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Striving for greater personnel flexibility: the retail trade and the segmentation of internal labour markets

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Abstract
Segmentation of internal labour markets has always meant, from the employers' perspective, to provide greater flexibility. As a review of the „flexible firm" debate shows, however, more emphasis should be put on the particular role of working-time organisation for a better understanding of recent employment changes in service activities such as retailing. Prior to the increase of external numerical flexibility by fixed term contracts and agency staff, *internal* numerical flexibility by the *fragmentation of the core labour force* plays a major role, that is, the predominance of part-time contracts (many of them with very short hours) combined with irregular working hours. Thus, passive labour flexibility, relying on employee availability at any time, is more and more at the forefront, at the expense of active forms of labour flexibility based on multi-skilling and competence and providing for greater employee commitment. However, high rates of staff turnover and other hidden costs seem to be inherent to extreme forms of internal fragmentation. As our findings in retail firms with more advanced human resource strategies suggest, participation of employees in the organisation of their working-time is being considered a clue to reconcile the flexibility potential of a fragmented labour force with the advantages of employee commitment for the quality of services. Moreover, the extent to which fragmentation strategies are being adopted by retail firms depends very much on the country specific labour market institutions and the labour market orientations of women.

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1 Introduction

One of the most commonly adopted concepts for the explanation of the segmentation of internal labour markets has been the „flexible firm“ model (Atkinson 1984). Its basic idea is that, from the firms' perspective, personnel flexibility can be increased by adding temporary staff to the core workforce, thus gaining numerical flexibility from a peripheral personnel in addition to the functional flexibility which is provided by the core workforce. This paper re-examines the „flexible firm“ model, taking the retail trade as an example for advanced flexible working practices. As will be shown, the shortcomings of this model stem from neglecting the crucial role of the organisation of work, which incorporates choices of different flexibility concepts for the firms. These choices are influenced by a set of variables, including the product market, the organisation of the company, the structures of labour supply, and the institutional regulation of the labour market.[1]

2 Work organisation in the flexible firm: a blind spot

The notion of the flexible firm, which has been debated since the 1980s with reference to a paper by Atkinson (1984)[2], is memorable less for its analytical content than for its pithiness. To date, the argument runs, personnel structures have been characterised by a high degree of homogeneity: standardised, full-time employment contract, uniform payment systems and clearly defined labour deployment practices. Technological change, uncertainties in the markets for goods and a concern with reducing labour costs have led to a search for more flexible forms of work. The essence of this search is to adjust both the *nature* and the *volume* of the labour deployed as closely as possible to the nature and volume of the work required. On the basis of empirical observation of labour deployment practices in several firms, Atkinson developed an ideal-type model of flexibility, in which a core of well-trained workers is sup-

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[1] This is a work-in-progess paper within the context of a European project on new forms of employment and working time in the service economy funded by EU DG 12 (NESY within the TSER programme). It draws on joint research and many discussions with Dorothea Voss-Dahm and Johannes Kirsch in the course of earlier projects on the restructuring of employment and working-times in the retail trade. For more details see our report on the retail food trade in four European countries (Kirsch et al. 1999) and the in-depth analysis of employment practices in the German retail trade („Der Wandel der Beschäftigungs- und Arbeitszeitstrukturen im deutschen Einzelhandel - Triebkräfte, Probleme, Gestaltungsansätze“) which is being prepared for publication. An English publication drawing on our joint studies with British and French teams is forthcoming (Baret/Lehndorff/Sparks 2000). - Thanks go to Alexandra Wagner for the special evaluation of the IAT structural report and to Irene Dingeldey and Gerhard Bosch for their criticisms of an earlier draft of this paper.

[2] Cf. the summaries of the model and the (British) debate in Hakim (1990) and Blyton/Morris (1991).

plemented by a periphery of workers on fixed-term and part-time contracts who have only low-level, i.e. easily exchangeable qualifications. In this model, the core workforce provides increased functional flexibility, while the peripheral workforce provides increased numerical flexibility.

In our view, the significance of this concept of the flexible firm lies in its highlighting of the fact that firms may be concerned to increase *both* numerical *and* functional flexibility and have it in their power to allocate these two roles to different groups of employees. However, as an *analysis* of the actual processes by which labour flexibility is increased it is inadequate because it does not take into account the organisation of work. This blind spot becomes evident under close scrutiny of the inner logic of the concept. Thus, for example, the question arises of whether the *combination* of functional and numerical flexibility is actually achieved through the *addition* of various groups of employees or whether this apparent solution does not in fact create rigidities in unforeseen places (e.g. error frequency). This is the thrust of the critique developed by Hakansson/Isidorsson (1998) who, on the basis of studies conducted in Swedish manufacturing industry, report that the mere addition of functional and numerical flexibility through the temporary enlistment of agency staff or employees on fixed-term contracts into teams of skilled workers creates new problems instead of solving old ones. In contrast, the decisive factor in any increase in flexibility is the *competence* of the workforce, i.e. their ability actually to control the work processes in their immediate sphere of influence. According to these authors, companies can gain „dynamic flexibility" by combining the competence of a multi-skilled workforce with *temporal* flexibility.

