

DOCUMENT RESUME

ED 240 289

CE 038 128

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 TITLE The Impact of Basic Skills on Human Resource Management in the Retailing Industry.  
 SPONS AGENCY National Inst. of Education (ED), Washington, DC.  
 PUB DATE Nov 83  
 NOTE 19p.; Paper presented at the National Adult Literacy Conference (Washington, DC, January 19-20, 1984). For other conference papers, see CE 038 126-139.  
 PUB TYPE Information Analyses (070) -- Speeches/Conference Papers (150)

EDRS PRICE MF01/PC01 Plus Postage.  
 DESCRIPTORS Adult Basic Education; \*Basic Skills; Educational Attitudes; Educational Needs; Educational Objectives; \*Educational Practices; Education Work Relationship; Employment Qualifications; \*Job Training; Labor Force Development; \*Management Development; Postsecondary Education; \*Remedial Instruction; Research Needs; \*Retailing; School Business Relationship; State of the Art Reviews

IDENTIFIERS \*National Adult Literacy Project

ABSTRACT

A recent survey of retailing firms, ranging from single stores to nationwide chains, showed that the most significant human resources challenge facing these organizations is how to attract and retain qualified employees. Faced with the many changes in the retailing industry and in the composition of the work force that have taken place over the past three decades, retail firms are beginning to question how to select better employees and how to improve worker performance. Although some remedial courses in mathematics and in communication skills do exist in retail business-run training and management development programs, remedial training is not generally seen as the responsibility of business. Instead, the retailing industry maintains linkages with educational institutions, utilizing programs such as work study and tuition refund. Because industry's views of education have changed over the years, more information is needed about the relationship between industry's employment considerations and the development of basic skills. Possible agendas for research in this area could include examinations of the reasons for the lack of qualified persons for higher sales and supervisory positions, increased employee turnover, and employee obsolescence and declining job performance. (MN)

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THE IMPACT OF BASIC SKILLS  
ON HUMAN RESOURCE MANAGEMENT  
IN THE RETAILING INDUSTRY

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New York  
November 1983

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NIE - 83 - P - 0105

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A recent survey of retailing firms, ranging from single stores employing 200, to nation-wide chains, showed that the most significant human resource challenge facing these organizations is how to attract and retain qualified employees. Responses were evenly divided between problems in hiring and retaining hourly and managerial employees. Experienced workers, in all job categories, were uniformly viewed as the most difficult candidates to find. Those jobs considered the least difficult to fill are unskilled jobs in stock and warehouse and other hourly positions such as sales. The most difficult to fill positions are considered to be in data processing, tailoring and alterations as well as experienced store managers, supervisors and salespeople. Personnel managers report having to interview a greater number of applicants in order to fill all positions.<sup>1</sup>

Even a casual observer can't help but recognize that the quality of service in retail store has declined. Careful observers would note that many firms have found ways to replace labor with technology, by industrializing service and increased use of mass media. When faced with shortages of experienced labor, retailers, unlike many other industries, cannot relocate to more favorable labor markets.

Retail and wholesale trade, combined, is the nation's largest employer. Forecasts indicate that the greatest number of new jobs in the next decade will occur in this area with between 5 and 7.2 million new jobs projected between 1979 and 1990.<sup>2</sup> The lack of qualified candidates for jobs in this major employment sector indicates that, for whatever reasons, this country is not producing persons with the skills, knowledge and personal characteristics required for jobs in this major industry. Undoubtedly, this is due to a number of factors, but under-education appears to be a major contributor. However, there is no evidence that the retailing industry is any better or worse off than other industries.<sup>3</sup>

## Characteristics of the General Merchandise Retailing Industry

General merchandise retailing, the last link in the manufacturing and distribution process, plays a unique role in the consumer-based society. Largely entrepreneurially based, the retailing industry is highly competitive and labor intensive. General merchandise retailing is made up of a number of types of retail outlets, but, in spite of outward similarities, there are distinct differences. These differences result from: ownership, whether or not the firm is public or private; the degree of centralization and control; standardization of store layout; size and number of units; pricing strategies and merchandise assortments (whether the firm carries broad assortments such as department stores, or specializes in a single classification such as specialty stores). Although these differences are recognized in looking at financial performance, they are overlooked when considering how firms use their human resources. Yet, these factors have a direct bearing on how the firm recruits, compensates and trains its work force.

The general merchandise retailing industry experienced explosive growth in the decades following World War II with the ownership of many firms shifting from family held to large public holding companies. This growth occurred in order to achieve economies of scale in buying, advertising and distribution. Consequently, retailing is experiencing many of the changes which previously occurred in manufacturing. This growth of large scale retailing has resulted in the elimination of many small and marginal firms.

