



## **Adapting work processes and working environments in retail commerce to older workers' needs**

**Issues paper for discussion at the Global Dialogue Forum on the Needs of Older Workers in relation to Changing Work Processes and the Working Environment in Retail Commerce**  
(21–22 September 2011)

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## Preface

This paper has been prepared by the International Labour Office as a basis for discussions at the Global Dialogue Forum on the Needs of Older Workers in relation to Changing Work Processes and the Working Environment in Retail Commerce, to be held in Geneva on 21 and 22 September 2011, as part of the ILO's Sectoral Activities Programme.

The Governing Body of the ILO decided at its 304th Session (March 2009) that a Global Dialogue Forum for the commerce sector would be held in the 2010–11 biennium.<sup>1</sup> The purpose of the Forum would be to examine ways in which work processes and the working environment in the labour-intensive retail commerce sector could be adapted to the needs of an ageing workforce, taking into account the effects of technological and other changes in the sector. The Governing Body also decided that the Forum and the related preparatory work should take into account the discussions at the 98th Session (2009) of the International Labour Conference on the implications of the demographic transition, or population “ageing”, for the world of work. While those discussions did not take place as originally planned, this issues paper reflects the findings, analysis and conclusions of the report prepared by the Office for that purpose.<sup>2</sup>

In addition to Government representatives from all interested member States, the Forum will bring together eight Employer and eight Worker participants, selected following consultations with the respective groups of the Governing Body. In accordance with established practice regarding attendance at Global Dialogue Forums, other interested Employer and Worker participants may attend. The purpose of the Forum is to review the implications of an increasingly ageing labour pool for retail commerce's labour requirements. The Forum may also put forward consensus-based proposals on how the sector's work processes and working environment could be adapted to increase its ability to attract and retain older workers.

The ILO's Sectoral Activities Programme, as defined by the ILO programme and budget, aims to support governments and employers' and workers' organizations in developing their capacity to deal equitably and effectively with the social and labour problems affecting particular economic sectors. It also offers a means of alerting the ILO to specific sectoral social and labour issues.

<sup>1</sup> ILO: *Proposals for activities in 2010–11 under the Sectoral Activities Programme*, Governing Body, 304th Session, Geneva, March 2004, GB.304/STM/1.

<sup>2</sup> ILO: *Employment and social protection in the new demographic context*, reissued by the Employment Policy Department and Social Security Department (Geneva, 2010).



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This issues paper, prepared under the authority of the International Labour Office, includes information from a variety of sources, including ILO and other publications, most notably: the report *Employment and social protection in the new demographic context*, initially prepared for discussion at the 98th Session (2009) of the International Labour Conference;<sup>1</sup> various publications of the United Kingdom's Sector Skills Council for Retail (Skillsmart Retail); and the report *Investing in the future of jobs and skills: Scenarios, implications and options in anticipation of future skills and knowledge needs: Sector Report: Distribution and Trade*, prepared by the Netherlands Organisation for Applied Scientific Research (TNO), Erasmus University Rotterdam (SEOR) and the Centre for Social Innovation (ZSI) and submitted to the European Commission (May 2009). Reference was also made to academic studies and national statistical databases. The writer also received valuable input and comments from UNI Global Union and EuroCommerce. The paper was prepared by John Sendanyoye (Sectoral Activities Department – SECTOR), with comments from John Myers and assistance from Lucie Servoz and Isabelle Delsaux (all also from SECTOR).

<sup>1</sup> ILO: *Employment and social protection in the new demographic context*, reissued by the Employment Policy Department and Social Security Department (Geneva, 2010).



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## Introduction

Longer and generally healthier lives represent one of the major achievements of modern societies. Yet, paradoxically, population ageing – a consequence of extended life spans – is one of the most pressing challenges confronting countries around the world, promising serious social, economic and labour market repercussions. Although this demographic trend is universal, its pace and magnitude vary considerably across regions and countries within regions.<sup>1</sup> The process is already at an advanced stage in developed countries and is projected to progress rapidly in developing ones in a few decades.

The ageing of the world population is the result of three concurrent trends: first, in developed countries, as increasing numbers of the huge baby-boom generation (born in the years after the Second World War, from 1945 to 1965) reach retirement age, the proportion of older people is rising; second, birth rates have remained low for several decades and, in many countries, are actually below the rate of 2.1 children per woman, which is considered to be the minimum for population self-replenishment; and finally, an increasing number of people are living longer and healthier lives. According to one ILO study, 2 billion people will be aged 60 or over by 2050.<sup>2</sup> Furthermore, the Organisation for Economic Co-operation and Development (OECD) estimated in 2006 that, over the next 50 years, and concurrent with a steep increase in the share of elderly persons in the population, all its member countries would experience a steep decline in their prime working-age populations.<sup>3</sup>

Because women generally live longer than men, the feminization of old age will be a major characteristic of the new population structure.<sup>4</sup>

Most discussions about population ageing tend to revolve around the sustainability of pension systems, reflecting the common view that large increases in the proportion of retirees will eventually cause an unsustainably steep increase in the share of public expenditure devoted to older population groups.

The focus of this paper, however, is the impact of the demographic transition to an increasingly aged population on labour supply, specifically with regard to the retail industry, which has traditionally drawn a large proportion of its workforce from the population group aged 30 years and under. As the share of that population cohort declines and that of persons aged 50 years and over rises, the industry must either bring more of the youth population into its workforce, or compensate for the decline in its traditional labour pool by attracting more workers from the older population segment, or both. These concerns are especially critical for a sector that is renowned for its high level of labour intensity and that experiences above average labour attrition.

As reported in an ILO paper prepared for discussion at a previous Global Dialogue Forum for the sector,<sup>5</sup> a number of major retailers are, in fact, making extra efforts to

<sup>1</sup> ILO: *Employment and social protection in the new demographic context*, reissued by the Employment Policy Department and Social Security Department (Geneva, 2010).

<sup>2</sup> *ibid.*

<sup>3</sup> OECD: *Live longer, work longer, Ageing and Employment Policies*, 2006.

<sup>4</sup> ILO: *Employment and social protection in the new demographic context*, op. cit.

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recruit older workers. This is likely to be a key strategy for the future as this age group grows concurrently with the shrinkage in the proportion of young people, more of whom are remaining in education for prolonged periods.

The seriousness of this issue for Europe is underlined by the fact that, as far back as 2002, an agreement was concluded between the social partners (UNI-Europa Commerce and EuroCommerce), within the framework of the European sectoral social dialogue, to promote the employment of older workers. This led to the adoption of a set of voluntary guidelines, recognizing that older people may adopt a different approach in their work to their younger counterparts, which is a factor that should be taken into account when designing jobs and work processes.<sup>6</sup> The guidelines underline that acceptance of age diversity leads to new ways of solving problems and approaching tasks and recognize that the challenge is to allow older workers to remain in employment for longer, while also promoting work opportunities for younger people. They also recognize that this may be achieved through flexible retirement schemes during the last active years and that it is possible to reconcile the needs of individual workers, enterprises and societies. In the guidelines, the social partners call for training support and incentives to encourage the participation of workers of all ages, underlining how important it is for older workers to have equal access to training opportunities and to benefit from programmes, courses and seminars, all of which are vital when new technologies and work processes are being introduced.

The issue of attracting and retaining older workers has been raised at previous ILO tripartite meetings. In 1999, participants at the ILO's Tripartite Meeting on the Human Resource Implications of Globalization and Restructuring in Commerce were informed that sectoral social partners in the European Union (EU) were convinced that, once support measures such as continuous training had been implemented, older workers would be of greater value to companies.<sup>7</sup> Likewise, according to the ILO report prepared for discussion at the 2003 Tripartite Meeting on the Employment Effects of Mergers and Acquisitions in Commerce, in the context of an ageing society with fewer children, active dialogue was under way in Japan to enhance the attraction of employment in commerce for women and older workers. Issues under discussion in this regard included appropriate human resource development, including the standardization of qualifications, and the development of a wage system adapted to a changing society.<sup>8</sup> Demographic trends and their impact on the sector were also highlighted during discussions at the 2006 ILO Tripartite Meeting on the Social and Labour Implications of the Increased Use of Advanced Retail Technologies, at which participants underlined the need for the sector to adjust to declining working

<sup>5</sup> ILO: *Vocational education and skills development for commerce workers*, issues paper for discussion at the Global Dialogue Forum on Vocational Education and Skills Development for Commerce Workers, ILO Sectoral Activities Programme (Geneva, 2008).

<sup>6</sup> EuroCommerce and Uni-Europa Commerce: *Voluntary guidelines supporting age diversity in commerce* (Barcelona, March 2002).

<sup>7</sup> ILO: *Tripartite Meeting on the Human Resource Implications of Globalization and Restructuring in Commerce*, Note on the proceedings, ILO Sectoral Activities Programme (Geneva, October 1999).

<sup>8</sup> ILO: *The employment effects of mergers and acquisitions in commerce*, report for discussion at the Tripartite Meeting on the Employment Effects of Mergers and Acquisitions in Commerce, ILO Sectoral Activities Programme (Geneva, 2003).

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populations and ageing customers.<sup>9</sup> Dealing with competitive, technological and demographic changes, including the skills mix required of high- and low-qualified jobs and employees, had become a major challenge and managers needed to ensure that their employees became better qualified through adequate vocational training.

This paper presents ideas on what retailers, the sectoral social partners and governments could do to boost the industry's ability to attract and retain older workers in order to compensate for the predicted shrinkage in the sector's traditional labour base of young workers. It starts by outlining the current work processes and the associated working environment in the sector, as well as the age, gender, occupational and skills profiles and employment characteristics of the current workforce, in order to identify what changes could be made to make jobs in the sector more attractive to older workers. The focus then shifts to the demographic and labour force issues affecting the sector, which will challenge retailers' ability to satisfy their future workforce requirements. Possible policy responses to those challenges are then presented.

<sup>9</sup> ILO: *Social and labour implications of the increased use of advanced retail technologies*, report for discussion at the Tripartite Meeting on the Social and Labour Implications of the Increased Use of Advanced Retail Technologies, ILO Sectoral Activities Programme (Geneva, 2006).



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## 1. Defining the retail sector

Precise definitions of the retail trade industry vary from country to country, depending on the industrial classification system used. Nevertheless, retail is universally understood as the final step in the distribution process, in which retailers are organized to sell merchandise in small quantities to the public. The industry comprises establishments engaged in the sale of merchandise (retailing), generally without any transformation and providing only services incidental to the sale of the merchandise. The retail function is best understood as the link between producers and the ultimate consumers of their goods and services. When consumers purchase goods, they usually buy them from a retail establishment.<sup>1</sup> The industry plays a critical role in the marketing process, by transferring goods from producers to customers, while also acting as a key conduit for passing customer information on to manufacturers. Because of its bridging function, the value of retailing extends beyond its direct contribution to output: its health is an important indication of the performance of the wider economy.