This brings into focus the importance of *working-time organisation* as an element of personnel flexibility. The new possibilities for firms to increase the „flexibility for the core workforce as well" (Bosch 1996) only become clear if one takes into account the relationship between work organisation and the organisation of working-time, whereas in the Atkinson model temporal flexibility was obviously considered as a mere sub-type of numerical flexibility, as it serves to change the number of working hours put in.[3] This formal approach may reflect a certain under-

[3] In terms of a formal definition, there are also characteristics shared by temporal and *functional* flexibility, as Gadrey et al. (1999: 110) rightly point out. Both depend on instruments of *internal* flexibility that are deployed within the framework of the existing contractual ties between employers and employees. Numerical flexibility, on the other hand, is dependent on exchanges with the *external* labour market. Contractual relationships between firms and employees exist only during those periods in which the employees are required. For this reason, these authors conceive of numerical flexibility as external-quantitative flexibility and make a distinction in their conception of internal flexibility between internal-qualitative (= functional) and internal-quantitative (= temporal)

estimation of temporal flexibility, but this is not our main concern. In our view, the core of the problem lies in a better understanding of the ties between the various instruments which serve to increase labour flexibility, and the role of working-time organisation in this context. We therefore share the view of Gadrey et al. (1999: 110) that the various forms of flexibility are complementary in a way which gives rise to different ”configurations of flexibility”. Firms seeking to increase their temporal flexibility always do so by deciding on the particular mix of functional and numerical flexibility they wish to achieve. The mix that is actually produced depends on work organisation. The mode of work organisation chosen determines whether the main emphasis is placed on a combination of temporal and functional flexibility or on a blend of temporal and numerical flexibility.

Thus, in order to understand the role of working-time in increasing labour flexibility, it must be regarded as one element in work organisation, alongside other elements such as the allocation of spheres of responsibility, decision-making competences, forms of cooperation, the role of the management hierarchy, skills (all of which are aspects of the division and recomposition of labour), together with the payment system (cf. Bosch 1998, Lehndorff 1999). Only in this extended context is it possible to identify which *type* or *quality* of capacity for adjustment can be achieved by pursuing a particular blueprint for flexibility. Social scientists who have investigated this issue have, until now, usually done so by examining work in manufacturing industry. However, it is equally interesting to consider it from the point of view of service activities. The retail trade provides a rich source of illustrative material, because it has a particularly pressing need for a high level of temporal flexibility.

3 Labour flexibility in the retail trade

3.1 Flexibility requirements and the ”minute management”

Competition in the German retail trade still revolves predominantly around price. As a result, firms are under immense pressure to reduce costs, and particularly staff costs, which amount for a share of between 5% and over 20% of total sales, dependant on the importance of self-service in the different sectors of the retail trade. Retail firms have striven successfully for the reduction of this cost block. Thus labour productivity (counted as sales per hour worked) in

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flexibility.

the German retail trade boosted by 10% from 1994 till 1997 (Handel aktuell ’97; Gewerkschaft HBV 1998).

The harshness of competitive pressures in this sector is being reflected by the fact that not all cost increases in the last two decades could be absorbed by higher productivity and/or transferred to the customers by higher prices. Thus, even in one the fastest growing segments of the market, that is the large scale self-service department stores (< 5,000 square meters), total costs grew faster than total sales (Table 1; c.f. Annex). As the table shows clearly, the main efforts to escape from this cost pressure have been directed towards cutting personnel costs, thus reducing the share of staff costs in total costs from roughly 47% in 1975 to 38% in 1995.

A major part of these cost cutting procedures, next to the comprehensive introduction of new technologies in handling the goods (from logistics to check-out), has been the adaption of manning levels to the fluctuation of sales and customer flows. Fluctuating customer and sales flows in the retail trade make it very difficult, in the everyday assignment of manpower, actually to adhere to the minimum manning level, with no under or overshooting of the target. These fluctuations are not merely seasonal, but are also evident over the course of the week and even of the day. And in larger stores, customer flows can vary greatly from department to department. Customer flows are to some extent predictable, but managers have to be in a position to react to unexpected changes in staffing requirements (Table 2).

The main reason why sharp fluctuations in sales over time are a particular problem for manpower assignment in the retail trade is that its specific ”product”, i.e. the production and purchase of the service of selling, is generated and consumed at one and the same time. It is true that this so-called ”uno actu” principle is constrained by self-service and technological change, but it is still one of the basic characteristics of the retail trade.

Thus, in most retail companies, it has become an axiom of personnel policy that manning levels must always be kept to the absolute minimum; thus at any given point in time, there must be neither ”too many” nor too few workers present and being paid. To this end, personnel structures as well as staff deployment over time are being rationalised in a way which may be called a „*fragmentation of employment and working-time*“.

