Employment Flexibility in UK and Australian Food Retailing

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Abstract

Purpose – This paper aims to provide some comparative data on the nature of labour resourcing strategies in the UK and Australia.

Design/methodology/approach – The approach used in this research is of one case study grocery retailer in each country. The methodology adopted included interviews with managers and employees, together with a review of company documentation.

Findings – The findings show that there were differences in the composition of workforces across the two countries and the structure of the core and peripheral internal labour markets. Groceryco(UK) relied on part time employees for numerical flexibility, while Foodco(Aus) used casual contracts. Contextual factors such as employment legislation and collective agreements, together with company strategy and individual management preferences played a role in explaining these differences.

Research limitations/implications – The research was of an exploratory nature and limited to only two case studies and to relatively small regional areas in the UK and Australia.

Practical implications – The research highlights the different strategies that can be used to achieve flexibility of labour. The focus by retailers on cost minimisation has resulted in the use of casual or ‘just-in-time’ labour in Australia. The UK retail industry has also witnessed the introduction of
minimum and zero hour contracts which could lead to ‘just-in-time’ labour resourcing being introduced in the UK.

**Originality/value** – This research takes a micro-level comparative approach to examining labour resourcing strategies in grocery retailing and as a result provides new findings of store level processes for the deployment of labour across two countries.

**Keywords** – employment flexibility, labour resourcing, retailing, UK, Australia

**Paper type** – Research Paper
INTRODUCTION

This paper uses empirical data to examine the use of labour resourcing strategies of grocery retailers in two countries. It is the purpose of this paper to provide some preliminary comparative data into some of the issues surrounding the employment of flexible labour in the UK and Australia. This is to be done in three stages: the first provides a background to employment in the UK and Australian grocery retail industries. This is followed by a presentation of results from an exploratory study undertaken to investigate the nature of labour resourcing strategies in two case study organisations. The paper concludes by comparing the approaches in both countries, drawing on the similarities and differences between the two.

BACKGROUND

Since the 1980s there has been a growth in all forms of flexible employment internationally (Ozaki 1999), apparent by growth in the use of ‘casual’ employment contracts in Australia, and part time employment in the UK (Dex and McCulloch 1995; Norris and Wooden 1996). This has led to attention being paid to the issues of labour use strategies, particularly employment flexibility at the level of the firm. The grocery retail industry is a significant employer of flexible workers in both Australia and the UK. Australian retailers make extensive use of casual employees, who have no guaranteed working hours, nor entitlement to sickness or annual leave. Meanwhile, in the UK, retailers are more likely to rely on part time labour to fulfil their labour requirements. This paper addresses these differences in labour use strategies and investigates why Australian grocery retailers make such a high
use of casual labour, while the UK remains largely reliant on part time labour? It adopts a comparative approach between the UK and Australia drawing on interview data from both a UK and an Australian grocery retailer.

Much of the theorising about comparative industrial relations revolves around questions of convergence. In one of the earliest attempts at comparative industrial relations research, Kerr, Dunlop, Harbison and Myers (1973) argued that the spread of technology and market forces within industrialised countries would eventually lead to a situation whereby national systems of industrial relations across industrialised market economies converged. This theory proved contentious with a range of writers asserting that other factors needed to be considered (Piore and Sabel 1984; Poole 1986). One such alternative framework for comparative analysis of employment relations across countries was derived by Locke, Kochan and Piore (1995). This framework establishes that firm level performance derives from the IR/HR practices adopted at firm level, which are themselves the result of explanatory factors, such as national, industry and firm governance institutions and structures, as well as firm-level strategic choices in the areas of competitive strategies, technology utilised and the approach taken to production (Locke, Kochan and Piore 1995). Their research identified that it was the institutional structures in place, such as state labour regulation and the strength of the trade union movement that acted to constrain the competitive strategies available to firms. Hence, employment practices should not be studied in isolation, but rather in the context of business strategies at
firm level and the broader institutional framework. Hence, we adopt a similar approach.

