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Abstract

With full-time jobs, hourly wages are appropriate primary indicators of job quality. However, in sectors where full-time schedules do not dominate, total hours matter for job quality and worker outcomes. We explored hour levels and trends in retail trade and its largest subsector, grocery stores. Retail is known for part-time and short shifts. With a comparison of retail hours in three countries—the United States, Canada, and Mexico—we contribute insights into aspects of the U.S. policy and regulatory systems that could be altered in order to improve retail jobs.

Today, in retail, even the full-time-hours guarantee falls below 40 hours, and often below 35, with significant implications. Low base hours mean limited weekly earnings and generate variability and unpredictability in individuals' total hours and scheduling.

In Canada and Mexico as in the United States, long and expanding hours of operation create two managerial goals: first, to control labor costs with lean staffing; and, second, to closely match staffing levels to customer flow. Where in the United States and Canada, these twin goals lead retailers to shorten work hours and expand part-time jobs, in Mexico they lead them to lengthen hours.

Several directions for US policy change would alter decision terms for retail management and implications for retail workers. They are: instituting parity, or reducing differentials, in compensation between full-time and part-time workers; limiting store hours, or halting the ubiquitous pressure to move toward 24/7 operations; and compelling businesses to make changes in their selling formats that would modify their decision-making on labor deployment.

Key Words: United States, Canada, job quality, Mexico, part-time, retail, schedule, working hours

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Work Hours in Retail: Room for Improvement

In settings where most workers have full-time schedules, hourly wages are appropriate primary indicators of job quality and worker outcomes. However, in sectors where full-time schedules do not dominate—primarily service-producing activities—total hours matter, in addition to hourly wages, for job quality and worker outcomes.

We have explored hour levels and trends in a service sector, retail trade, and its largest subsector, grocery stores. Retail is known for the prevalence of part-time and short shifts to cover peak shopping hours. We examined retail hours in three countries—the United States, Canada, and Mexico—because work hours regulation and customs vary cross-nationally. This comparison contributes insights into aspects of the U.S. policy and regulatory systems for employment, and for retail in particular, that might be altered to improve retail jobs and their implications for workers.

RETAIL HOURS—CAUSE FOR POLICY CONCERN

Insufficient work hours have been a long-standing concern for U.S. workers; in 1985 one out of four workers would have preferred more hours, even at the same hourly rate of pay (Shank 1986). In retail, the issue of insufficient hours is ubiquitous. Retail schedules are driven by the goal of providing large windows of shopping time, notably seven-day operation including nonstandard hours. (Grocery stores are under great pressure to move to 24/7 operation.) Retailers also experience wide swings in labor needs throughout the day and week, just as other direct-service sectors do. They also have seasonal as well as less predictable swings in demand over the year. The prevailing human resource strategy in retail has, since the 1980s, entailed the heavy use of part-time workers, who receive few or no benefits, particularly in grocery retail. In recent years, part-time work has spread to new parts of retail and can entail very low guaranteed weekly hours but an expectation that workers "flex up" to 40 hours on demand.

Today, even the full-time-hours guarantee falls below 40 hours, and even below 35, as we observed in recent fieldwork entailing 195 interviews in 16 food and consumer-electronics chains during 2005–2007. The implications of these patterns for the workforce are significant. Lower standard hours reduce the base level of weekly earnings that workers—full-time and part-time—can rely upon. Additionally, we and others have observed that keeping work hours low generates variability and unpredictability in individuals' total hours and in the distribution of these hours. Variability and unpredictability in earnings and schedules affect workers' ability to make financial plans and as such also can affect workers' ability to schedule other income-earning activities, or can affect their personal and family life. For these reasons, retail work hours and the firm strategies and institutional factors that drive them warrant attention.

In Canada and Mexico as well as the United States, long and expanding hours of operation create two managerial goals. The first is to control labor costs with lean staffing; the second is to closely match staffing levels to customer flow. However, in the United States and Canada, these twin goals lead retailers to shorten employee work hours and expand part-time jobs, whereas in Mexico they lead them to lengthen hours.

