

2012

# Part-Time and Short Hours in Retail in the United States, Canada, and Mexico: How Institutions Matter

Françoise Carré

*University of Massachusetts, Boston*

Chris Tilly

*UCLA*

---

## Citation

Carré, Françoise, and Chirs Tilly. 2012. "Part-Time and Short Hours in Retail in the United States, Canada, and Mexico: How Institutions Matter." *Employment Research* 19(4): 4-6. [https://doi.org/10.17848/1075-8445.19\(4\)-2](https://doi.org/10.17848/1075-8445.19(4)-2)

This title is brought to you by the Upjohn Institute. For more information, please contact [ir@upjohn.org](mailto:ir@upjohn.org).

effects in lowering overall business costs. Third, a significant proportion of the tax credits are capped, which means that on the margin these tax credits do not lower the costs of expanding Washington employment. Fourth, a significant proportion of the tax credits are awarded to non-export-based firms, which will have lower effects on overall Washington employment.

These explanations point to ways to lower the cost per job created from this policy. In particular, targeting export-based firms with high multiplier effects, and making sure that incentives affect marginal costs to firms that are expanding, will help reduce the cost per job created. Higher multiplier effects will be more likely if firms have stronger local supplier links. Finally, if the goal is job creation, directly tying the magnitude of the incentive to job creation provides a greater reason for firms to respond to the incentive with job creation.

#### Notes

1. Dr. Raymond Wolfe of the NSF graciously assisted us in navigating the NSF data, and released the 2008 and 2009 data slightly early.

2. Note that many firms' marginal credit ratio is 0, so that no simulated job creation occurs at these firms.

3. The fact that wages increased less than employment suggests that the credit had a negative impact on wages per employee. This finding is not surprising because one would assume that new hires make, on average, less than incumbent workers. In addition, lower-wage firms may have higher percentage effects of the tax credit on costs.

#### References

Bartik, Timothy J. 1991. *Who Benefits from State and Local Economic Development Policies?* Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.

———. 1993. "Who Benefits from Local Job Growth—Migrants or the Original Residents." *Regional Studies* 27(4): 297–311.

*Timothy J. Bartik is senior economist and Kevin M. Hollenbeck is vice president and senior economist at the Upjohn Institute.*

*Françoise Carré and Chris Tilly*

## Part-Time and Short Hours in Retail in the United States, Canada, and Mexico

### How Institutions Matter

**I**n sectors where full-time schedules do not dominate, total hours matter greatly for job quality. We explore hour levels and trends in retail trade, which is known for part-time work. We compare the United States, Canada, and Mexico, taking advantage of the fact that work hours regulations vary cross-nationally. By comparing retail hour levels and trends, we contribute insights into policy and regulatory impacts on job quality. Our analysis draws mainly on publicly available data from national statistical offices in the three countries; from 419

#### U.S. retail relies heavily on part-time workers, who increasingly are guaranteed very few weekly hours, but are expected to “flex up” to 40 hours on demand.

field interviews with retail executives, managers, and workers in the United States and Mexico; and from secondary sources.

#### Retail Hours—Cause for Policy Concern

The issue of insufficient hours is ubiquitous in U.S. retail. Schedules are driven by retailers' extension of opening hours, and by wide swings in shopping flows throughout the day and week, as well as seasonally. Retail in the United States relies heavily on part-time workers, who increasingly are guaranteed very few weekly hours, but are expected to “flex up” to 40 hours on demand. Moreover, today even the full-time-hours guarantee falls below 40 hours, and often below 35.

These patterns have significant implications for the workforce. Lower standard hours reduce the base level of weekly earnings that workers—full- and part-time—can rely upon. Additionally, retailers' scheduling practices generate variability and unpredictability in individuals' total hours and in the distribution of these hours. Part-timers receive few or no benefits and usually a lower hourly wage than full-time workers. For these reasons, retail work hours and the firm strategies and institutional factors that drive them warrant attention.

In each of the countries we examined, long and expanding hours of operation create two managerial goals: 1) control labor costs with lean staffing, and 2) 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 retailers to lengthen hours.

The three countries provide a useful comparison. They are neighbors and 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. Yet the labor market and social protection institutions of the three countries are quite distinct, with important implications for hours of work.

#### Contrasting Hours in Canada, the United States, and Mexico

We find differing levels and trends in retail hours across the three countries in recent decades. Table 1 provides average weekly hours levels; data are broadly comparable multiyear averages (see

Carré and Tilly [2012a] for sources and definitions). Compared to the economy-wide average, U.S. and Canadian retail employees work shorter hours, while Mexican retail workers put in longer hours.

The United States has the shortest average hours—they are shorter than in Canada except in the grocery subsector. Mexico has the longest hours economy-wide, and even longer hours in retail. Mexican statistics must be seen within the national context: our fieldwork indicates that Mexican retailers press workers to work unpaid additional hours. In the United States, supervisors, who are not subject to the overtime premium, work much longer hours than nonsupervisory workers; in Mexico, the reverse is true, consistent with a management regime built on extending worker hours.

In Canada and the United States, 1987–2009 time trends for employee hours are negative for total, retail, and

### **In the United States, supervisors work much longer hours than nonsupervisory workers; in Mexico, the reverse is true.**

grocery employment, but the negative time trend is more marked in Canada than in the United States: a loss of 1.8 hours over 20 years after controlling for cyclical effects, as compared to the 0.2 hour U.S. loss (see Carré and Tilly [2012b] for details).<sup>1</sup> We lack detailed time series data on Mexico and thus did not make a parallel estimate of trends.

