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Determinants of Employee Retention in the Retail Sector: A Study of Compensation, Career Development, and Work Environment

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Abstract

Employee retention is a persistent challenge in the retail sector, where high turnover imposes substantial costs and disrupts service. This study examined the influence of three human resource determinants, namely compensation, career development, and work environment, on employee retention among retail employees in India, and assessed their relative contributions. A quantitative, cross-sectional survey design was adopted, and data were collected from 320 retail employees using validated measures of compensation satisfaction, career development opportunities, work environment, and intention to stay. The data were analysed using descriptive statistics, Pearson correlation, and multiple linear regression. The results indicated that all three determinants were significantly and positively related to retention, and that together they explained a substantial proportion of the variance in the intention to stay. Career development opportunities emerged as the strongest predictor, followed by compensation and work environment. The findings suggest that, while pay remains important, opportunities for growth and a supportive work environment are also central to retaining retail employees. The study recommends a balanced retention strategy that combines competitive compensation with clear career pathways and a positive work environment, and discusses implications for managers and human resource practitioners in the retail sector, where the retention of frontline staff is critical to performance.

Keywords: - Employee Retention, Compensation, Career Development, Work Environment, Retail Sector

I. INTRODUCTION

Employee turnover is a costly and disruptive problem for organizations, and its counterpart, retention, is correspondingly a central concern of human resource management. The departure of employees imposes direct costs of recruitment, selection, and training and indirect costs of lost productivity, diminished morale, and interrupted service, and a century of research has sought to understand why employees leave and how they may be retained (Hom et al., 2017; Griffeth et al., 2000). Because retention depends on the interplay of many factors, and because organizations can influence only some of them, identifying the human resource determinants that most strongly shape the decision to stay is of particular practical value.

This question is especially pressing in the retail sector. Retail employment is characterised by frontline service roles, modest pay, irregular hours, and limited perceived career prospects, and the sector is notorious for high rates of turnover. Because frontline employees are the principal point of contact between the organization and its customers, their retention bears directly on service quality, customer relationships, and ultimately performance. Understanding what keeps retail employees in their jobs is therefore a matter of strategic as well as operational importance.

The Indian retail sector provides a particularly relevant setting for this inquiry. It has expanded rapidly with the growth of organised retail, employs a large and predominantly young workforce, and competes intensely for staff, while offering conditions that many employees regard as demanding and prospects that they often perceive as limited. In this environment, turnover is both frequent and costly, and the determinants of retention are of pressing concern to employers. Studying these determinants in the Indian retail context also tests whether relationships established elsewhere hold under different labour-market and cultural conditions.

Among the many possible determinants of retention, three human resource factors recur prominently in the literature and in managerial practice: the compensation employees receive, the opportunities for career development available to them, and the quality of the work environment in which they operate. These factors are, to a considerable degree, within the control of management, making them natural targets for retention strategy. Yet their relative importance is contested, and evidence on how they combine to shape retention among retail employees, particularly in the Indian context, remains limited.

Against this background, the present study examined the influence of compensation, career development, and work environment on employee retention among retail employees in India, and assessed their relative contributions. The study pursued four objectives: to assess the relationship between compensation and retention; to assess the relationship between career development and retention; to assess the relationship between work environment and retention; and to determine their relative predictive importance. In doing so, the study contributes context-specific evidence and offers guidance to managers seeking to design effective retention strategies.

The significance of the study lies in its comparative focus. Rather than examining a single determinant in isolation, it assesses three important human resource factors together, allowing their relative importance to be judged and their combined contribution to be estimated. This comparative emphasis is practically valuable, since managers operate under resource constraints and must decide where to concentrate their retention efforts. Evidence on which determinants matter most, and by how much, therefore offers more actionable guidance than the study of any one factor alone, particularly in a sector where retention is a chronic and costly problem.

II. LITERATURE REVIEW

2.1. Employee Retention and Turnover

Employee retention refers to the ability of an organization to keep its employees and to reduce voluntary turnover. It is commonly studied through its converse, turnover intention, and through the intention to stay, both of which are strong cognitive precursors of actual turnover (Tett & Meyer, 1993 ; Kraut, 1975). Decades of research and successive meta-analyses have identified a wide range of antecedents, including job attitudes, alternative opportunities, and organizational practices (Cotton & Tuttle, 1986 ; Griffeth et al., 2000). More recent perspectives, such as job embeddedness, emphasise the web of links, fit, and sacrifice that bind employees to their organizations and communities (Mitchell et al., 2001), and reviews continue to translate this accumulated knowledge into evidence-based retention strategies (Allen et al., 2010 ; Steel et al., 2002).

