

# ANALYSIS OF EMPLOYMENT CONDITIONS IN RETAIL INDUSTRY IN INDIA - ORGANIZED AND UN-ORGANIZED SECTOR

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**ABSTRACT:** Retail Industry is no more phenomena of the Indian economy. Retail industry is expected to continue for at least the next 2-3 decades, getting huge attention from all corners of the economy—business heads, entrepreneurs, investors as well as real estate owners and builders. Retail sector is also expected to create significant employment as it will expand across the country at a large scale. Slowly and steadily retail has witnessed significant growth while a new form of organized retail sector has emerged within the retail industry. With such developments in the retail it is important to look at the employment factor in this sector. Since the research until now are more on customers and un-organised retailers, this paper studies more impact on employment. In addition the study looks at the employee management, problems and opportunities of employees in this sector. The comparison is made between the employee situation in organized retailing as well as un-organised retailing. The rationale of the study is to understand the differences in the retail sector employment through a comparison of unorganized/traditional and organized forms of retailing and its impact on the employment market in India.

**KEYWORDS:** Employment in Indian Retail, Retailing in India, Organized and Un-organized retailing, Employment practices in retail.

## INTRODUCTION

The Indian retail industry has evolved as one of the most dynamic and fast-growing industries, thanks to the introduction of several new entrants with significant investment. It accounts for over ten per cent of the country's Gross Domestic Product (GDP) and around eight per cent of the employment. India is the world's 5<sup>th</sup> highest world destination in the retail space. India's retail market is expected to nearly double to US\$ 1 trillion by 2020 from US\$ 600 billion in 2015#, driven by income growth, urbanisation and attitudinal shifts. While the overall retail market is expected to grow at 12 per cent per annum, modern trade would expand twice as fast at 20 per cent per annum and traditional trade at 10 per cent#.

India's retail sector is gearing up with steady mood and with a 3 year compounded yearly growth rate of around 46 percent. The Indian retail sector is largely consisted with 92 percent of its business being come from the traditional retailers like the general kirana stores, mom and pop stores etc. The organized retail however is at a very initial stage though attempts are being made to increase its proportion to ten percent in the nearest future bringing in a huge opportunity for perspective new players. Retail sector is the largest source of employment after agriculture sector and has deep roots into rural India producing more than 10% of India's gross domestic product. In the past few years, the retail turnover in India are moving around 33-35 percent of gross domestic product as compared to around 20 percent in the United States.

The reasons for such expansion of retail industry is evidently related to the liberalization and opening up of the Indian economy which has significant impact on the consumer demand and preferences as well as the buying preferences, choices of the Indians (particularly that of the growing middle class) over the past few years. Slowly and steadily retail has witnessed significant growth while a new form of organized retail sector has emerged within the retail sector. Stated simply, it refers to the organized retail chains are managed by big corporate houses such as the Future Group, Pantaloons group, K. Raheja group, the Piramals and so on. These are modeled on Western (American) forms of organized retail chains such as Walmart, one of the largest retailers in the world. With such movements in the retail sector it is important to look at the employment scenario in this sector. Since this is a relatively under-researched area, attempts have been made to understand and analyze retail employee as it is perceived by both unorganized and organized forms of retailing. In addition, the study looks at the labour management practices, the labour problems, as well as the problems faced by the employees in organized vs. unorganized retailing in India. Considering the scale of expansion of the retail sector and the focused attention being given to organized form of retailing in the recent years, it is important to look at this sector in depth. The rationale of the present study is twofold: First, it is important to examine the nature of changes in the retail sector taking place due to organized form of retailing and implications of shift to this new form of retailing. Secondly, this area has remained largely an unexplored part of research till date especially in the Indian context. The broad objective is: to understand the differences in the retail sector employment conditions through a study of unorganized and organized modes of retailing and its effects on the labor market in India.

## OBJECTIVES OF STUDY

- Study the current employment conditions, labor practices, wage mechanism in unorganized retail sector of India.
- Analyze the impact on employment due to emergence of organized retailing and ecommerce in Indian economy.
- To examine the future prospects of employment generation in growing era of retail sector in India.