The starting point for this fragmentation policy is the simple realisation that a high part-time rate has the advantage of increasing management’s room for manoeuvre by making it possible to deploy more people during periods of peak activity, which are usually short but vary from day to day. ”The likelihood of achieving the optimal adjustment of manning levels to work-

load rises with the share of part-timers in the workforce" (Hermann 1996: 9). This room for manoeuvre increases as shop opening hours lengthen. The longer individual working-times are, the less difference there is between employees' working-times and store opening hours and the less scope management has for adjusting the supply of labour to fluctuating customer flows by distributing individual working-times unevenly over the day or week. When there is complete congruence between opening hours and working-time (that is, when the number of employees is as low as possible), there is no room for manoeuvre at all. Conversely, the more employees there are (for a given volume of work), the wider the gap becomes between average individual working-time and opening hours. This automatically increases the scope for adjusting the distribution of individual employees' working-time to the distribution of the workload over the day or week. It is only a slight exaggeration to characterise the basic philosophy of this working-time policy as "minute management" (Atos 1997)[4].

Thus, the fragmentation policy is based on a broad concept of working-time organisation, going far beyond working-time forms such as the variation of individual working hours over time which are most commonly attributed to this notion. The broad concept of working-time organisation includes the restructuring of the employment relationships and comprises three basic components:

- The first element is the mixture of working-times of various *durations*. Examples include supplementing (or replacing) full-time posts with part-time ones and offering part-timers contracts stipulating a range of different working times. In this way, the number of people deployed can be varied, for example, over the course of the day. This offers firms a basic level of flexibility in their staff deployment that could, theoretically, even be combined with fixed individual working times.
- The second element is the definition of differing work *schedules*, which can be combined with one another. Examples include shift work and staggered (i.e. overlapping) working times. Together with the combination of variable individual working times described above, this gives firms additional potential for flexibility that is also not necessarily associated with variable individual working times.

[4] There are certain staff assignment practices now being used in call centres, however, for which this characterisation is certainly no longer an exaggeration.

– Thirdly, and finally, working times can be *unevenly distributed*. In other words, the duration and scheduling of *individual* working time can be varied over time. It is only this third component of working-time policy that brings into play the *variation* of working time that is frequently equated with ”working time flexibilisation”. The variation of individual working times is currently the most dynamic area of working-time policy. However, it should be noted that variations of working-time in the retail trade are founded on the first two elements of working-time organisation, thus providing a large range of policy options to the retail companies.

These elements of working-time organisation may be topped by the recruitment of seasonal staff, particularly during holiday periods and before Christmas. Only here Atkinson's „peripheral workforce“ comes into action. Adding fixed-term employment relationships to the fragmented „core workforce“ is an additional means to adjust manning levels to foreseeable peaks of activity or staff absences. This instrument can be made partly or fully superfluous, however, by adopting the full range of possibilities given by the other three elements of working-time organisation, including the annualisation of working hours of the „core“ full-time or part-time staff.

The fragmentation of employment and working-time is obviously the basic trend in the large scale retail trade in number of European countries (Gregory 1991; Lehndorff 1997; Harvey 1998; Baret/Lehndorff/Sparks 1999). The employment and working-time structures in Germany briefly outlined in the following section reflect the principle procedures typically used by employers in the retail trade seeking to increase labour flexibility.

3.2 The main characteristics of employment and working-time structures in the German retail trade

Three characteristics of the *employment* structures in the German retail trade catch the eye immediately. The first is the structural shift from full-time to part-time work, the second is the high share of female workers and the third is the low pay:

1) The total number of people employed in the German retail trade, which reached a peak during the so-called ”unification boom”, has been declining since 1994. This decline is somewhat more marked than that in retail sales. The main reason is the sharp decrease in full-time employment (a 13% reduction between 1994 and 1998), which is no longer being offset by the increase in part-time employment (10%). In 1998, for the first time, the part-time rate was

slightly above 50% (Table 3). A further breakdown of part-timers by categories (part-timers covered by social insurance vs. marginal part-timers working 15 hours per week or less and earning not more than 620 DM who were, until 1999, not submitted to social insurance[5]) reveals the actual replacement of full-time and insurable part-time jobs by marginal part-time (Table 4).

2) In 1998, women accounted for 71,1% of retail trade employment. The high rate of feminisation and part-time work go hand in hand. Every fifth woman who works in retailing is a marginal part-timer, and 83% of all marginal part-timers are women (Jacobsen/Hilf 1998). Most men, in contrast, still tend to have full-time jobs (Table 5).

3) Sales jobs in the retail trade are low-paid. Average gross monthly earnings for full-time sales assistants in the retail trade in 1995 were 4,631 DM for men and 3,360 DM for women. The comparable figures for the distribution, banking and insurance sector as a whole were 5,411 and 3,946 DM respectively (Statistisches Jahrbuch 1996). Almost half of all female full-time sales assistants earn 1,500 to 2,000 DM net per month, with 14.3% earning even less. Almost 90% of part-time sales assistants earn less than 2,000 DM, and 38% actually earn less than 1,000 DM (IAT Strukturberichterstattung 1999, special evaluation). That is, most women working in the retail trade cannot be more than minor contributors to the household income (literally spoken „second earners“).