Retail is highly heterogeneous, even within countries, with considerable differences among retailers, depending on their competition strategies and on the subsectors within which they operate, for instance whether they are department, speciality or discount stores. The structure and functioning of the industry also varies greatly between countries, depending on living standards, the consumption and purchasing habits of the population and regulations governing the size of firms, shop opening hours, consumer protection and so on. In general, small firms dominate in terms of sheer numbers, although over the last two decades the trend has been towards consolidation and rationalization, entailing the growth of large companies, and small firms being pushed towards the periphery. Retail establishments range in size from “supercentres” (employing hundreds of workers each and providing a variety of consumer services) and traditional supermarkets, to convenience stores with small teams of staff and a limited selection of goods. Some retail categories, such as warehouse clubs or stores and supercentres, sell a very wide array of products in fixed quantities and at low prices.

Despite the many differences in the internal structure and level of development of retail trade among countries, the industry has, as mentioned above, undergone relentless consolidation and rationalization over the last two decades, resulting in the growth of large companies and higher levels of concentration. Increasing intensity of competition is reported from all countries. Large enterprises invest heavily in differentiating themselves from one another, and small and medium-sized enterprises are struggling to survive.<sup>2</sup>

The retail industry is also highly globalized, with major retailers now generating an increasingly greater share of their turnover and profits from their global sales than from their domestic markets. Even retailers that have remained solely domestic are subject to growing global competition from foreign retailers expanding into their markets, as well as from non-store competitors such as Internet-based retailers and mail order businesses.

<sup>1</sup> ILO: *Vocational education and skills development for commerce workers*, issues paper for discussion at the Global Dialogue Forum on Vocational Education and Skills Development for Commerce Workers, ILO Sectoral Activities Programme (Geneva, 2008).

<sup>2</sup> ILO: *Social and labour implications of the increased use of advanced retail technologies*, report for discussion at the Tripartite Meeting on the Social and Labour Implications of the Increased Use of Advanced Retail Technologies, ILO Sectoral Activities Programme (Geneva, 2006).

While the overwhelming majority of retailers in most countries are small, employing between one and ten people, large retailers dominate in terms of both the share of industry sales turnover and employment.

The degree of market concentration in different countries is best illustrated by the food sales market share of the top five retailers in a number of European countries (see table 1.1). Concentration is highest in the Nordic region and lowest in Central, Eastern and Southern Europe.

Not surprisingly, between 2006 and 2009, average annual retail sales growth was generally highest in the least developed – and therefore least saturated – markets of Central, Eastern and Southern Europe, namely Ukraine (25 per cent), Russian Federation (18.9 per cent), Romania (13.5 per cent), Poland (7.9 per cent), Turkey (6.8 per cent) and Slovakia (2.5 per cent). Some countries in Western Europe recorded negative growth rates, no doubt due to the global economic crisis.<sup>3</sup>

**Table 1.1. Concentration of companies in European food retailing**

Country	Food sales market share of country's top five food retailers in per cent
Sweden	88.0
Denmark	84.7
Finland	83.6
Norway	77.5
Belgium	75.3
Luxembourg	72.5
Switzerland	69.3
Austria	66.9
France	63.0
Germany	62.9
Portugal	61.5
Spain	60.5
Ireland	56.9
Netherlands	54.1
Slovakia	53.4
United Kingdom	51.7
Hungary	49.6
Czech Republic	46.2
Greece	45.6
Italy	32.9
Ukraine	24.3

<sup>3</sup> Metro Group: *Metro Retail Compendium 2010/2011: Data, facts and addresses of the trade and retail industry in Germany, Europe and worldwide*, 2010, at <http://www.metro-cc.com/mm/retail-comp-2011-en.pdf>.



Country	Food sales market share of country's top five food retailers in per cent
Romania	23.5
Russian Federation	21.3
Poland	21.2

Source: Metro Group: *Metro Retail Compendium 2010/2011: Data, facts and addresses of the trade and retail industry in Germany, Europe and worldwide*, 2010, at <http://www.metro-cc.com/mm/retail-comp-2011-en.pdf>.

The shift in the balance of power in favour of retailers in information and communication technology-enabled, buyer-driven distribution systems continues as major retailers place increased emphasis on cutting costs and improving supply chain efficiency in order to respond to the tough operating conditions. Efficiency strategies include cost-effective product sourcing and better inventory management. Retailers are now collaborating more closely with their suppliers, including by cutting out intermediaries in order to tighten supply chains, increasing direct product sourcing, keeping track of supplier service levels, and collaborating with other value-chain participants with regard to ethical and sustainable practices.<sup>4</sup>

Despite the extensive internationalization of the retail industry over the past three decades, the distribution of global consumer goods retailing remains highly uneven, with nearly 60 per cent of the industry's annual sales turnover of almost €9,500 billion concentrated in Europe and North America, which together account for just one fifth of the world's population. The free trade area established under the North American Free Trade Agreement (NAFTA), with only 6.7 per cent of the world's population, accounts for 26.6 per cent of global retail sales (€2,500 billion). Central and South America, with 6.3 per cent of the world's population, has an almost equivalent share of 6.4 per cent of global retail sales (€605 billion). Western Europe has 5.8 per cent of the world's population and generates 21.5 per cent of global retail sales (€2,036 billion). Eastern Europe has 6.1 per cent of the population and an 8.3 per cent share of global retail sales (€787 billion). Asia has a 59.8 per cent share of the world's population and accounts for 33.2 per cent of global retail sales (€3,136 billion). Oceania, which has only a 0.5 per cent share of the world's population, accounts for 1.4 per cent of global retail sales (€132 billion), representing a much higher retail sales to population ratio than Africa, which has 14.8 per cent of the world's population and accounts for only 2.5 per cent of global retail sales (€239 billion).<sup>5</sup>

Nevertheless, a far-reaching shift in the distribution of global wealth and patterns of consumer spending is under way in the wake of the recent worldwide economic crisis. Some industry analysts believe that this will inevitably reshape global consumption and retail sales patterns. It has been pointed out that emerging markets have witnessed a significant rise in their share of global output and wealth, driven by growing incomes, higher savings ratios, strong investment and export expansion. The much stronger performance of key emerging economies through the crisis and stronger growth prospects are likely to accelerate the recent shift in global economic dynamics. By contrast, even when economies start to recover, consumer spending in developed Western countries is projected to remain tepid. The destruction of housing wealth during the crisis and the subsequent fiscal austerity measures adopted in many developed countries will further

<sup>4</sup> Davis Langdon: *Retail Market Report: Autumn 2010*, 2010, [http://www.davislangdon.com/upload/StaticFiles/EME%20Publications/Brochures/RetailSectorReport\\_Nov10.pdf](http://www.davislangdon.com/upload/StaticFiles/EME%20Publications/Brochures/RetailSectorReport_Nov10.pdf).

<sup>5</sup> Metro Group: *Metro Retail Compendium 2010/2011*, op. cit.

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weaken consumer spending, the mainstay of retail sales growth. It is therefore predicted that, over the coming years, continued consumer focus on value and price considerations will strengthen the market share of discount stores. Mature, saturated markets will also experience stagnant sales growth in such store formats as hypermarkets due to high investment costs per store and growing pressures on non-food sales.<sup>6</sup>

<sup>6</sup> Davis Langdon: *Retail Market Report: Autumn 2010*, op. cit.

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## 2. Retail trade employment characteristics

### 2.1. Industry snapshot

At the simplest level, the retail sector typically makes a substantial contribution to economy-wide employment, as it is frequently the largest, or one of the largest, sectors in the national economy, while also significantly contributing to both business activity and gross output. As noted in an earlier ILO paper on the industry,<sup>1</sup> commerce, of which retail is the dominant component, provided jobs for more than 30 million workers in the 27 Member States of the EU in 2005.

In the United Kingdom alone, the retail sector provided 2.8 million jobs in 2009, representing about one tenth of the national workforce. In Australia, it employed almost 1.2 million people in 2010, or approximately 10.7 per cent of the country's total workforce.<sup>2</sup> Similarly, the retail industry was the largest employer in Canada in 2005, contributing 1.7 million jobs, equivalent to 12 per cent of the country's total workforce.

In Japan, in 2010, the retail sector employed 7.3 million workers, accounting for 11.6 per cent of the nation's jobs.<sup>3</sup> In May 2009, the American retail industry employed almost 15 million workers, corresponding to approximately 11.4 per cent of the country's jobs.<sup>4</sup>

Figure 2.1 compares the share of the retail sector in overall employment in selected countries in 2007. Retail industry employment is proportionally most important to Australia's economy and least important to that of Italy. Although not shown in the figure, the share of retail in all-industry employment in China is estimated to be the same level as that of Italy.<sup>5</sup>

<sup>1</sup> ILO: *Vocational education and skills development for commerce workers*, issues paper for discussion at the Global Dialogue Forum on Vocational Education and Skills Development for Commerce Workers, ILO Sectoral Activities Programme (Geneva, 2008).

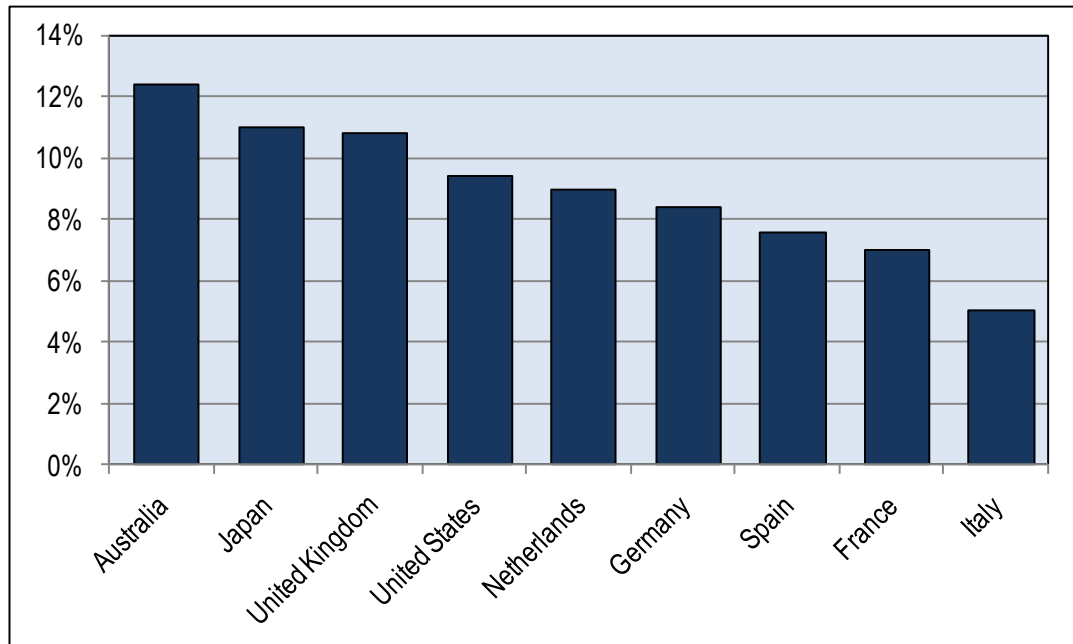
<sup>2</sup> Skills Australia: *Industry snapshots to assist workforce development: Retail, 2010*, [http://www.skillsaustralia.gov.au/PDFs\\_RTf/IndustrySnapshots/Retailtrade.pdf](http://www.skillsaustralia.gov.au/PDFs_RTf/IndustrySnapshots/Retailtrade.pdf).

