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### Continuity and Change in Low-wage Work in U.S. Retail Trade

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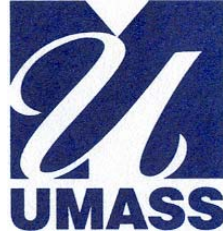
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## **Continuity and Change in Low-wage Work in U.S. Retail Trade**

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# Continuity and Change in Low-wage Work in U.S. Retail Trade

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Retail work is undergoing significant change in the United States. To explore these changes, and their impacts in terms of turnover, skill levels, and other key workforce variables, we conducted 18 case studies of retail businesses. We spoke to employees from top corporate executives to frontline employees, visited stores, and reviewed HR statistics. This paper summarizes major findings from the study.

We start by stating the study's key questions, principal findings from public data sources, and the study design. We then review field findings on patterns in job quality across four dimensions (schedules, compensation, duties, and turnover/training/mobility). We identify two current strategic thrusts by retailers—cost-cutting and enhancing service/quality/variety—and examine how these strategic approaches have affected the same four dimensions of job quality among retailers in our sample. We zoom in on issues involved in communicating change within retail organizations. We briefly contrast our findings with those in parallel studies underway in five European countries and Mexico. We close with some reflections on the sustainability of current U.S. retail strategies, and speculate briefly about likely long-term shifts in strategy and job quality in retail.

## ***Introduction and Study Questions***

Over the past 30 years, the widening wage distribution in the United States and the corollary worsening position of low-wage workers have raised concerns about job quality for the future. A rich research agenda has developed recently on the relationships between industry dynamics, firm strategies, and job characteristics in specific industries (Appelbaum, Bernhardt, and Murnane 2003, Appelbaum and Batt 1994, Herzenberg, Alic, and Wial 1998).

Broad trends in compensation indicate a worsening of the relative position of low-wage workers. Between 1979 and 2005, the real hourly wage of workers with less than high school education plummeted 16 percent. Access to employer-sponsored benefits such as health insurance and pensions has declined (Mishel *et al.* 2007). Economic pressures on employers have combined with institutional changes to significantly alter the environment in which production process and labor deployment decisions are made with significant consequences for front-line workers. As industry studies included in *Low Wage America* (Appelbaum, Bernhardt, and Murnane 2003) demonstrate, economic pressures include increased globalization of capital markets and production, advances in information technology that result in automation of routine tasks and make possible worldwide markets for service delivery, and a focus on short-term results in

financial markets. Institutional changes have included the deregulation of key industries, the decline in union density and of union power, and the decrease in the real value of the minimum wage, a variable that often sets the “floor” of working conditions for entry-level workers.

These forces have resulted in significant restructuring and changes in employment practices, the details of which are better understood in manufacturing and in selected service sectors (banking, hospitals, hotels, telecommunications) and rather less well understood in retail trade to date.

As a sector, retail trade exemplifies the central dilemma of low wage work in modern economies. Giant retailer Wal-Mart is the largest US employer, and overall, retail is one of the largest employment sectors in the country. Most retail jobs offer low wages, few benefits, and limited formal training. Retail trade is a useful industry to study if one is concerned about tendencies in corporate strategies that might affect low wage jobs. What happens to jobs in this industry, which is a major provider of entry-level jobs, is a key element of the broader picture of low wage employment nationwide.

## Study questions

We began this study with four key questions about retail jobs in the United States:

- 1) *What are entry-level, front-line retail jobs like* in a broad sense, that is, beyond compensation and hours characteristics as documented with standard, secondary, data sets? What is the package of job characteristics including management policies, skill requirements, training, and job security, as well as prospects and identifiable paths of upward mobility? What are the concomitants of these job characteristics for firms in terms of productivity, service quality, retention/turnover, and the existence of a “pipeline” of potential recruits for higher-level jobs?
- 2) *How do these job characteristics vary across retail jobs?* In particular, do these employment outcomes differ systematically by retail sub-sector, market niche/strategy (for example, high-service vs. low-service), or product characteristics? How do they differ across different entry-level occupations, such as cashiers vs. clerks who show merchandise?
- 3) *How have retail jobs changed* in the dimensions above over the past 10 to 15 years, and what has driven these changes? In particular, what can be concluded about shifts in the form and extent of internal labor markets in retail trade?
- 4) To what extent does the *institutional environment*—management policies (training, retention, mobility paths), union presence—help to explain cross-sectional variation and time-series change in these jobs?

## Strategic changes in retail

The story of retail jobs in the United States today is a story of change as companies struggle to survive and grow in an increasingly saturated retail market. For most companies, the challenge is to confront competition from Wal-Mart, Target, Best Buy, and other similar big-box retailers, as well as e-commerce in the case of consumer electronics—all of which exploit logistical economies of scale and market power over purchasers to drive down prices. They are doing this by seeking to increase service, increase quality/variety, while cutting costs—with significant

impacts on job quality. However, increased demands on workers combined with speed-up and reduction in compensation sometime undermine efforts to increase service.

Retailers adopt a range of reactive and adaptive changes:

- *Reactive change.* In the face of saturated markets and low-cost competition, retailers seek to develop a more compelling market offer by driving down their own costs and improving service and quality.
- *Adaptive change.* Beyond reducing costs, retailers seek to access new markets, expand product offerings, and creatively redefine the boundaries of the sector (altering the mix of products and services).

We use case studies in grocery and consumer electronics retail to look at both processes. Interestingly, there are many similarities between the reactive and adaptive responses to the new market realities as will be seen in below. These responses have important implications for job quality.

### ***Average job quality in retail***

Simultaneous with fieldwork, we did additional analysis of available data sets (chiefly the Current Employment Survey and the Current Population Survey) to summarize aggregate patterns and trends in retail jobs. Our principal findings are as follows:

- Retail employment is large and growing in absolute numbers, though holding steady as a percentage of the workforce. Recent productivity increases have outpaced the economy as a whole.
- Over the past 20 years, the retail industry's workforce has changed from female overrepresentation to a gender composition that is similar to that of the private sector as a whole. Retail employs a younger workforce than the private sector as a whole.
- Retail's relative hourly wage—the wage as a percentage of the private nonfarm average—dropped from 88 percent in 1975 to 75 percent by 1991, and has remained at about that ratio ever since. Retail workers are also less likely to receive employer-sponsored health and retirement benefits. However, average wages in consumer electronics exceed the national average.
- Part-time work is more than twice as prevalent in retail as in the private workforce as a whole. Retail part-timers are more likely than other part-timers to work extremely short hours, less than 16 per week.
- The frontline (cashiers and clerks) workforce in grocery is less educated than the workforce as a whole, whereas the corresponding workforce in electronics retailing is more educated.
- Employee turnover is higher in retail than economy-wide (averaging 56 percent annually as compared to 41 percent), and low earners in retail are more likely to remain trapped at low earnings levels over time than in other industries.
- Union density has decreased in retail, as in other sectors. Unions are still relatively strong in grocery stores, but are absent in consumer electronics retail and weak in general merchandise.