The three countries provide a useful comparison. Not only do they lie in close geographic proximity, but they also share many of the same retail chains. Wal-Mart is the largest retailer in both the United States and Mexico and is one of the top retailers in Canada as well. Formal retailers share similar market strategies in all three countries, and, in particular, Wal-Mart is a major driver of market change in each of the settings. Yet the labor market and social protection institutions of the three countries are quite distinct, with important implications for hours of work. We have examined the institutional features that underlie differences in retail-hour patterns. This cross-national comparison supports our thinking on policy options for addressing the work-hour challenges in U.S. retail.

HOUR LEVELS AND TRENDS IN CANADA, THE UNITED STATES, AND MEXICO

We expected and found different levels and trends in retail hours across the three countries in recent decades. Table 1 provides average weekly hour levels using publicly available data from national statistical offices; data are multiyear averages and are broadly comparable (see Carré and Tilly 2012 for sources and definitions). Compared to the economy-wide average, U.S. and Canadian retail workers work shorter hours than average, while Mexican retail workers work longer hours than average.

Table 1 Average Weekly Hours for the United States, Canada, and Mexico (multiyear averages)

	U.S.	Canada	Mexico
Total			
All private, nonsupervisory, 1987–2009	34.13		
Total, all employees, 1987–2009		36.69	
All private, all employees, 1998/2003/2008 (Economic Census)			47.66
Retail			
Nonsupervisory, 1987–2009	30.65		
All employees, 1987–2009		33.04	
All employees, 1998/2003/2008 (Economic Census)			51.57
Nonsupervisory, 1998/2003/2008 (Economic Census)			51.94
Grocery			
Nonsupervisory, 1990–2009	31.08		
All employees, 1990–2009		30.50	
All employees, 1998/2003/2008 (Economic Census)			54.88

NOTE: Hours from Mexico's Economic Census imputed by assuming 52 weeks of work a year, thus weekly hours may be underestimated.
SOURCE: Carré and Tilly (2012).

The United States has the shortest average hours. Its hours are shorter than in Canada except for the grocery subsector. In the most recent years, 2006–2009, the gap between Canada and the United States has narrowed in retail. Mexico has the longest hours economy-wide, and even longer hours in retail. Mexican statistics must be seen within the national context; our fieldwork, entailing 126 interviews in 33 retailers during 2003–2008, indicates that Mexican retailers press workers to work unpaid hours beyond their stated schedule. Nonsupervisory grocery workers have higher hours than total workers including supervisors. This pattern contrasts with the United States, where supervisors are not subject to the overtime premium and have very long hours. The pattern of cross-national differences is robust, however we look at the data.

Trends in Canada and the United States

In Canada and the United States, time trends for employee hours are negative for total, retail, and grocery employment, but the negative time trend is more marked in Canada than in the United States. Canadian retailers have adopted labor deployment patterns similar to those in the United States. The shift to high use of part-time and short regular hours came later in Canada but, when it came, occurred with great speed. In Canadian retail, raw weekly hours fell by 1.3 hours between 1987 and 2007, compared to 0.8 hours in the United States. We took 2007 as an end point because recent years are heavily influenced by the so-called Great Recession. In the grocery subsector, Canadian hours show a decline of 2.2 hours between 1990, the year that data series began, and 2007, compared to 1.9 hours in the United States. Nevertheless, despite Canada's more rapid decline in hours, the 2007 levels for Canada still stand above the U.S. weekly hours for the same year.

Our estimated time trends for 1987–2007 (or 1990–2007 for grocery), net of cyclical effects, also indicate a more marked Canadian long-term decline than in the United States. Over 20 years, Canada's retail subsector shows a long-term decline of 1.8 hours, net of cyclical unemployment effects, whereas U.S. retail shows a long-term decline of 0.2 weekly hours. When GDP growth is substituted for controls, hours decline by 2.5 hours in Canada and 0.4 hours in the United States.

