

VIII. Institutions, Work Organization, Job Quality, and Worker Outcomes in Retail in the United States and Western Europe

How Institutions Affect Job Quality: Sales Jobs in Comparison

DOROTHEA VOSS-DAHM
Universität Duisburg Essen

GEOFF MASON
National Institute of Economic and Social Research

MATTHEW OSBORNE
National Institute of Economic and Social Research

Abstract

In spite of globalization, differences in national-institutional structures remain intact. Contrasts may be drawn between different national training systems, and settings of wage bargaining. In this paper we investigate the effects of different training and wage bargaining institutions on labour market outcomes in the UK and Germany by examining how retail sales assistants in retail firms compare in terms of pay, skills and work organisation. Although profound differences still exist, we expect observed institutional change in Germany to bring pay and working conditions for German retail sales assistants closer to those in the UK in future.

Introduction

How much do differences in national labor market institutions affect job quality for low-paid workers such as sales assistants? How much does it matter, for example, that the United Kingdom has a statutory minimum wage whereas no such law exists in Germany? What effects, if any, does the long-established German apprentice training system have on job quality compared to a country like the United Kingdom, whose vocational education and training (VET) system attaches greater priority to mass higher education?

In this paper we investigate the effects of different VET and wage-bargaining institutions in the United Kingdom and Germany by examining how retail sales assistants in matched samples of retail firms in each country compare in terms of pay and access to training. We examine these issues by drawing on industry-level data sources and detailed case study investigations in matched samples of food retail firms in the two countries. These investigations were carried out in the course of a project on low-wage work in Europe on behalf of the Russell Sage Foundation (New York); in total the study covered five industries in five European countries (Mason and Osborne forthcoming; Voss-Dahm forthcoming).

Tasks and Responsibilities of Sales Assistants/Checkout Operators

One might expect that the way tasks performed by sales people in retail are organized is similar across countries. However, our comparison of the U.K. and German food retail firms points to substantial differences with regard to the division of labor, the extent and nature of skills required, and the associated autonomy and discretion of sales assistants.

Sales assistants in the United Kingdom had to carry out standard tasks like stocking shelves and checkout operations. In some cases the checkout role also involved bag packing and other services to assist customers with their shopping. In all food retail firms under study, many staff were trained to carry out both sets of tasks. U.K. food retail sales assistants were usually only expected to gain detailed knowledge about products if they were serving on specialized counters such as meat or fish, in which case they needed to be able to prepare products and give advice about which products were most suitable for customers' requirements. Therefore, for a large majority of food retail employees, product knowledge played a very minor role in their jobs.

In general, sales assistants in food retail operated with very little personal autonomy. Typically, they were organized in teams under a section manager or supervisor. Teams were used as a means to give daily instructions to sales assistants, and checkout operators routinely worked on the tills unless they were

asked to do other tasks by the manager or supervisor. Thus, work organization in the U.K. food retail firms typically takes the form of functional differentiation: sales assistants and managers take responsibility, respectively, for execution and order. The sales assistants take on a variety of relatively simple tasks, including checkout operation and stocking shelves. In addition, they follow specific daily instructions from managers about the nature of the tasks to be carried out.

The degree of personal autonomy in the U.K. sample as a whole was much less than that found in German retail outlets, where the main form of work organization may be described as functional integration. Typically, sales assistants are responsible for the whole distributive process of a particular part of the assortment, that is, for ordering goods, for taking goods from stocks onto the shop floor, for stocking shelves, for merchandizing products, and for giving advice to the customers. Sales assistants did not receive daily instructions from superiors about their tasks. They did not change between departments, and they never worked at checkout stations. Instead, they were expected to optimize the assortment of products in order to meet customer preferences and improve sales and profits. If changes in assortments were required, sales assistants coordinated changes like listing new products or starting actions on merchandizing with team leaders.

In summary, a comparison of the two samples shows that sales assistants in the German cases cover tasks with different skill requirements, some of them similar to those in the United Kingdom (for example, stocking shelves) and others at a higher level (for example, choice of products offered). The high level of functional integration in Germany is a strategy based on *active* flexibility because flexibility is achieved as a result of having skilled employees who are able to decide what to do with minimum supervision (Jany-Catrice and Lehdorff 2005). This strategy requires a special institutional framework to ensure the development of those skills. In contrast, functional differentiation is a strategy based on *passive* flexibility where managers make decisions on where flexibility is needed and how it is organized. This strategy can be pursued successfully in the absence of an institutional environment providing skilled employees since tasks can easily be taught within the stores.

Institutional Factors Influencing the Differences in Work Organization

Training

The most substantial difference between the two countries is that in Germany 80.6 percent of those working in retail have “intermediate”-level qualifications, which includes apprentice qualifications, while in the United Kingdom the proportion having such training is only 30.2 percent. This disparity reflects the impact of the different VET systems in the two countries.

As described above, the sales assistant role in U.K. food retail firms is relatively low-skilled, with sales assistants taking on bounded tasks according to clear guidelines and direction from managers. This has important consequences for the skills required of sales assistants. The recruitment criteria pursued by food retail firms typically focused on personal qualities such as a “positive” attitude, friendliness, communication skills, and basic numeracy and literacy. These qualities were often described in terms of “customer service skills,” but the food retailers did not usually look for prior customer service experience, nor did they require that sales assistants have any prior knowledge of the products or retail operations. None of the food retailers had specific requirements in terms of educational qualifications, which goes some way toward explaining the low qualification levels in retail occupations.