## ***Study design***

The study sample design called for carrying out up to eight food and up to eight consumer electronics cases. Both sub-sectors were to be stratified by level of customer service. We completed 18 cases. This represents site visit interviews in 16 companies, because two companies are double cases (both food and consumer electronics). It has proven difficult to classify companies according to high and low service, and high and low technology. Many companies either aim at mid-level service, or avow high service but do not provide service that is distinguishable from that of others. Additionally, most consumer electronics stores sell both high and low technology products. In sum, cases include:

- Ten food retailers: These include three higher service, one medium service, three warehouse formats, and three “tiered” service companies. By “tiered” we mean that the stores have areas that concentrate on providing higher end services while the rest of the store provides a medium level of service. The food retail sample includes two unionized and one partially unionized company.
- Eight consumer electronics retailers: These include two higher service, three medium service, one warehouse, and two “tiered” service companies.

In total, 195 interviews were conducted. They include interviews with headquarter managers for human resources and for operations, with regional managers, with store managers, with union representatives when relevant, and with a sample of frontline workers—part-time and full-time, front end and sales floor workers as well as those in specialized departments (e.g. bakery, deli, copying, and home entertainment). All interviews were coded with qualitative software using a coding scheme prepared by the research team.

## ***Variation in job quality***

We consider four dimensions of job quality: (1) Schedules, (2) Compensation, (3) Duties, and (4) Turnover, training, and mobility. For this section, we are primarily concerned with job quality outcomes for the targeted occupations of front-end/cashier, clerk showing merchandise, and frontline hourly supervisors (lead clerks).

### **Schedules**

Retail as a whole is an industry known for hours varying from the conventional 8 hour day simply because households shop after work hours. The industry has been moving almost uniformly toward 7 day opening and nearly 24 hour operation, particularly in food retail. Schedules are, along with wage levels and limited benefits, the primary means to keep a handle on labor costs. Therefore, in an environment where cost control is of primary importance, the task of managers is to closely match labor use to customer flow in the store and to other needs (e.g. unloading and restocking). Workers are assigned to a schedule, full-time or part-time, that is defined as a minimum of guaranteed weekly hours. Beyond this minimum, effective work hours may vary for both full-time and part-time workers.

Food retail is well known for having a high share of part-time workers and work hours. A shift away from full-time occurred in the 1980s or early 1990s for many companies. Part-time work hours/shifts/jobs operate as “shock absorbers” in the industry. For both non-union and union food retailers in the study, the share of part-time ranged from 60 to 80 percent. Full-time work hours in several non-union food retailers in the sample are short. Three of these had minimum

guaranteed hours for full-time set at 32 hours. The stated objective at one such grocery chain is to allow upward flexibility in workers' hours without having to pay overtime.

Working in retail entails night time work, weekend work, and shifting schedules. Most often, workers are expected to work one, if not two, weekend days. The spread of work hours is sometimes a hurdle to recruitment and personnel management. In the two sectors, the use of overtime is strictly limited, a result of strict controls on labor costs.

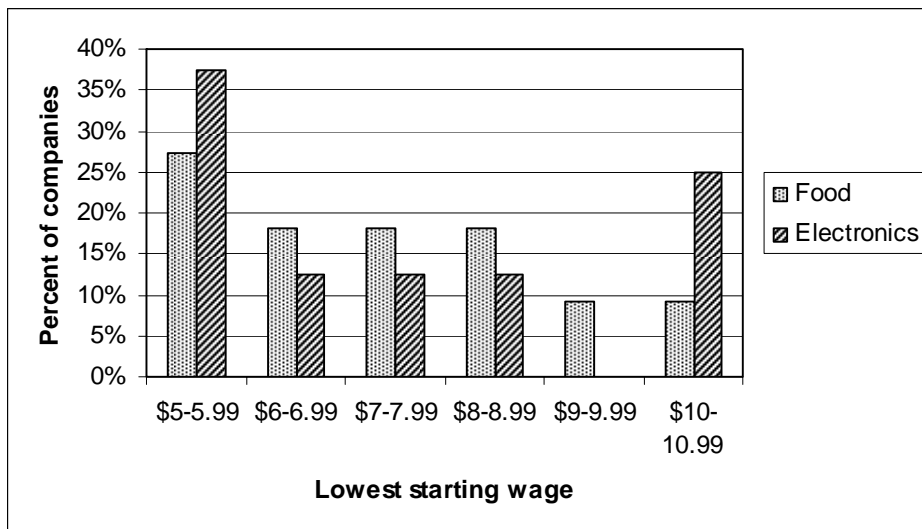
Stores dedicated exclusively to consumer electronics tend to operate in malls and have extended hours of operation with most of the business taking place on weeknights and weekends. However, 24-hour stores per se are uncommon. Unlike food retail, consumer electronics experiences significant seasonal variation in business which is accommodated with seasonal hiring.

The significant divide in schedule outcomes in electronics is between workers on commission and those with wage and salary compensation, unlike food retail where commission is nonexistent in the sales workforce. The few companies/banners with reliance on a commission pay structure have a small minority of part-time workers (5 to 20 percent), a much lower level than in the other companies. In companies with a wage workforce, full-time is the exception rather than the norm. Full-time guaranteed minimum hours are well below 40 weekly hours in most companies with a wage workforce, particularly those with a big-box format.

## Compensation

In food retail, wages generally start low (under \$9/hour), but advance in a relatively smooth gradation through the hierarchy of non-managerial jobs (see Figure 1 and Table 1). Wages in individual jobs also generally rise in prescribed progressions, though managers have some discretion to depart from the scales to attract or retain desirable workers. Bonuses were historically limited to the managerial level, but one company has long offered bonuses to hourly workers and three others recently instituted them.