The market power of multiple retailers in the grocery sector in the UK and in Australia has expanded considerably over the decades with the industry displaying significant pockets of oligopolistic behaviour (Baret et al 2000; Daparin and Hogarth-Scott 2003). The UK grocery sector is dominated by four major multiples, while in Australia two retailers dominate the market. Key trends over recent years include increasing competition, rapidly changing market conditions, more selective customer demands, longer opening hours, increases in the average size of outlet, technological innovation, and a rationalisation of labour use (Baret, Lehndorff and Sparks 2000; Ogbonna and Whipp 1999; Shackleton 1998; Walters and Hanrahan 2000). In recent years many UK and Australian grocery retailers have pursued corporate strategies that place an emphasis on both quality enhancement and cost reduction (Ogbonna and Whipp 1999) resulting in a strategic drive towards serving the customer better, but within an acceptable cost base (Freathy and Sparks 2000; Daparin and Hogarth-Scott 2003). These market conditions and corporate strategies have resulted in the widespread use of atypical workers within food retailing.

In Australia, part time employees (defined as less than 35 hours per week) comprised 28.5 per cent of the total workforce in August 2007 (ABS 2007). In the retail industry, part time employment grew from 32 per cent in November 1984 to 47 per cent in August 2007 (ABS 2007). Within the grocery sector of
the retail industry, part time employment grew from 39 per cent to 61 per cent in the same period (ABS 2007). The retail industry has one of the highest incidences of ‘casual’ or temporary employment of any Australian industry, with 45 per cent of all workers (both full time and part time) employed on a casual basis in 2004 (ABS 2006). In the Australian context, casual workers have no guaranteed daily or weekly hours, no entitlement to sick leave or annual leave and are usually paid an hourly penalty loading (around 20-23 per cent) in lieu of these benefits (Murtough and Waite 2000).

In the UK, the proportion of part timers employed in retailing accounts for approximately 58 per cent of the total workforce (DTI 2003) and has been increasing since the mid-1980s (Reynolds et al 2005). This increase in part time employment in the UK retail industry has led to a concurrent decrease in the employment of full timers, particularly in the grocery retailing sector (Freathy and Sparks 1996). Predictable seasonal variations in trade are most commonly met by fixed term contract staff, although the incidence of temporary working in the UK retail industry remains low. More acute forms of flexible employment are also being introduced in UK grocery retailing, including zero or minimum hour contracts, where there is no, or negligible, specification as to the exact hours which an employee is expected to work. This has resulted in a further fragmentation of working hours for employees on these contracts who have been identified as the true ‘peripheral’ workforce of the retail industry (Purcell and Purcell 1999).
In summary, the UK retail industry predominately relies on part time workers for its labour supply and employment flexibility, in comparison to the Australian retail industry where casual labour prevails. The aim of this paper is to explore the issue of labour flexibility in the UK and Australian grocery retailing industry and determine the extent to which different forms of labour are used and the rationale for this. Hence we raise three questions for this study, which are:

*Research Question 1:* What are the labour resourcing policies adopted by grocery retailers in the UK and Australia?

*Research Question 2:* To what extent do labour resourcing policies differ between the two countries?

*Research Question 3:* What are the implications of these findings for retail organisations and their managers?

**METHODOLOGY**

This study used an interpretative, qualitative methodology to examine flexible working across two countries. The grocery retail industry was selected for case study research because this sector has similar characteristics across both countries and so facilitated a degree of comparability. One case study organisation in each country was selected. In summary, this research is nominally an exploratory research project to examine the differences between labour resourcing strategies of two major grocery retailers in the UK and Australia.
A case study approach was adopted to examine the labour resourcing strategies at a micro-level and more closely examine potential explanations for any similarities and differences in labour use across the two countries. An embedded approach to the case study design was adopted, with the embedded units being retail stores. At least two embedded units for each case study organisation were chosen to enable comparability between stores within the same case study. This use of two embedded units also helped to reduce the risk of bias of using a single case study, while increasing validity by using replication in collecting data from a greater number of similar sources. While the use of single case studies limits the generalisability of the research findings, the aim of this project is exploratory rather than definitive, with the recommendation to potentially expand the research sample in the future.

Data was collected through a series of interviews with a pre-selected sample of employees together with a review of company documentation. Interviews were conducted with managers at head office as well as with managers at the embedded units. A semi-structured approach to the interviews was adopted to enable comparability between interviewee responses, while allowing respondents to raise issues that the researcher may not have originally considered. All interviews were one-to-one with no other persons present to ensure confidentiality and improve validity of the responses given by the interviewee.
FINDINGS

The paper now reports the findings from the in-depth interviews. The key findings from the findings are discussed in the sections that follow. For the purposes of anonymity each organisation has been assigned a pseudonym: Groceryco (UK) and Foodco (Australia).