We now turn from employment structures to *working-time* structures. Part-timers in sales jobs in the retail trade are twice as likely as their full-time colleagues to report that their weekly working time fluctuates because of variations in workload (13.9%, compared with 7.4%). And at 2.6 hours, the average range of fluctuation is somewhat higher for part-timers than for full-timers (2.2 hours). On the other hand, one characteristic of the working-time structure for full-timers is the regularity with which they work one to two hours' overtime per week (Table 6). Average actual weekly working time for full-time sales assistants is 39.4 hours, which is almost two hours longer than the collectively agreed weekly working time of 37.5 hours (Western Germany); the comparable figure for part-timers is 23 hours (IAT Strukturberichterstattung 1999, special evaluation).

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[5] The law on marginal part-time was changed in 1999. The threshold has been fixed at 630 DM per month and 15 hours per week, whereas social insurance coverage has been partly extended on this category. However, marginal part-timers are actually (not formally) exempted from taxation if they have no other job. That is, a „housewife“ working marginal part-time does not pay taxes in spite of the general rule of joint taxation of married couples in Germany.

In sum, the data reflect the main trend in the evolution of employment and working time in the German retail trade as the division of a declining volume of work into smaller employment and working-time units, that is the *fragmentation of employment and working-time*. It is primarily among women that the work is gradually being redistributed, and the whole process is taking place at the lower end of the income scale. This restructuring of the retail labour market is linked to the exploitation by employers of the specific potential for flexibility created as a result. Deployment schedules for part-timers tend to be characterised by variable working times, while those for the dwindling band of full-timers tend to involve longer weekly times than those laid down in the collective agreement.

However, the overall data conceal important differences within the broad stream of fragmentation. Two basic variants of labour flexibility can be identified. The first is ”passive” labour flexibility, in which working-time policy is oriented largely towards numerical flexibility, and the second is ”active” labour flexibility, in which the main emphasis is on the combination of working time and functional flexibility. It is a very brief comparison of these two variants, conceived of as ideal types[6], to which we now turn.

3.3 Passive vs. active forms of labour flexibility

3.3.1 Flexibility through employee availability

In view of the retail trade’s requirements for temporal flexibility, as described above, it is reasonable to suppose that flexibility can be reduced to employee availability.

The fragmentation of employment and working-time makes it necessary ”to define time modules that are matched to needs but independent of any individual worker or group of workers” (Hermann 1996: 10). These time modules have to be defined on a daily, weekly and annual basis.

The working time units required can be estimated from experience. This traditional method is still of great importance. However, large retail firms are making increasing use of the opportunities offered by computer technology for determining personnel requirements as precisely as possible and using the figures obtained in this way as a basis for calculating the manning levels required at any given time. In particular, the use of scanners to record details of all

[6] As our case studies show, reality lies between these two poles.

sales transactions can considerably improve the forecasting of cyclical fluctuations in sales. Just as in weather forecasting, current data are combined with historical values in order to make prognoses ever more precise.

As in meteorology also, the reliability of forecasting is constrained by random events, and as it happens the weather is one of the factors that has an adverse impact on prognoses in many retail stores, causing even the best-laid plans to go astray. In addition to such external sources of uncertainty, it is unpredictable sickness among employees that most seriously affects management planning (cf. Table 2). For this reason, the division of the volume of work into smaller units of working time is supplemented by variations in the duration, scheduling and distribution of working time, with the changes sometimes being made at very short notice.

This linking of the two elements - individual working time flexibility and the variation of manning levels through the use of small employment and working-time units - produces a variant of labour flexibility based on extensive links between temporal and numerical flexibility. It rests on a concept of flexibility that depends ultimately on employee availability and can therefore be described as ”passive labour flexibility”. In this variant, availability is consistently used as an important criterion in the recruitment of new workers. The preferred target group in the recruitment of part-time workers in some of the French hypermarkets he studied is described by Baret (1998) as ”young women without children but with a telephone and transport”. The extreme form of this concept of flexibility is ”availability on call”, which can be encountered, for example, in some firms in the British retail food trade that, among other things, offer certain workers ”zero hours contracts” (Freathy/Sparks 1999). It is understood that a deepened functional differentiation (= decreased functional flexibility) is a basic element of the fragmented workforce.

The retail trade is, in fact, developing working practices which can be called *neo-tayloristic* in many aspects: the polarisation of command/control and execution of tasks, the fragmentation of the work process and its re-composition on the basis of a new division of labour, and in some cases even the application of time-studies. The new side of this type of rationalisation, however, which justifies to call it *neo*-tayloristic, includes its built-in temporal flexibility drawing on a highly fragmented workforce which goes far beyond the flexibility potential of the traditional overtime/short-time working practices at the conveyor belts of mass production.

