands of the work situation as a whole (Ulschak & Snowantle 1992). Based upon empirical evidence at the Quaker Chemical Corporation, employees who rated high on subjective criteria, including likeability, sense of humor and ability to adapt as a team player, were five times as likely to be successful as those whose score was not as high (Gardner, 1986).

The other way to address poor fit turnover problems would be to implement strategies that were designed to improve the probability of a good fit. For example, organizations have attempted to build employee commitment through solid orientation programs, training employees for success on the job and conducting exit interviews to find areas in need of improvement. If a company is truly affected by turnover and its associated negative aspects, they need to be more realistic about who they are hiring.

Sample groups of workers should be examined to determine skills and interpersonal traits necessary for success in the organization or position.

Denvir & McMahon (1992) reported that "High levels of turnover can become substantial and detrimental to the organization…it prevents relationships between employees and employers…it inhibits growth of mutual responsibility. It involves heavy administrative costs and a substantial loss of productivity through the breaking up of teams who are used to working together" (p. 144). Yet managers may have difficulty understanding and or accepting employee turnover within their organization, due to a myopic perspective of the situation. However, identifying the underlying causes, quantifying the problem, and identifying possible solutions to high employee turnover can prove to be valuable information for managers who wish to make a difference (Mobley, 1982).

Possible Solutions for Potential and Current Employees

Organizations need to gain the valuable insight into the reasons why employees continue their employment with their current organization. Some stay out of loyalty, others stay for a monetary commitment, but the ones that really want to be there are the employees that generally succeed. Research findings on why employees leave their jobs and why they stay can be sorted into categories. Therefore, it leaves a majority of the speculation behind and concentrates on the formulas.

Screening Potential Employees

A significant number of companies with high turnover have a selection process that is in need of work. Employers need to be proactive in their hiring selection processes and identify applicants whose histories have negative behavior patterns (Gardner 1986). Background checks for applicants whose history includes theft, violence, current illegal drug use and frequent job dismissals are likely to continue past behavior patterns. Because turnover results from several causes, it is most effectively reduced by a systematic approach that would include the following components: using a realistic job preview, a scored employment application, behavioral interviews, personality testing, nuturance training, and goals for retention improvement.

Realistic Job Preview. A realistic depiction of the work is a crucial piece in reversing turnover. This enables applicants to understand the challenging and less pleasant aspects of the position along with the advantages. At PETsMART, the Phoenix-based chain of 300-plus pet supply superstores, each applicant views a scripted 10-minute video that begins with the advantages of being a PETsMART team member. Then proceeds to show scenes of lifting heavy bags of feed, dealing with irate customers about dead fish and cleaning up animal droppings. The closing of the video states, "We know not everyone is happy with this work, and it is in your best interest as well as ours to make that decision now. We want to keep you as a friend and as a customer."

Pete Kanton, senior VP of human resources at PETsMART, referring to the costs and potential improvement in turnover says, "The numbers will absolutely stagger you. But to accomplish this requires a major commitment". This process is said to screen out 15% of the applicants, often those who would work fewer than three months if hired.

Scored application. Many questions asked in an interview can be standardized and scored, allowing previous employment to be a judge of future employment. Scoring the responses is a matter of matching the attributes of the position to the attributes of the applicants. For instance, at a mail order catalog operation, no dress code, flexible hours, and not dealing with customers face to face are all pluses. In most retail operations, these would be minuses. Scoring is an objective evaluation that the applicant will match the conditions and demands of the job they are applying for. Such applications have accounted for approximately one third of the applicants being automatically eliminated.

Training interviews. Many interviews use cued questions from the application that are targeted to look for specific behaviors. This type of interview gives situational validity to the applicant with questions such as " Tell me about a time you were treated unfairly, and what you did. " This allows the interviewer to interpret the responses in terms of probable job performance and tenure. The possible downside of this situational interview could include invalid interpretation by the interviewer. However, with proper training, consistent interpretations are possible.

Personality Screening. Another proven option that is available to measure the match between requirements of retail and the personality of the applicants. These tests will screen the following.

- Willingness to accommodate others – to be of service
- Acceptance of diversity in other people
- Emotional resilience to cope with disappointments, feelings of rejection and the occasional inconsiderate customer
- Optimistic self-confidence
- Concept of success based on one's own ability and effort
- Application of energy, dedication to the importance and gratification of success at one's job

Personality measures have been found to be a close second to the scored application in strength of predicting retention. Other screening measures that can be used include reliability screening and learning ability measures which screen out some applicants who would have difficulty learning necessary material.