At the end of World War II, general merchandise retailing consisted largely of department stores, variety stores and independent stores, located in a major downtown shopping area. A few national chains existed, and, these stores dominated the downtown areas of smaller cities and towns. As the population moved, first to the suburbs and later to the sun belt, many retail firms followed.

During the subsequent decades, a number of new forms of retailing emerged. Among these were discount stores, specialty store chains, home improvement chains, catalogue showrooms and off-price retailers. Non-store retailing also grew with more and more customers ordering merchandise from their homes. With each of these new forms, the life cycle shortened. Where it had taken the department store more than 75 years to go from inception to maturity, the discount store and the specialty store chain required fewer than ten years. This accelerated speed through the life cycle was reduced to far less than the working span of an employee. This acceleration placed great demands on employees to adjust to rapidly changing conditions.

As major retailers expanded into new market areas, concern over the ability to staff and retain a work force increased. As long as expansion took place within the immediate area of the downtown store, hiring, training and supervision were relatively easy. But opening a new store 500 miles away calls for new approaches to human resource management.

As the major retail holding companies grew, financial control centralized, and, along with the use of technology and mass media, the industry changed. Only the major firms can afford the heavy use of the media such as Sunday advertising supplements and TV spots, which, along with the use of in-store visual merchandise presentation replaced the salesperson in many stores.<sup>4</sup>

Today, there are over 270,000 small general merchandise retail stores employing fewer than 100 persons. Although not documented, it is believed that the majority of new jobs are offered by these small retailers.<sup>5</sup> Less knowledgeable in how to recruit and train, and unable to use technology and mass media, small firms are most likely to suffer when they are unable to find competent employees.

## Characteristics of the Labor Market from Which the Industry Recruits

The growth of the retailing industry in the past three decades could not have taken place without significant changes in the makeup and composition of the work force and the industry's use of labor. There are few other cases except during World War II that can compare to this mobilization; however, retailing's labor mobilization has been of youth and women.<sup>6</sup>

The cost of labor is the greatest controllable expense in retailing, averaging over 20 percent in department stores.<sup>7</sup> Finding ways to reduce labor costs through improved work scheduling is the primary means for curtailing expenses. The objective in scheduling is to determine the optimal number of persons required to minimize labor costs. This goes so far as to influence employment decisions, often made on the basis of the applicant's ability to meet a specific work schedule. In many stores, employees are hired to work without a permanent assignment and are used anywhere in the store as they are needed.

Of the approximately five million persons employed in the general merchandise retailing industry, over three million are employed in sales. Although many of these persons are highly compensated, the vast majority of jobs require minimal skills and pay at, or slightly above, the minimum wage. Many retail sales jobs have been simplified as a means of increasing productivity. The way in which many stores sell illustrates what has happened. The use of area or checkout cashiers along with the vast increase in prepackaged and labeled merchandise has, in effect, made the salesperson unnecessary. Most stores use registers which are connected to a computer, guiding the cashier in entering sales information and reducing the possibility for error. Although this system enables the buyer to respond more quickly to sales trends, it reduces the skill required in selling.

As much as 80 percent of a store's work force may work only part-time. On the average, only one out of three persons works as a year-round employee.

Consequently, persons willing to work on this basis are generally young, with one-half under 25.<sup>9</sup> Of these, only two out of five remain on the job for more than a year and only one in twenty for more than seven years.<sup>10</sup> Although permanency does increase with age, turnover has escalated among all age groups. Consequently, the retailing industry is in a continuous process of replacing its work force.

Persons with minimal skills are unlikely to stay in jobs offering little in the way of training and opportunity for promotion and, in time, they leave. Employers, on the other hand, experiencing high turnover among young, unskilled employees are unlikely to offer training or pay more than the minimum wage. Many observers have pointed out that this creates a disparity between the vast number of people in the lower level positions in stores, and the highly trained and compensated executives in the corporate offices.<sup>11</sup> Whereas progression to the managerial ranks once started after successful performance on the selling floor, today, future executives come from the college campus.

#### How the Industry Recruits and Trains

##### Recruitment for Hourly Positions

Sales and cashier positions in a retail store account for as much as sixty percent of the work force. Other major categories of hourly jobs are in distribution centers and office and clerical positions. Walk-in applicants and classified advertising are the most commonly used methods of recruiting where little or no experience is required. Other methods include contacting schools, local and community groups, and referrals from current employees.