Although in one sense the understanding of flexibility as just being temporally available is a reduced one, in another sense it is based on an extension of the right of employers to encroach on employees' lives. It is no longer simply a question of exchanging a defined output of work, produced at a certain time, for a fixed rate of pay. Rather, availability itself has become a component of the commodity "labour" that is traded in this particular labour market (Gadrey et al. 1999: 149).

One internal contradiction in this concept of flexibility can be identified from the fact that, as Table 2 shows, labour flexibility serves to deal with restrictions on operations originating from outside (e.g. fluctuating customer flows) as well as with the consequences of self-created restrictions (e.g. absenteeism when manning levels are too low). To exaggerate somewhat in the interests of simplification: measures intended to increase a company's flexibility may at some later point seriously impair that flexibility or in some other way restrict its capacity for action so that further flexibilisation becomes necessary.

This latter aspect can be clarified by taking the example of the checkout queue in a supermarket. Because of the low manning levels, many retail outlets are unable to dispense with this last flexibility buffer. And yet companies know that this process of adjustment, accomplishment of which is devolved to customers, can constitute a competitive disadvantage. Thus if passive labour flexibility can lead to a decline in service quality, it is clear that temporal flexibility involves more than just the ability to deal with temporal restrictions. In concrete terms, the diminished understanding of flexibility encompasses an equally diminished notion of the service being provided. A different notion of flexibility would give rise to different requirements.

Thus passive flexibility shares many deficiencies of tayloristic working practices in industrial mass production. The crucial point in both areas is *product quality*. Companies with „too much" fragmentation will find it hard to meet customer expectations not just in terms of product information, which could be regarded as a less important aspect for many large scale self-service retail organisations. Moreover, and this is of prime interest for most divisions of this sector, they take the risk of a destabilisation of their workforce. Companies that overemphasise passive labour flexibility may run into two major employment problems:

– Working in the retail trade is getting less and less attractive for employees as an area of continuous activity, due to poor pay, a great deal of unsocial hours working and very limited career perspectives;

– the internal cohesion of the workforce is weakening, due to fragmented employment and working-time structures and a polarisation of skill requirements.

Destabilisation and weakening cohesion of workforce may be regarded a major driving factor of what has been called, in a management-oriented literature, the „cycle of failure in services“ (Schlesinger/Heskett 1991): tayloristic personnel management - unmotivated staff - poor service quality - unsatisfied customers - drop of sales and profits - enforced cuts in personnel expenditures... Breaking this cycle of failure requires a concept of HRM which has been labelled, by the same authors, in a very colourful manner: „You need winners at the front lines, not just warm bodies.“

It is understood that there is more than just one type of working practices derived from such a HRM approach. In particular, Anglo-Saxon concepts will differ considerably from, say, German approaches (we cannot go into these details here; c.f. Baret 1999). However, they all have their common grounds in the idea that staff commitment, service quality and customer loyalty form a coherent and indivisible whole.

This leads us to the concept of what we call the active type of labour flexibility, which encompasses a working-time policy that revolves primarily around functional flexibility and extended decision-making competences for employees.

3.3.2 Flexibility through orientation at service quality

Temporal flexibility can also be achieved by means of a working-time policy oriented primarily towards functional rather than numerical flexibility. This type can be described as active workforce flexibility because it relies primarily not on employees' availability but on their ability to act relatively independently in anticipating and adapting to changing requirements.[7] A minimum level of functional flexibility is a precondition for this devolvement of decision-making competences to employees invested with the right and ability to control the work processes in their immediate sphere of activity. Participatory forms of organisation of this kind require a working-time policy that does not aim to fragment the volume of work into all too small employment and working-time units but depends rather on stable employment and working times.

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[7] We are following here a concept of flexibility as “capacity for change” (”aptitude au changement” – c.f. Michon 1987: 296).

Given the conditions that prevail in the retail trade, what does it mean to put in place a working-time policy that revolves primarily around functional flexibility? The work of sales staff in retail outlets covers three main areas of activity: firstly, advice and sales, secondly till and check-out duties and, thirdly, stock management, which includes placing orders for goods and internal logistics (i.e. putting goods away and keeping the shelves stocked and tidy). The demands on employees, particularly in the first area of activity but also in the last as well, vary depending on the quality and range of services offered in the particular store. In the corner shop of old, all three functions might even be performed by one and the same person. As shops increased in size and new types of outlet emerged, so the division of labour became more complex. However, this did not necessarily lead to total functional differentiation. Even large retail firms may find it advantageous not to put in place a division of labour that adheres rigidly and rigorously to the dividing lines between the various functions, since the three main areas of activity are not linked to customer flows in the same way. Logistical tasks arise relatively independently of the other two kinds of activities, so that they can be reserved for those periods when there are few if any customers to be served (which is the best time for them in any case).