<sup>3</sup> Portal Site of Official Statistics of Japan at <http://www.estat.go.jp/SG1/estat/OtherListE.do?bid=000000110001&cycode=7>.

<sup>4</sup> United States Bureau of Labor Statistics: *Occupational Employment and Wages*, May 2009.

<sup>5</sup> Skillsmart Retail: *Sector Skills Assessment Summary: Skills priorities for the retail sector in the UK and its four nations*, December 2010, based on EU KLEMS Growth and Productivity Accounts, 2007.

Figure 2.1. Employment in retailing as a percentage of all employees for selected countries, 2007



Source: EU KLEMS: *Growth and Productivity Accounts, 2007*, as presented in *Skillsmart Retail: Sector Skills Assessment: Skills priorities for the retail sector in the UK and its four nations*, December 2010, at <http://www.skillsmartretail.com/SR/Research/Downloads/Downloads.aspx?ModuleName=SectorSkillsAssessment>.

As noted in a previous ILO report on the commerce sector,<sup>6</sup> retail, like other industries, has two main sources of employment demand: expansion arising from the absolute growth of the industry, which occurs when new jobs are created, and replacement demand to fill the jobs of those leaving the industry through retirement or sickness or to work in other industries. The total net requirement is the sum of expansion and replacement demand and shows how employment levels are predicted to change in the future. Demand for labour in the retail industry is predominantly for replacement purposes, with sales and customer service occupations being the main areas of job replacement demand. The reason for the high replacement demand in retail is that its labour turnover is exceedingly high, which is explained in part by the seasonal nature of consumption and other factors that fuel demand for temporary work. Another reason is considered to be the high number of students and other casual staff, for whom retail employment represents merely a stop-gap job. Whatever the reasons, the sector's social partners fear that such a high turnover could have long-term cost implications for the sector's competitiveness and future development.

## 2.2. Pay, conditions and their sectoral labour market outcomes

While the retail industry is a major source of employment across the world, low employee pay – especially for front-line roles – characterizes much of the sector, in part reflecting the very high proportion of low-skilled occupations and part-time work.

In Australia, for instance, although the retail trade industry accounted for 12.5 per cent of the total hours worked in the economy in 2007–08, wages and salaries in the sector

<sup>6</sup> ILO: *Social and labour implications of the increased use of advanced retail technologies*, report for discussion at the Tripartite Meeting on the Social and Labour Implications of the Increased Use of Advanced Retail Technologies, ILO Sectoral Activities Programme (Geneva, 2006).

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represented only 7.5 per cent of the all-industry total. In May 2006, the average hourly rate of pay for adult, full-time, non-managerial employees was 19.60 Australian dollars (AUD) per hour, compared with the all-industry rate of AUD26.30.<sup>7</sup>

In the United States, in May 2009, the mean hourly wage for all occupations in the retail sector was US\$13.79, much lower than the all-industry average of US\$20.90. These averages, of course, conceal large occupational variations as the mean hourly pay for management occupations was US\$44.06.<sup>8</sup>

In contrast, figures from the Annual Survey of Hours and Earnings (ASHE), prepared by the UK Office for National Statistics, and from reports compiled by the UK Incomes Data Service,<sup>9</sup> indicate that the average annual salary for retail sales and retail assistants in the United Kingdom in 2009 was £15,116, as compared to the all-industry average salary of £14,096. First-line retail and wholesale managers, however, had a lower salary than the all-industry average (£25,425 versus £28,670).

A report submitted to the European Commission,<sup>10</sup> citing a comparative 2004 study by the European Foundation for the Improvement of Living and Working Conditions (Eurofound) based on research by the European Industrial Relations Observatory, notes that, in most European countries, monthly wages in distributive trade are substantially lower than those in manufacturing. The relatively high share of part-time female workers in retail employment was an important factor in this pay gap, although the report also notes that even when the figures are adjusted for part-time work, women in some European countries still earn substantially less than men.

For the long term, retailers have focused on reducing personnel costs, seeing that as the main way to achieve higher efficiency, lower costs and improve profit margins.

A 2003 ILO report<sup>11</sup> pointed out that the two main methods to decrease retailers' personnel costs were the introduction of new technologies for handling goods and demand-driven workforce management. In addition to the widespread introduction of new technologies at all stages of the goods handling process, from logistics to checkout, a major part of the cost-cutting procedures adopted by large retailers was a drive towards "lean" staffing levels. In this regard, the core human resource management objective was to keep staffing levels at the absolute minimum: there must be neither "too many" nor "too few" workers present and being paid at any given point in time. Personnel structures as well as staff deployment were being rationalized over time in ways that led to the fragmentation of employment and working time in order to achieve "flexibility" through a

<sup>7</sup> J. Pech et al.: *Retail Trade Industry Profile*, report commissioned by the Australian Fair Pay Commission Secretariat, 2009.

<sup>8</sup> United States Bureau of Labor Statistics: *Occupational Employment and Wages*, May 2009.

<sup>9</sup> See Skillsmart Retail: *Sector Skills Assessment: Skills priorities for the retail sector in the UK and its four nations*, Dec. 2010, at <http://www.skillsmartretail.com/SR/Research/DownLoads/Downloads.aspx?ModuleName=SectorSkillsAssessment>.

<sup>10</sup> TNO, SEOR and ZSI: *Investing in the future of jobs and skills: Scenarios, implications and options in anticipation of future skills and knowledge needs: Sector report: Distribution and trade*, May 2009.

<sup>11</sup> ILO: *The employment effects of mergers and acquisitions in commerce*, report for discussion at the Tripartite Meeting on the Employment Effects of Mergers and Acquisitions in Commerce, ILO Sectoral Activities Programme (Geneva, 2003).

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high part-time rate, thus increasing the management's room for manoeuvre by making it possible to deploy more staff during periods of peak activity, which were usually short but varied from day to day. Despite the advantages relating to flexibility, retailers faced hidden costs from such employment and working time fragmentation. A high rate of staff turnover, in particular, made human resource management very difficult for large retailers because of the strong link between the loyalty and commitment of staff and customer loyalty.<sup>12</sup> Any erosion in staff loyalty and commitment could lead to poor service quality, unsatisfied customers and a fall in sales and profits, which would recommence the process of cutting personnel costs (also known as the cycle of failure in services).<sup>13</sup> In contrast to this passive, numerical labour flexibility is an active, functional flexibility, whereby employees perform various tasks (such as sales advice, cashier work and stock management) and can switch between activities in accordance with customer flows.

Despite the growing standardization of retail processes as the industry becomes more international, especially among countries with a comparable level of economic and sectoral development, and even further afield as a result of globalization, significant differences also persist in human resource policies and practices, in levels of pay and in the labour intensity of the industry. Such differences are usually a result of variations in local traditions and labour market institutions, such as the extent to which collective bargaining determines pay and other sectoral conditions of employment. These differences can lead to highly differentiated labour market outcomes.

A paper<sup>14</sup> prepared for discussion at the 28th Conference of the International Working Party on Labour Market Segmentation in July 2007 investigated the differences between UK and German labour market outcomes for national training and wage bargaining institutions, by comparing work organization, pay and job quality in retail sales assistants' jobs. It concluded that, in general, German sales assistants are more skilled, better paid and enjoy greater autonomy in their jobs than their counterparts in the United Kingdom, where sales assistant jobs are relatively unskilled and involve circumscribed tasks allocated by managers and little autonomy. According to the paper, UK retail jobs are relatively easy to enter and exit, which provides opportunities for those with weak connections to the labour market. However, these opportunities are very often poorly paid, with limited scope for further development or career progression. The paper concludes that these differences in labour market outcomes are strongly linked to the differences in the respective national institutional arrangements for training and approaches to pay setting. A summary of the main findings of the paper (see box 2.1) provides valuable pointers on how, in a future of ageing populations, the industry could broaden its appeal beyond its predominantly young and female labour pool.

<sup>12</sup> A 1998 *Harvard Business Review* article "The Employee-Customer-Profit Chain at Sears" indicated that an increase in employee satisfaction at a store resulted in an increase in customer satisfaction, which in turn resulted in higher profitability for the store. Many other studies in other sectors similarly show that improvements in the workplace environment result in better consumer satisfaction.

<sup>13</sup> See S. Lehndorff: *Striving for greater personnel flexibility: The retail trade and the segmentation of internal labour markets*, paper to be presented at the International Working Party on Labour Market Segmentation, Bremen, 9–11 Sep. 1999, at <http://www.iaq.uni-due.de/aktuell/veroeff/am/lehndorff99b.pdf>; also referred to in the report by TNO, SEOR and ZSI, op. cit.

<sup>14</sup> G. Mason, M. Osborne and D. Voss-Dahm: *Labour market outcomes in different national settings: UK-German comparisons in retailing*, paper prepared for the 28th Annual Conference of the International Working Party on Labour Market Segmentation, Aix-en-Provence, France, revised 20 June 2007.

**Box 2.1**  
**Comparing the effects of national vocational education and training and pay-setting institutions and arrangements on labour outcomes: Case studies of British and German retailing**

1. In the United Kingdom, some 57 per cent of retail employees are in low-paid jobs (defined as earning less than two-thirds of median hourly earnings), compared with 42 per cent in Germany. Some 71 per cent of British full-time sales assistants are low paid, compared with 42 per cent in Germany. The disparity between checkout operators in the two countries was even greater: 76 per cent were low paid in the United Kingdom, compared with 35 per cent in Germany.
2. Work organization in UK retail is typically based on the principle of functional differentiation: sales assistants' jobs are divided into easily allocated specific tasks, giving staff limited autonomy, and employees are frequently moved between departments, including checkouts. In contrast, German retail work organization is typically based on functional team integration, with sales assistants responsible for the whole distributive process, ranging from product ordering and merchandising to customer advice, with minimal supervision. Sales assistants also rarely move between departments and rarely work on checkouts.
3. These forms of work organization are influenced by national institutional settings. In Germany, the national vocational training system has a considerable impact on the retail labour market. As a consequence, 81 per cent of all retail employees have completed a two or three-year vocational training course. In contrast to this, the bulk of retail training in the United Kingdom is done through relatively short, company-specific training programmes, meaning that UK retail jobs are relatively easy to enter and exit, which provides opportunities for those with weak connections to the labour market. However, these opportunities very often come with low pay and limited scope for further development and career progression.
4. Institutional arrangements for pay bargaining are also different. Both the national minimum wage in the United Kingdom and the sectoral collective agreements in Germany shape pay structures within retail firms. Their impacts, however, differ with regard to the share of low-wage workers in the two countries: collective agreement pay rates in Germany are above the low-wage threshold of two-thirds of the median wage, while pay rates at or just above the national minimum wage in the United Kingdom are below this threshold. These differences may become less marked in the future, however, as collective agreements in Germany are increasingly less binding as, faced with intense competition, a growing number of small retailers in particular are rejecting collective agreements and exerting downward pressure on wages. The share of low-wage earners among "mini-job" holders is also particularly high, with the consequence that their low cost attracts employers, raising the share of the industry's low-wage employment.
5. While large German retailers still tend to remain within the vocational training and industrial relations systems, concerns are growing that low-cost, low-wage strategies could destroy the sector's professional standards and overall institutional stability.