Positions requiring experience are considered far more difficult to fill whether in sales or first level supervision. Some major stores located in inter-cities use interviewing "outposts" in middle class residential areas in the hopes of attracting better qualified candidates. Other firms have reduced

the number of persons employed, and, during seasonal peaks encourage regular employees to work longer hours. Also used is the build up in seasonal employment as a type of tryout period in which the best employees, the cream off the top, are identified and offered permanent positions. Another common practice is to hire new employees only for part-time positions. If they prove capable, they are offered full-time jobs.

This system of "tryouts" and part-time employment tends to fall hardest on those who are undereducated. Since part-time pay levels are often less than full-time, these practices tend to create a type of underclass of workers, often young, often minority, and highly transient. All of these practices exist in order to identify those persons who are the most able and eliminate those who are less capable.

#### Recruitment of Management "Trainees"

The filling of management trainee positions varies by size and type of firm.

Small retailers continue to look for persons in hourly positions, particularly in sales, who can move into supervisory or buyer-trainee jobs. Preferred candidates are often those with one or two years of experience in other firms, since these firms lack the capabilities for entry level manager training. It is also believed that turnover is decreased by hiring experienced persons who know the reality of the work place and, therefore, are more committed to the job.

College recruiting by the large firms has taken on greater importance in the past two decades because of increased staffing needs and the belief that a broad educational and/or strong business school background is required for advancement. However, in the last few years, the number of college graduates recruited by many of these major companies has been sharply reduced and firms are questioning the results of college recruiting. For example, one major chain has not made a college recruiting trip for four years except to minority colleges; another



has reduced its annual recruitment of 100 graduates to 30, yet another eliminated college recruiting when it found that only one out of five college recruits was still in the company after two years. This raises a question over where future executives will come from.

In spite of government projections to the contrary, it appears that large retailing firms will not require as many middle managers in the future as during the past two decades due to less rapid expansion and a trend toward fewer middle management jobs. Some firms are questioning the necessity of requiring a college degree for admission to executive training programs because of increased turnover among persons recruited from college campuses. Yet other retailers are becoming far more selective in college recruiting, increasing standards for hiring. For example, a national chain found that persons who remained with the firm five years after the time of college graduation were those who had had part-time work experience in a store while in school or who had early contact with the business through their family. Those recruited from college campuses without prior industry contact, by and large, had left in the first five years.

#### Approach to Training

Regardless of what training means in a retail firm, it does not mean education. Training is concerned primarily with achieving acceptable job performance in the fastest and most economical way. Almost all medium and larger retail organizations have training staffs. Training at the hourly level is primarily concerned with "orientation" to the firm and with procedures unique to the store, such as register operation.

Expenditures for training are difficult to measure because of industry budgeting practices. Retail firms, in general, lag behind other industries in expenditures for training. For example, in department stores with sales between \$50. and \$100. mi., total expenditures for all of personnel is .55 cents per \$100. of

sales. The comparable figure in industrial firms is three times that amount.<sup>12</sup> Remedial training is found primarily in math and a few rare instances in speaking, listening and writing. It is apparent that retail stores do not see remedial training as the responsibility of business.

Participation and active learning are emphasized for sales and supervisory training through the use of role playing, behavior modelling and simulations. There is a common belief that success in retailing is based on "action" and "doing." Training methods parallel this preference for action.

#### Management Training and Development

Most early training efforts focus on translating the individual's education and general skills to particular job requirements. This is done through a combination of on-the-job instruction, through trial and error and by observation. Where groups can be brought together, supplementary classroom training is used, often consisting of lectures by members of senior management, instruction in the more routine aspects of buying and merchandising. Remedial instruction in math, particularly in the use of percentages, decimals and fractions is often a standard part of management training programs.

So important is early on-the-job training that a great deal of importance is put on the placement of the most talented "trainees" to insure they work under the supervision of executives who are good trainers. This is done to facilitate learning as well as to reduce turnover. Most of these early training and placement efforts stop by the time the individual reaches the buyer level, possibly two to three years after joining the firm. Training beyond this point, except in a few major firms, is done primarily through job rotation.

## Vocationally Based Educational Programs

### Work Study Programs

Work study programs at both the high school and college level are used widely by retailers. Roughly, two-thirds of the firms report work study programs for high school students and over 80 percent for students at the college level.<sup>13</sup> Nearly one-half of the firms offer summer programs for college students as a means of interesting students in future careers. Attitudes toward those programs vary with most firms more satisfied with college than with high school programs. Careful industry observers question the quality of many of these programs.