If this option is chosen, the pressure to adjust staff assignment to customer flows is somewhat eased. Slacker periods can be used for tasks not involving direct customer contact, particularly logistical activities. Those workers who alternate in this way between various functions could in theory be both checkout operators and sales staff. For the former, such a diversification of tasks may imply an increase in the skill level of their jobs. In the case of sales staff, the product knowledge that is a requirement of their jobs may make it easier for them to perform logistical tasks. And particularly in large firms, there is also the option of assigning skilled workers to different departments with varying customer flow patterns or to cover for sick colleagues, for example. Instead of the heightened functional differentiation, firms choosing this variant are opting to go down the route of maintaining functional flexibility to some extent. The more broadly-based skills are, the more easily workers can be moved around the various departments as workloads vary and the more intensively their labour can be utilised as a result. For employees, moreover, this may be linked with an extension of their competences if they are given the power to decide on their own initiative when they should switch activity. They can take responsibility for planning their own time and decide which activities to undertake in accordance with customer flows.

This has two implications for the temporal flexibility employees are expected to provide. Firstly, the overall demand for temporal flexibility as a means of adjusting manning levels to customer flows is somewhat reduced, because it is more evenly distributed among the various functional areas in the workforce, with stock management activities, now no longer directly coupled to customer flows, being used as a buffer or ”breathing space”. In an extreme case, employees can have fixed working time and yet still provide much of the temporal flexibility required. Secondly, the remaining demand for flexibility can be actively managed by the employees themselves (within the limits laid down by the personnel planners!), who are able to organise and allocate their time themselves. *To a certain extent, they take direct control for ”minute management”.*

The two alternative flexibility concepts are displayed in Table 7. As mentioned earlier, these are ideal types with the reality located between the two poles. As our case studies show, large retail firms with service quality-oriented flexibility concepts tend to modify their employment and working-time practices as compared to the main trend: while drawing on deepened functional differentiation and a high share of part-time working, as does the main trend, fragmentation of employment and working-time is less accentuated and more room is given to employees’ self-organisation of working-time. That is, these firms do not quit in principle the route of passive labour flexibility, but they include active elements that stabilise the ties between the firm and the employees, thus aiming at stabilising as well the ties between the firm and their customers. This is what one might call the attempt to „activate passive labour flexibility“.

4 Factors which influence the choice of active or passive forms of workforce flexibility: examples for the importance of the labour market

Orientation towards service quality is just one factor, yet an important one, out of a larger set of variables affecting retail firms’ decisions on the organisation of temporal flexibility. Basically, these factors can be divided into four groups (c.f. Gadrey et al. 1999). The first includes a number of factors linked to the *product market* in which the firm operates and the methods it adopts in the search for success in that market. Secondly, the positioning of the firm in the product market is reflected in a particular type and concept of the firm from which the *organisation* of the firm and of work are derived. The third group includes the structural characteristics of the *labour supply* and attitudes to economic activity in the sectoral labour market. This

group is linked in turn to the fourth group, in which industrial relations and various other elements of the system of *labour market regulation* play an important role (Table 8).

In this last section, we will give two examples for the possible impact of labour market structures and labour market regulation on the employment and working-time forms in the retail trade (for more details c.f. Gadrey/Lehndorff 1999). The first example is the importance of country-specific patterns of female labour supply. The second one is the direct impact of an institutionalised low wage segment in the labour market.

4.1 Female labour supply

As a comparison of the French and German retail food trade reveals, there may well be a *trend* of similar magnitude towards the fragmentation of the workforce in both countries, but there remain considerable differences in the *level* of the part-time rate. In 1996, after about 15 years of continuous increase, the average share of part-timers in French supermarkets and hypermarkets was about 33% (Table 9). Thus the part-time rate in the French retail food trade is still considerably lower than that in other European countries, and is, for instance, only about half of the British rate.

These contrasting employment structures reflect, in a nutshell, the overall patterns of female labour market participation in these two and other European countries (Table 10): ”For the past two or three decades, and particularly at the beginning of this period, (French) women have entered the labour market largely as full-time workers, and most of them have remained in full-time employment without interruptions” (Gauvin/Silvera 1997: 305). One of the most important factors that facilitates the very high rate of full-time employment among French women is undoubtedly the extensive childcare infrastructure. Women who return to work after maternity leave can either leave their baby all day in a crèche or entrust him or her to a nanny. The State credits women with their social security contributions, and in addition childcare costs can be offset against tax. There is a comprehensive, nation-wide network of nurseries, an extensive system of pre-school education and, for older children, all-day schooling.

Thus if the relatively low *level* of part-time employment in France is attributable primarily to the labour *supply*, then the rapid *increase* in the part-time rate in that country is to be ascribed mainly to the combined efforts of employers and governments. That is, in contrast to Germany and Great Britain, and despite state support, French firms have to try to implement their part-

time strategies in *opposition* to the traditional full-time aspirations of most women. This can also be seen in European Labour Force Survey data on the reasons for part-time working (Eurostat 1996): the share of women who regard themselves as having been forced into accepting part-time work because of a shortage of full-time jobs is four times as high in France as in Germany (37% as compared to 9%).

The question is, in sum, whether the advocates of fragmentation of employment and working time have to face serious frictions and opposition from the labour market or whether their policy is getting tailwind in the society. The importance of this question may as well be seen by the following example for particular labour market regulations.