Source: G. Mason et al., op. cit., pp.30–32.

### **2.3. Retail sector work organization and workforce demographics**

Traditionally, the retail workforce has included a very high proportion of young workers. In the United Kingdom, for instance, the 16–24 age group constituted nearly a third of the industry's workforce in 2009. In the United States, that age group constituted 29 per cent of all retail workers. As reported in a previous issues paper for the commerce sector,<sup>15</sup> the retail sector is renowned for its leading role in part-time employment.

The issues paper for discussion at the 2008 Global Dialogue Forum on Vocational Education and Skills Development for Commerce Workers<sup>16</sup> used the findings of a retail

<sup>15</sup> ILO: *Vocational education and skills development for commerce workers*, op. cit.

<sup>16</sup> ILO: *Social and labour implications of the increased use of advanced retail technologies*, op. cit.

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sector skills assessment<sup>17</sup> to provide information on the occupational and demographic profiles in the United Kingdom's retail sector, as an example of the workforce mix in the retail industry around the world. The paper noted that the majority of retail workers (around 1.5 million employees) were in sales occupations, followed by management roles (around 570,000 employees) and elementary occupations, such as shelf fillers and trolley collectors (around 330,000 employees). It also noted that the importance of retail for sales occupations was reflected in the fact that the sector employs just under 70 per cent of all UK sales staff. It also underlined the industry's role in part-time employment around the world, noting that while a quarter of people employed in the United Kingdom as a whole were in part-time jobs, over half of those employed in the retail sector worked part time, many of them in the retail of food, beverages and tobacco in the specialized stores segment. These figures were relevant in the context of discussions on skills development, as part-time workers and employees in small businesses were traditionally less likely to receive work-based training. They are also relevant to the discussions on enhancing the sector's ability to attract and retain older workers.

The 2008 issues paper noted – using the United Kingdom as an example – that while only a quarter of people employed in the country were in part-time jobs, over half of those employed in retail worked part time. Three-quarters of all part-time positions were filled by women, mainly in sales occupations. The industry's female-to-male staff ratio was 60:40. Young people were also heavily represented in the sector and almost a third of the workers in the sector were under 25 years of age, compared with only 14 per cent in the economy as a whole. Many of these young people also worked part time, with a high proportion employed in sales roles, as many such positions enabled students to combine studying and earning money. A major drawback for the industry is that many of these young workers do not think that the sector offers long-term career opportunities and the industry loses their skills when they leave.<sup>18</sup>

Another way to understand better the importance of the youth labour pool to the retail industry in the United Kingdom is that, while the share of people aged 24 and under in the economy-wide labour force stands at only 13 per cent, the retail sector draws nearly a third of all its employees from that age band.<sup>19</sup>

Another important characteristic of the retail industry is the dominant role of sales and customer service roles. In the United Kingdom, just over half (51 per cent) of all retail jobs (around 1.4 million employees) are in sales and customer service roles compared with the all industry average of 7 per cent. They are followed by managers and senior officials at 18 per cent of the workforce (around 494,000 employees) compared with the 16 per cent average across all industries.<sup>20</sup>

<sup>17</sup> Skillsmart Retail: *Sector Skills Agreement: Stage one: Assessment of current and future skills needs*, Summer 2007.

<sup>18</sup> This in fact is the primary concern of this issues paper. How can the retail industry raise its capacity to attract and retain older workers (or workers of any age for that matter)? Given the fact that today's young workers will be tomorrow's older workers and, having opted against a career in the sector early in their working lives, how much more difficult will it be to convince them to return to it later in life?

<sup>19</sup> Skillsmart Retail: *Sector Skills Assessment Summary: Skills priorities for the retail sector in the UK and its four nations* (December 2010).

<sup>20</sup> *ibid.*



As table 2.1 shows, although 16–24 year-old employees still dominate the retail profile in the United Kingdom, subtle changes in the age structure of the industry are taking place. There has been a redistribution of the share of employees, in both numerical and percentage terms, from the 16–24, 25–34 and 35–44 age groups to the older 55–64 and 65–74 age groups. Between 2002 and 2009, the number of UK retail workers aged 55 or over increased by over 50,000, to represent one in seven of the industry’s workforce.

**Table 2.1. United Kingdom – Retail age profile, 2002–09**

Age	2002 Number of employees	2002 (%)	2004 Number of employees	2004 (%)	2009 Number of employees	2009 (%)	Number of employee change 2002–09	% change 2002–09
16–24	867 458	30	972 963	32	865 722	31	–1 736	–0.2
25–34	587 487	20	562 751	18	491 400	18	–96 087	–16.4
35–44	611 181	21	631 999	21	535 690	19	–75 491	–12.4
45–54	478 655	17	499 410	16	501 624	18	22 969	4.8
55–64	303 627	11	343 999	11	332 425	12	28 798	9.5
65–74	43 804	2	53 642	2	66 202	2	22 398	51.1
75+	5 185	0	7 848	0	6 247	0	1 062	20.5
<b>Totals</b>	<b>2 897 398</b>		<b>3 072 611</b>		<b>2 799 310</b>		<b>–98 088</b>	<b>–3.4</b>

Source: UK Labour Force Survey (annualized), 2002, 2004 and 2009, as presented in Skillsmart Retail: *Skillsmart Retail Analysis: The age of retail*, July 2010, at <http://www.skillsmartretail.com/sr/DocLibrary/Downloads/The%20Age%20of%20Retail.pdf>.

Amalgamating age groups in the key categories of young workers (16–24 year olds), prime-age workers (25–49 year olds) and older workers (50+ year olds), the trend towards an older workforce is further accentuated (see table 2.2). Both the 16–24 and 25–49 age groups recorded drops both in their share of the UK retail workforce and in absolute numerical terms, while the share and numbers of workers aged over 50 rose. The increase is even more impressive when set against the massive loss of around 129,000 jobs in the prime-age group of 25–49 years and, when one takes into account that the sector as a whole recorded a decline in both numbers between 2002 and 2009, perhaps reflecting the effects of the recent global economic and financial crises.

**Table 2.2. United Kingdom – Retail age profile, 2002–09**

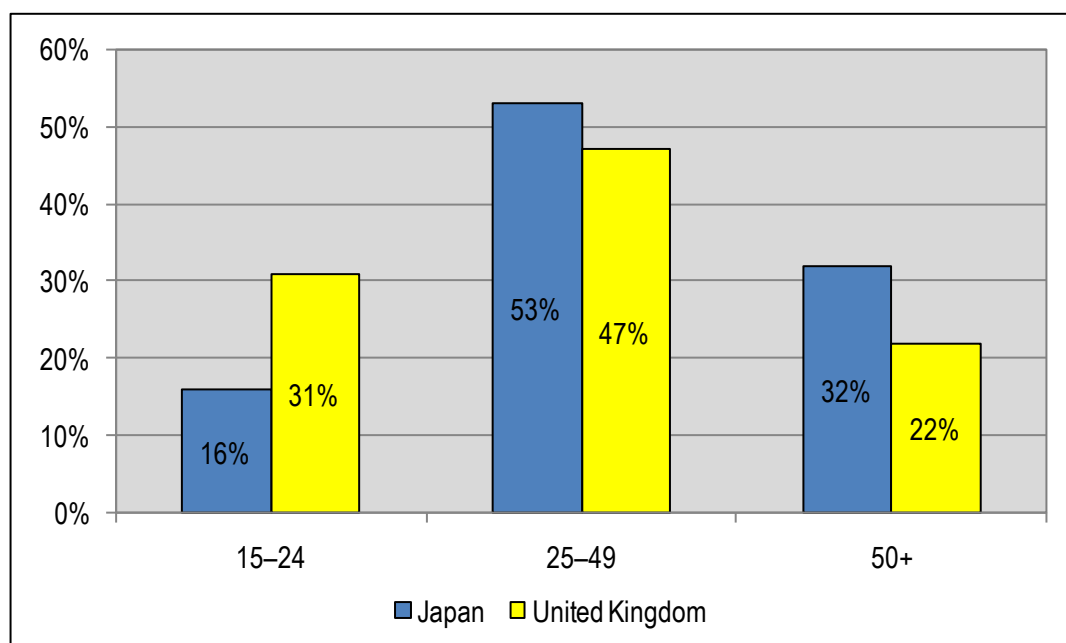
Age	2002 Number of employees	2002 (%)	2004 Number of employees	2004 (%)	2009 Number of employees	2009 (%)	Change in number of employees 2002–09	% change 2002–09
16–24	867 458	30	972 963	32	865 722	31	–1 736	–0.2
25–49	1 436 112	50	1 452 734	47	1 307 131	47	–128 981	–9.0
50+	593 828	20	646 914	21	626 457	22	32 629	5.5
<b>Totals</b>	<b>2 897 398</b>		<b>3 072 611</b>		<b>2 799 310</b>		<b>–98 088</b>	<b>–3.4</b>

Source: UK Labour Force Survey, as presented in Skillsmart Retail: *Skillsmart Retail Analysis: The age of retail*, op. cit.

As shown by figure 2.2, which compares the age distribution of the retail workforce for the United Kingdom and Japan in 2009, the largest group in sectoral employment in both countries is that of prime-age workers (aged 25–49). The share of this group in total sectoral employment is larger for Japan (53 per cent) than for the United Kingdom (47 per cent). However, the biggest contrasts in age distribution between the two countries appear in the youngest and oldest age bands, where the groups’ shares are almost inversely proportional: the youngest age cohort (15–24 years for Japan and 16–24 years for the

United Kingdom) has a 31 per cent share in the UK retail workforce, but only a 16 per cent share in Japan. By contrast, the oldest age group (aged 50+) has a share of 32 per cent in Japan but only 22 per cent in the United Kingdom. The UK retail age structure is more representative of the industry's global workforce. The different age structure of the retail industry workforce in Japan most probably reflects the fact that Japan has the most rapidly ageing population in the world.