**Figure 1: Starting wages in sampled companies**





**Table 1: Pay tables for four representative grocery chains**

	Mid-market-Southeast	High end-Southeast	Union-Midwest	Warehouse (urban)
<i>Part-time</i>				
Part-time bagger	\$5.75 (starting)	\$6.40-9.40*	\$6.20-6.70	\$7.10-7.90
Part-time cashier	\$6.00-7.25	\$6.60-10.70*	\$7.30-12.90	\$8.70-15.90
Part-time grocery/dairy	~\$7.00 (starting)	\$6.90-11.00*	\$7.30-14.00	\$8.70-15.90
Part-time produce		\$6.90-11.00*	\$7.30-14.00	\$8.70-15.90
<i>Full-time</i>				
Cashier		\$6.60-10.70*	\$12.70-20.80	\$8.70-18.90
Grocery/dairy	\$8.00-12.00	\$7.90-12.70*	\$12.70	\$8.70-18.90
Produce		\$7.90-12.70*	\$12.70	\$8.70-18.90
Deli/bakery	\$10.00	\$7.90-12.70*	\$15.10-20.80	
Meat cutter (journeyman)	\$15 + overtime	\$10.10-16.80*	\$22.30	
<i>Supervisor</i>				
Part-time supervisor				\$9.50-16.70
Grocery/dairy supervisor		\$11.40-19.30 + bonus	\$21.90	\$9.60-19.80
Grocery manager		\$12.20-20.10 + bonus (0-50%)	\$21.90	\$10.00-\$20.20
Produce department manager	\$17.50	\$12.20-20.10 + bonus	\$21.90	\$10.00
Meat department manager		\$12.80-21.30 + bonus	\$23.00	\$10.00
<i>Manager</i>				
Assistant manager	\$18.50 + bonus (8%) (intermediate position betw. Asst. mger and mger.)		\$22.30	\$22.70-30.50
Manager		\$47 + bonus (0-50%)	\$49.50 + bonus (0-37.5%)	\$28.40-40.00
		*All hourly workers received 6.7% bonus.		

*Note:* Annual salaries for managers, including some department managers, were converted to hourly wages by dividing by 2000. This overestimates their hourly rate, since managers typically work considerably more than 40 hours per week. Information for first chain is from one store only; the others are from standard wage and salary scales, with the exception of a few positions. For each chain, wage ranges are bottom and top for a single region.

**Table 2: Pay tables at two representative consumer electronics chains**

	Electronics chain	Office supply
<i>Part-time</i>		
Part-time cashier	\$5.15-10.00 (start)*	\$6.50-9.60 + bonus
Part-time sales	Up to \$9-11*	\$7.00-10.50 + bonus (2%)
Part-time high-end sales	Up to \$16*	
<i>Full-time</i>		
Cashier	\$10*	
Regular sales	Up to \$16-18*	\$15.28 (top) + bonus (5%)
Repair technician	\$18*	
High-end sales	\$19*	
<i>Supervisors</i>		
Front end supervisor	\$15 (start) + bonus	\$12.40 + bonus (6%)
Office equipment supervisor		\$13.63 + bonus (17%)
Copy center supervisor		15.75 + bonus (25%)
Supervisor, sales	\$17, up to \$26 + bonus	
Repair tech supervisor	\$18.50 + bonus	
<i>Managers</i>		
Assistant manager	\$17.50-31.50 + bonus (10-50%)	\$17.50 (starting)
Manager	\$30.00-48.00 + bonus (10-50%)	\$32.50 average, \$44.50 top + bonus (0-40%)

\*All hourly employees at the electronics chain get a bonus of 1-3%.

*Note:* Annual salaries were converted to hourly rates by dividing by 2000, which overestimates the hourly rate because managers work more than 40 hours. Some wages and bonuses were reported by individuals; others are company-level estimates.

In grocery stores, benefits are the key divide between part-time workers, who receive a very limited benefit package, and full-timers. Nonetheless, 82 percent of the retail food companies in the sample offer some sort of health coverage to part-timers. Unions tend to negotiate a more generous benefit package, higher wages at the full-time level, and closer adherence to seniority in wage determination.

In consumer electronics, starting wages follow a bimodal distribution, with over half the sample falling at or near minimum wage *or* at \$10 (see Figure 1). In addition to the division between companies, within many companies jobs include a highly paid upper tier of sales and technician jobs and a relatively low-paid lower tier of clerks and cashiers (see Table 2). Although the two largest electronics chains in our sample do not have commission on sales, variable compensation remains ubiquitous in the sector, and takes a variety of forms.

The wage and benefit difference between part-time and full-time is, if anything, greater in electronics than in retail food. Part-timers only have access to health coverage in 38 percent of the companies, compared to 82 percent in the grocery chains.

The main forms of variable compensation in consumer electronics are:

- Bonus on departmental, store, or company performance. Management bonuses take this form, but so do non-management bonuses at some chains, like the ones shown in Table 2.
- Commission on individual sales. At one consumer electronics chain, for instance, we were told that an average salesperson makes \$20,000 to \$32,000 in the first year (\$20,000 is the base salary), but that someone with a talent for sales can grow their salary by \$5-7,000 per year thereafter. A top salesperson in that chain told us he earns over \$80,000.
- “Spiffs” (special incentive fees) that pay a fixed fee for selling a particular item (such as a service plan)
- Bonus on rate of completion of assignments for installers or technicians.

A number of leading consumer electronics chains have shifted away from commission sales to reduce costs and discourage “predatory” sales behavior. In retail food, we only encountered group bonuses and limited use of small rewards for exceptional service.

## Duties

The bulk of jobs in grocery stores are relatively unskilled. This is reflected in managers’ descriptions of what they seek in new hires. One laughingly answered that question with “*a pulse.*” Another said: “*Positive attitude and friendliness is more important than prior skills or experience.*” Interestingly, the requirements for promotion to full-time are considerably more stringent, reflecting full-timers’ elite status in most grocery stores and food retailers’ reliance on in-house pipelines for management hiring.

Multi-functionality is common in grocery stores. This is less because particular jobs are varied (though some include a wide variety of tasks), than because workers get pulled to other jobs on an as-needed basis. The labor process in grocery stores could be described as “directed autonomy,” with greater autonomy for full-time than part-time workers.

Despite some efforts to standardize the pace and detailed procedures of retail labor processes, for the most part the work remains stubbornly un-standardized. A partial exception is the tracking of cashiers’ number of customers or scans per hour, which we heard about at three chains. Scan rates are posted publicly as a potentially potent disciplinary device. Nonetheless, the information is rarely used for supervisory feedback. We heard about target scan rates of 20-25 items per minute.

Entry jobs in consumer electronics retailing are considerably more stratified than in groceries, ranging from cashiering to big-ticket sales, and including jobs with no parallel in food retail such as equipment repair and auto and home installation. The qualifications for a cashier and salesperson sound remarkably similar to those in retail food: “*We coach people more on the sales or establishing rapport, than we do on Ohm’s law.*” Technical jobs such as repair tech or auto or home installer require a far more substantial knowledge base.

Consumer electronics stores are more thinly staffed than supermarkets, so multi-tasking and shifting between jobs are even more widespread. At an office equipment store, “*ninety percent of the sales force is trained in all different aspects of the business.*” In assessing the autonomy of workers in electronics retailing, the hierarchy between more tightly prescribed low-level jobs and more self-guided sales jobs looms large.

## Turnover, training, and mobility

The retail industry is that most paradoxical of sectors: one where employee turnover is unceasing, and at the same time one where historically a large percentage of management positions have been filled from within a given company. On closer examination, the apparent paradox disappears, because managers quickly identify and groom likely management recruits while using a rapidly churning, largely part-time majority to cover peak times and nonstandard hours.