4.2 Low wage segment

As mentioned earlier, the fragmentation policy is closely linked with a deepened division of labour in the retail trade. Functional differentiation is at once a precondition and a consequence of the fragmentation of employment and working time. The extent to which this mutual relationship is profitable for the companies depends on specific cost-benefit assessments. The latter include, as pointed out in the previous chapter, factors such as service quality, but they include labour costs in the first place. It can be assumed that, within this logic of neo-tayloristic rationalisation, further fragmentation is fuelled by wage differentiation along with skills hierarchies. This will be true, in particular, for the institutionalisation of a low wage segment in the retail labour market.

The impact of this factor can be observed in the Netherlands and Denmark.[8] In both countries they have introduced a separate low wage segment by collective agreements in the retail trade, in particular for youth.

In *Denmark*, the minimum wage for persons under 18 and for casual employees (less than 3 months) is about half of the lowest hourly wage for unskilled workers. Moreover, youth get just half of the usually paid premia for evening, Saturday afternoon and Sunday working. It is fair to assume that these regulations are reflected in the following features of retail employment in Denmark (Petersen 1997; all data for 1994):

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[8] The following is a tentative assessment. We have no empirical evidence yet on the consequences of fragmentation for efficiency and service quality in the Danish and Dutch retail trades. This question is subject to ongoing research. Our assumption on the links between regulations and actual labour market patterns, however, are supported in both countries by retail case studies (Petersen 1997; Atos 1997; Kirsch et al. 1999).

- 20% of all retail staff are younger than 18, 45% are in the age group between 18 and 29,
- 43% of all retail staff have a job tenure of less than one year,
- 56% of all retail staff have no occupational qualification,
- 75% of the retail staff under 18 work on average between 5 and 15 hours per week.

The *Dutch* retail trade, too, employs a markedly high share of youth. In 1996, 53% of all retail staff were younger than 23. Again, it will be safe to assume that particular labour market regulations have their impact: The collective agreement for the retail trade stipulates a wage differentiation for youth between the age of 15 and 23. Thus, a youth of 16 gets 38% the wage of a 23 year old person. Moreover, sick pay for casual staff (less than 13 hours per week) is 70% the usual rate; casual staff receive no premia for work after 7 p.m., Saturday afternoon and Sunday.

5 Conclusion

As the examples for the possible impacts of labour market factors show, retail companies may have to implement their employment and working-time policies in opposition to socially well-established and institutionally supported employment patterns, or they may as well be supported by such patterns or particular labour market institutions. It would be too simplistic, therefore, to seek to explain the forms of employment and working time in the retail trade solely on the basis of competitive conditions in the industry and the strategies adopted by large firms, i.e. the structure of the demand for labour. The structure of the labour supply and the social institutions and norms that shape the labour supply may play a very important role in the evolution and, above all, the implementation of firms' human resource strategies.

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Annex: Tables

Table 1: Total costs and staff costs as percentage of total sales in the German self-service department stores (1975-1995)

	Total costs as % of sales	**Personnel costs as % of sales**	**Personnel costs as % of total costs**	***other costs as % of sales***
1975	14.6	6.8	46.6	
1980	15.6	6.9	44.2	
1985	14.6	6.6	45.2	
1990	17.1	6.7	39.2	
1995	20.7	7.9	38.2	*Facilities 4.8* *Advertisement 1.5* *Interest 1.0* *Depreciation 1.1* *Other 4.4*

Source: Handel aktuell ’97; own calculation

Table 2: Basic types of temporal flexibility requirements in the retail trade

	predictable	unpredictable	partially predictable
longer-term (more than a week)	Cyclical: seasonal fluctuations in sales Periodic: Need to provide staff cover during holiday periods	Longer-term evolution of business	Longer-term sales prognoses, parental leave, long-term sickness, labour turnover and recruitment problems
short-term (within a week or day)	Cyclical: Fluctuations in sales within the week or day Periodic: advertising campaigns, changes in product ranges, refurbishment programmes, planned absences	Unexpected illness	Changes in weather

Source: Kirsch et al. (1999)

Table 3: Restructuring of employment in the German retail trade (1986-1994 West Germany, 1994-1998 Germany)

	1986-1994	**1994-1998**	**Employment structure, 1998**
All persons employed	+ 5.4 %	- 2.9%	-
full-time	- 5.2 %	- 13.2%	49.7%
part-time	+ 24.6%	+ 10.3%	50.3%

Source: Statistisches Bundesamt, own calculation

Table 4: The dynamics of marginal part-time in the German retail trade, 1996-1998

	Employment structure 1998	**Change 1996-1998**	***including: women***
full-time	48.6%	-6.7%	*-8.5%*
part-time (insurable)	28.1%	+0.1%	*-0.8%*
marginal part-time	16.7%	+7.2%	*+6.5%*
apprentices	5.5%	+3.2%	*+1.4%*
others	1.1%	+9.2%	*+1.7%*
Total employment	100%	-2.0%	*+5.7%*