**Figure 2.2. Percentage of retail workers by age group in Japan and the United Kingdom (both sexes), 2009**



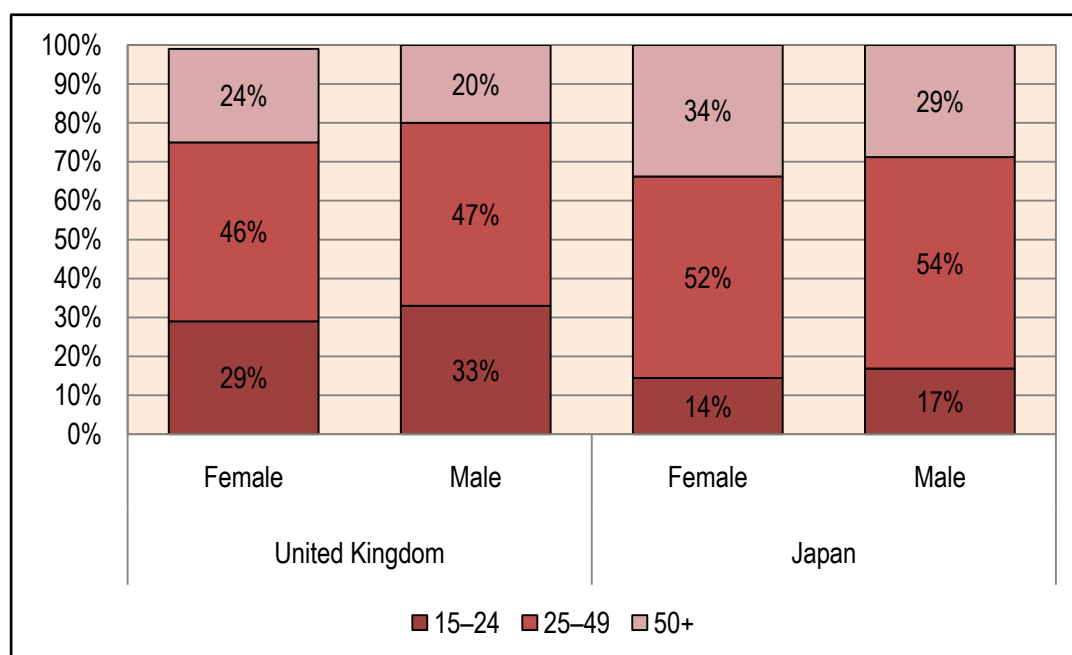
Note: The youngest age group in the United Kingdom covers 16-24 year olds, whereas in Japan it covers 15-24 year olds.

Source: ILO: Based on UK Labour Force Survey (annualized), 2009 (Office for National Statistics) and Japan Labour Force Survey, 2009 (Portal Site of Official Statistics of Japan).

Figure 2.3 also compares the age and gender structure of the UK and Japanese retail workforce in 2009. In both countries, the 25-49 age group was the largest segment of the industry workforce, for both females and males, although it was much larger in Japan, representing over half of both male (54 per cent) and female (52 per cent) retail workers. In the United Kingdom, 46 per cent of the female and 47 per cent of the male workforce belonged to the prime-age group. In Japan, there were more women than men in the 50+ age group (34 per cent versus 29 per cent), while in the United Kingdom, the corresponding intra-gender shares for women and men stood at 24 per cent and 20 per cent respectively. Once again, the intra-gender contrast in the share of the youngest age group was remarkably large between the two countries: in the United Kingdom, female workers in the 16-24 age group represented 29 per cent of retail workers, while male workers in that age group represented 33 per cent. In Japan, the comparable shares were 14 per cent for female workers and 17 per cent for male workers. Clearly, the Japanese retail industry is facing constraints in attracting the youth labour force.

It is also important to note that female workers have traditionally dominated the retail labour market in many countries. As in the general age group distribution, there is a significant contrast between Japan and the other developed retail labour markets.

**Figure 2.3. Representation of retail workers by age and sex, United Kingdom and Japan, 2009**



Note: The youngest age group in the United Kingdom covers 16–24 year olds, whereas in Japan it covers 15–24 year olds.  
 Source: ILO: Based on UK Labour Force Survey (annualized), 2009, and Japan Labour Force Survey, 2009, op. cit.

Other developed retail markets show workforce demographic characteristics more akin to those of the United Kingdom than to those of Japan. In Australia,<sup>21</sup> Canada<sup>22</sup> and the United States, approximately a third of the retail workforce is comprised of older workers.

**Table 2.3. United Kingdom – Retail occupations by age, 2009**

	16–24	25–49	50+	Total
Managers and senior officials	42 858	336 255	129 693	508 806
Professional occupations	4 008	45 858	10 022	59 887
Associate professional and technical	20 653	78 525	26 017	125 195
Administrative and secretarial	35 666	76 620	38 837	151 123
Skilled trades occupations	15 425	54 330	28 460	98 215
Personal service occupations	775	3 045	723	4 543
Sales and customer service occupations	604 076	523 186	281 167	1 408 429
Process plant and machine operatives	11 778	50 607	34 343	96 728
Elementary occupations	130 327	138 259	77 196	345 781
Other	158	446	0	603
<b>Total</b>	<b>865 722</b>	<b>1 307 131</b>	<b>626 457</b>	<b>2 799 309</b>

Source: UK Labour Force Survey (annualized), 2009, as presented in *Skillsmart Retail Analysis: The age of retail*, op. cit.

<sup>21</sup> Skills Australia: *Industry snapshots to assist workforce development: Retail*, 2010, op. cit.

<sup>22</sup> Retail Council of Canada: *A changing retail landscape: An analysis of emerging human resources trends*, Nov. 2009.

As table 2.3, above shows, the majority of 16–24 year olds in the United Kingdom employed in retail in 2009 worked in retail sales and customer service roles. For the 25–49 and 50+ age groups, the age profile for retail occupations is similar, with nearly a quarter employed in managerial roles, approximately 40 per cent in sales and customer service functions, and around 10 per cent in elementary roles.

There is a clear polarization of age groups in retail with regard to staff qualification profiles. The youngest group of retail workers has the highest level of qualifications and the fewest number of people without any qualifications, while the oldest age group has the lowest qualification levels, with less than 20 per cent having a high level of qualifications. In the oldest group, 27 per cent have no qualifications at all.

There is a similar disparity with regard to recent training by age profile. A 2010 analysis of retail sector in the United Kingdom indicates that, according to a 2009 survey, just under a fifth of UK retail staff had received some form of training during the 13 weeks prior to the survey.<sup>23</sup> While training patterns were similar for the 16–24 and 25–49 age groups (22 per cent and 17 per cent respectively), barely 10 per cent of the 50+ age group had received training during the same period.

The analysis highlights another fundamental characteristic of age in retail: the extreme variations in turnover and tenure rates between age groups. As might be expected, workers in the 50+ age group had the longest periods of service and 16–24 year-olds worked for the shortest periods of time with the same retailers. Table 2.4 highlights these differences. Of course, such differences are to be expected, as it would be impossible for any 16–24 year old to have worked for the same employer for ten or more years, as this would mean that they would have had to start work below the legal age of employment. Likewise, thinking logically, the older the worker, the longer they are likely to have been in employment, whether with the same firm or with a different one. Interestingly, very few (only 14 per cent) of the 50+ age group had been with the same employer for less than two years. The overwhelming majority (68 per cent) had been with the same employer for at least five years. On average, people aged 16–24 years stayed with the same employer for at least one year but less than two; those aged 25–49 stayed at least two years but less than five; and those in the 50+ age group stayed at least five years but less than ten.

**Table 2.4. Length of time with retail employer, 2009 (percentage of age group)**

	Less than 3 months	At least 3 months but less than 6	At least 6 months but less than 12	At least 1 year but less than 2	At least 2 years but less than 5	At least 5 years but less than 10	At least 10 years but less than 20	20 years or more
16–24	9	9	17	27	30	7	0	0
25–49	3	4	6	13	27	24	18	6
50+	2	2	3	7	18	22	23	23

Source: UK Office of National Statistics: Population estimates for 2008, as presented in *Skillsmart Retail Analysis*, op. cit.

<sup>23</sup> Skillsmart Retail: *Skillsmart Retail Analysis, The age of retail*, July 2010, at <http://www.skillsmartretail.com/sr/DocLibrary/DownLoads/The%20Age%20of%20Retail.pdf>.

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### 3. Demographic and labour force trends: An overview

As mentioned previously, an ILO report initially intended for discussion at the 98th Session (2009) of the International Labour Conference analyses the implications of the demographic transition, or population “ageing”, for societies and for the world of work in particular.<sup>1</sup> Excerpts from the report are used at various points in this chapter in order to provide the necessary general context which will determine the retail industry’s capacity to attract and retain workers in sufficient numbers and of sufficient quality for it to remain competitive. The demographic changes to which reference is made relate to the general population, as do the differentiated developments across regions and in some individual countries. They are not related exclusively to the retail sector.

The report notes that this new demographic context is affecting, or will affect, all countries in all regions, industrialized and developing, albeit at different rates and within different time horizons. In all cases, however, the age structure of the world’s population is undergoing a profound transformation that will eventually result in fewer working-age people. The proportion of women in that older population will also rise because of their greater longevity. The report proposes various policy solutions to respond to the demographic challenge. As noted in the preface to this paper, the Governing Body specified that the preparation for the Global Dialogue Forum should take account of the discussions on the demographic challenge that were supposed to take place at the 2009 session of the International Labour Conference. Although those discussions did not take place, it is hoped that the policy recommendations contained in the report will inform the Forum’s discussions and facilitate the building of a consensus on how retail can better attract and retain older workers in order to cope with the expected shrinkage in its traditional labour base of young employees.

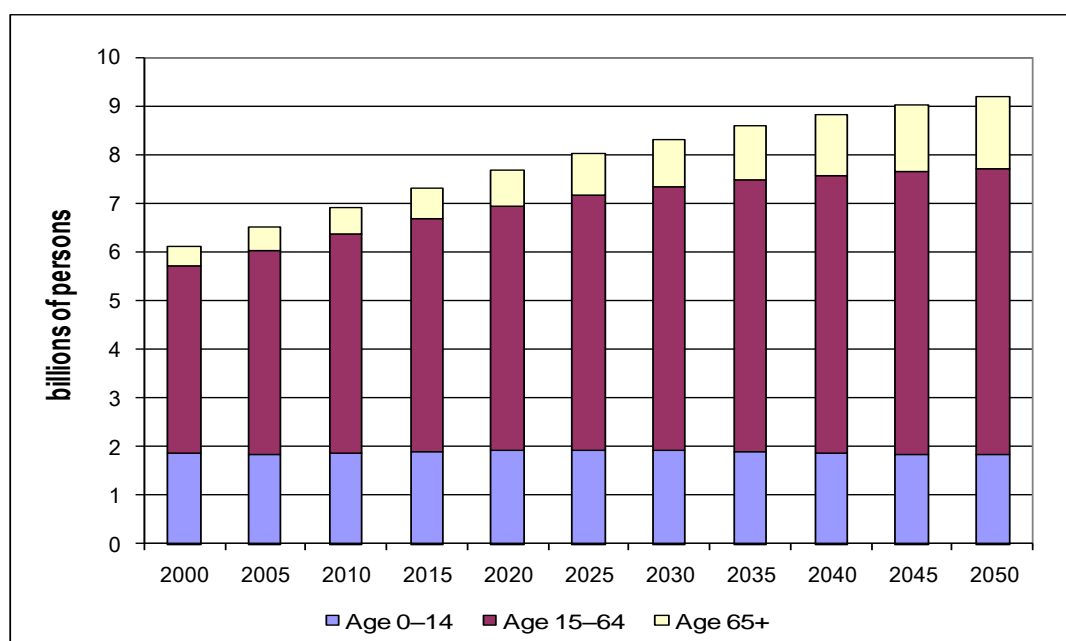
Population ageing is largely shaped by a combination of two factors: decreasing mortality at all ages leading to increased longevity and declining fertility rates. This is resulting in a population structure where the proportion of older persons is rapidly rising. Indeed, these two concurrent trends are leading to an older population in almost all countries – both developed and developing.