### **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.

Retailers have parallel practices in Canada and the United States; they control unit labor costs by paying lower hourly wages and in most cases extending fewer benefits to part-time workers

than to full-time workers. Still, these practices take place against a backdrop of institutional characteristics with significantly different implications. The U.S. institutional environment for retail jobs is best characterized as regulatory “flexibility.” Retail hours of operation are not regulated at the federal and state levels; there are few (and diminishing) local statutory limits on opening hours. Retail entry-level wages are pegged at or slightly above the minimum wage, which is low relative to the economy-wide median and has declined in real terms. Collective bargaining, which historically has improved compensation, covers a declining share of workers (reaching 5 percent in retail and 17 percent in grocery in 2011).

Canada’s institutional environment represents a form of “constrained flexibility.” Its industry regulation is broadly similar to that of the United States, but it has different norms in regard to labor standards and social protection. As provinces have relaxed their restrictions on Sunday and holiday opening, legal regulation of opening hours has moved in the same direction as in the United States, but it has changed more recently in Canada. The steeper 1987–2009 decline in hours in Canada reflects adoption of these practices in

Canadian retail starting in the 1980s, then accelerating in the 1990s, whereas these same practices had been longstanding in the United States by the late 1980s. Furthermore, in grocery retail and general merchandise, severe price competition also hit later. When it did, in the early 1990s, management in Canadian unionized grocery chains sought to reopen contracts, dissolve pattern bargaining, and redesign jobs (Kainer 2002). These changes, entailing greater use of part-time workers, spread quickly. Today Canadian retail has high rates of

### **Retailers in Canada and the United States control unit labor costs by paying lower hourly wages and extending fewer benefits to part-time workers.**

part-time workers (35.5 percent of wage employment in 2004, compared to 28 percent in the United States, although Canada uses a lower threshold, 30 hours).

Still, even by 2007, the end of our study period, Canadian retail hours were on the whole higher than in the United States, and the implications for workers were mitigated. Very short-hour part-time work (less than 20 hours) appears to be less prevalent in Canada.

**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 (2012b).

Moreover, the impacts of part-time work are buffered by nearly universal access to health insurance. Differential treatment does remain because several employer-based benefits are not readily available to part-time workers—namely employer pensions, paid time off, and supplemental health insurance—but the cost advantage to retailers of part-time employment is reduced in Canada. Finally, Canadian retail has retained significant rates of collective bargaining coverage, boosting compensation. In 2004, union coverage amounted to 15 percent of retail employment and 42 percent in grocery (compared to 6 and 18 percent, respectively, in the United States that year). In recent years, provincial minimum wage levels have remained higher, relative to the average wage, than the U.S. federal minimum wage.

In contrast, the institutional structure regulating Mexican retail jobs can be characterized as “unevenly regulated dualism.” While much of the retail industry in Mexico takes place in informal and family businesses, which typically evade regulation, the country has a growing number of modern retail outlets, including hypermarkets. Formal retail businesses face a regulatory regime quite distinct from that in the other two countries.

Mexican institutions motivate employers—especially retailers—to set longer hours. Four elements of the institutional environment of larger stores have a particular impact: 1) a long workweek, 2) the day-based minimum wage, 3) universal social insurance, and 4) weak unions and limited enforcement. Mexico’s full-time workweek is 48 hours (six days times eight hours), with overtime provisions only applying beyond this point. The minimum wage there 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. The first three provisions weaken the incentive to use part-time employment: 1) the 48-hour workweek 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 push workers to work unpaid hours beyond the statutory eight hours. 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 or recourse against standards violations.

In short, national institutional environments can shape employer incentives and thus worker hours with significant job quality implications. The Canadian and Mexican examples suggest possible U.S. policy options to mitigate

---

### **The institutional structure regulating Mexican retail jobs can be characterized as “unevenly regulated dualism.”**

---

the problems of short and variable hours—for example, instituting a daily as well as an hourly minimum wage would reduce employers’ incentives to create very short shifts (in a number of states, recently instituted “reporting pay” requirements that ensure a minimum pay when called into work should have similar effects); so would policies that reduce the cost differentials between full-time and part-time workers. Given the importance of work hours as a job quality indicator in retail and other service work, these possibilities merit further exploration.

### **Notes**

This research was funded through an Upjohn Policy grant. We thank the W.E. Upjohn Institute for providing funding for this research. For earlier and parallel research that also contributed to this work, we thank the Russell Sage Foundation, the Rockefeller Foundation, the Ford Foundation, and the Fulbright Program. Special thanks to Diana Denham and Brandynn Holgate for excellent research assistance.

1. In the grocery subsector, time trend begins in 1990.

### **References**

Carré, Françoise, and Chris Tilly. 2012a. “Work Hours in Retail: Room for Improvement.” Policy Paper No. 2012-012. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. [http://research.upjohn.org/up\\_policypapers/12/](http://research.upjohn.org/up_policypapers/12/) (accessed September 5, 2012).

———. 2012b. “Short Hours, Long Hours: Hour Levels and Trends in the Retail Industry in the United States, Canada, and Mexico.” W.E. Upjohn Institute Working Paper No. 12-183. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. [http://research.upjohn.org/up\\_workingpapers/183/](http://research.upjohn.org/up_workingpapers/183/) (accessed September 5, 2012).

Kainer, Jan. 2002. *Cashing In on Pay Equity? Supermarket Restructuring and Gender Equality*. Toronto: Sumach Press.

*Françoise Carré is the research director for the Center for Social Policy at the University of Massachusetts Boston.*

*Chris Tilly is the director of UCLA’s Institute for Research on Labor and Employment and a professor in the Urban Planning Department.*