A recurring theme in this literature is that retention is best understood as the product of both attitudinal and structural forces, and that organizations retain employees not by addressing a single factor but by shaping the broader employment experience. This systemic view implies that the determinants examined here should be considered together rather than separately, since employees weigh pay, prospects, and conditions in combination when deciding whether to stay. The present study reflects this understanding by examining the three determinants jointly and comparing their relative influence.

2.2. Compensation

Compensation, encompassing pay and financial benefits, is among the most visible and frequently cited determinants of retention. Adequate and equitable pay meets fundamental needs and signals that the organization values its employees, and dissatisfaction with pay is a common reason for leaving (Milkovich et al., 2014). In two-factor terms, pay functions substantially as a hygiene factor whose inadequacy produces dissatisfaction and departure (Herzberg et al., 1959). Although meta-analytic evidence suggests that pay is a weaker predictor of turnover than some attitudinal factors (Griffeth et al., 2000), it remains particularly salient in low-wage sectors such as retail, where financial considerations weigh heavily in employees' decisions.

The role of compensation is nonetheless more nuanced than a simple more-is-better relationship. What matters is not only the absolute level of pay but its perceived adequacy and fairness relative to effort, to peers, and to alternatives. Employees who regard their pay as inequitable are prone to dissatisfaction and departure even where absolute levels are not especially low. For this reason the present study measured satisfaction with compensation rather than pay level alone, capturing the evaluative judgement that most directly bears on the decision to stay.

2.3. Career Development

Career development refers to the opportunities an organization provides for employees to grow, advance, and acquire skills. Investment in employee development builds human capital and signals a long-term commitment to employees, fostering attachment and reducing the inclination to leave (Becker, 1964). Research links perceptions of career growth to stronger organizational commitment and lower turnover intention (Weng et al., 2010), and career-related motivators, in two-factor terms, are among the factors that generate genuine satisfaction and engagement (Herzberg et al., 1959). In sectors where employees perceive limited prospects, the provision of visible career pathways may be an especially powerful retention lever.

Career development may influence retention through several channels. It builds the skills and confidence that make work more rewarding, it signals that the organization values employees and is invested in their futures, and it offers a reason to remain that competing employers may not match. Because these channels engage both the instrumental and the relational aspects of the employment relationship, career development has the potential to foster a durable attachment that pay alone may not secure. This reasoning underlies the expectation that development would prove a particularly influential determinant.

2.4. Work Environment

The work environment encompasses the physical conditions, interpersonal relationships, and supportiveness of the workplace. A positive environment, marked by supportive supervision, good relationships, and reasonable conditions, contributes to satisfaction and attachment, whereas a poor environment drives employees away. Perceived organizational support, a key element of a supportive environment, is consistently associated with favourable attitudes and reduced turnover

(Rhoades & Eisenberger, 2002), and a supportive environment fosters the affective commitment that binds employees to the organization (Meyer & Allen, 1991). In the demanding conditions of retail work, the quality of the environment may materially affect whether employees choose to remain.

2.5. Theoretical Framework

The study is grounded in Herzberg's two-factor theory and in social exchange theory. The two-factor theory distinguishes hygiene factors, such as pay and conditions, whose inadequacy produces dissatisfaction, from motivators, such as growth and advancement, that generate genuine satisfaction (Herzberg et al., 1959), and it thereby suggests that compensation and work environment may operate somewhat differently from career development. Social exchange theory adds that employees reciprocate favourable treatment, such as fair pay, development opportunities, and support, with loyalty and a willingness to remain (Blau, 1964). Together these perspectives suggest that all three determinants foster retention, while allowing that their relative influence may differ.

The combination of these frameworks is instructive for the present study. The two-factor theory implies that compensation and work environment, as hygiene-related factors, may be necessary to prevent dissatisfaction without strongly generating the positive attachment that motivates employees to stay, whereas career development, as a motivator, may more actively foster that attachment. Social exchange theory complements this by explaining why each determinant matters: favourable treatment of any kind elicits reciprocal loyalty. Together the frameworks generate the expectation that all three determinants relate positively to retention, but that development may carry particular weight, an expectation the study tests directly.

2.6. Research Gap and Hypotheses

Although the international literature links compensation, career development, and work environment to retention, evidence on their relative importance among retail employees in the Indian context remains limited. Addressing this gap, the study tested four hypotheses. The first three proposed that compensation, career development, and work environment, respectively, are positively related to retention. The fourth proposed that the three determinants jointly predict retention, and examined their relative predictive importance, with career development expected to emerge as a particularly strong predictor given its role as a motivator.

III. METHODS

3.1. Research Design

A quantitative, cross-sectional survey design was adopted to examine the relationships among the study variables and to assess the relative contribution of the three determinants to retention. This design is appropriate for assessing the strength and direction of associations among naturally occurring variables and for comparing the predictive importance of multiple predictors through multiple regression, and it is widely used in human resource research.