The abovementioned ILO report breaks this demographic transition down into three stages: first, lower mortality rates among children lead to increasing proportions of young people in the population; second, lower fertility rates lead to a drop in the proportion of young people and a higher proportion of adults of working age; and third, declining mortality and fertility rates lead to increasing proportions of older persons – that is, population ageing.

Demographic change is already at an advanced stage in developed countries and is progressing rapidly in developing ones. It will also be unevenly distributed across age groups; while the under-15 year age group is projected to stabilize, the proportion of the population over 60 years of age will increase from 8.5 per cent of the total population in 1970 to 22 per cent in 2050, as shown in figure 3.1.

<sup>1</sup> ILO: *Employment and social protection in the new demographic context*, reissued by the Employment Policy Department and Social Security Department (Geneva, 2010).

**Figure 3.1. World population by age group, 2000–50**



Source: United Nations: *World Population Prospects: The 2006 Revision*, Population Division, Department of Economic and Social Affairs (New York, 2007), as presented in ILO: *Employment and social protection in the new demographic context*, op.cit.

Worldwide, gender will be an issue in population ageing, because, as a rule, women live longer than men. Women already account for 55 per cent of the world’s population aged 60 years and over.

At the same time, while the old-age dependency ratio is increasing, the youth dependency ratio is expected to decrease from 48 per cent in 2000 to 31 per cent in 2050. The projected decrease in youth dependency is attributable to declining fertility rates that, globally, are expected to drop from 2.58 children per woman in 2005–10 to 2.04 per woman in 2045–50, slightly less than the 2.1 children per woman considered necessary for population self-replenishment.

### 3.1. Regional trends

The consolidated regional statistics presented in table 3.1 mask substantial fertility rate variations in different countries. In southern Europe, there has been a rapid decline in fertility rates that are only now slowly beginning to increase (although they are still at levels below the rate necessary for population self-replenishment). In Spain, for example, the total fertility rate of 2.9 children per woman in 1970–75 fell to 1.4 in 2005–10, but is expected to increase to 1.8 by 2045–50. A similar situation is predicted in Eastern Europe and in the Commonwealth of Independent States (CIS). In Poland, the total fertility rate of 2.3 in 1970–75 fell to 1.2 in 2005–10 and is expected to increase to 1.6 by 2045–50.

**Table 3.1. World total fertility rate, 2005–50**

	2005–10	2025–30	2045–50
World	2.6	2.3	2.0
More developed regions	1.6	1.7	1.8
Less developed regions	2.8	2.3	2.1

Source: United Nations: *World Population Prospects*, op. cit. as presented in ILO: *Employment and social protection in the new demographic context*, op. cit.

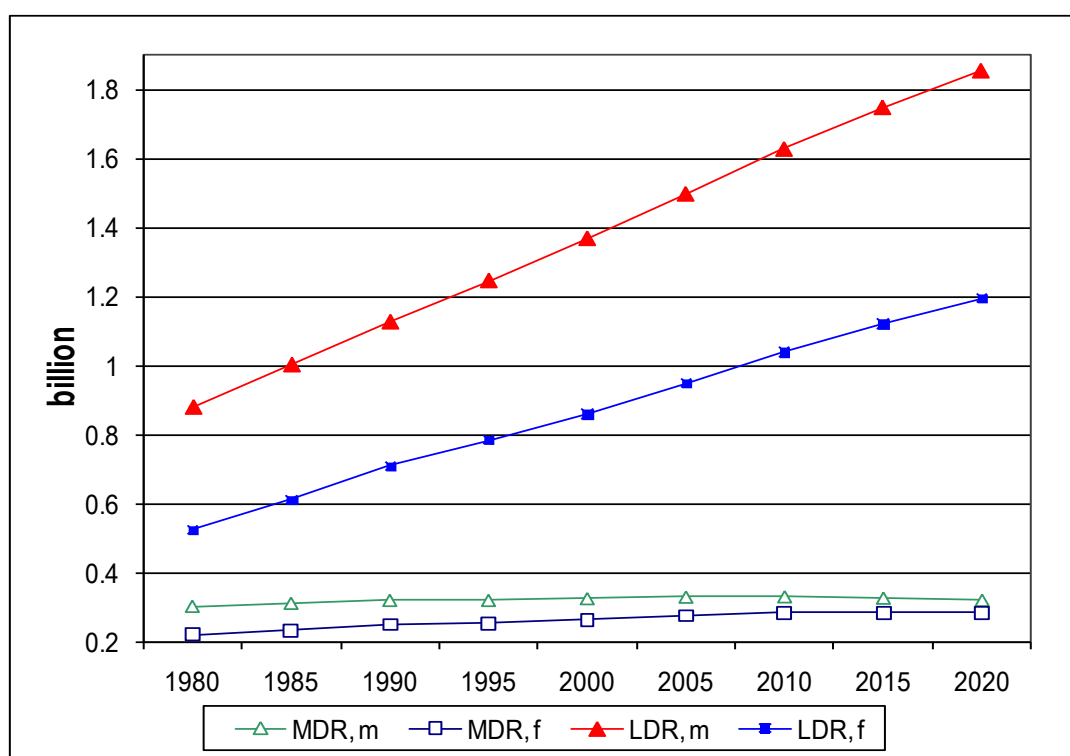
In Asia, the total fertility rate in the Republic of Korea fell from 4.3 children per woman in 1970–75 to 1.2 in 2005–10. In China, it fell from 4.9 in 1970–75 to 1.7 over the same period. By 2045–50, the total fertility rates for those countries are expected to rise to 1.5 and 1.9 respectively, which are levels that are again far below the replenishment rates.

A fundamental outcome of this global demographic development is that the proportion of the youth population will virtually stop growing or will even drop, so that the growth in the total dependency ratio – children (under age 15) plus older persons (aged 65 or over) per person in the working-age population (aged 15–64) – will be almost entirely attributable to the faster rise in the number of older persons. The labour force impact on many countries will be severe, as the share of youth and of people of prime working age in overall populations declines dramatically.

### 3.2. Labour force trends

These demographic trends have different implications for the labour force in different regions.<sup>2</sup> Although the global labour force is projected to grow by about 500 million workers by 2020, its growth will be highly uneven, rising strongly in less developed regions while stagnating in the most developed ones (see figure 3.2, showing projections for 1980–2020 by sex for the most developed and less developed regions).

**Figure 3.2. Total labour force, by sex, for more developed regions (MDR) and less developed regions (LDR), 1980–2020**



Source: ILO labour statistics database (Laborsta), as presented in ILO: *Employment and social protection in the new demographic context*, op. cit.

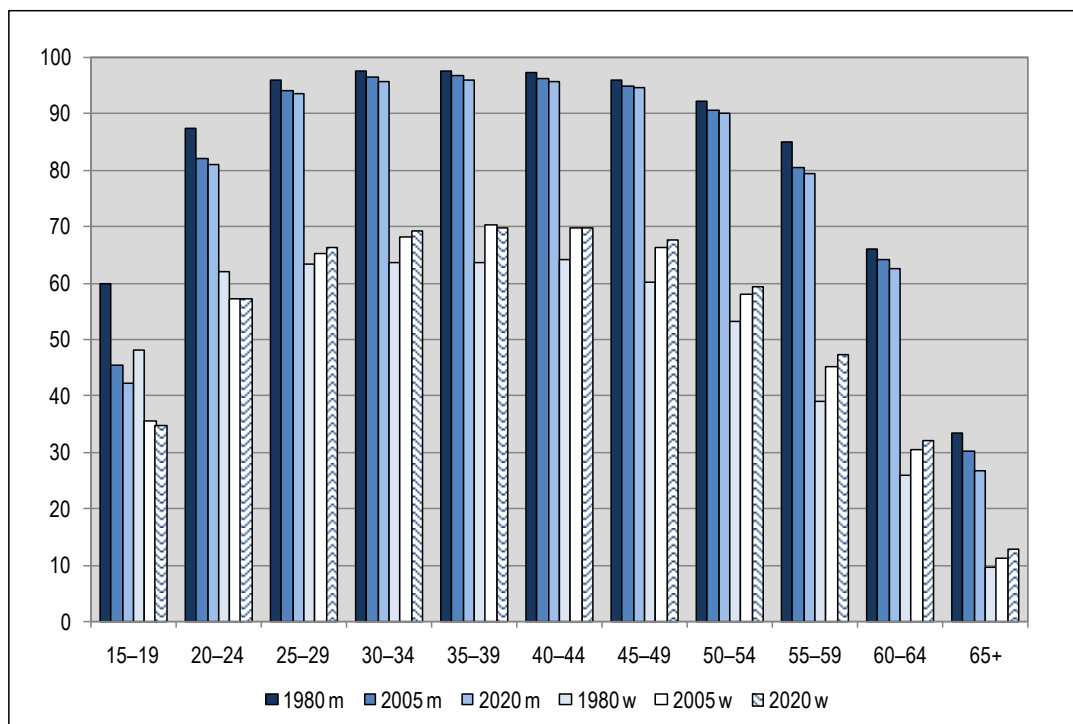
In the next decade, the labour force growth is projected to be particularly strong in the less developed countries, while slightly declining in the more developed regions.

<sup>2</sup> See ILO: *Employment and social protection in the new demographic context*, op. cit.

### 3.3. Labour force participation

Worldwide labour force participation is higher for men than for women, regardless of the age group, although female participation rates have increased in the last few years. There are significant differences in levels of participation depending on the age group, and regional trends differ depending on the level of development. As might be expected, the younger and older age groups present the lowest levels of participation. In the last decades, youth labour force participation rates have substantially decreased and their downward trajectory is expected to continue, in particular for young men, partially because of higher school enrolment and a tendency to remain longer in education. The drop in participation over the last three decades has been less severe for older age groups, and the reduction in male labour force participation is more than offset by the growth of that of women. The prime age groups 25–39 and 40–54 show the highest participation rates for all regions.<sup>3</sup> Figure 3.3 illustrates these trends.

Figure 3.3. World participation rates by sex (1980, 2005, 2020), as a percentage



Source: ILO: Laborsta, as presented in ILO: Employment and social protection in the new demographic context, op. cit.