As in the retail sector as a whole, turnover levels in our sample are striking. With one exception, turnover rates in retail food range from 40 to 80 percent (with the large majority quits), with half falling between 50 and 65 percent. Entry-level training is fairly cursory in most of the retail food companies in our sample. Baggers receive from one hour to one day of training and cashiers two to four days. More skilled jobs take longer to learn: respondents at one grocery chain put the time to full proficiency in meats and produce at a year. Businesses typically prescribe more extensive initial training, but managers often skimp on such training for lack of time. They may also finesse the training issue by hiring experienced workers for the hardest-to-train jobs, such as meat cutting. However, all the businesses provide extensive training for supervisors and managers.

Most grocery chains reported high rates of promotion from within, with estimates of 60 to 90 percent or more of upper level hourly jobs as well as store-level management hired from within. In so doing, one key goal is to obtain commitment to the company at all levels. The majority of food retail companies reported store level policies mandating that every new employee start in a part-time position, so that all full-time employees must come from within.

The two union food companies in our sample sit closer to the low end on turnover and the high end on training, but show no distinctive pattern in the rate of promotion from within.

In contrast, consumer electronics stores, somewhat surprisingly, show *higher* churn rates than grocery stores, with hourly labor turnover ranging from 68 to 86 percent in our sample (again, the large majority is voluntary). The difference between part-time and full-time turnover does not loom as large in this sub-sector. A surprise, given the technical nature of so many electronic products, is that initial training times, at 20 hours or so, are comparable to those in retail food. Likewise, managers in consumer electronics frequently lamented lapses in training. However, there is much more stratification within electronics retailing than in food. In the big box stores, jobs range from minimally qualified tasks (stocking and selling DVDs and the like) to extremely complex and responsible jobs, including computer repair and designing, selling, and installing customized high-end home entertainment systems, whose price tag can reach into the hundreds of thousands of dollars. For these more demanding jobs, businesses do invest in more intensive training.

Electronics retailers echo grocers in their rhetoric on promotion from within. But while the companies with the highest percentages hired internally are on a par with the high end in retail, the majority of the businesses reported internal hire rates of around 50 percent or less for store managers. Respondents attributed the frequency of outside hiring in part to rapid growth and geographic expansion, in part to changes in policy aimed at bringing in new blood. Importantly,

their comments reflect a view that the management skills they seek are more generic, not necessarily rooted in experience in their particular sub-sector.

### ***How market strategy choices shape labor outcomes***

The central fact of life in both retail food and consumer electronics is the rapid growth of discount chains such as Wal-Mart and Target (as well as online retailers in the electronics market), intensifying low-price competition and market saturation. Retailers (including the discounters themselves) have pursued two main responses—sometimes simultaneously. One is to cut costs. The other is to attempt to improve service, quality, or variety. These are actually three conceptually separable responses, but we group them together because they are often implemented together). In this section, we look at how cost-cutting on the one hand, and service/quality/variety enhancements on the other, affect job quality in our sample.

### **Cost-cutting**

Cost-cutting is not a new strategy for food and electronics retail; it dates back to the origins of the modern supermarket and the birth of consumer electronics chains. Since it remains such a central part of retail strategies, we review its impact on jobs here.

#### ***Cost-cutting – Schedules outcomes***

Cost-cutting strategies result in scheduling complexity, with repercussions for the volume, variability and predictability of work hours for full-time and part-time workers. The reduction in use of full-time workers as a means to cut labor costs occurred in the 1980s and virtually all food non union companies reported that they had undergone a major shift away from full-time about 15 years ago. However, two companies, both regional grocers, noted a continued push to reduce the full-time share.

In consumer electronics, elimination of the commission structure at some companies, a cost-cutting step, has resulted in growth of part-time schedules in those companies. In companies without commission, finding the “ideal” part-time/full-time mix is the subject of experimentation—though the predilection is to increase part-time. While there have been few drastic changes, several have raised the part-time share in recent years or are considering doing so.

#### ***Cost cutting – Compensation outcomes***

Increases in the rate of part-time employment, already noted above, constitute one route to cost-cutting in the grocery sector. In addition, food retailers have allowed wage increases to lag behind those in other sectors, with the shift most dramatic in union retailers. Grocery chains have also pared back benefits (particularly health insurance), by reducing or delaying eligibility or reducing the company’s share of benefit costs.

In consumer electronics, cost-cutting strategies often revolve around changes in variable compensation. As noted, two chains in our sample both dropped commission to cut costs. Of the two chains still relying on commission, one has cut commission rates on electronic goods (while increasing the commission on sales of services), and the other has cut base pay and exhorts workers to earn more by selling more. Electronics retailers have reduced benefit costs by

increasing the rate of part-time employment, and have also cut benefits directly. There is an emerging counter trend, however, with electronics retailers in particular initiating scaled down benefit plans to part-timers in order to reduce turnover among these workers and to eliminate one primary reason for pressures to convert workers to full-time. Finally, some consumer electronics companies include cost savings—such as reductions in “shrink” through theft or waste—in the factors determining hourly bonuses.

### ***Cost cutting – Duties outcomes***

The brisk pace for worker productivity set by Wal-Mart confronts other retailers with difficult choices. In order to control labor costs, retailers cut the total number of labor hours in the stores. Food retailers in particular seek to reduce costs by escalating the pace of work, and their workers see their jobs changing. One produce clerk at a store where hours were cut noted: “...*they’d have to come up with a better system of being able to get it all done without killing people.*” We heard less about this kind of speedup in consumer electronics, perhaps because the industry has a short history and from inception had a leaner staffing model for large stores.

### ***Cost cutting – Turnover, training, and mobility outcomes***

Like any business, retailers carry out a “balancing act” with their policies and practices regarding employee mobility. On the turnover front, they balance the need for a relatively stable core of employees who can constitute a pipeline for advancement, with the need to keep wages and benefits low. They must also maintain adequate employee knowledge while not over-investing in new hires that may leave soon. And in terms of promotion, businesses must weigh the firm-specific knowledge and loyalty of in-house talent against the new ideas and specialized skills of outsiders. Retailers’ new strategic directions, and cost-cutting in particular, have re-tilted these balances.

Retail managers understand the costs of turnover but are also acutely aware of the *benefits* of turnover which include a chance for managers to start anew with a team and keeping seniority-based pay progression in check. There can be both good and bad turnover: bad turnover, in the words of one manager, is “*How many people did I have recruited away from me that I didn’t want to go.*” At both the store and the company level, food retailers are constantly “tuning” the level of turnover. One important tool is the part-time/full-time mix; increasing the full-time share fairly reliably reduces turnover. The new wave of cost-cutting often involves increasing the percentage of short-hour, more junior, or lower-job-classification workers. This, in turn, escalates turnover rates.