### Tuition Refund Programs

Retailing is the only industry where fewer than 9 out of 10 firms offer tuition refund programs.<sup>14</sup> Larger retailers are more likely to offer tuition reimbursement than smaller firms. Where programs are found, there is often a requirement that course work be toward a degree or related to the individual's job. A relatively low percent of retail employees are able to take advantage of such programs because of work schedules, the probability of transfer and, in some instances, the lack of importance attached to advanced education.

### Cooperative Ventures with the Educational Community

Virtually all retailing firms take part in some form of cooperative effort with local schools and colleges. This ranges from company tours for high school and college students to participation in career fairs. Major firms which engage in extensive college recruiting regularly make executives available to speak before student groups.

### Federally Sponsored Programs

Although the retailing industry could benefit greatly from government sponsored job training programs, most of the programs, such as CETA, have not considered the industry's unique needs. The majority of hourly level jobs are

in sales where "personal presentation" is a major consideration in employment as well as for success in the job. This includes personal appearance and grooming, the ability to speak convincingly and to deal comfortably with the public. In addition, employees come into contact with merchandise and cash, both offering temptation. It is generally conceded that the majority of the shortages in general merchandise retailing are the result of employee theft, running over 2 percent of sales. Both these factors make persons trained through any of the government sponsored programs to be less attractive to retailers than they may be to other industries.

The most widely used of the federal programs was the recent Targeted Jobs Tax Credit Law with virtually all retail firms aware of the program taking advantage of it. Although most companies did not hire specifically to obtain tax credits, where employees were eligible, the program was used.

#### Industry Views of Education

Until the growth of the large retail holding companies, a formal educational background was not viewed as being critical for employment in retailing. Even today, for many entry level positions, personal characteristics remain more important for success than the mastery of specific academic competencies. These include the willingness to work hard, to do more than just the requirements of the job and the capacity to learn through "doing." Therefore, education as a direct contributor to performance, or under-education as a contributor to poor performance, is not easily understood.

In a recent industry survey, retailing executives were asked to evaluate the importance of five basic skills: reading, math, writing, speaking/listening and reasoning/problem solving. Those skills rated as first and second in importance for both high school and college graduates were speaking/listening

and reasoning/problem solving. For entry level positions, math was rated as being of greater importance than reading, a fact that many educators seem to overlook. One executive, in evaluating education at the high school level commented, "Competencies in these skills vary by school district. Family financial status has an impact on the quality of education, i.e., children from the inner city receive a poorer education and have weaker skills."

Where an individual's job performance is poor, blame is frequently placed on the individual's lack of ability, motivation and, increasingly, on the changing work attitudes of young people. Questioning whether or not the individual has the basic skills to do the job is not often considered. It may be that the impact of under-education on job performance does not surface until later in an individual's career in retailing, raising an interesting question. Was the inability of many long tenured managers and executives to adjust to changing demands during the past 10 - 15 years the result of under-education, of people lacking the resources to draw upon in order to adjust to changing job requirements?

#### Vocationally Based Programs

Chancellor Anthony Alvarado of the New York City School System in a recent speech, made a comment with which many employers would agree. As he described it, the bright students are encouraged by the school system in the academics while the "dummies" as he put it are pushed into vocational programs.<sup>15</sup>

Generally, industry executives express greater satisfaction about vocationally-based college programs than with high school programs. The primary appeal of many vocational programs is that they ensure a steady supply of people for jobs. However, the quality of many of these programs and the students they attract, is a frequent discussion among industry executives.

A State Department of Vocational Education recently asked this writer for a statement that an industry developed training program meet the requirements of a sixth grade reading level, necessary to adopt the program for state-wide use. The reading level of the program seemed to be of far greater concern than whether or not persons reading at a sixth grade level would be able to hold jobs in the industry.

High school Distributive Education programs which make students available for part-time jobs at less than the minimum wage, are particularly attractive to small stores. College work/study programs are designed so that students are available for work assignments prior to the Christmas season when large numbers of additional persons are required. Persons who have majored in vocationally based programs may, initially, outperform those who have majored in other areas.

Many of these college programs have a high concentration of women, since the majority of programs focus on fashion merchandising and have grown out of Home Economics programs. However, they tend to attract persons who might not otherwise be admitted to other programs and often lack requirements for taking more rigorous courses. This criticism does not mean that opportunities in senior executive positions for women do not exist, but, that perhaps the reason why so few women are found in the executive suite is that they have not received the same quality of education as men.

