

UNI Europa Commerce Breaking through !

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Synthesis report for UNI Europa Commerce

By David Tarren, Researcher.

FOREWORD

Dear Delegates, Dear Colleagues,

Nearly 30 million people go to work every day in the commerce sector. Our members – commerce workers of Europe – whether they work in IKEA in Stockholm, Zara in Barcelona, TESCOs in Manchester, Lidl in Dortmund, Carrefour in Paris, or H&M in Warsaw - take pride in their jobs and offer quality services to European customers. They contribute significantly to the European economy.

But as the synthesis report shows, European commerce workers are asked to work hard, with increasingly unsocial hours and job insecurity to lower than average wages and with unsatisfactory access to training.

While the terms and conditions of our workers vary considerably from country to country, the general trends are common. Our members work in a highly price competitive market that has created a downward pressure on wages and an increase in part-time work. The commerce sector is also increasingly dominated by large companies that operate across more borders than ever before.

In other words, the commerce sector is now more than ever European. This demands a European trade union presence and gives us added incentives to improve the European dimension of our trade union work.

The report highlights a fundamental problem in the European commerce sector – as a result of lower trade union membership and collective bargaining coverage; there are fewer workplace representatives and lower rates of employee representation on works council or other consultation bodies. Our strategy must, therefore, begin and end here: to make our trade union presence more extensive and effective throughout Europe.

The report speaks for itself. It highlights the problems we face in the commerce sector and points us in the direction we need to focus our efforts. It adds weight to the resolutions put before the UNI Europa Commerce Conference that we have drafted under “European Works Councils at the hear of European trade union strategy”, “Organising in Commerce”, “Working hours and work/life balance”, “Employment and quality services” and “Inclusive labour market”

We need to change the mindset among employers in the commerce sector. A viable, sustainable, economically successful commerce sector relies on its greatest asset – its hard-working and skilled workers.



Jørgen Hoppe
President UNI Europa Commerce
President HK HANDEL Denmark

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1.0 Introduction

This document represents a synthesis of a number of other important and recently produced documents about the European commerce sector. These reports examined the broad issues around employment relations in the sector, the sector itself in terms of trends and developments in technology, patterns of ownership, markets and possible future developments.

The structure of this synthesis is divided into several sections, the first of which offers an overview of the sector gleaned from research carried out by UNI Europa, EuroCommerce and the European Commission. The following sections highlight a specific area, which has been previously identified as a priority by UNI Europa Commerce and its affiliates. The document then examines the relevant recent research by institutions such as EuroCommerce and the European Commission and draws together the implications or resulting positions of these organisations, followed by a conclusion.

2.0 The European commerce sector

At the outset it is important to note that the commerce industry is divided into two distinct, although increasingly blurred, sub-sectors: Wholesale (often referred to as the Upstream market) and Retail (the Downstream market). The wholesale sub-sector typically covers those businesses producing goods or services for retail and the retail sub-sector refers to the sale of these products and services to the 493 million consumers across Europe. However despite this distinction, in recent years evidence shows a degree of assimilation between the two with a number of companies serving both the wholesale and retail markets.

The European commerce sector contributes 11% to Europe's GDP¹ and employs around 14% of the European workforce. It is a labour intensive sector to which one out of every three European companies is connected².

2.1 Companies and their workforce

- According to Eurostat, in the fourth quarter of 2008 the retail and wholesale sectors together employed around 24 million people.
- The UK has the largest commerce workforce in Europe, followed by Germany and Spain.
- The size of commerce workplaces varies considerably and the average number of workers per location in the UK is 15.5 (the highest in Europe), the same figure for Spain is 3.45. The average sized commerce business in Europe employs less than 20 people.
- Roughly equal numbers of workers in the UK commerce sector are employed by firms with a workforce of more than 250 (32%) and those with less than 20 workers (just under 30%).
- By contrast commerce workers in Romania tend to work for firms employing less than 20 (70% of the sector's workforce), as opposed to larger firms (10%).

¹ Eurocommerce (2010)

² Eurostat (2010)

- The sector's smaller firms have been crowded out by larger commerce companies that now operate across more borders than ever before.
- As with other service sectors, the retail sector tends to employ a greater share of female workers (62%) than the wholesale sector (33.5%).
- Incidences of working overtime vary from country to country. Those in which the most overtime is worked in the Netherlands, Germany, Malta and Denmark.