## ANALYSIS OF EMPLOYMENT SITUATION

Many Indian entrepreneurs have taken a keen interest in marketing over the last decade and have with acquiring success established organized retail chains, notable among that are headed by the longer term (Pantaloons), Future Groups, the Rahejas, the Piramals, the Tatas, the RPG, Subhiksha etc. Reliance, one in every of the most recent notable entrants within the retail sector, that had ab initio opened stores in Hyderabad

and currently has over 450 stores across Asian countries, has bold plans of increasing during this sector. In conjunction with these domestic developments, there has been a coinciding attention being given to the Indian retail market by international retail giants, in the main due to the sheer size of the market. The foremost necessary development during this context has been the holdup of Walmart, America’s largest distributor with Bharti, the Indian telecommunication large that is probably going to be concretized in Gregorian calendar month, 2009. India, today, is one in every of the foremost engaging destinations for retail investment by the world retail giants. This has diode to an argument relating to whether or not Indian retail ought to be displayed to foreign firms and its seemingly effects on local economy.

However, whether or not it's through the regional firms or global ones, the very fact remains that the general move is towards increasing the organized retail sector in Asian country. The chop-chop more and more range of searching malls particularly in the metropolises like City Center, Delhi, Kolkata, Chennai, as an example, bears a transparent testimony to the current reality. However, within the next 5 years a large range of searching malls square measure seemingly to emerge even within the medium and even little cities (i.e. Tier II and Tier III cities) although mall culture isn’t a lot of hip within the little cities until date. Consistent with A.T. Kearney Report, 2007 Asian country is one in all the foremost sought-after destinations for organized merchandising for the worldwide retailers. Presently it crack the list of states in terms of world Retail Development Index, 2007 ready by AT Kearney. In terms of level or stage of development Indian retail sector are often divided into a couple of zones. A survey conducted and documented within the Jones Lang Sieur de LaSalle Meghraj report entitled “The Geography of Opportunity - The India 50” (June, 2007) has conjointly known 50 Indian cities that square measure the potential beneficiary of the organized retail boom.

Although organized retail sector is quick rising, it's a significant challenge for the arena to beat 3 major constraints -skill shortage, attrition and logistics-. Skills shortage: Consistent with product line coverage (April 20, 2007) “organized retailers face an enormous downside - finding the correct quite individuals to man the stores.” mister S Jagdish, VP of Heritage Foods (Retail Division) says ‘there is absolutely no talent available in the market. We alone need 2,000 people this quarter.’ (Business Line, 2007) but, the ability shortage is a lot of among those manning the floors instead of at the social control level. In read of the current shortage in complete labor required for organized retail most of the businesses like Subhiksha stores, measure resorting to in-house training— which square measure sometimes short trainings conducted on a monthly basis. Another leading retailers conjointly have tie-ups with leading business colleges to train their workers.

**Attrition:** Attrition is another downside that the organized retailers are presently facing at a large scale. Although it's knowledgeable in the least levels, the large retail brands face 40-60% overall rate and 20-30% rate at junior and middle levels. Frontline workers attrition in retail is around 20-30 the troubles. The retail managers are of the opinion that on job coaching are helpful in building an organization culture and thus facilitate in higher retention rates.

**Logistics:** Distribution may be a major challenge for the organized retail sector. Supply cost is a vital element within the total price. Whereas it's 4-5% of the whole retail worth at the worldwide level, in India it's as high as 7-10%.

**Employment in Organized and Un-organized retail sector**

Retail could be a prominent sector for employment in India, as well as organized and unorganized sector. It's evident from below table that in India within the retail sector most employment until nowadays is found within the sale of food, beverages and tobacco. However, it's fascinating to notice that rate employed has been highest within the sale of recent merchandise in specialized stores (4.45%). Around 1/3rd of retail workers measure presently absorbed in Trade of recent merchandise. This means that the retail sector in Republic of India is sort of sensitive to technological developments furthermore as booming within the creation of markets for brand spanking new merchandise, attracting additional employment during this reasonably retail activity over the years. On the opposite hand, sale of food, beverages and tobacco has witnessed a negative rate employed over the previous few years (-1.17%). The trends are similar just in case of both male and females.