Trends in Mexico

The Mexican evidence is fragmentary and mixed. We compared trends within each of two data series—we did this both because of data limitations and in order to highlight longer-term effects rather than cyclical ones. The average weekly hours for both wage and self-employed workers increased from 43 to 45 hours from 1991 to 2000. Both 1991 and 2000 were years of economic upswing and thus comparable. However, between 2003 and 2008, two years of relative downswings, average weekly hours for wage workers decreased from 54 to 50 hours.

HOW INSTITUTIONAL ENVIRONMENT MATTERS: THREE PATTERNS

Patterns of hours reflect sector-specific strategies but also significant differences in institutional environments—notably between Mexico and its two northern neighbors, but also to some degree between the United States and Canada.

The First Two Patterns: Canada and the United States

Retailers have parallel practices in Canada and the United States; they control unit labor costs by paying lower hourly wages and extending fewer benefits to part-time, entry-level workers than to full-time workers in most cases. In some cases, they institute two-tiered wage structures, whereby recent entry-level hires receive a lower wage than equivalent workers who have been with the firm longer.

Still, these practices take place against a backdrop of institutional characteristics with significantly different implications. The U.S. institutional environment has a bearing on retail jobs that is best characterized as regulatory “flexibility.” Retail hours of operation are not regulated at the federal and state level; local regulation generally involves few (and diminishing) statutory limits on opening hours. Customary regulation of opening and work hours is likewise minimal at this point; Sunday and holiday work is nearly ubiquitous and is decreasingly rewarded with a pay differential, and the same holds for evening hours. Retail entry-level wages are pegged at or only slightly above the minimum wage, which is low and has declined in real terms. High rates of part-time workers (28 percent of workers were part-time in 2007), and the associated lack of employer-based benefits, have significant consequences for workers. Collective bargaining, which historically has improved compensation, covers a declining share of workers (6 percent in retail, and 22 percent in grocery in 2004). As a result, the union “threat effect” (that is, the pressure on non-union companies to adopt compensation levels close to collectively bargained ones in order to avoid unionization) is also weak.

Canada’s institutional environment represents a form of “constrained flexibility”—its industry regulation is broadly similar to that of the United States, but there are different norms with regard to labor standards and social protection. The legal and customary regulation of opening hours has moved in the same direction as in the United States, as provinces have relaxed their restrictions on being open on Sundays and holidays; however, this deregulation, and the pattern of businesses being open for long hours and seven days a week, emerged later than in the United States. The steeper decline in hours in Canada between 1987 and 2009 reflects the adoption of these practices in Canadian retail starting in the 1980s, then accelerating in the 1990s, whereas these same practices had been long-standing in the United States by the late 1980s. Furthermore, in grocery retail and general merchandise, Canada's "Wal-Mart effect"—that is, severe price competition—hit later than in the United States. When it did, in the early 1990s, management in Canadian unionized grocery chains sought to reopen contracts, dissolve pattern bargaining, and redesign jobs, particularly in Ontario (Kainer 2002). These changes spread quickly.

Still, even in the late 2000s, retail hours were on the whole higher than in U.S. retail, and the implications for workers were mitigated. Canadian retail has high rates of part-time workers (35.5 percent of wage employment in 2004 was classified as part-time, although it used a lower threshold, 30 hours). Short-hour part-time work appears to be less prevalent than in the United States; for example, in 2001, workers with less than 20 weekly hours accounted for 16.5 percent of the retail workforce. Yet the impacts of part-time work on worker experiences are buffered by nearly universal access to health insurance. Differential treatment remains because several employer-based benefits are not readily available to part-time workers—namely employer pensions, paid time off, and supplemental health insurance. For example, 23.5 percent of part-time retail workers had supplemental health benefits in 2001, as compared to 64.2 percent of full-time workers. These differences have implications for workers but also continue to matter to retailers' cost-control calculus.