Nurturance Training. A significant portion, perhaps 25%, of avoidable turnover is caused by the new hires feeling uncomfortable, unwanted, and unsure of their abilities in the first few weeks on the job. Supervisors who are trained to respond appropriately to new hires in this position have been very effective in reducing turnover. Keeping store managers focused on the importance of reducing turnover is essential to improving retention. Installing systems that measure turnover monthly would be effective in assuring that new hires are nurtured. Companies that hire individuals with a screening process will consequently experience a lower rate of incidents such as frequent job dismissals, legal costs, and negative publicity.

Financial Results. Goals need to be set by the company concerning a systematic retention improvement program, which runs along a certain timeline. A system should be in place to measure the relationship between employee turnover in a given timeframe and how it affects profits. Avoidable turnover, which excludes unpredicted or uncontrollable reasons, (family reasons, illness, etc. at 25% annually for non-exempt employees) can realistically be reduced by a third.

With specialty chains, the average goal has been to reduce turnover from a rate of 136% to 99% and this goal has been achieved. The cost savings are 37% of the $951 of hard costs, or $352 per year per position. In a store staffed with 30 sales associates, this amounts to approximately $10,000 per year. On average, this typical store will have annual sales of $3,500,000 and gross profit of $880,000. The reduction in turnover has the financial effect of a 1% improvement in gross margin. The reduction of turnover from 136% to 99% has also had an effect on the experience level and efficiency of sales associates. Lost sales resulting from inefficiency and inexperience are projected to have dropped from 4.1% to 3.6%, adding another .5% to the improvement in gross profit margin. A realistic reduction in turnover can have the financial effect of 1% improvement in gross margin. The cost of selection and training to accomplish this is about one-tenth of the value of the results.

Retailers are offering more benefits as companies try harder to cut down their turnover rates. In an overheated consumer economy, many retailers are finding that keeping employees on the sales floor and behind the cash register has become their number one priority, forcing employers to search for ways to hold onto their workers without blowing the bottom line (Gardner 1986).

Summary of Consequences

Mobley (1982) summarized the consequences of turnover to the organization and, as noted, 'The research and literature on the consequences of turnover draws few clear conclusions'.

The ratios of employees who turn over and the resulting functionality of their turnover are the subjects of many debates. It is suggested that if we are able to restrict turnover of higher performing individuals and encourage functional (departure of lower performing individuals) turnover, we will experience the positive consequences of higher morale, greater innovation, improved productivity, etc. This rationale appears sound and should in many cases prove true.

These thoughts, however, do not shed much light on the frequency of turnover and its relationship to retail business results or the operational disruption that might occur. Few have studied the positive or negative relationship between employee turnover and organizational performance. Should turnover occur in high frequency, regardless of the mean performance of the individual, what is the consequence to organizational performance indicators? Is there a relationship between frequency and organizational performance, in items such as productivity, profit, and customer satisfaction? Is there a relationship between organizational/work unit performance, turnover frequency, and managerial effectiveness? Also, in eras of downsizing, is turnover a cause of organizational performance indicators or a result of them?

Little research has been conducted on the relationship between department store characteristics and turnover. There are some studies, however, that have reported a relationship between firm characteristics and turnover rates. For example, Anderson and Meyer (1993) and Kasarda (1973) both reported a negative relationship between organizational size and turnover. Beyond size, few other characteristics, or organizational level characteristics that can be applied at the department store level, have been empirically examined in the literature.

In their analysis of the consequences of turnover, Dalton, Todor, and Krackhardt (1982) contend that hard measures of performance should take precedence over soft measures, such as employee attitudes. Previous research has reported a positive relationship between turnover and sales growth, as measured by sales per employee as well as negative relationships between turnover and productivity and gross return on assets (Hueslid, 1995).

This research would indicate a connection between financial and performance indicators and turnover, but such findings need to be investigated after controlling for differences in characteristics. It is quite possible, however, that financial performance and productivity indicators will be associated with turnover, controlling for differences in department store characteristics.

The role of employee attitudes in department store turnover rates appears to depend on the nature of the attitudes measured. Hollenbeck and Williams (1986) reported that while individual attitudes were not a useful indicator of functional turnover, they were considered an indicator of turnover frequency. Similarly, Hueslid (1995) found employee motivation to be an insignificant factor in the individual employee's decision to leave.

Others have reported findings indicating that some types of attitudes might prove useful examining turnover levels. For example, Mueller and Price (1989) reported that perceptions of instrumental communication were negatively related to turnover rates. Ostroff (1992) found a highly significant negative correlation between satisfaction attitudes and intent to quit. Furthermore, Muchinsky and Morrow (1980) note that higher rates of turnover produce higher amounts of formalization. Given these findings related to employee perceptions and attitudes about department stores, as opposed to individual attitudes, the present study will examine the turnover rates in department stores.

CHAPTER THREE

METHODOLOGY

The purpose of the study was to investigate the causes of employee turnover in a chain of 53 full-price department stores located in the midwestern portion of the United States. The findings of such an investigation would be useful in refining personnel practices and hopefully decreasing the incidence of job-related employee turnover in the organization.