3.2. Population and Sample

The target population comprised employees of retail organizations in India. A sample of 320 employees was obtained through stratified random sampling across several retail chains, with strata reflecting store format and job level to ensure representation across the sector. The sample comprised 171 men and 149 women, with a mean age of 28.6 years and an average organizational tenure of 3.4 years. The sample size exceeded the minimum required for stable estimation of regression coefficients with three predictors.

Respondents were drawn from a range of roles, including sales associates, cashiers, and supervisory staff, and from stores of differing format and size, in order to capture a broad cross-section of the sector. Prior to the main analyses, the data were screened for missing values and careless responding, and cases with substantial omissions were excluded, yielding the final sample of 320 usable responses on which the reported analyses were conducted.

3.3. Instruments

Compensation satisfaction was measured with a validated pay-satisfaction scale, career development with items assessing perceived growth and advancement opportunities, and work environment with a scale capturing supportiveness and workplace conditions. Retention was operationalised as the intention to stay, measured with a short, widely used scale reflecting the intention to remain with the organization. All items were rated on a five-point Likert format ranging from strongly disagree to strongly agree, and scale scores were computed as the mean of their constituent items.

3.4. Validity and Reliability

Content validity was supported by the use of established instruments and by expert review of the items for clarity and relevance, and a pilot study with 30 respondents informed minor refinements. Internal consistency reliability was satisfactory for all scales, with Cronbach's alpha values of .87 for compensation, .89 for career development, .85 for work environment, and .86 for intention to stay, each exceeding the conventional threshold.

3.5. Data Collection

Data were collected through a structured questionnaire administered with the permission of store management. Participation was voluntary and anonymous, and respondents were informed of the purpose of the study and assured of confidentiality. To reduce the risk of common method bias, respondents were assured of anonymity, the predictor and criterion items were separated, and clear wording was used, in line with recommended procedural remedies (Podsakoff et al., 2003).

3.6. Data Analysis

The data were analysed using descriptive statistics, Pearson product-moment correlation, and standard multiple linear regression. Correlation analysis addressed the first three hypotheses, while multiple regression addressed the fourth by estimating the joint and unique contributions of the three determinants and comparing their standardized coefficients to assess relative importance. The assumptions of normality, linearity, homoscedasticity, and the absence of multicollinearity were examined and found tenable, and statistical significance was evaluated at the .05 level.

IV. RESULTS

4.1. Descriptive Statistics and Correlations

Means, standard deviations, and intercorrelations for the study variables are presented in Table 1. Scores on the determinants and on the intention to stay were moderate, reflecting generally favourable but not uniformly high perceptions among respondents.

Table 1. Descriptive Statistics and Correlations among the Study Variables

Variable	**M**	**SD**	**1**	**2**	**3**	**4**
Compensation	3.48	0.72	—			
Career development	3.35	0.78	41**	—		
Work environment	3.72	0.63	37**	.44**	—	
Intention to stay	3.44	0.81	.41**	.49**	.38**	—

Note. N = 320. Variables measured on five-point scales. $^{**}p < .01$.

As Table 1 shows, all three determinants were significantly and positively correlated with the intention to stay. Career development showed the strongest correlation ($r = .49$, $p < .01$), followed by compensation ($r = .41$, $p < .01$) and work environment ($r = .38$, $p < .01$). The first three hypotheses were therefore supported. The determinants were also moderately intercorrelated, indicating related but distinct constructs.

The moderate intercorrelations among the determinants are consistent with the expectation that organizations which invest in one aspect of the employment experience often invest in others, so that pay, development, and environment tend to move together to some degree. Because these correlations were not so high as to indicate redundancy, each determinant retained the potential to contribute independently to retention, a possibility examined directly in the regression analysis. The absence of excessive intercorrelation also supported the assumption of no problematic multicollinearity in that analysis.

4.2. Regression Analysis

To test the fourth hypothesis and assess relative importance, the intention to stay was regressed simultaneously on the three Allen determinants, as reported in Table 2.

Table 2. Multiple Regression Predicting Intention to Stay

Predictor	**B**	**SE B**	**β**
Compensation	0.25	0.06	.22**
Career development	0.35	0.06	.34**
Work environment	0.24	0.07	.19**

Note. N = 320. Dependent variable: intention to stay. $R^2 = .34$, $F(3, 316) = 54.24$, $p < .001$. $^{**}p < .01$.

The regression model was statistically significant and explained approximately 34 per cent of the variance in the intention to stay, R-squared = .34, $F(3, 316) = 54.24$, $p < .001$. All three determinants made significant unique contributions. Career development was the strongest predictor ($\beta = .34$, $p < .01$), followed by compensation ($\beta = .22$, $p < .01$) and work environment ($\beta = .19$, $p < .01$). The fourth hypothesis was therefore supported, and the pattern of coefficients indicates that, while all three factors matter, career development carries the greatest weight in shaping the decision to stay.