Source: Jacobsen/Hilf 1998

Table 5: Employment in the German retail trade by sex, 1998

	Women	**Men**
full-time	38.2%	74.4%
part-time (insurable)	36.4%	7.5%
marginal part-time	19.7%	9.4%
apprentices, others	5.7%	8.7%

Source: Jacobsen/Hilf 1998

Table 6: Variation of working-time (sales staff in the commerce sector, 1998)

	part-time employees	**full-time employees**
same no. of hours every week	52.1 %	56.5 %
1-2 overtime hours per week	23.4 %	30.6 %
depends on workload	13.9 %	7.4 %
variations due to flexitime	4.3 %	0.9 %
variations due to shift pattern	6.4 %	4.6 %
average scope of variation per week	2.6 hrs	2.2 hrs

Source: IAT Strukturberichterstattung 1999, special evaluation

Table 7: Working time and labour flexibility

Type of flexibility	**Method adopted**	**Main instruments**
Passive labour flexibility ("availability") Company working-time policy is linked primarily to *numerical* flexibility	Variation of manning levels through the use of fixed-term contracts or short individual working times, the duration, scheduling and distribution of which can be adjusted to demand at short notice.	Internal flexibility: part-time employees (some with very short contractual hours) External flexibility: fixed-term contracts, agency workers; externally imposed variations in working time.
Active labour flexibility ("quality"): Company working-time policy is oriented primarily towards *functional* flexibility	Stable employment relationships with relatively long working times (full-time, long part-time) and relatively high skill levels; residual demand for temporal flexibility is met by changes to the duration, scheduling and distribution of these employees' working time.	Full-time and long part-time jobs; limited use of temporary staff; co-determined or self-organised variable working time; training.

Source: own compilation

Table 8: The employment system in the retail trade: factors influencing the forms of employment and working time and modes of labour flexibility

Product market	
Elements	**Societal context**
• Type of outlet • Dominant form of competition (e.g. price and sales area vs. increase in value added and product innovation) • Range and quality of services provided • Shop opening hours • Level of concentration • Links between distributors and manufacturers, product development	Consumption patterns Service expectations Physical structure and development planning General economic conditions (share of private consumption in GDP, disposable income, share of retail trade in private consumption, relative prices in competing areas of consumption, income distribution in society at large)
Corporate structures and work organisation	
• Division of labour • Organisational rationalisation (logistics ...) • Technological rationalisation (IT, ..) • Skills required • HRM	Industrial relations Personnel policy paradigms
Labour supply	
• Female labour supply and attitudes • Labour provided by high-school and university students • Unemployment • Institutional encouragement (or hindrance) of women's labour market participation • Education and training system, support for training	Social norms governing the family division of labour Gender specific career patterns and expectations
Labour market regulation, industrial relations	
• Statutory and contractual regulation of working time • Institutional encouragement of a low wage segment • Statutory and contractual regulation of employment contracts; "marginal" part-time employment relationships • Wage levels, wage spread • Gender-specific income differentiation • Training system • Industrial relations	Models of the welfare state Institutional encouragement (or hindrance) of women's labour market participation

Sources: Gadrey et al. (1999), Glaubitz (1998), McKinsey (1994), Harvey (1998); own compilation

*Table 9: Personnel structure in French and German supermarkets and self-service department stores (full-time and part-time shares in total employment; France 1989 and 1996, Germany 1990 and 1997)**

	Supermarkets		**Self-service department stores/Hypermarkets**	
	France	**Germany**	**France**	**Germany**
Full-time (1989 / 1990)	76.8%	52.2%	67.8%	47.3%
Full-time (1996 / 1997)	ca. 67%	29.2%	ca. 67%	38.4%
Part-time (1989 / 1990)	23.2%	47.8%	32.2%	52.7%
share of part-time workforce working less than 15 hours/week	*no data*	*13.1%*	*no data*	*10.9%*
Part-time (1996 / 1997)	ca. 33%	70.8%	ca. 33%	61.6%
Share of part-time workforce working less than 15 hours per week	*no data*	*29.2*	*no data*	*24,4%*

* Average values: figures for France exclude workers on fixed-term contracts, those for Germany include temporary staff. The basic data sets for Germany are not identical for 1990 and 1997.

Source: Kirsch et al. (1999)

Table 10: Employment patterns for working couples with and without children (1996, in %)

Country	Dual earners households		Dual earners households with both partners working full-time		
	I without children	**II with children***	**III without children**	**IV with children***	**V difference IV:III***
West-Germany	*59.9*	*50.8*	*30.2*	*20.8*	*-9.6*
East-Germany	65.4	64.0	45.2	45.8	+0.6
Sweden	74.3	71.1	38.3	38.3	0
France	*62.9*	*57.3*	*38.9*	*35.7*	*-3.2*
Austria	63.4	60.6	37.0	33.0	-4.0
Netherlands	60.6	52.4	13.4	3.9	-9.5
UK	73.3	61.0	33.8	20.5	-13.3

* At least one child under the age of 15
** percentage points

Sources: Eurostat special evaluation, own calculation