Problematic employee turnover rates have continued to plague the retail industry. From a very practical standpoint, minimizing the turnover of skilled employees is crucial in reducing the escalating costs associated with replacing the exiting employees. At this particular time, when overall unemployment has been at or near a 30-year low, it seems particularly prudent to keep knowledgeable and experienced employees working in an organization.

Sample Population

The survey sample included 1190 employees who voluntarily or involuntarily terminated their employment within the department store chain in any one of 53 department stores located in the states of Illinois, Iowa, Minnesota, Nebraska and Wisconsin during the period of June 1, 1999 through September 30, 1999. Survey participants included commissioned sales associates, salaried associates, hourly associates, and the management and administrative staff of the 53 department stores.

Instrumentation

The research instrument that was used was an internal document developed by staff in the corporate office of the chain department stores and distributed to the human resource director of each store to be used to collect exit information from employees who voluntarily or involuntarily terminated employment with the department stores. The survey instrument asked respondents to identify specific reasons for leaving the organization. An earlier version of the instrument had been used prior to January 1999. The results of the data collected using the previous instrument were used to revise the document in order to collect more specific reasons for voluntary termination.

The first items were general information questions regarding the respondent's gender, amount of time worked at the organization and the position held within the organization. Additional questions inquired about human resource concerns within their perspective areas. For example, questions were asked about how management treated their employees, the level of training they received, adequate compensation, and the amount of feedback given to them during their time of employment.

The final questions were open ended and asked respondents to identify specific reasons for leaving the organization. Respondents were also given an option to write in specific areas where they felt the department store needed improvement. All information provided by the respondents was to be for future use by staff in the human resource office.

Data Collection

The data collection instrument was administered during the employee's exit interview on the last day of employment at the specific department store. Participants were asked on a volunteer basis to complete the survey. The respondents were told that their responses would be kept confidential. Employees who discontinued their work relationship with the department store without completing the exiting employment survey were included in a category referred to as *left without notice*. The human resource manager would fill out the factual information including gender, location of store, employment status and time in position. The piece that remained unidentified was the reason why the employee terminated their position.

Data Analysis

The data collected using the exit interview instruments completed by exiting employees during the period June 1, 1999, through September 30, 1999 was entered into a data file and analyzed using the Statistical Package of the Social Sciences (SPSS) at the University of Wisconsin - Stout. Using the research hypothesis to guide the analysis, frequency counts, percent distributions, and determination of means and medians were calculated for the responses where appropriate.

CHAPTER FOUR

RESULTS

The research questionnaire was administered to exiting employees on the last day of their employment at the department store during the period of June 1, 1999, through September 30, 1999. Of the 1190 exiting employees, all 1190 exit interview questionnaires provided valid data for the study, although a few questionnaires provided incomplete data (see Table 1). The data provided by the respondents were statistically analyzed and the results reported in the following sections of this chapter.

Table 1: Information Provided by Exiting Employees

Type of Information Requested	**Valid Participants**	**Missing**	**Total**
Employment Status	1182	8	1190
Gender	1183	7	1190
Length of Employment	1181	9	1190
Reason for Termination	1181	9	1190

Part I: General Information

The first part of the research questionnaire requested general information about the respondent. The responses taken from the exit interviews focused on four specific questions and the feedback given from the respondent. The obtained information that was focused on included gender of respondent, status of employment, length of employment and the reason for termination.

Gender

The human resource manager of each store provided the gender of each respondent. Out of the 1190 exit interviews completed, 982 (83%) of the respondents were female, 201 (16.9%) were male and 7 (0.6%) did not respond (see Table 2). Although the gender difference is dramatic, it reflects the overall gender balance typical in department store retailing.

Table 2: Exiting Employees by Gender

Gender	**N**	**Percentage**
Male	201	16.99%
Female	982	83.01%
Total	1183	100.00%

Employment Classification

The employment status of the exiting employee was classified by the human resource manager as full time, part time or hourly employment. Full time employees worked 40 or more hours per week. Part time employees were permanent employees who worked at least 20 hours per week but not over 40 hours per week. Hourly employees were temporary or seasonal employees.

Table 3 summarizes the employment classification of the respondents. Full time employees accounted for 409 (34.4%) of the exiting employees, while 512 (43%) were part-time employees. Hourly employees numbered 261 or 21.9%. Eight of the 1190 respondents (0.6%) did not respond to the question.

Table 3: Total Terminated by Employment Status

Employment Status	**N**	**Percentage**
Full Time	409	34.37%
Part Time	512	43.03%
Hourly	261	21.93%
Missing	8*	.67%
Total	1190	100.0%

* Eight out of 1190 participants did not provide employment status information.