### 3.4. Regional differences in participation trends

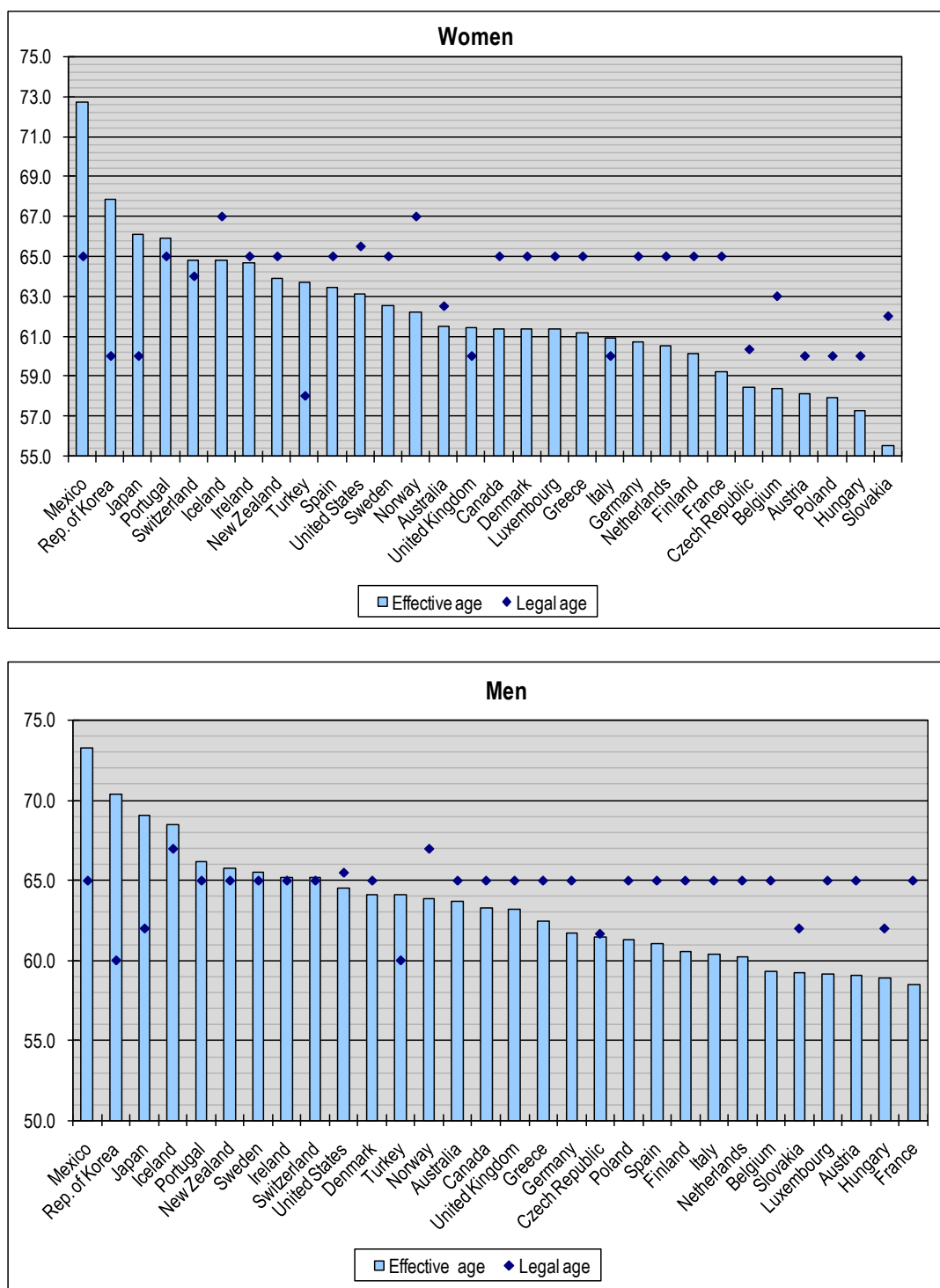
#### *Labour force participation of older age groups*

Despite sustained increases in longevity, the effective age at which workers have been withdrawing from the labour force in developed countries has paradoxically tended to follow a downward trend, at least until recently. Even though there seems to be a pause in this decline in most OECD countries, the effective retirement age remains well below the legal age for receiving an old-age pension, as shown in figure 3.4.

<sup>3</sup> *ibid.*



Figure 3.4. The effective age of retirement versus the legal age of retirement



Source: OECD data and national labour force estimates, 2005, as presented in ILO: *Employment and social protection in the new demographic context*, op. cit.

### Labour force and skill shortages

Several countries, in particular industrialized ones, are increasingly concerned about the prospect of severe labour shortages related to population ageing. A study commissioned by the Australian Government estimated a shortfall of 195,000 workers for

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the 2005–10 period as a result of population ageing.<sup>4</sup> In Sweden, some economic sectors are facing immediate labour shortages, mostly in big city regions where labour demand exceeds supply in some occupational categories. The Confederation of Swedish Enterprise has suggested that one solution to the labour shortage would be to attract more foreign workers into the Swedish labour market.<sup>5</sup>

A study prepared for the European Commission and cited in the ILO report *Employment and social protection in the new demographic context* predicts that current demographic trends are likely to generate major labour market bottlenecks and skills shortages, and all skill segments will be affected by future labour market imbalances. The study concludes that the jobs that will become available in the future will not be confined to those created to meet increased demand or to cater for new markets, but will consist also of existing jobs vacated by people retiring.<sup>6</sup>

### 3.5. Retirement patterns

A survey carried out in the United Kingdom that largely reflects universal motivations in retirement decisions made a distinction between “push” and “pull” factors in those decisions. Health problems, redundancy, reduced job satisfaction, caring responsibilities and a change in an individual worker’s role or the nature of the work itself are some of the push factors, with ill health being the most frequently mentioned. Pull factors include financial security (in other words the ability to afford retirement) and a preference for leisure over work.<sup>7</sup>

Retirement plans need to be placed in a larger social context, which involves decisions by a multitude of actors, including policy-makers, employers and the social partners. Workers themselves often view retirement and access to affordable health care as deferred remuneration for work during their earlier years.

<sup>4</sup> Australian Government, Department of Employment and Workplace Relations: *Workforce tomorrow: Adapting to a more diverse Australian labour market* (Canberra, 2005).

<sup>5</sup> European Industrial Relations Observatory On-line (EIROnline): *Tackling the shortage of skilled labour in industry* (2008) at: [www.eurofound.europa.eu/eiro/2008/01/articles/se08010209i.htm](http://www.eurofound.europa.eu/eiro/2008/01/articles/se08010209i.htm), as presented in ILO: *Employment and social protection in the new demographic context*, op. cit.

<sup>6</sup> European Commission: *The implication of demographic trends for employment and jobs* (United Kingdom, Alphametrics Ltd, 2005).

<sup>7</sup> P. Irving, J. Steele and N. Hall: *Factors affecting the labour market participation of older workers: Qualitative research*, Department for Work and Pensions, Research Report No. 281 (London, 2005), p. 3, cited in ILO: *Employment and social protection in the new demographic context*, op. cit.

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#### 4. Promoting the employment of older workers: An integrated life-cycle policy

While population ageing is irreversible, it will not be catastrophic if the right policy measures are put in place to cope with the inevitable labour shortages.

According to a 2010 analysis of the retail sector in the United Kingdom,<sup>1</sup> the potential pool from which retailers can draw employees is nearly three times greater for the 50+ age group than for the 16–24 age group. The potential is particularly immense when one considers that the retail sector currently draws on only 3 per cent of this age group. With the average age in the United Kingdom rising ever higher, the number of people in this age band could potentially increase by 22 per cent over the next ten years.<sup>2</sup>

With the reduction in the number of young people, the profile of workers available for employment in the retail sector will change; while people in the 16–24 age group will become more difficult to recruit, the potential to replace them with the 50+ category will increase. Although such older recruits bring a wealth of “life skills” which can enhance the level and quality of the retail customer service, the necessity for generic retail skills induction will still be required. The 2010 analysis notes, however, that while young and old applicants bring different benefits, they also come with different skills, qualities and attributes and thus present different challenges for employers (see table 4.1).<sup>3</sup> As might be expected, younger applicants are much more highly qualified in the area of information technology skills in the area of retail in comparison with older applicants. However, older applicants have more life skills than their younger counterparts, such as experience, the right attitude, communication skills and – importantly for the industry – customer-handling skills.

**Table 4.1. Skills, qualities and attributes lacking in applicants for United Kingdom shop floor roles, 2009**

Skills, quality and attributes	Younger applicants % lacking	Older applicants % lacking
Relevant job experience in retail	23	8
Right attitude to work	23	6
Verbal communication	21	5
Good customer handling ability	20	5
Information technology/computer literacy	5	20
Self-motivation/initiative	19	8

Source: ORC International, as presented in *Skillsmart Retail: Sector Skills Assessment: Skills priorities for the retail sector in Wales and the UK*, Dec. 2010.

The ability of the retail industry worldwide to maintain its current workforce age structure while the national demographic context undergoes fundamental change will be critical to the sustainability of the sector. The sector therefore needs to readjust its

<sup>1</sup> Skillsmart Retail: *Skillsmart Retail Analysis, The age of retail*, July 2010, at <http://www.skillsmartretail.com/sr/DocLibrary/DownLoads/The%20Age%20of%20Retail.pdf>.

<sup>2</sup> *ibid.*

<sup>3</sup> Skillsmart Retail: *Sector Skills Assessment: Skills priorities for the retail sector in Wales and the UK*, Dec. 2010.

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employment practices, work processes and working environment in order to attract more 50+ year olds, especially in sales and customer service roles.

A European Portfolio of Good Practice to combat age barriers in employment provides real-life practical examples of how companies in different sectors have gone about increasing their capacity to attract and retain older workers.<sup>4</sup> The portfolio covers five dimensions to age management in organizations, namely: job recruitment and exit; training, development and promotion; flexible working practice; ergonomics and job design; and changing attitudes to ageing workers within organizations.

While the abovementioned portfolio is primarily concerned with eliminating barriers to the employment of older workers, the present issues paper starts from the premise that the retail industry has moved further forward; it is, therefore, focused on the question of how to attract and retain older workers in the sector's workforce through training, development and promotion, flexible working practice, and ergonomics and job design, rather than on the other dimensions set out in the portfolio.

In developing appropriate strategies to cope with the impact of population ageing on the retail industry's workforce, including on the basis of the portfolio of good practice, it will be imperative for ILO constituents – governments and employers' and workers' organizations – to harness the full potential of social dialogue. The sector's social partners have consistently reiterated their recognition of a direct link between customer and employee satisfaction, in other words, that satisfied staff is usually a prerequisite for happier customers, and customer service is a fundamental differentiator across the industry. Because the changes needed to manage the effects of the demographic transition will necessitate adjustments on both sides, social dialogue will be a critical factor for a successful transition. It is fortunate in this regard, therefore, that the social partners have expressed a mutual interest in working closely together to align the sector's work processes to the needs of the new demographic realities, and thus to ensure that the sector can continue to compete effectively for an adequately skilled workforce. Policy-makers can also have a central role in supporting the necessary adjustments because some of the changes require government action, including, for example, with regard to pension rules, occupational health and safety regulations, policy and public support to training and human resource development.