In unionized food retailers, given unions’ compensation premium, cost-cutting pressures can lead to more sudden and dramatic declines in compensation levels that leave these out of sync with expectations and precipitate rapid increases in turnover. Consumer electronics, like unionized retail food, holds the potential for sudden shifts in compensation—in this case, because of changes in or abandonment of commission systems. These changes likewise sparked waves of turnover.

In contrast with turnover, cost-cutting pressures have not directly induced many changes in training in the world of grocery stores. There was little investment in training for entry-level jobs in the first place (many of which are taught on the job), and therefore little that could be cut. Those that implemented online training have done so to serve more workers at fewer costs. In

electronics, e-learning has become the preferred means to deliver information about product updates.

Many retailers reported that they are moving away from a promote-almost-exclusively-from-within model. Cost-cutting has in some cases steered retailers toward recruiting from outside, since attempts to trim compensation costs sometimes have the unintended consequence of discouraging or thwarting upward mobility from within. Smaller pay increments and increased workloads make supervisory and management positions less attractive (see Sustainability below).

## **Service, quality, and variety enhancements**

### ***Service/quality/variety – Schedule outcomes***

In the retail food sector, “service” primarily equates to convenience. In some grocery cases, the pressure to reduce wait time in lines in particular has increased. Also, shoppers have increasingly shifted their shopping patterns to weekends. As a result, managers must time and calibrate labor deployment on the floor to closely match ebbs and flows in customer traffic, demanding even more schedule flexibility from employees. Managers meet these demands by increased use of part-timers, but also by requiring full-time workers to be available for short-notice shift changes of any kind, making it difficult for some workers to accommodate other responsibilities off the job. Demands put on full-timers may lead them to burnout.

Emphasizing new product offerings and quality may be labor-intensive and has implications for schedules as well. The strategy of increasing variety in products and services modulates the impacts of cost-cutting across stores. Higher priority areas (e.g. produce, fresh foods) may witness less pressure on their labor budget. In departments that are lower priority, the combination of tight labor budgets and part-time with increased variety creates pressure on schedules and responsibilities of full-time, usually more senior, workers as well as supervisors. Conversely, discounters that for the most part avoid great variety do not encounter this difficulty.

### ***Service/quality/variety – Compensation outcomes***

Among grocers, the mini-trend toward variable pay reflects attempts to provide incentives for customer service. Some companies are considering more radical revisions of the pay structure to provide new incentives. At one chain, a top manager talked about the need for “incentive-based pay for part time people.” In another company, executives are debating the advisability of a pay-for-skill system for hourly employees.

In the world of electronics retailing, businesses are trying to use compensation to induce higher service levels in three distinct ways. At an office equipment seller, employee and manager bonuses are linked to customer ratings as well as sales. In several other cases, however, incentives are tied to “service” in the form of selling product and service attachments such as extended warranties. At yet another chain, technicians—though not salespeople—get paid according to a pay-for-knowledge scheme based on a series of online modules and exams.

### ***Service/quality/variety – Duties outcomes***

Again, given the equation of service with convenience, grocers keep their front ends well staffed with cashiers and baggers. Quality and variety in offerings impose new demands throughout the store. More knowledge of exotic products is required of clerks and sometimes more staffing is needed to handle the variety and quality standards (e.g. more products to stock and frequent replenishment). Ironically, in food retail, service enhancement and cost-cutting—apparently opposite strategies—may actually be two sides of the same coin. In order to meet greater staffing needs in the front end or fresh products areas, some stores cut hours in other parts (e.g. dry goods).

In consumer electronics, we heard remarkably convergent accounts of a cultural revolution in sales—along with a shift toward selling more *services* offerings—in three national companies. There is a genuine shift toward more careful listening to customers to identify and meet a broader range of product and service needs. In high end segments of stores, where entertainment and office system design, installation, and repair services are offered, the emphasis has been on a more open-ended consulting relationship captured in phrases like “professional consultants” and “digital entertainment architects.” Nonetheless, amidst this movement from pushing products to assessing customers, many aspects of the jobs have changed relatively little. An office equipment salesperson at an office equipment big box store described learning the job in 1986 at another company in terms that still apply: “*you learn how to overcome objections and what the important qualifying questions are.*” Today, salespeople still qualify the customer to decide what to sell him or her. The goal of selling “attachments”—higher margin extended warranties and accessories—is universal, increasingly emphasized and more closely monitored by management than in years past. Office equipment companies are also escalating pursuit of small business customers by providing them with targeted service.

### ***Service/quality/variety – Turnover, training, and mobility outcomes***

One might expect that attempts to boost service would increase demands on workers, and hence contribute to higher turnover. We found little evidence of such consequences in food retail except possibly among deli clerks who must handle a greater variety of orders and have more customer contact.

Strategies to improve service, quality, and variety do make a mark in training. There is more investment in customer service training across all jobs. Cashiers must learn far many more product codes because of the greater variety of fresh products (meat, fish, produce). Imparting more product knowledge (e.g. food preparation) to frontline workers is seen as a means to deliver customer service enhancements. Management receives enhanced training in people management and performance monitoring.

Even though electronic products are far more complex than food, affording greater scope for product knowledge, electronics retailers have tended to shift away from heavy doses of product knowledge, undertaking three main revisions of their training systems either separately or in conjunction. First companies have adjusted to cost pressure, higher turnover, and decreased product quality differentiation by shrinking training times. Second, electronics sellers have refocused their workforce from product knowledge to services and sales. Technical knowledge



is far less important as a sales strength. Third, companies supplement light initial product knowledge training with ongoing updates. In most cases, the updating takes the form of self-paced e-learning.

A nearly universal theme in our sample (though more advanced in electronics) was increased hiring of managers from outside, shifting the balance away from the tradition of promoting from within and beginning in some cases to require a college degree for store managers. At an electronics chain, the percentage of store-level sales managers hired from within has dropped from 90 or 95 percent to 50 percent in the past 10 years. Clearly the growing supply of college graduates and increased availability of people with large company retail management experience have played a role in this pattern. But perhaps the most important spur has been the evolution of retail management—especially in consumer electronics—into an increasingly complex, numbers-driven, and computer-based job. Management professionalization is not tied exclusively to heightened service goals, but the service goals most certainly add to the complexity that drives companies to hire outsiders.

### ***Global contrasts: Europe and Mexico***

We have collaborated with the authors of studies similar to this one in five European countries (Denmark, France, Germany, Netherlands, and United Kingdom)<sup>1</sup> as well as Mexico. Field research is complete in the six other countries. We are currently working with the other researchers to produce comparative analyses. We expect that we will publish a book chapter comparing changes in retail jobs in Europe and the United States in late 2008. In the meantime, we offer some comments on the contrasts that we and our colleagues observed.