Length of Employment

Respondents were asked to provide the date when they were first employed by the department store chain. Using the date on which the exit interview questionnaire was completed as the last day of employment, the number of days worked at the specific department store was calculated for each respondent. The length of employment for each respondent was then categorized according to the following criteria: 1) employed less than four months, 2) employed 4-12 months, 3) employed more than 1 year but less than 2 years, and 4) employed more than 2 years.

Of the 1190 respondents, 1181 provided the information necessary to calculate length of employment. Of these respondents, 381 (32.0%) has been employed less than 4 months, 425 (35.7%) had been employed from 4 to 12 months. One hundred eighty-five (15.5%) of the respondents had been employed by the department store between 1 and 2 years, while 190 (16%) had been employed for more than 2 years (see Table 4).

Table 4: Frequency and Percentage Distribution of Exiting Employees by Length of Employment

Length of Employment	**N**	**Percentage**
0-3 Months	381	32.0%
4-12 Months	425	35.7%
1-2 Years	185	15.5%
Over 2 Years	190	16.0%
Missing	9*	.8%
Total	1190	100.0%

* Nine respondents did not indicate length of employment.

State of Store Location:

The human resource manager of each store indicated the store from which each exit interview questionnaire was submitted. The questionnaires were then grouped by the state in which the store was located and the results summarized in Table 5. As would be expected, the greatest number of exiting employees was concentrated in states with the greatest number of store locations.

Table 5: Number of Exiting Employees by Store Location

State	**Number of Stores**	**%**	**Number of Exiting Employees**	**%**
Iowa	19	35.85	398	33.44
Wisconsin	18	34.96	369	31.01
Michigan	7	13.20	146	12.27
Nebraska	6	11.34	198	16.64
Illinois	1	1.55	30	2.52
Minnesota	1	1.55	30	2.52
South Dakota	1	1.55	19	1.60
Total	53	100.00	1190	100.00

Part II: Reasons for Termination

One question on the exit interview questionnaire asked the respondents to indicate their reason for leaving the department store. When all the data was tabulated, 41 different reasons for termination were identified. The 41 individual reasons for termination were identified and then collapsed into six categories based on the similarities found. The individual and collapsed category results are given below.

Individual Reasons for Termination

The exit interview questionnaire asked respondents to provide the reason for leaving the organization. Of the 1190 exiting employees, 1188 supplied this information. The resulting 41 reasons given for leaving the organization, frequencies and percentages, are summarized in Table 6. More than half (57.2%) of the respondents left without notice or left due to new non-retail employment, relocation, returning to school, or better employment in another retail position.

Gender:

The reasons for terminating employment with the department store were analyzed by gender of the respondent (see Table 7). Females were found to have most likely left the department store due to better non-retail employment (14.2%), relocation (10.0%), school (9.0%), better employment retail (8.1%) and scheduling problems (7.2%). Males were found to have left the department store most frequently due to better employment in retail (10.9%), better non-retail employment (10.0%), schooling (10.0%), scheduling conflicts (10.0%), and relocation (7.0%). Five and one half percent of the male respondents abandoned their job.

Table 6: <u>Frequency and Percentage of Reasons for Termination by Exiting Employees</u>

Reason Terminated Position	**N**	**Percentage**
Left with out notice	197	16.6%
Employed/ Non-Retail	159	13.4%
Relocation	113	9.5%
School	108	9.1%
Better Employment in Retail	102	8.6%
Scheduling Problems	91	7.6%
Home Responsibility	69	5.8%
Job Abandonment	47	3.9%
Theft	36	3.0%
Policy Violation	33	2.8%
Health Reasons	32	3.2%
Dissatisfaction with Retail	25	2.1%
Conflict with Full-time Job	21	1.8%
Seasonal	19	1.6%
Didn't like work	15	1.3%
Job-College Major	13	1.1%
D-Attendance U90-O90	11	.9%
Retired with Discount	11	.9%
D-Perform-U90-O90	10	.8%
Dissatisfaction with Supervisor	9	.8%
No Career Growth	7	.6%
Retired without Discount	6	.5%
Military	5	.4%
Dissatisfied with Work Conditions	5	.4%
Transfer between Levels	5	.4%
Dissatisfaction with Salary	4	.4%
Falsified Record	4	.3%
Conduct/Language	4	.3%
Dissatisfaction with Policy	3	.3%
Marriage	3	.3%
Transportation Problems	2	.2%
Death	2	.2%
Transfer Lease Dept.	2	.2%
Rude to Customers	2	.2%
Discount Abuse	1	.1%
Dissatisfaction with Co-Worker	1	.1%
Permanent Disability	1	.1%
Dissatisfaction with Benefits	1	.1%
Substance Abuse	1	.1%
On Leave of Absence/ Not Returning	1	.1%
Lack of Work	1	.1%
Missing	7*	.6%
Total	1190	100.0%

- Seven individuals did not provide a reason for leaving.