#### **4.1. Training, development and promotion**

One of the conditions for the success of work adjustments and the retention of older workers is the establishment of work training programmes provided for workers of all ages and geared to their specific needs. Everyone, at every age, thinks and learns differently. In the course of their working lives, people who have received a considerable amount of training or who have had to carry out a variety of tasks are experienced learners – they are typically able to learn new skills and improve the ones they have with relative ease. Workers who have received little or no training, or who have carried out relatively simple and repetitive tasks for many years, will have limited knowledge and difficulties when confronted with new and unfamiliar tasks and the safety requirements associated with them. Changes in work require training, but older workers rarely receive it. Organizations often do not consider it worthwhile to train a worker nearing the end of his or her active

<sup>4</sup> A. Walker and P. Taylor (eds): *Combating Age Barriers in Employment: A European Portfolio of Good Practice* (Eurofound, 1998).

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life, and often workers themselves hesitate to undergo training, fearing they will not succeed. Furthermore, they do not always see the benefits that can be derived from it.<sup>5</sup>

In fact, with age, it is the manner of learning which differs. Generally, older workers tend to use experience and expertise when working, but it may take longer for them to learn new skills. Hence, training requirements for safe working may be different for older workers. Training may need to be more practical, and new skills explained in a way that fits into what they already know. One response to the training needs of older workers is, first, to use different teaching methods according to each person's age, knowledge and experience and, second, to allow a longer training period for older people. Effective implementation of training will also require the training of managers and supervisors, as well as a change of attitude, focused on maintaining the positive contribution of older workers.<sup>6</sup>

ILO constituents have consistently identified learning and training as a key driver of employability throughout the working life. This is as true for young labour market entrants as it is for older women and men workers across the world in any sector. Moreover, as noted earlier in this paper, older workers, especially in retail, tend to have attained much lower educational levels than their younger counterparts. However, individual and organizational barriers often constrain older workers from taking advantage of available training and development opportunities and thus reduce their chances of access to jobs and career progression. Time constraints, low levels of prior education and long periods of elapsed time since they were last in formal learning are frequently cited as barriers to older workers taking up training and skills development opportunities. A lack of confidence about returning to education, especially in classroom-based settings, may deter older workers, especially women, from updating their skills or qualifications. The pressure to keep up with rapid and continuous technological changes in retail can sometimes contribute to early exit. Learning and development strategies to support the attraction and retention of older workers should also include recognition of prior learning, so as to recognize the competencies they have accrued along their career paths. Inability to recognize such prior learning or appropriate experience in lieu of training can be a disadvantage to older workers. Similarly, many older workers in part-time or other atypical forms of employment may have less access to employer-supported training. This will often be the case with older female workers, who constitute a sizeable proportion of shop-floor retail workers.

In this regard, the European Portfolio of Good Practice is aimed at ensuring that older workers are not neglected in training and career development, that opportunities for learning are offered throughout their working life and that positive action is taken where necessary to compensate past discrimination. Good policies and practices to achieve these ends include the creation of a learning environment at the workplace, ensuring that training is available regardless of age, and making training "older worker friendly" by tailoring it to the learning methods and experience of older employees or by providing special courses to redevelop the ability and enthusiasm to learn. Good practice in this area may be promoted by non-workplace based initiatives.

<sup>5</sup> A. Laville and S. Volkoff: "Elderly workers", in *ILO Encyclopaedia of Occupational Health and Safety*, fourth edition (Geneva, ILO, 1998), cited in ILO: *Employment and social protection in the new demographic context*, reissued by the Employment Policy Department and Social Security Department (Geneva, 2010).

<sup>6</sup> ILO: *Employment and social protection in the new demographic context*, op. cit.

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However, given the complexity of the role of learning and development in the attraction and retention of older workers in the retail industry and its interdependence with other factors, such as regulation, and the alignment of education and training options with individual and sectoral requirements, further investigation of this issue would be useful.

## 4.2. Flexible working practice

Flexible working practice covers both the way jobs are designed and the way working hours are arranged. Flexibility in work arrangements can benefit older and younger workers and is an important factor in the retention of workers all across their working lives, including by facilitating their re-entry into the labour market. It fits with the idea of lifelong non-linear career paths enabled by flexible working arrangements. Flexible employment arrangements adapted to needs provide an opportunity for older workers to supplement their pensions, while also providing enterprises with their interpersonal skills and experience.

Good practice in this respect is defined as affording older workers greater flexibility in their hours of work or in the timing and nature of their retirement. The value of such flexibility is also not restricted to older workers, as it can also benefit younger workers. However, specifically with regard to older people, such flexibility may be the only way of retaining this group in employment or may provide an attractive feature for recruitment purposes. There is evidence of a desire by older employees for greater flexibility in working practices and good practice therefore consists of accommodating these wishes as far as is practicable. Examples of such flexibility include gradual retirement, flexibility over retirement age and the provision of part-time employment (for those under and over retirement age).

## 4.3. Ergonomics and job design

A safe and healthy working environment is key in attracting and retaining any worker, no matter what their age, but takes on added importance in relation to older workers. Maintaining the ability of older workers to remain at work depends to a large extent on their functional condition, itself influenced by their past working history. Their health status in turn depends on the work post they occupy and the social, cultural and economic situation of the country they live in. Workers exposed to exhausting working conditions which increase the risk of work-related accidents and diseases may experience declining physical capacity in later years. This increases their vulnerability at work, while those who have had the advantage of lengthy schooling, followed by occupational training that equips them for work, generally tend to be in jobs where they can use their knowledge and progressively widen their experience, often without having to work in the most harmful occupations.<sup>7</sup>

Employment in physically demanding jobs or in jobs with difficult working conditions is a major cause of early labour-market exit among older workers.<sup>8</sup> Physically demanding jobs include general physical activities, handling and moving objects, spending significant time standing, or having any highly physically demanding work. It may also

<sup>7</sup> A. Laville and S. Volkoff, op. cit.

<sup>8</sup> H.J. Rho: *Hard work? Patterns in physically demanding labor among older workers* (Center for Economic and Policy Research, Washington, DC, August 2010), at <http://www.cepr.net/documents/publications/older-workers-2010-08.pdf>.

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involve cramped workspaces, labour outdoors or exposure to contaminants, hazardous equipment or distracting or uncomfortable noise. While the retail working environment is considered generally less physically taxing than most, a number of the preceding elements are prevalent in that environment.

Ergonomics and job design is therefore a critical dimension in the context of attracting and retaining older workers in retail employment. As the European Portfolio of Good Practice suggests, good practice with regard to job design may take the form of preventive measures or those intended to compensate for physical decline. On the preventive front, there is a wide range of ways in which work-induced illness and disability may be prevented by improved job design, for instance by the elimination of heavy lifting or violent twisting movements and the provision of beneficial lighting and seating. For those ageing workers that are experiencing physical decline, it is possible to modify the workplace in order to help them maintain their productivity and, therefore, to remain in employment. These might include changes in lighting levels to compensate for poor eyesight or alterations to workstations in order to avoid arduous bending and reaching.

Work ability, the idea of measuring the ability of an individual to sustain a working life, is relevant to attracting and retaining older workers in retail. The work ability concept emerged during the early 1980s in Finland, precisely as a result of concerns that the country's ageing population and early departures from the workforce were seriously damaging its economic success. The concept measures an interrelationship between the work capacity of the worker and the work he or she does. It takes into account all the factors that might influence that capacity, and make the job more or less doable.<sup>9</sup>

Poor work ability might be caused by poor health, poor work competence, skills or knowledge, inappropriate values and attitudes, poor working conditions or management. The individual's personal circumstances, the nature of the work, the working environment and other factors may also have a role. Work ability is not separated from life outside work; family and the close community to which an individual belongs can all have an impact.

A key idea is that while work ability appears to decline naturally as people age, various measures can enhance or maintain work ability, slowing down its decline, halting it, or even reversing it altogether through timely interventions. Maintaining work ability as a means of keeping people from early retirement through ill health and other reasons has developed into a central aspect of the human resource and workforce approaches adopted by Finnish organizations. Its maintenance requires good cooperation between supervisors and employees and the whole work community. Central roles are played by the occupational health and occupational safety functions in the organization.

Elements of the concept have been developed into an index widely used in Finland. They comprise:

- an individual's current work ability compared with their lifetime best;
- their work ability in relation to the demands of the job;
- the number of diagnosed illnesses or limiting conditions from which they suffer;
- their estimated impairment due to diseases, illnesses or limiting conditions;

<sup>9</sup> See The Age and Employment Network (TAEN): *The Finnish concept of maintaining work ability*, at [http://taen.org.uk/uploads/resources/Briefing\\_on\\_Work\\_Ability\\_web.pdf](http://taen.org.uk/uploads/resources/Briefing_on_Work_Ability_web.pdf).

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- the amount of sick leave they have taken during the last year;
  - their own prognosis of their work ability in two years' time; and
  - an estimate of their mental resources.

Poor scores are a predictor of early retirement, among other outcomes, unless interventions are introduced.

In Finland (and increasingly in a number of other countries and sectors), collective agreements have encouraged employers and unions to collaborate locally to flesh out and apply the concept in workplaces. The pay-off includes retention of skilled workers who continue to contribute to their organizations. Improvements in productivity and quality are also claimed as outcomes.



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## 5. Conclusion

Population ageing is now recognized as a universal phenomenon that, unless properly addressed, will have a negative impact on countries' future economic and social well-being. While developed countries have advanced the furthest in this demographic transition, most developing countries are expected to be similarly affected in the decades ahead, although it is difficult to predict how closely the effects will resemble those in the more developed countries.

As the share of the youth population declines and that of those aged 50 and over increases, to remain competitive the industry must increasingly draw its workers from the expanding population segment of the older age group. These concerns are especially critical for a sector known for its combination of high labour-intensity and above-average labour turnover.

Measures to make the sector more attractive to such older workers need to be developed and implemented by retail social partners in cooperation with policy-makers. Such measures could draw on good practices that already exist in both public and private sector organizations, covering such areas as: training, development and promotion; flexible working practices; and ergonomics and job design.

Social dialogue among employers and trade unions in the sector could greatly facilitate the adoption of effective measures to enhance the sector's ability to attract and retain workers of all ages in a highly competitive demographic context. Such dialogue is crucial to ensure that the measures adopted in this regard are well suited to the specific characteristics and needs of the retail industry.

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## Points for discussion

1. What are the employment and occupational characteristics of retail commerce and the working conditions in that sector?
2. What are the current age profiles of retail commerce workers and how are these profiles and the sector's workforce likely to be affected by global demographic trends, especially ageing populations?
3. What are the main factors shaping future labour demand in retail commerce?
4. How can the retail sector increase its competitive capacity in the labour market to attract and retain older workers with respect to: terms of employment; working conditions; occupational health and safety; flexible working; and training and staff development?
5. In the context of global population ageing, how best could the ILO and its constituents support decent work in the retail sector?