Groceryco (UK)

Groceryco (UK) operates in the multiple grocery sector and has over 700 branches across the UK with a workforce of over 130,000, of which 77 per cent work part time. Groceryco (UK) was committed to creating shareholder value through an innovative customer service strategy. However, it was also made clear to shareholders that any costs accrued as a result of this investment in customer service would be offset by improvements in productivity. The revised strategy consequently emphasised both quality enhancement and cost reduction.

For this study, data was collected from two stores in South East England, which traded from 08.00 to 22.00 Monday – Saturday, and 10.00 to 16.00 on Sundays. The two stores employed a total of 741 staff, of which 69 per cent worked on part time contracts. The majority of employees (87 per cent) were employed on permanent contracts, whilst the remaining 13 per cent were new members of staff employed on a probationary period and therefore not yet classified as permanent employees. Minimum hour or zero hour contracts were not in use at either store.
Groceryco (UK) used a variety of employment contracts including permanent, temporary, full time, part time and minimum hours. Store level managers' view of employment was very much controlled by a cost approach. Store level managers were given a cost target for employment, which led them to seek the employment of staff using the most efficient methods of labour resources for the job. Consequently, there was a heavy reliance on part time employees to provide numerical flexibility within stores. These part timers were often relied upon to work beyond their contracted hours at short notice to contend with unforeseen trading peaks and employee absence. While part timers were paid at the same hourly rate as full timers, and entitled to the same employee benefits on a pro rata basis, there were cost advantages to their employment. Unlike full timers, any part time employee working over their contracted hours did not attract a premium overtime rate. They were often viewed by store managers as offering high levels of numerical flexibility through their ability to ‘flex’ up their hours without incurring premium rate financial costs.

Part time employees at Groceryco (UK) were generally confined to low skilled, low paid, peripheral work within the stores, limited to shelf filling and serving customers, whereas full timers tended to fill occupations considered to be ‘skilled’. Part timers were also excluded from management positions, as managerial posts were almost universally full time. It was clear that part time employees were working in jobs with little or no opportunity for promotion unless they wished to switch to full time employment. There was noticeably a degree of labour market segmentation in operation at Groceryco (UK),
whereby full timers tended to fill positions holding some level of responsibility and opportunity for advancement. Conversely, part timers were essentially confined to secondary, ‘peripheral’, low paid, low skill jobs as a result of their working hours.

In addition to the high employment of part timers, Groceryco (UK) was seeking more cost effective approaches to employee resourcing to satisfy the labour productivity improvements promised to shareholders. A minimum hours contract was developed that guaranteed employees between 10 and 16 core working hours each week, but required them to be available to work up to 31 hours each week, including ‘high priority hours’ such as weekends. The hours during which employees were unavailable to work formed part of their contract. Other terms and conditions of employment included 3 hour minimum shift periods, a notice period of 24 hours for working additional shifts, a 12 hour rest period between shifts, sick pay when unable to work a core shift, and holiday entitlement based on total hours worked. At the time of the research these minimum hour contracts had only recently been made available to store level managers and any use was to be tightly monitored and evaluated by head office,

Foodco (Aus)

Foodco (Aus) also operates in the multiple grocery sector with approximately 670 branches across all states in Australia with a workforce in excess of 80,000. Foodco (Aus) has a corporate business strategy of achieving cost savings and to pass these cost savings on to customers and shareholders.
Simultaneously, it operates a human resource strategy designed to deliver quality customer service and to develop its people in line with the company’s development and succession needs.

Thirty per cent of the workforce were full time permanent workers, 26 per cent were employed as permanent part time employees, and 44 per cent casual employees with no guaranteed hours. For this study, data was collected from three stores of different sizes within the area of South East Queensland. All stores traded from 08.00 to 21.00 Monday to Friday, 08.00 to 17.00 on Saturday, and 09.00 to 18.00 on Sundays in accordance with the maximum trade permitted under state government trading hours’ legislation.

The company uses three forms of employment, full time, permanent part time and casual. Across the three stores the proportion of full time employees varied from 21 per cent of the workforce to 35 per cent. The proportion of permanent part time employees varied from 18 to 37 per cent and casual employees from 40 to 54 per cent. The gender composition of the three stores also varied between 52 and 65 per cent female workers. The company did not set central targets related to the composition of employment.

At store level, the wage budget was regarded as sacrosanct. Absolute adherence to the wage budget resulted in store managers relying heavily on flexible forms of labour, particularly casual labour. A collective agreement, negotiated with the shop assistants’ union, set the number of hours worked by permanent part time employees to between 12 and 36 hours per week. The
contracted number of hours worked could not be changed without the employee signing another contract to ‘flex up’ their hours, whereas no such constraints applied to casual employees. Casual workers could be called in or sent home (after a minimum 3 hour period) at the employer’s discretion. The structure of employment within each store was at the store manager’s discretion and designed to meet each department’s labour resourcing needs within the constraints of the collective agreement.