Table 7: Frequencies and Percentages of Reasons for Termination by Gender

Reason Terminated Position	**Male**		**Female**	
	N	%	N	%
Left with out notice	29	14.4%	168	17.1%
Employed/ Non-Retail	20	10.0%	139	14.2%
Relocation	14	7.0%	99	10.0%
School	20	10.0%	88	9.0%
Better Employment in Retail	22	10.9%	80	8.1%
Scheduling Problems	20	10.0%	71	7.2%
Home Responsibility	5	2.5%	64	6.5%
Job Abandonment	11	5.5%	36	3.7%
Theft	8	4.0%	28	2.9%
Policy Violation	7	3.5%	26	2.6%
Health Reasons	2	1.0%	30	3.1%
Dissatisfaction with Retail	2	1.0%	23	2.3%
Conflict with Full-time Job	3	1.5%	18	1.8%
Seasonal	4	2.0%	15	1.5%
Didn't like work	3	1.5%	12	1.2%
Job-College Major	4	2.0%	9	.9%
D-Attendance U90-O90	4	2.0%	7	.7%
Retired with Discount	3	1.5%	8	.8%
D-Perform-U90-O90	3	1.5%	7	.7%
Dissatisfaction with Supervisor	2	1.0%	7	.7%
No Career Growth	0	0%	7	.7%
Retired without Discount	0	0%	6	.5%
Military	5	2.5%	0	0%
Dissatisfied with Work Conditions	0	0%	5	.5%
Transfer between Levels	0	0%	5	.5%
Dissatisfaction with Salary	1	.5%	4	.4%
Falsified Record	2	1.0%	2	.2%
Conduct/Language	2	1.0%	2	.2%
Dissatisfaction with Policy	1	.5%	2	.2%
Marriage	0	0%	3	.3%
Transportation Problems	0	0%	2	.2%
Death	2	1.05	0	0%
Transfer Lease Dept.	0	0%	2	.2%
Rude to Customers	0	0%	2	.2%
Discount Abuse	0	0%	1	.1%
Dissatisfaction with Co-Worker	0	0%	1	.1%
Permanent Disability	0	0%	1	.1%
Dissatisfaction with Benefits	1	.5%	0	0%
Substance Abuse	0	0%	1	.1%
On Leave of Absence/Not Returning	0	0%	1	.1%
Lack of Work	1	.5%	0	0%
Total	201	100%	982	100%

Employment Classification:

Individual reasons for exiting the department stores were analyzed by employment status of the respondent (see Table 8). Full time employees were most likely to leave due to better non-retail employment (18.3%), better retail employment (12.0%), relocation (10.3%) and scheduling problems (4.9%). Part time employees were most likely to exit due to school (11.3%), scheduling problems (9.6%), relocation (9.2%), better non-retail employment (8.8%) and better retail employment (7.2%). Hourly employees offered the following reasons for exiting the department stores: school (16.5%), better employment non retail (14.9%), home responsibility (10.0%), relocation (9.2%), scheduling problems (8.4%) and better retail employment (6.1%).

Collapsed Categories of Reasons for Termination

In order to draw additional meaning from the reasons given for termination, the researcher analyzed the 41 individual reasons given by the respondents and found similarities that would allow the natural grouping of the reasons into six different categories: 1) job-related, 2) non job-related, 3) left without notice, 4) employee faults, 5) job abandonment, and 6) other reasons. Employees who did not supply a reason for termination while completing the exit interview were categorized as *left without notice*. Employees who left the organization without personally completing an exit interview questionnaire were included in the category of *job abandonment*. The *Other* category included such reasons as seasonal employees, transfers between levels or into a leased department, and retirements. The specific classification of individual reasons for termination by category is summarized in Table 9.

Table 8: Frequencies and Percentages of Reasons for Termination by Employment Status