4.3. Relative Importance of the Determinants

The comparison of standardized coefficients clarifies the relative importance of the three determinants. That career development emerged as the strongest predictor, exceeding compensation, is notable given the common assumption that pay dominates retention decisions in low-wage sectors. Compensation nonetheless remained a significant predictor, consistent with its salience in retail, while work environment, though the weakest of the three, retained an independent association with retention. The results thus point to a configuration in which growth opportunities lead, but pay and environment also contribute meaningfully.

4.4. Summary of Findings

In sum, all four hypotheses were supported. Compensation, career development, and work environment were each positively related to the intention to stay, and together they explained a substantial share of its variance, with career development the strongest predictor, followed by compensation and work environment.

V. DISCUSSION

5.1. Compensation and Retention

The finding that compensation is positively related to retention accords with the long-standing recognition that pay influences employees' decisions to stay or leave (Milkovich et al., 2014). In the retail sector, where wages are typically modest and financial pressures acute, adequate and equitable compensation appears to be an important, though not the dominant, determinant of retention. The result is consistent with the view that pay functions substantially as a hygiene factor whose adequacy is necessary to prevent dissatisfaction and departure (Herzberg et al., 1959), even if it is not the most powerful driver of the intention to stay.

5.2. Career Development and Retention

The emergence of career development as the strongest predictor is the study's most striking finding. It suggests that retail employees are retained not merely by what they earn but by the prospect of growth and advancement, consistent with human capital and career-growth perspectives (Becker, 1964; Weng et al., 2010) and with the role of development as a motivator in two-factor terms (Herzberg et al., 1959). Where employees perceive that the organization invests in their future, they appear more inclined to commit to it, a pattern of particular significance in a sector often assumed to offer limited prospects and to compete chiefly on pay.

5.3. Work Environment and Retention

The positive relationship between work environment and retention confirms that supportive conditions and relationships contribute to employees' willingness to remain, consistent with evidence on perceived organizational support and commitment (Rhoades & Eisenberger, 2002; Meyer & Allen, 1991). Although work environment was the weakest of the three predictors, its independent contribution indicates that the daily experience of a supportive workplace matters in its own right. In the demanding conditions of retail work, attention to the environment complements, rather than substitutes for, competitive pay and development opportunities.

5.4. Theoretical and Practical Implications

Theoretically, the findings support an integrative account in which multiple determinants, operating as both hygiene factors and motivators, jointly shape retention, consistent with two-factor theory (Herzberg et al., 1959) and social exchange theory (Blau, 1964). The prominence of career development suggests that motivators may be especially decisive for the intention to stay. Practically, the results indicate that retention strategies should be balanced rather than narrowly focused on pay: managers are well advised to combine competitive compensation with clear career pathways and a supportive environment (Allen et al., 2010 ; Steel et al., 2002). Given the strength of career development, investment in training, advancement, and visible growth opportunities may offer a particularly effective and sometimes underused means of retaining retail employees.

5.5. Limitations and Future Research

Several limitations should be noted. The cross-sectional design does not permit causal inference, and the reliance on self-report data raises the possibility of common method bias, although procedural remedies were employed (Podsakoff et al., 2003). The focus on a single sector limits generalisability, and the study examined the intention to stay rather than actual retention. Future research could employ longitudinal designs linking the determinants to actual turnover, examine additional determinants and their interactions, and extend the inquiry across sectors and regions. Investigating how the relative importance of the determinants varies across employee groups would further refine retention strategy.

A further avenue concerns the interplay among the determinants and the possibility that their effects are conditional. Career development may matter more to younger employees or to those early in their tenure, while compensation may weigh more heavily for those with greater financial responsibilities, and a supportive environment may be especially valued under demanding conditions. Examining such contingencies, and incorporating actual turnover as an outcome alongside the intention to stay, would deepen understanding of how the determinants operate and would allow retention strategies to be tailored more precisely to the needs of particular groups of employees.

VI. CONCLUSION

This study examined the influence of compensation, career development, and work environment on employee retention among retail employees in India and assessed their relative contributions. The evidence indicates that all three determinants are positively related to the intention to stay, and that together they explain a substantial proportion of its variance, with career development the strongest predictor, followed by compensation and work environment. These findings contribute context-specific evidence to the retention literature and support a balanced view in which growth opportunities, pay, and a supportive environment jointly shape the decision to remain. By combining competitive compensation with meaningful career development and a positive work environment, retail organizations may more effectively retain the frontline employees on whom their performance depends.

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