Each permanent part time employee at Foodco (Aus) had their own contracted rostered hours and one week’s notice was required to alter these hours. Each roster was a function of employee availability and the specific labour needs of their allocated department. Functions performed by part time employees included ordering stock, receiving and storing stock, relaying stock on shelves, refilling shelves and registering sales, as well as relieving department managers and other full time employees in their absence. Part time employees were paid the same hourly rate as full time employees and were entitled to the same pro rata benefits as full timers, including employee share ownership, discount cards and access to training.

Foodco (Aus) made extensive use of casual labour which accounted for an average 50 per cent of a store’s workforce. Ninety per cent of Foodco’s (Aus) workforce were recruited initially as casual workers. The other ten per cent were internal transfers or skilled workers from outside the company, such as managers, butchers and bakers. Casual jobs tended to be routine and required only basic training and skills. The departments with the highest use
of casual labour were those dependent on face-to-face customer service, and those where the workload was directly dependent on the quantity of sales, such as shelf filling. These departments used sophisticated labour scheduling systems in order to calculate the number of labour hours required and to match patterns of customer demand to employee numbers. Although a core of permanent full time and part time workers were employed to shelf fill, fluctuations in demand would be met by calling in casual workers each day. Thus just-in-time stock refill became just-in-time employee resourcing. Within Foodco (Aus), casual employees were paid a 23 per cent wage premium in lieu of statutory benefits (sick leave, annual leave), but only long serving casual employees had access to employee share ownership or training.

Foodco (Aus) operated an internal labour market so that if a permanent employee left, a permanent part time employee would have their hours increased, or a casual employee would be appointed on a permanent part time basis. Therefore, the career path within Foodco (Aus) was from casual to permanent part time, to permanent full time, supervisor, assistant department manager, and then department manager. As in Groceryco (UK), all positions from department manager upwards were full time, although some supervisory positions were available on a part time basis. As a result the career progression of part timers was limited by the number of hours they worked, rather than their skills, experience and abilities.
Discussion

The second research question looked at the extent to which labour resourcing strategies differed between the two case studies. The research found a number of similarities and differences between the two case study organisations and their deployment of flexible labour. The context within which the two organisations operate is similar in many ways. Both Groceryco(UK) and Foodco(Aus) performed highly in terms of market share within their home country’s grocery retail sector. They were also of comparable size in terms of number of employees and branches. Both operated in highly competitive markets, although Groceryco(UK) had a greater number of competitors, less market share, but greater sales. The long opening hours for each organisation were comparable, with Foodco(Aus) being more highly regulated in this area, and opening for slightly fewer hours each week. The corporate strategy of both organisations was focused on increased customer service and lower costs aimed at improving profit levels.

Both organisations had adopted employment strategies involving the extensive use of atypical workers. As a result their flexible workforce as a proportion of standard workers was remarkably alike, with less than a third of employees working on full time permanent contracts in both companies. This similarity extended to the autonomy of store level managers in determining the composition of their labour force. Being heavily controlled by budgetary targets, managers in both Groceryco(UK) and Foodco(Aus) were more inclined to employ labour at the cheapest financial cost.
Despite these similarities in the composition of flexible and standard employment compositions, the research found that Foodco(Aus) and Groceryco(UK) deployed different labour resourcing practices to achieve such parallel quantities of workforce flexibility. Groceryco(UK) relied heavily on part time employees to provide numerical flexibility, whereas Foodco(Aus) were more likely to use casual workers to deal with fluctuations in trade. This was due to a number of factors, including the ease with which Foodco(Aus) could deploy casual workers, and the restrictions on the contracts on part timers in Australia. These restrictions resulted in part timers rarely working beyond their contracted hours and subsequently not being used by Foodco(Aus) to provide a high level of numerical flexibility. This was in contrast to Groceryco(UK) where part timers’ weekly hours were not limited by a collective agreement, which afforded employers greater levels of flexibility when using part time workers. While weekly shift patterns were relatively consistent, there were often requests from managers for part timers to work beyond contracted hours to cover trading peaks and employee absence and provide the necessary numerical flexibility.