The importance attached to a specific college major varies greatly as does the importance attached to the MBA degree. Firms which have great numbers of first and second level supervisory positions and where upward mobility is limited, often actually prefer employees with two year vocational school training since it is presumed these persons will be content to remain in lower level

positions. However, the larger retail holding companies prefer to hire people who have done well in the academic arena and train them after they join the firm. The Chief Financial Officer of one of these companies commented: "Education needs to be less technical and more liberal arts based. The employer can add to the technical later, but it is hard to add to the general educational base."

Firms where exclusivity and uniqueness of merchandise are valued, also tend to attach a greater importance to a liberal arts or humanities background than does the large multi-unit firm which may place a greater value on business school training. Stanley Marcus, in replying to a letter from a Home Economics Instructor who criticized Mr. Marcus on his view toward education responded in part ...

".....I can assure you that I have the greatest respect for home economics, but I still cling to the proposition that a liberal arts education is, in our judgement, the best qualification for future Neiman-Marcus executives.

"A local and very successful businessman challenged me on the same subject and contended he wanted young men joining his organization to have a background in accounting and business management. I don't disagree with him, provided those subjects are studied in graduate school.

"A student who gives up two electives a semester to study accounting or finance or advertising has to sacrifice other courses in history, literature, physics or languages. He can learn the technical subjects after he enters business, but rarely will he go back after graduation to pick up an acquaintanceship with Ovid and Shakespeare, Cicero and Browning, Pasteur and Caravaggio.

"Our society needs more fully educated men and women, or at least that's what Neiman-Marcus needs."<sup>16</sup>

Perhaps the more critical issue in vocational training, as well as in the development of industry-based career information, is the failure of many of the developers to determine industry needs and requirements. The expectation is that industry support will be given, irrespective of the product.

The ability to survive depends upon the ability of the individual to pick up cues which originate on the local level, to identify new trends and adapt.<sup>17</sup> As the industry changed, and many persons were unable to adapt, the belief that only youth is malleable developed. Consequently, the average age of persons in executive positions in retailing has steadily decreased, creating shortages of persons qualified to hold senior management positions. Since many persons were terminated because they lacked the skills necessary to adjust to change, and since many of these persons had been promoted from within their firms, the awareness of the importance of basic education to job performance has greatly increased. James O'Toole of the University of Southern California's business school has noted, "Those who will succeed in the work force will be those who have learned to learn." It is basic academic skills, not narrow vocational training which will be the chief contributor to a worker's employability, retention, and success.<sup>18</sup>

Most jobs in retailing require that the individual use the same repertoire of skills, as those identified by The College Board: reading, writing, speaking, listening, mathematics, reasoning and the addition of a seventh, referred to as observing, is of particular importance in retailing. Those personal characteristics such as drive, motivation, interest, intelligence, experience and adaptability as well as social and coping skills<sup>19</sup> might be significantly more important to early job performance than academic preparation, or at least they are more easily observable.

Retailers seek persons who are interested in careers, rather than jobs, who can demonstrate achievement through personal efforts, who are well trained in the basics. Most major firms would prefer that schools do their jobs in educating students in the basics, and that they, train employees in job



related skills. Because many retailing firms continued to recruit during the recent recession, retailing has become a "hot subject" on college campuses with schools assuming responsibility for training of students in areas which employers are far better prepared to train. Consequently, the increases in early turnover among college trainees may also be related to the lack of basic skill mastery necessary for coping with demands of the job. Where people have been unable to succeed in the academic system and are steered into less rigorous vocational programs, it seems unlikely that over the long term they will have the flexibility to adjust to the changes ahead.

### Summary

The retailing industry has experienced major changes in the decades since World War II. Although it appears that future growth in general merchandise retailing will be less rapid than in the past, the outlook is that retail and wholesale trade will be the employment sector producing the greatest number of jobs.

The major human resources concern of general merchandise retailing is that of recruiting and retaining a qualified work force at both hourly and managerial levels. Just as the industry is struggling to find ways to improve performance through better selection and development, the question of whether or not persons entering the labor force have the basic skills necessary to cope with changing job demands is raised.

A great deal more needs to be known about the relationship between what the retailing industry is experiencing in recruiting, retention and performance of a work force and the development of basic skills. A meaningful contribution would be made by conducting research in these areas of major concern to the industry.

These include:

1. The lack of qualified persons for higher earning sales and supervisory positions.

Possible research area: What are the major areas of skill deficiencies which, if corrected through education or job training, would make more people qualified for these positions?

2. Increased employee turnover

Possible research areas: What is the relationship between basic skills and the individual's ability to adjust to the requirements of the job? Is it the undereducated employee who is more likely to become frustrated by job requirements and leave?

3. Employee obsolescence and declining job performance

Is there a relationship between the ability of the employee to cope with changing business and societal conditions and basic skills mastery?

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