Consumer culture differs greatly across the seven countries. Perhaps the greatest contrast is that the typical Mexican family shops for food *twenty times a week*—five times as often as their U.S. counterparts—and Mexican consumers still place a great premium on freshness, leading them to patronize produce street markets and tortilla stands. On the other hand, Europe was more than a decade ahead of the United States in the adoption of hypermarkets (huge floor-space supercenters that sell food, clothing, and a range of other types of merchandise), and in general has moved more quickly in adopting technologies such as self-scan. Interestingly, despite the persistence of street markets in Mexico, that country was also faster to shift to hypermarkets than was the United States.

Despite differences in shopping cultures, the basic competitive pressures are similar in all seven countries. In all seven, discounters have played an increasingly important role in both food and electronics, putting downward price pressure on the entire retail sector. In six of the seven countries (all except Denmark), global retailers have made significant inroads. These global retailers include Wal-Mart, but also Carrefour (France), Metro (Germany), Delhaize (Belgium), Ahold (Netherlands), and Tesco (United Kingdom). The result of discounting and globalization

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<sup>1</sup> This section relies upon findings of 5 country studies summarized in a forthcoming chapter: “National Institutions Meet the Big-box Revolution: Retail Jobs in Comparative Perspective” prepared for the Russell Sage Foundation by F. Carré, Chris Tilly, Marten vanKlaveren, and Dorothea Voss-Dahm and reviewing findings from Askenazy *et al.* forthcoming, Esbjerg, forthcoming, Mason and Osborne, forthcoming, Voss-Dahm, forthcoming, and vanKlaveren, forthcoming.

have been market saturation and heightened competition. Retailers have responded to competitive pressure, as in the United States, with a combination of cost-cutting and attempts to enhance service, quality, and variety. (In Mexico, a distinctive cost-cutting option is available to small retailers: becoming an “informal,” off-the-books business that does not pay taxes or social security.)

What does all this mean for the differences in jobs and in human resource strategies across these countries? In brief, although market factors such as service expectations do help explain job differences across the countries, our key finding is that *institutional differences, particularly differences in laws, have a big impact on the design and nature of retail jobs in the different countries*. Here are a few points to illustrate.

### **Differing service expectations in retail food**

- In the countries of continental Europe, there is a strong expectation of self-service in supermarkets. There are no baggers, and at German deep discounters Aldi and Lidl customers are expected to take merchandise out of boxes on pallets. In France, long checkout lines are common and expected. As we noted above, retailers in these countries were early adopters of self-scan. Interestingly, low service expectations were *created* in these countries, since forty years ago retail was dominated by small, neighborhood shops in all of them.
- In the United Kingdom, on the other hand, shoppers are accustomed to interacting with staff on the sales floor, leading to higher staffing levels.
- In its international expansion efforts, Wal-Mart has sometimes run afoul of service expectations. In self-service-oriented Germany, Wal-Mart’s efforts to get employees to smile and greet customers flopped. In high-service South Korea, consumers did not find Wal-Mart service levels high enough. Wal-Mart exited both countries in 2006.

### **The importance of part-time work**

- In all of the European countries, there is extensive use of a part-time workforce—young workers, and in retail food, mothers as well.
- However, most of the European countries still have legal restrictions on store opening hours (though fewer than in the past), reducing the complexity of scheduling.
- The range of part-time employment in Europe is quite wide, from only 25 percent of the retail workforce in France (where government-funded day care creates the expectation that women will work full-time) to 65 percent in the Netherlands (where a large proportion of women work part-time). (The U.S. stands in between at 49 percent.)
- In Germany, short-hour part-time jobs called “mini-jobs” are exempted from the collective bargaining agreement that covers most retail jobs. To take advantage of this exemption, German retailers have greatly expanded their use of mini-jobs.
- All of the European countries have national health insurance, so the difference in fringe benefit costs is not a central consideration in the use of part-time employment as it is in the United States
- In Mexico, the minimum wage is set as a *daily* figure, and as a result part-time employment is rare in retail (since retailers would have to pay a full day’s wage in any case).

## **The cashier job in different institutional environments**

- France has adopted a very high minimum wage, and has placed severe restrictions on opportunities to construct new large stores. As a result, French supermarkets and hypermarkets pay cashiers highly, but also demand a highly intense pace of work (with some target scan rates twice as high as the ones in U.S. chains; remember that French cashiers do not bag) to squeeze as much sales as possible out of limited floor space.
- On the other hand, in Germany and the Netherlands, the law forbids reporting individual cashiers' scan rates as a matter of privacy.
- In the United States and Mexico, retailers require cashiers to stand; in Europe they allow them to sit.

## **Training, skill, and turnover**

- Germany and the Netherlands have strongly developed apprenticeship systems that provide vocational training in retail (and other trades) for non-college-goers. These systems give retailers cheap less-skilled labor (apprentices), but also a relatively skilled group of workers who are committed to this industry in particular.
- In these countries, companies are able to rely on a core of highly trained workers with a strong craft ethic.
- Even German mini-jobs are typically filled by women who have completed a retail apprenticeship and now have children to care for.
- Beyond Germany and the Netherlands, all of the European countries have lower employee turnover rates than the United States and Mexico. Average retail-wide turnover in the five European nations range from 20 to 36 percent; industry-wide turnover in the U.S. is 50 percent (and ranges much higher in some companies).

## **The role of unions**

- Despite the historic importance of unions in the European countries, that importance has declined in recent years. Industry-wide bargaining is less common. In France, collectively bargained wage rates are lower than the minimum wage, rendering them moot.
- However, organized labor continues to play a role in some settings. In Denmark, the institutions of industry-wide bargaining and consultation with unions remain relatively robust. German and Dutch unions play key roles in the apprenticeship system. In Germany and the Netherlands, managers must consult with elected "works councils" (independent of the unions) at each workplace about work hours and other issues.
- In Mexico, the country's labor law assures that virtually all large retailers have unions, but the unions typically play a passive role, accepting management decisions.

## **Takeaways for U.S. retailers and observers**

- In environments with a high minimum wage and strong unions, retail can thrive by making appropriate adjustments.
- U.S. retail lags in productivity (sales or value-added per person-hour) behind many of its European counterparts. However, matching European productivity levels might require reducing service levels.
- Service expectations are created, and are not immutable.

- The U.S. (along with Mexico) stands at an extreme in terms of high turnover and limited training. Even in the absence of a national apprenticeship system, U.S. retailers should consider the possible advantages of added investments in training.

### ***Sustainability issues raised by retailers' strategies***

*“Everybody is vying for that food dollar and you have to find a way to make it work. Wages are the easiest thing to control. It gets to a point where you can control yourself right out of a business.”* (HR staff, supermarket chain)

*“All companies put the show on, but I think there has been a lowering of standards. The average place tolerates a lot more inconsistency than they say they are. ...I don't think [company] is an exception to that. People don't have as good ... social skills as they might once have.... We had customer driven programs, I don't think it's a whole different now.”* (District manager, supermarket chain)

Having taken a detour through retail in other countries, we now return to the future of jobs in U.S. retail. In this section, we discuss key themes that emerged in worker and manager reflections regarding how to put together increasingly lean staffing and other cost cutting strategies with the concrete implementation of service enhancements—both service intensity as well as increased variety in product offerings.