Canadian retail, particularly grocery retail, has retained significant rates of collective bargaining coverage, which has had a consequent positive impact on compensation. In 2004, collective bargaining coverage amounted to 15 percent in retail and 42 percent in grocery. In recent years, provincial minimum wage levels have remained higher, relative to the average wage, than the levels of the U.S. federal minimum wage.

The Third Pattern: Mexico Presents a Contrast to Canada and the United States

In contrast, the institutional structure regulating Mexican retail jobs can be characterized as "unevenly regulated dualism." While much of Mexican retail takes place in informal and family businesses, the country has a growing number of hypermarkets comparable to those in the United States and Canada. Microunits typically evade regulation, but even larger stores face a regulatory regime quite distinct from that in the other two countries.

Mexican institutions, particularly those regulating employment, motivate employers—especially retailers —to set longer hours. Four elements of the institutional environment of larger stores have a particular impact: 1) a long work week, 2) the daily minimum wage, 3) universal social insurance, and 4) weak unions. Mexico's full-time work week is 48 hours (six days times eight hours), with overtime provisions only applying beyond this point. The Mexican minimum wage is set by daily pay and not hourly pay. Mexican law also mandates universal social insurance (through employer contributions), though the level is low and workers with greater market power generally get plans above the minimum. These three provisions weaken the incentive to use part-time employment: 1) the 48-hour week facilitates covering weekends without part-timers, 2) the minimum wage sets a daily pay floor that vitiates the cost advantage of short-hour workers if the wage level is close to the minimum, and 3) universal social insurance bars (at least as a matter of law) a strategy of excluding part-timers from the most expensive benefits. The daily wage, however, also sets an economic incentive to press workers to work beyond the statutory eight hours—a pressure that has increased in the low-growth period of the last 20 years. Finally, the bulk of retail unions negotiate so-called "protection" contracts (whereby corrupt union leadership colludes with management) that offer workers little if any representation.

OPTIONS FOR MAKING A DIFFERENCE TO U.S. RETAIL WORKERS

Making a difference for retail workers entails shifting the hours regime and mitigating the consequences of job limitations for workers. Any policy change under consideration must take into account interactions among institutional factors, available workforces, and retailer competitive strategies.

In the United States, institutional features that historically had maintained hour levels and predictability—i.e., store-hour restrictions and collective bargaining—have been removed or weakened. Several approaches might bring improvement: instituting parity, or reducing differentials, in compensation between full-time and part-time workers; limiting store hours, or at least halting the ubiquitous pressure to move toward 24/7 operations; and compelling businesses to make changes in their practices that would modify the terms of their decision-making on how to deploy their labor.

Altering the terms of decision-making for store management would most effectively be achieved by reducing the substantial cost differentials between full-time and part-time workers, a change that would only come about through economy-wide policy changes. A floor of health insurance coverage would reduce this differential.

It is unclear, as of now, how the 2010 health insurance reform (the Patient Protection and Affordable Care Act) will affect the cost differential between full-time and part-time workers and retailers' staffing decisions. A "large employer" mandate to cover full-time workers is scheduled to come into force in 2014; it would apply a penalty to the employer for each full-time worker who was not provided affordable health insurance and who relied on a tax credit to pay the premium under the individual mandate. The head count of how many full-time versus how many part-time workers a firm employs will not come into play in exempting employers from the mandate because a threshold of 50 full-time equivalents will define “large” employers. The full-time threshold of 30 or more weekly *usual* hours over the year may raise implementation issues for retailers who routinely schedule ostensibly “part-time” workers for over 30 hours on a week by week basis. (These issues are being raised in IRS technical releases.) It remains to be seen whether this clause compels de facto eligibility for these workers. Also to be seen is whether—with the gradual reduction of the full-time standard to as little as 32 hours among retailers—some retailers may simply assign the bulk of their workforce to usually scheduled hours below 30 in order to avoid providing coverage or paying the penalty. Currently, health coverage for full-timers is discretionary and thought to induce employee retention and commitment; once rendered a mandate, it may lose appeal as a human resource management tool. In this latter case, the mandate could be argued to foster short-hour (under 30) staffing practices.