In contrast to the United Kingdom, the German retail trade is striking for its large share of apprentice-trained labor. In 2005 around 8 percent of all newly concluded training contracts in Germany were in retail companies and in the two most important training occupations in the retail trade, namely, trained retail sales assistant (two-year training course) and trained retail salesman/woman (three-year training course). Despite a decline in total employment in retailing, the number of newly concluded training contracts has not fallen in the last fifteen years.

All the German case study firms were active in training, but in the case of the food retail business it was stressed by HR managers that, in order to work as shelf stockers or checkout operators, employees require virtually none of the knowledge or skills acquired during the training program. Taking into account that apprentices are paid only half the wages of unskilled employees in line with collective agreements, this can mean that they are used as cheap labor for part of their training period. However, most German managers emphasized the benefits of employing apprentice-trained workers because it permits a strategy of functional integration, as described above.

Pay-Setting Institutions

The incidence of low pay, defined as earning less than two thirds of the median gross hourly earnings, is markedly higher in U.K. retail than in the German industry. In the United Kingdom 57 percent of the total workforce in retailing and about three quarters of all sales assistants and checkout operators work for low wages. In Germany 42 percent of all employees working in the retail trade get low wages, much the same as the percentage of low-paid workers in sales and checkout occupations.

In the United Kingdom retailing has always been a sector with relatively low wages. When the National Minimum Wage (NMW) was first introduced in 1999, the national food chains initially saw it as too low to affect their pay-setting

arrangements. However, in recent years the NMW has started to impinge on these firms' pay rates. In a common response to the growing impact of the NMW, all the national food retail chains in our sample had introduced new contracts for sales assistants; the contracts increased the basic hourly rate in order to comply with the NMW but reduced the opportunities to earn additional payments such as bonuses and premium rates for working unsocial hours such as weekends and bank holidays. In most cases these changes could be pushed through without engaging in collective bargaining because union density in the retail industry has now fallen to as low as 12 percent (DTI 2004).

By contrast, in Germany wages are decided in sectoral collective agreements between unions and employer associations. Until the year 2000 the Mandatory Extension System was in force in retailing, but since employer associations demanded more competition in the labor market this has ceased to apply. Coverage rate of collective agreements in West Germany in 2004 was at 60 percent (and 31 percent in East Germany) of all retail employees (Ellguth and Kohaut 2005).

This is far from being enough to prevent all employees from getting low wages, and the coverage rate has steadily decreased in recent years. So called "mini-jobs"—that is, marginal part-time ruled by special regulations—are now a driving force for low-wage work in Germany: 87 percent of all persons working in a mini-job get wages below the low-wage threshold. In essence, the legal regulations governing marginal part-time work provide a subsidy for this particular employment form, since those working in such jobs pay no income tax or social security contributions. Our sample included a number of employers who pay the collectively agreed rates only to employees in fully insurable jobs, with those in mini-jobs receiving lower rates. This obviously makes an increase in the number of mini-jobs at the expense of fully insurable jobs attractive to employers seeking to reduce labor costs.

However, in companies in which employees' interests are strongly represented, it has proved possible either to prevent the use of mini-jobs altogether or at least to monitor developments closely in order to ensure that a differentiated pay policy is not put in place. Thus, to date, the continued strength of collective bargaining in German retail has helped shore up wages to some extent in spite of the absence of a U.K.-type statutory minimum wage.

Conclusion

At the present time, the different labor market outcomes for retail sales assistants in the United Kingdom and Germany in terms of pay and employee status within work organizations still reflect the profound impact of country-specific training and wage-bargaining systems. But we observe greater efforts by German retailers to achieve their growth, profit, and cost targets by adopting

low-wage strategies. It is likely that the declining importance of collectively agreed pay rates in German retailing and the low wages paid to “mini-jobbers” could turn out to be the gateway to the reduction of standards. Competitive pressures would then have caused the collapse of important institutions that once played a key role in protecting working and employment conditions. This could bring pay and conditions for German retail sales assistants closer to those in the United Kingdom than is presently the case.

References

- DTI. 2004. *Trade Union Membership 2003*. London: Employment Market Analysis and Research, Department of Trade and Industry.
- Ellguth, Peter, and Susanne Kohaut. 2005. “Tarifbindung und betriebliche Interessenvertretung: Aktuelle Ergebnisse auf dem IAB-Betriebspanel.” *WSI-Mitteilungen*, Vol. 7, pp. 298–403.
- Jany-Catrice, Florence, and Steffen Lehndorff. 2005. “Work Organisation and the Importance of Labour Markets in the European Retail Trade.” In Gerhard Bosch and Steffen Lehndorff, eds., *Working in the Service Sector: A Tale from Different Worlds*. New York: Routledge, pp. 211–236.
- Mason, Geoff, and Matthew Osborne. Forthcoming. “Business Strategies, Work Organisation and Low Pay in UK Retailing.” In Caroline Lloyd, Geoff Mason, and Ken Mayhew, eds., *Low Wage Employment in the UK*. New York: Russell Sage Foundation, forthcoming.
- Voss-Dahm, Dorothea. Forthcoming. “Low Paid but Committed to the Industry: Sales Work in the German Retail Sector.” In Gerhard Bosch and Claudia Weinkopf, eds., *Low Wage Employment in Germany*. New York: Russell Sage Foundation, forthcoming.