Reason Terminated Position	**Full Time** N	%	**Part Time** N	%	**Hourly** N	%
Left with out notice	81	19.8%	94	18.4%	22	8.0%
Employed/ Non-Retail	75	18.3%	45	8.8%	39	14.9%
Relocation	42	10.3%	47	9.2%	24	9.2%
School	7	1.7%	58	11.3%	43	16.5%
Better Employment in Retail	49	12.0%	37	7.2%	16	6.1%
Scheduling Problems	20	4.9%	49	9.6%	22	8.4%
Home Responsibility	14	3.4%	29	5.7%	26	10.0%
Job Abandonment	14	3.4%	25	4.9%	8	3.1%
Theft	10	2.4%	18	3.5%	8	3.1%
Policy Violation	12	2.9%	17	3.3%	4	1.5%
Health Reasons	13	3.2%	11	2.1%	8	3.1%
Dissatisfaction with Retail	8	2.0%	14	2.7%	3	1.1%
Conflict with Full-time Job	0	0%	9	1.8%	12	4.6%
Seasonal	5	1.2%	1.0	1.0%	8	3.1%
Didn’t like work	3	.7%	7	1.4%	5	1.9%
Job-College Major	2	.5%	8	1.6%	3	1.1%
D-Attendance U90-O90	4	1.0%	5	1.0%	2	.8%
Retired with Discount	8	2.0%	3	.6%	0	0%
D-Perform-U90-O90	6	1.5%	4	.8%	0	0%
Dissatisfaction with Supervisor	6	1.5%	2	.4%	1	.4%
No Career Growth	3	.7%	4	.8%	0	0%
Retired without Discount	3	.7%	3	.6%	0	0%
Military	1	.2%	2	.4%	2	.8%
Dissatisfied with Work Conditions	4	1.0%	0	0%	1	.4%
Transfer between Levels	2	.5%	2	.4%	1	.4%
Dissatisfaction with Salary	1	.2%	3	.6%	1	.4%
Falsified Record	1	.2%	2	.4%	1	.4%
Conduct/Language	4	1.0%	0	0%	0	0%
Dissatisfaction with Policy	0	0%	3	.6%	0	0%
Marriage	1	.2%	2	.4%	2	.8%
Transportation Problems	0	0%	0	0%	0	0%
Death	1	.2%	1	.2%	0	0%
Transfer Lease Dept.	2	.5%	0	0%	0	0%
Rude to Customers	0	0%	2	.4%	0	0%
Discount Abuse	0	0%	1	.2%	0	0%
Dissatisfaction with Co-Worker	1	.2%	0	0%	0	05
Permanent Disability	1	.2%	0	0%	0	0%
Dissatisfaction with Benefits	1	.2%	0	0%	0	0%
Substance Abuse	1	.2%	0	0%	0	0%
On Leave of Absence/Not Returning	1	.2%	0	0%	0	0%
Lack of Work	1	.2%	0	0%	0	0%
Total	409	100%	512	100%	261	100%

Table 9: Collapsed Categories of Individual Reasons for Termination

Job Related	**Non-Job Related**	**Employee Faults**	**Other**
Didn't Like Work	Job - College Major	Theft	Retired
Dissatisfaction with Benefits	Death	Discount Abuse	Seasonal
Dissatisfaction with Co-Worker	Health Reasons	Conduct and/or Language	Transfer Between Levels
Dissatisfaction with Salary	Marriage	Rude to Customers	Transferred Within Leased Departments
Lack of Work	Military	Performance	
Dissatisfaction with Work Conditions	On Leave of Absence Not Returning	Policy Violation	
Conflict with Full Time Job	Permanent Disability	Falsified Record	
Dissatisfaction with Policy	Substance Abuse	Attendance	
No Career Growth	Transportation Problem		
Dissatisfaction with Retail	Relocation		
Dissatisfaction with Supervisor	Home Responsibility		
Better Employment Retail	School		
Employed/ Non-Retail			
Scheduling Problems			

When the reasons for terminating were analyzed by category, the greatest number of exiting employees (445 or 37.4%) gave job-related reasons for leaving (see Table 10). Non job-related reasons were given by 29.4% of the exiting employees. One hundred ninety-seven of the respondents (16.6%) left without notice. Reasons due to employee faults were given by 101 (8.5%) of the respondents, while 47 (3.9%) abandoned their jobs. Forty-three (3.6%) of the respondents gave reasons for termination that were classified in the *Other* category.

Table 10: Frequency and Percentage Distribution of Reason for Termination by Category

Category	**N**	**Percentage**
Job Related	445	37.4%
Non Job-Related	350	29.4%
Left Without Notice	197	16.6%
Employee Faults	101	8.5%
Job Abandonment	47	3.9%
Other	43	3.6%
Missing	7*	.6%
Total	1190	100.0%

Gender

When the categories of reasons for terminating were analyzed by gender, the category rankings were the same as for the aggregate data in Table 11. Job-related reasons were most often the reason given for leaving by both males and females. Although the gender differences are minuscule, a slightly greater percentage of females left due to non job-related reasons and slightly more males left due to employee faults.

Table 11: Frequency and Percentage Distribution of Reason for Termination of Male and Female Employees by Category

Category	**Male**		**Female**	
	N	**%**	**N**	**%**
Job Related	76	37.8%	369	37.6%
Non Job-Related	52	25.9%	298	30.3%
Left Without Notice	29	14.4%	168	17.1%
Employee Faults	26	12.9%	75	7.6%
Job Abandonment	11	5.5%	36	3.7%
Other	7	3.5%	36	3.7%
Total	201	100.0%	982	100.0%

Employment Status

When the categories of reasons for leaving were analyzed by the employment status of the respondents, a significant difference was found ($p<.001$). Job-related reasons were most frequently given as the reason for leaving by both the full-time (42.1%) and part-time (33.8%) employees (see Table 12). However, hourly employees most often left due to non job-related reasons (41.0%).