A further contrast between the two case study organisations concerned the work carried out by part timers, in terms of functions and responsibilities. Part time employees on permanent contracts at Foodco(Aus) were employed in roles of greater skill and responsibility than their UK equivalents. Due to the operation of a strong internal labour market, permanent part time employees at Foodco(Aus) were regularly trained with a view to promotion, and often deputised for managers. In contrast, part time employees at Groceryco(UK)
were generally confined to low skilled, low paid, ‘peripheral’ work within the stores, and excluded from management positions. It was the full timers who tended to fill positions regarded as ‘skilled’ with a degree of responsibility and opportunity of advancement.

From the strategies and policies being devised at Head Office it was apparent that a degree of labour market segmentation was in operation at Groceryco(UK). Part time and full time employees at store level held different roles and levels of responsibility, and had disproportionate opportunities for progression and development. The empirical evidence points to a segmentation of the retail workforce at Groceryco(UK) on the grounds of working hours. Conversely, segmentation of the workforce at FoodCo(Aus) had casual workers occupying the low skilled, ‘peripheral’ sector, while part timers and full timers held greater levels of responsibility more aligned with a core workforce.

The third research question of this study concerned the implications of the findings for retail organisations and their managers. The restrictions imposed by collective agreements on the use of permanent part time labour in Australia appear to have encouraged the use of casual labour contracts as a means to achieving flexibility of labour and cost savings. In the UK, such restrictions on the use of part timers do not exist and to date part time employment has satisfied the cost driven nature of retail employment. However, UK employers have begun to explore the use of minimum hour and zero hour contracts, with Groceryco(UK) being no exception to this. It could
therefore be concluded that where there is opportunity to increase employment flexibility and make labour cost savings, retail organisations will take advantage. However, further research is needed to plot the development of minimum hour and zero hour contracts in the UK to assess the strength of this conclusion and also investigate whether employees working on such contracts will take over the role of ‘peripheral’ labour from part timers. Such research would also have to address what will become of part timers’ role in retail employment if such a change in labour resourcing strategies took place in the UK.

**Conclusions**

In conclusion, this research found that differences between the two organisations existed regarding the composition of their workforces and the movement of employees between them. Foodco(Aus) regarded all permanent employees, part time and full time, as their ‘core’ workforce and casual employees as the variable or peripheral component. In contrast, the core workforce at Groceryco(UK) comprised of only full time workers, with part timers confined to more peripheral roles. It became apparent that, in contrast to Groceryco(UK), part time workers at Foodco(Aus) had employment characteristics more aligned to the core workforce, and it was the casual workers who were confined to the peripheral workforce. The operation of a stronger internal market at Foodco(Aus), whereby part timers were offered opportunities for progression and development was quite the reverse to the practices at Groceryco(UK) where part timers were very limited in their
opportunities for advancement, thus further confirming their ‘peripheral’ employment status.

In Australia, where there are few regulatory constraints on the use of casual employment, and the use of casual labour is an accepted employee resourcing strategy, Foodco(Aus) could readily deploy just-in-time labour resourcing. Foodco(Aus) was using more acute forms of numerical flexibility to achieve their organisational strategy of improved customer service and cost savings. Therefore, it can be concluded that comparatively, Foodco(Aus) deploys a greater degree of numerical flexibility than Groceryco (UK) through the use of ‘casual’ employment and in particular ‘just-in-time’ staffing. However, there was evidence of Groceryco (UK) shifting towards increased levels of numerical flexibility through the use of minimum hour contracts. The move towards minimum hour contracts could suggest that Groceryco(UK) will eventually assume the same employment flexibility practices that Foodco(Aus) currently deploys.

While this paper has highlighted some important issues that would benefit from further research, it is prudent to point out that the study has its limitations. The research was limited to only two case studies and to relatively small regional areas in the UK and Australia and so we must be wary about drawing generalisations from this work without further substantive evidence. The research remit itself was also limited to exploring the nature of labour resourcing strategies in the retail industry of both countries and did not examine any in-depth rationale to explain the similarities and differences in
workforce composition across the two case studies – further research is needed to achieve this. Although it appears that the regulatory framework governing labour resourcing and perhaps the store turnover levels may offer some explanation.

This paper concludes that retailers in the UK and Australia operate in relatively similar environments, but to some degree deploy different approaches to labour resourcing strategies. This results in differences in the composition of their core and peripheral workforces. Further research is needed to further consider the context within which retailers in the two countries operate, which may go some way to determining whether a convergence of flexible labour resourcing practices in UK and Australian grocery retailing will occur.
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