Still, the universal-coverage goal of the reform lessens the deleterious implications of being part-time, relative to the prereform system, because part-timers will gain access to a health insurance floor through insurance exchanges and subsidies. At the same time, as an unintended consequence of this new alternative, the mandate may stunt an incipient trend among a few large retailers to cover part-timers in their company plan.

Like health insurance, mandated paid-time-off minima (e.g., sick time or vacation) would contribute to reducing the cost differential between part-time and full-time workers.

Also, given that entry-level retail wages are pegged at, or a bit above, the minimum wage, a higher real value of the minimum wage would also reduce incentives—as well as opportunities—to organize work and to staff stores in ways heavily reliant upon large numbers of low-paid workers willing to flex up to 40 hours. Higher hourly wages may reduce worker availability to work extra hours on short notice, a labor supply effect. A higher minimum wage compresses the wage distribution, so it will likely contribute to reducing hourly cost differentials between entry-level part-timers and higher-level full-timers.

The Mexican day-based minimum wage is a provocative notion to consider. Would having such a minimum wage make a difference in the use of part-time employment in the United States? And, within a different context—that of seven-day operation and a 40-hour overtime standard—would it be feasible? Retail might be able to implement two kinds of minimum wage: an hourly and a daily wage, each suited for different settings. The notion of a daily minimum could also promote "show-up" pay practices whereby a minimum daily amount of hours or pay is guaranteed, eliminating managerial incentives to implement schedules with short hours distributed throughout the week.

Restoring some form of regulation of store hours (historically called "blue laws" and initially instituted for religious reasons) may slow down what observers have called the "arms race" of opening hours. Mandating shift differentials in pay for Sundays and holidays as well as for late-night hours might compel changes in store hours and scheduling practices. Such mandates might prompt the exploration of a greater array of store formats with different patterns of opening hours. In turn, this broader range of options could alter staffing practices and help reduce the reliance on high volumes of low-wage workers. Operating a subgroup of smaller stores that were open for long hours would enable larger stores to close for some hours.

Separating out a section of the store into a "convenience store" format with extended open hours would similarly reduce the managerial challenge of "coverage" (and free up resources). To some extent, large chains such as Wal-Mart and Tesco's Fresh & Easy have begun this exploration by experimenting with small-store formats catering to convenience and specialty-food needs.

A look at the experiences of five European countries with retail scheduling also expands the range of possibilities for U.S. retailers to consider. While the common practice in U.S. grocery stores is to inform their workers of their upcoming work schedules anywhere from three days to (rarely) two weeks in advance, Western European retailers give more advance notice. Collective bargaining agreements in Germany require 26 weeks' notice, while those in Denmark require 16 weeks' notice. While these requirements are breached regularly, practice remains a far cry from U.S. "just in time" notification. Also French retail collective-bargaining agreements have set a minimum weekly hours limit of 26 hours. The agreement makes significant exceptions, and most cashiers work hours that fall below that threshold. Yet the minimum acts as a deterrent: whereas in 2007 some 18 percent of U.S. retail workers usually worked less than 15 hours a week, and 34 percent worked less than 20, in France in 2006 only 10 percent and 16 percent, respectively, did so. (See Carré and Tilly 2012 for sources.)

Of course, implementation of these approaches could also be achieved through collective bargaining, were union membership in the industry to grow.

CONCLUSION

The low level of regularly scheduled work hours and even their variability have become key features of low job quality for U.S. retail workers. These features have policy implications in terms of the economic impacts of low regular earnings and the scarcity of employer-provided benefits for part-time workers in particular. For U.S. retail workers, it will take a combination of three things: 1) regulatory changes in employment standards for the minimum wage and minimum hours, 2) changes in store formats, possibly compelled by new kinds of store-hours regulation, and 3) changes in the system for providing social protection, mostly through health insurance and pension coverage, to bring about much-needed improvements in the lot of these workers.

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