In brief some cost cutting initiatives, such as short hours and reduced compensation, have caused turnover to rise. Other cost cutting related changes such as raised expectations for performance contribute to burnout and may deplete interest in bidding for promotions. The pipeline for assistant managers and store managers is adversely affected in some cases. These impacts weaken retailers' ability to fully implement service-intensive competitive strategies (service enhancements) which rely on sufficient and adequately prepared workers. From the managerial standpoint, strategies centered on very fine tuning of labor deployment create considerable scheduling complexity. This and other challenges contribute to supervisor and manager overload manifested by long effective work hours. In turn, these work challenges contribute to thinning the bench of candidates for promotion. Nevertheless, retailers also have undertaken efforts to address these tensions. Efforts entail a mix of labor force strategies (new recruitment patterns), and management changes (new thinking about the role of managers, new forms of compensation). Other efforts entail novel ways to segment the market and apply different service formulas that the retailer can sustain.

We first review points of friction where initiatives to cut costs and to improve service, product quality or variety conflict with each other or with basic staffing needs. We then explore, in somewhat more speculative fashion, likely long-term outcomes.

## Points of friction: conflicting goals

Aided by the reflections of our respondents, we have identified a number of significant, overlapping points of friction that may undermine the long-term viability of current strategies.

- **Where, in other sectors, we would have raised staff turnover as a primary sustainability issue, in retail, turnover is two-edged. It is both a long standing familiar consequence of low compensation and abundant comparable alternatives as well as a fully understood tool in workforce management. Respondents at headquarters and in stores have spent a considerable amount of thought on limiting the damages of staff quit-turnover as well as exploiting its (perhaps less trumpeted) advantages. For example, turnover can be encouraged in anticipation of labor budget reductions, to avoid firings, and to alter the interpersonal culture of some rather small departments whose performance depends upon co-worker communication and willing collaboration.**
- Nevertheless, recent trends contribute to feeding higher, and undesirable, turnover (quits) in some cases. The greater availability and clustering in suburban malls of jobs with comparable wages, seemingly fewer demands, less requirement for weekend or night work, and occasionally greater benefits (merchandise discounts), create higher turnover. These trends facilitate “job-hopping” among entry level part-timers, particularly young ones hired for front end positions. **More importantly, cost-cutting shifts toward shorter hours, reduced benefits, and slower, flatter wage progressions all feed higher turnover. The disillusionment with slippage in pay and benefits may be strongest at the unionized stores, where workers have long been accustomed to relatively comfortable compensation.** A manager at a supermarket chain described one scenario:  
*[The store manager is] working on his models right now as to what’s gonna happen if [Wal-Mart] take[s] 10% of our sales, what’s gonna happen if they take 20%. He’s looking at, of course, the first controllable expense here, is labor. [The manager] wants to have all of our top senior part time employees at 24 hours, which is the minimum we can schedule them. Anyone below that, they get 15 hours. I said, “Well okay, we can do that but you’re gonna have a revolving door at the bottom of that seniority list where people are gonna come in and work a few weeks and say ‘Well I’m gonna go somewhere else where I can get 20-30 hours [because] I can’t live off 15 hours.’” So that’s gonna be my challenge. Okay, I need to hire ten new people at 15 hours a week and the next week it’s gonna be well, those ten people, three people stayed. Here, let’s hire ten more. I told him, “Okay, that’s what you want to do. You’re in charge of the store overall. But those are the changes I expect to have to deal with.” First of all, here’s a job where you only get 15 hours a week. If out of the ten people I interview, three or four of them will say okay I guess I can deal with that. Out of those three or four people, one of those people might stick around. That’s frustrating.*
- **Intensifying work expectations, another tool for cutting costs or increasing service, can also contribute to burnout and turnover. “There’s a lot more requirements in the job these days,” said a sales supervisor at an electronics store. “So therefore, there is a lot more things to mess up on. Therefore, there’s a lot more ways to have turnover.”**

An important sustainability issue raised by pressures and response strategies is that the **pipeline for promotion to supervisor and to assistant/co-manager has been getting thin. Regional/district managers note this pattern and express concern about their “bench strength” for store manager candidates schooled in the ways of their company. The pipeline has been thinning for two reasons. First, hourly workers report hesitating to consider promotions to supervisory and, certainly, to salaried positions (which are exempt from overtime pay provisions) because of the long hours and/or limited rewards. (One grocery chain recently boosted assistant manager pay relative to department managers to try to overcome this resistance.) Second, fewer full-time positions entail fewer workers with seniority who are prepared and amenable to take on supervisory responsibilities.** One comment illustrates worker reluctance to move up: *“There’s not a whole lot of people that want those [head clerk jobs]. The big downside for that is they only make a quarter more an hour but now you have a lot more responsibility. You’re now responsible for running that front end. You’re responsible for closing the store and making sure things are being taken care of and customers are taken care of.”* (Cashier, Freshland supermarket)

We did hear of a clash between goals of cutting labor costs and improving service and quality. Thinner staffing and fewer long-term, committed employees can take a toll on service and quality standards. We heard about this problem particularly in unionized food chains perhaps because cost cutting approaches were implemented more recently in those settings. For example, a store manager lamented, *“I would say if you take a store with 150 employees, ten years ago you’d have fifty of them that really cared and were professional about what they were doing. Now fifteen, maybe ten.”* One grocery interviewee spoke of *“a constant putting one thing off and then taking care of the thing that needs the most attention.”* A similar clash occurred in some electronics settings as well. An office-equipment salesman faulted cutbacks in labor hours for a precipitous decline in cross-training which in turn reduced worker ability to help out across jobs, thus detracting from service enhancement. Another sales person noted: *““We’re real short handed especially during those peak times. It makes it real hard to help out every single customer that we get in the store, juggling between all of them. Obviously you want to give the customer a great shopping experience. It’s a little hard when you’re running back and forth between customers.”*

- **The competing goals of cutting costs and providing service through “coverage” in the store result in considerable complexity of scheduling for store and department managers. Managers and supervisors work intensely to absorb the fall-out from coordination difficulties. In some electronics companies, the removal of commission also has meant that one prime motivator for weekend work (when sales volume is high) is no longer operative. It is more difficult to recruit and schedule people to work weekends.**
- Lean staffing, conjoined with the goal of enhanced service levels and variety, has resulted in **significant work overload for managers in many of the cases.** Because of lean staffing, short-term changes in the labor budget are difficult to accommodate (*“You can’t really hire somebody to work one day a week,”* said a grocery store manager.) So are temporary staff shortages due to time off. Consequently, supervisor and manager jobs have become more difficult and the hours long. In both food and electronics, we heard that managers often work

50, 60, or 70 hour weeks. *“We average ten-hour days. When you work Sunday, you work six to eight, so that’s 60. I never go home on time. I work at least 60 hours a week,”* one grocery store manager said. Importantly, labor budgets, though tightly controlled, exclude manager hours so managers are not “penalized” for their long work hours—the long hours are not readily visible. Managers suffer from what one Freshland supermarket manager called “the funnel effect”: *““We have a group of people down in our corporate headquarters...whose whole job survival is to create. All those people there are doing that and it all comes down the funnel and drops right on me. My job is to implement it.”* In addition, managers in both branches of retail are ringing registers and stocking shelves when staffing is short; on one visit we even saw the manager of a store with roughly 200 employees mopping a spill because he couldn’t find anyone else to do it, and on another we saw the manager straightening up shopping carts.