**Table-1: Retail sector in India: Growth during 1999-2000 – 2005-2006**

Industry (NIC 2004 code)	Urban + rural persons		Urban + rural Male		Urban + rural female	
	62 <sup>nd</sup> th		55 <sup>th</sup>	62 <sup>nd</sup>	62 <sup>nd</sup>	55 <sup>th</sup>
Non-specialized retail trade in stores(521)	7.9 % (2.18)*	7.3 %	7.7 % (2.33)*	7.0 %	6.3 % (-4.48)*	8.6 %
Sale of food, beverages and tobacco in specialized stores(522)	44.7 % (-1.17)*	51.9 %	42.9 % (-0.93)*	49 %	53.1 % (-3.76)*	69.7 %
Trade of new goods in specialized stores(523)	34.2 % (4.45)*	26.9 %	35.2 % (4.06)*	28.5 %	28.1 % (9.27)*	15.2 %

Retail trade not in stores(525)	3.9 % (0.47)*	4.4 %	4.4 % (3.14)*	3.8 %	6.3 % (1.56)*	5.6 %
Repair of personal household goods(526)	9.2 % (-0.67)*	10.3 %	9.9 % (-1.32)*	11.6 %	3.1 % (20.09)*	0.9 %
Estimated Labour Force in Retail and Organized)	27646110 (7.6%)** (0.94)*	25886321 (7.7%)**	24508475 (9.1%)** (1)*	22865778 (9.3%)**	3022102 (3.2%)** (0.04)*	3013188 (3.3%)**

\*Figures in parenthesis indicate compound annual growth rate

\*\* Figures in parenthesis indicate percentage of total labour force in India

Source: Computed from NSSO 62<sup>nd</sup> and 55<sup>th</sup> rounds

Employment in sale of new products has the most share of wage salaried, implying comparatively high skillful and better educated men necessities available of those things (Table 2). On the opposite side, highest share of self-employment among retail is in non-store Retail trade (94.5%) and Sale of beverages, tobacco and food in specialized stores (87.9%), for the most part diagrammatic by the unorganized sector.

**Table 2: Retail sector in terms of employment status (% Distribution)**

Industry	Self-employed	Regular Salaried/wage	Casual Labor	Total
Non-specialized retail trade in stores	85.6	12.2	2.3	100
Sale of food, beverages and tobacco in specialized stores	87.9	9.6	2.5	100
Trade of new goods in specialized stores	68.3	27.5	4.2	100
Retail trade not in stores	94.5	5.2	0.3	100
Repair of personal and household goods	78.6	16.7	4.7	100
Retail Total	80.5	16.4	3.1	100

Source: Computed from NSSO 62<sup>nd</sup> (Unit level data)

Traditionally retail in Asian countries has served as a supply of employment for comparatively low-income groups seeking living with stripped education or ability. Retail would absorb this class of labor since it needs comparatively less skills. Hence it absorbs an enormous section of Indian population who cannot get employment elsewhere within the economy. Moreover, it additionally offers scope for self-employment. In Asian nations there is an enormous proportion of street vendors and hand cart pullers who capture a substantial share of retail business. Beside from them, criminal wayside stalls and mom-pop stores dominate within the neighborhood, providing employment principally to young less-educated and low delicate labor hailing from low-income cluster families in dire want of employment.

However, with the emergence of organized merchandising nature of employment has utterly modified in retail. Managed by company retail chains, the utilization matches different company sector employment. Hence, the ability expectations and performance levels also are on higher side. This sector appearance for delicate labour. the strain from the potential worker are on higher side. Hence naturally it's tough to gain employment because it has been within the ancient types of merchandising. The complete conceptualization of labour is extremely completely different from that in unorganized merchandising.

**CONCLUSION**

From the above discussion, employment has really bright days in modern day retail management. The shifting though, is towards skilled or semi-skilled labor as compared to un-skilled labor in traditional retailing. Shifting of traditional retailing towards modern retailing ensures good avenues for labor in the country. Many of them are seeing this field as dream one to work in. E-commerce, obviously, makes employment industry nervous. But seeing its loss-making attribute, in the long run workforce won't suffer in the way they are now suffering. Traditional retailer are employees who enjoys sense of ownership which lacks in the both e-commerce mode and organized retailing.

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