Table 12: Frequency and Percentage Distribution of Reasons for Termination by Employment Status

Category	**Full-time**		**Part-time**		**Hourly**		**Total**	
	N	**%**	**N**	**%**	**N**	**%**	**N**	**%**
Job Related	172	42.1%	173	33.8%	100	38.3%	445	37.6
Non Job-Related	85	20.8%	158	30.9%	107	41.0%	350	29.6
Left Without Notice	81	19.8%	84	18.4%	22	8.4%	197	16.7
Employee Faults	37	9.0%	49	9.6%	15	5.7%	101	8.5
Job Abandonment	14	3.4%	25	4.9%	8	3.1%	47	4.0
Other	20	4.9%	13	2.5%	9	3.4%	42	3.6
Total	409	100.0%	512	100.0%	261	100.0%	1182	100%

$X^2 = 49.155$ df = 10 $p<.001$

Length of Employment

A significant difference in category of reasons for leaving was found based on length of employment ($p<.001$). The greatest number of respondents left for job related reasons except for those employed 0-3 months (see Table 13). The greatest number of these employees left without notice (27.8%), yet almost as many left due to job related (26.2%) and non job-related (23.1%) reasons. For the exiting employees who had a length of employment of 1-2 years, little difference was found in the number who left due to job related (41.6%) and non job-related (40.5%) reasons.

Table 12: Frequency and Percentage Distribution of Reason for Termination by Length of Employment

Category	**0-3 Months**		**12 Months**		**1-2 Years**		**Over 2 Years**	
	N	**%**	**N**	**%**	**N**	**%**	**N**	**%**
Job Related	100	26.2%	177	41.6%	77	41.6%	90	47.4%
Non Job-Related	88	23.1%	127	29.9%	75	40.5%	60	31.6%
Left Without Notice	106	27.8%	70	16.5%	13	7.0%	7	3.7%
Employee Faults	46	12.1%	28	6.6%	14	7.6%	13	6.8%
Job Abandonment	34	8.9%	9	2.1%	1	.5%	3	1.6%
Other	7	1.8%	14	3.3%	5	2.7%	17	8.9%
Total	381	100%	425	100%	185	100%	190	100%

$X^2 = 154.271$ df = 15 $p<.001$

Hypothesis Testing

1. There is no statistically significant difference in the reasons given for employee turnover by full-time, part-time and hourly retail employees in the selected department store chain for the period of June 1, 1999 through September 30, 1999.

Hypothesis #1 was found to be false. When the six collapsed categories for leaving were analyzed by employment status, a significant difference was found ($X^2 = 49.155$, $p<.001$). However, when the 41 individual reasons for exiting were analyzed by employment status, no statistically significant difference was found.

2. There is no statistically significant difference in the reasons given for employee turnover by male and female retail employees in the selected department store chain for the period of June 1, 1999, through September 30, 1999.

No statistically significant difference was found individually or among the collapsed categories of reasons for leaving based on gender. Hypothesis #2 was found to be true.

3. There is no statistically significant difference in the reasons given for employee turnover based on length of employment in the selected department store chain for the period of June 1, 1999, through September 30, 1999.

Hypothesis # 3 was found to be false. When the six collapsed categories for leaving were analyzed based on the employee's length of employment, a significant difference was found (X^2 = 154.271, p<.001).

Summary

The major findings of this study revealed that more than two-thirds of the employees who terminated employment during the period had been employed for 12 months or less. The greatest percentage of respondents left without notice (16.6%), followed by 13.4% who left for other employment in a non-retail area. Dramatically more females (82.9%) left the organization than males (17.1%), reflecting the overall gender imbalance evidenced in department store retailing. When the individual reasons for termination were collapsed into categories, the greatest number of employees exited the organization due to job-related reasons (37.4%). These job related reasons included: dissatisfaction with retail, dissatisfaction with salary, better employment non-retail, no career growth and scheduling problems.

Job related reasons were most frequently given as the reason for leaving by both full-time and part-time employees. Hourly employees most often left due to non job-related reasons. Job related reasons were most often given for leaving by employees who had been employed 12 months or longer.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The problem of employee turnover has plagued the retail industry for many years and will most likely continue. Due to the competitive nature of retailing, the problem of high employee turnover warrants attention. Several research studies have attempted to identify possible solutions to the continuing problem of employee turnover, yet the problem continues today. The retail organization may contribute to the problem or chose to work to decrease employee turnover. By understanding the implications of actions involving employees and the retail business in general, retailers can hopefully have a favorable impact on employee turnover. Retailers must learn to adjust their traditional practices to avoid compounding the employee turnover problem.