- **The staff that is next in the line of command bears the consequences of this overload as well. Particularly in electronics, the work overflow spills over from managers to supervisors and even full-timers.** Particularly in electronics, the work overflow spills over from managers to supervisors and even full-timers. At one store, cutbacks in training for part-timers mean that a full-time office equipment salesperson is constantly compensating for *“basic errors that they’re making that they shouldn’t...things that they should have learned probably in the first week or two but a lot of times they’ve been here for four months and nobody just went over those little basic things.”*
- Interestingly, at several chains executives and managers claimed success in recent efforts to reduce managers’ hours. While we do not doubt the good intentions of such initiatives, we are skeptical of the stated results, since managers at these companies report they are still working long hours.
- A quote from a grocery store manager links a variety of these sustainability issues: leaner labor budgets, worker speedup and frustration, added demands on managers, and concerns about meeting rising service goals.

*[Tighter labor budgets are] a major challenge. You know, we have great expectations out there. We have to have the store right 24/7, seven days a week. We want a clean store. We want to give great service. We want to make sure the shelves are full. When the labor budget gets pulled tighter and tighter like it has been, how do you make all that happen and it’s become quite tough....*

*Q: How have [the workers] adjusted?*

*A: There’s frustration. We try to do some things. We try to have luncheons here and there.... We’re out walking the stores constantly.... Trying to recognize the positives, trying to give them a pat on the back.... But there’s definitely frustration.... When you get in those stores that’s really cranking out high volume like here on Friday, Saturday and Sunday, if you’re that co-worker short that you know you really need, you can really see the frustration in the faces.*

*Q: The frustration is not being able to do their job...*

*A: Job done or the job the way they want to get their job done. I mean, we can get the freight on the shelf and we can get the product out but we’re kind of killing ourselves to do it. Before, ready to stock and talk to the customer. Now it might just be stock and having your head down. We’re not getting that good customer contact that we probably should have.*

## Possible solutions and likely long-term outcomes

One way or another, grocery and consumer electronics stores will continue to exist and to employ workers. Here we consider some important things retailers are doing to find their way out of the boxes identified above and suggest some likely long-term job outcomes.

- **Two chains we visited exemplify diametrically opposite strategic directions. At a unionized grocery chain we call Freshland, the company has recently extracted “two-tier” concessions under which new hires wait longer for benefits and wage increases, and have their earnings capped at a lower level. The result has been a surge in discontent and turnover, with managers accustomed to a well compensated and highly motivated workforce now struggling to keep workers engaged. The company seeks to improve levels of service, quality, and variety to compete with newcomers like Wal-Mart, but the erosion of wages and benefits undermines such efforts. In contrast, the discounter we call Bargain Land, despite some recent trimming, continues to offer high wages and benefits, even to part-timers. Attracting motivated workers, they are able to run a highly efficient operation and win the loyalty of customers of above-average income.**
- **Few if any of the other companies in our sample are going through as painful and difficult a transition as Freshland. Conversely, few are likely to successfully implement a strategy like that of Bargain Land and capture a high-end niche. Most seem likely to “muddle through” somewhere between the two extremes.**
- Managers at headquarter or district levels are talking intensively about plans for staffing managerial positions. These include a mix of recruiting from outside, expanding the types of sectors and educational background from which to recruit, as well as building up the bench of internal candidates for managerial positions. Such efforts, in particular attempts to formulate and recruit for the generic elements of retail management abilities, are bound to have some payoff. However, they are likely to further limit movement into retail’s supervisory and management ranks by less-educated workers who historically have been able to scale this in-house ladder.
- **There is widespread recognition that supervisors and managers need to “develop” their staff, and in order to do so must acquire skills in group process, motivation, and leadership. In labor markets where alternative jobs at similar wage levels are plentiful, managers and supervisors need to learn to coach in ways that can be confrontational (about lateness, reliability, and attitude) without readily resorting to dismissal as a primary disciplinary tool. One district manager described his role as precisely teaching this to store managers, a form of “toughness” that includes the ability to compromise and mediate workplace issues. This theme resonated in interviews with higher levels of management and with training departments.**
- Particularly in consumer electronics, but (through “consumer loyalty” programs) in retail food as well, retailers increasingly seek to differentiate customers and target the best customers for special treatment and service. One version of this is the office equipment purveyors’ attempt to target small business customers. Although the “pie” of preferred customers is limited in size, such targeting initiatives are likely to yield efficiencies for retail firms—with the side-effect of increasing stratification of the shopping experience and concomitant stratification of retail jobs (as different workers specialize in interaction with distinct groups of customers).



- Retailers are experimenting with a variety of new variable-compensation incentives to induce desired worker behaviors. In the short run the highest payoff may accrue to bonuses linked to the sale of “attachments” such as extended warranties or supplementary equipment, but as consumer sophistication grows this tactic is likely to lose effectiveness. More intriguing future prospects are suggested by an office equipment seller’s experiment with tying bonuses to departmental and store-wide customer service ratings, and grocery store chains’ consideration of ways to create financial rewards for customer service even at the level of part-time employees.
- **Given the pressing imperative of cost-cutting, it appears probable that average job quality in retail will continue to slide, through further reductions in compensation, speedup, and heightened demands for flexibility to facilitate just-in-time staffing. Perhaps equally importantly, stratification of customers and an increased role for variable compensation at all levels of retail organizations are likely to intensify stratification of jobs, with small numbers of workers able to gain higher earnings and greater autonomy (though perhaps longer schedules more driven by customer needs) while others experience job degradation. This pattern would enable retailers to retain and reward workers with desired skills and management potential, yet such stratification coupled with stricter criteria for promotion would sharpen inequality in an already very unequal work setting.**
- Despite these likely overall trends, a significant portion of retailers will be able to reap competitive advantage by investing more broadly in their workforce and offering superior service and product knowledge—most likely in combination with higher quality fresh products and a broader range of offerings. Achieving these outcomes will depend on training investment, an employee-friendly management style, and a combination of compensation and engagement sufficient to retain a significant stream of workers.

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