This study examined the reasons for termination of employment of 1190 employees of a full-priced department store chain located in the midwestern section of the United States. Data was extracted from the exit interview questionnaire, which was administered to the exiting employee on the last day of employment. General information about the exiting employees and the reasons given for leaving the retail organization were analyzed in an attempt to identify possible opportunities to decrease employee turnover in the future. The results of the study are summarized in the following sections.

Summary of Research Findings

Of the 1190 exit interview questionnaires collected, 986 (82.9%) were from female employees and 204 (17.1%) were from male employees. These percentages reflect the typical ratio of male to female employees in department store retailing, and were not the focus of this research. Part time employees represented 43.0% (512) of the interviews, while 34.8% (414) full time employees and 21.9% (261) hourly employees completed the remaining questionnaires. Eight of the questionnaires did not indicate the employment status of the exiting employee.

The respondents were asked to give reasons why they were leaving the organization. Of the 1190 interview questionnaires, 41 different reasons for leaving were offered by the 1181 respondents who answered this question. The reasons given were then analyzed to determine whether the specific reasons differed based on the gender, employment status or length of employment of the exiting employee. The top six reasons for leaving the organization accounted for 47.2% of the total responses from the exiting employees. *Left Without Notice* accounted for 197 (16.6%) of the reasons given for leaving. *Employed Non-Retail* was the reason for leaving given by 159 (13.4%) of the exiting employees. One hundred thirteen (9.5%) of the exiting employees indicated they were leaving due to *relocation*. The need to return to *school* prompted 108 (9.1%) of the respondents to leave their employment, while 102 (8.6%) left because they found a *better job in retailing*. Problems related to *scheduling* were indicated as the reason for leaving by 91 (7.6%) of the respondents.

Finally, the individual reasons for leaving were collapsed into six categories based on similarities found among the 41 reasons given. The six categories included: 1) job-related, 2) non job-related, 3) left without notice, 4) employee faults, 5) job abandonment, and 6) other. Job-related reasons for leaving included the employees expressed dissatisfaction with working in the retail industry, dissatisfaction with his/her salary and having obtained better employment in retailing. Non job-related reasons included the need to relocate distant from the present job site, poor health, marriage and the need to return to school for a new term. Exit interviews for employees who indicated they were leaving but did not complete an exit interview were classified as *Left Without Notice*, while exit interviews that were completed by the human resource manager for employees who abandoned their job were included in the *Job Abandonment* category.

When the 41 individual reasons for leaving were analyzed, no significant differences were found based on gender, employment status or length of employment. However, when the reasons were collapsed into the six categories, significant differences were found based on both employment status and length of employment among the exiting employees. Job-related reasons for leaving accounted for 445 (37.4%) of the responses, while non job-related reasons for leaving were given by 350 (29.4%) of the exiting employees. Employee terminations due to faults found within the employee accounted for 101 (8.5%) of the exiting employees. Forty-seven (3.9%) of the employees abandoned their job without giving a reason. Other reasons for leaving were given by 43 (3.6%) of the exiting employees, including such reasons as seasonal employment, retirement or transfer to a leased department within the store. Job-related reasons for leaving were most often cited by both male (37.8%) and female (37.6%) exiting employees.

An overwhelming majority (67.9%) of the exiting employees left within the first year of employment. The largest percentage of the exiting employees (426 or 35.8%) had been employed 4-12 months, followed closely by 382 (32.1%) exiting employees who had been employed three months or less. Further analysis revealed that job-related reasons were given for leaving by 277 of the 806, or 34.37%, employees who left within the first year of employment. Of those who left within the first year of employment, 215 (26.67%) left due to non job-related reasons.

Conclusions

The results of this study indicate that employee turnover within the retail organization is due to some very specific reasons that warrant the attention of the employer. The exit interviews indicated that more than half the exiting employees had been employed 1 year or less and most left for job-related reasons—reasons that are somewhat within the control of the retailer. Significant differences exist among the reasons given for leaving based on employment status. From the data collected it can be assumed that even though the majority of the respondents are female, there was no significant difference in the reasons for leaving based on the gender of the exiting employee.

Recommendations and Future Research

The rising cost of employee turnover validates the need to lend more resources to finding solutions to the problem. Previous research confirms that the costs associated with losing a valuable employee and training a new one can equal 1.5 times the salary of the exiting employee, not to mention the time needed to fill the position and the possible lost business that could occur when the position is vacant or a new person is in training. Additionally, it has become necessary to hold onto skilled employees with a shrinking labor pool and unemployment rates at near 30-year lows.

Future research could examine reasons for termination for an entire year within the organization, as this would allow for any seasonal fluctuations in employment. Development of a more specific data-collection tool which would address such factors as changes in organizational strategies, the existence of support systems among employees, and inconsistencies in job expectations based on initial job description would provide valuable data for companies interested in improving employee turnover.

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