2.2.1 Precarious work

The high use of atypical employment contracts in the sector produces lower job security and workers employed under these conditions are more easily dismissed when demand for goods reduces, as has been observed throughout the current financial crisis. As a result of the extensive use of atypical contracts the sector is often the first point of entry for workers joining the labour market who tend to view their employment in commerce as a temporary arrangement. According to the Commission, the retail sector offers greater opportunities for entrepreneurs than other sectors, due to its higher than average proportion of self-employed workers.

2.3 Part time work

- Part-time work is more prevalent in the sector than elsewhere within EU15 countries³.
- Part-time work accounts for a large share of employment in the sector (29% of the retail sector) representing a higher than average share among the service sectors generally⁴.
- The sector generally relies upon part-time work with the highest incidence of part-time work found in the Netherlands, followed by Belgium, Germany and the UK⁵.
- Furthermore, with the exception of Germany, the aforementioned countries tend to have a relatively higher share of higher qualified staff working part-time in the sector.⁶
- However the sector's dependence on involuntary part-time work also varies across member states with the highest share in Bulgaria (48% of the Bulgarian commerce sector) and the lowest in the Netherlands (less than 4%).
- In terms of measuring the voluntary nature of part-time work, 20% of the retail service sector workforce who worked part-time would prefer other working arrangements, compared to the European average of 16%.
- Growth in part-time work appears to be greater in Ireland, Spain, Slovakia and Greece where it doubled or tripled in recent years⁷, yet in two of these countries (Spain and Greece) the greatest demand for full-time contracts among part-time workers has been recorded⁸.

2.4 Organisation of working time

³ Preliminary Findings of the European Company Survey, Eurofound (2010)

⁴ "Towards more efficient and fairer retail services in the Internal Market for 2010", European Commission staff working document (2010)

⁵ Preliminary Findings of the European Company Survey, Eurofound (2010)

⁶ Ibid

⁷ Ibid

⁸ Eurostat, Labour Force Survey (2007)

- A big issue for the sector is the prevalence of Sunday working, and in this respect there are large variations across Europe.
- Employers in the commerce sector state that variations in demand are seasonal and, as a consequence, are more foreseeable than in other sectors.⁹

2.5 Fixed term contracts

- Fixed term contracts are also more prevalent in the retail sector than elsewhere and the sector's share of these has risen over the past decade¹⁰.

2.6 Temporary Agency Work

- Figures for the use of TAW in recent years by sector are hard to come by. However the share of TAW in commerce has grown in Italy, Austria (5% of all the country's TAW placements are found in the commerce sector), Portugal (13%) and Hungary (7%)¹¹.

3.0 The economic crisis in the commerce sector

The commerce sector has been less affected by the financial crisis itself than it has by ongoing sectoral trends, which have accelerated over the past few years. For example there are now less SMEs while larger commerce firms have expanded their geographical reach. At the same time the sector has experienced an increase in the use of atypical employment, especially the use of part-time contracts. However the general trend of the decentralisation of collective bargaining in the sector has slowed due to the crisis as employers and trade unions have sought to prevent job losses across sectors.

As has been the case across most sectors, the crisis led trade unions to turn their focus away from improvements to terms and conditions to focus instead on job security. The typical commerce employer response throughout the crisis has been to freeze wages and to increase the duration of collective agreements. In the last two years, UNI Europa commerce affiliates have highlighted increases in the following (in order of frequency):

- Increases in workload, stress and violence
- Job losses
- Extensions to opening times (including Sunday opening)
- Restructuring
- Recruitment freezes
- Decreases in working time
- Increase in the use of agency workers

4.0 Poor representation for commerce workers

The sector exists within a relatively weak framework of social dialogue, in which employee representatives and employers "make sincere efforts to resolve common problems". However, relative to other sectors, there appears to be less interest in the outcomes of discussions between employers and employee representatives and in the process itself.¹² Social dialogue in the sector has been worsened by the general dilution of trade union membership across the EU27 over the

⁹ Preliminary Findings of the European Company Survey, Eurofound (2010)

¹⁰ Ibid

¹¹ Arrowsmith, J. "Temporary Agency Work in an enlarged European Union", Eurofound (2006)

¹² Preliminary Findings of the European Company Survey, Eurofound (2010)

past two decades. Trade union density in the sector stands at roughly 10-15% which is lower than the European average¹³. The scope of collective bargaining in the sector is usually limited to wages and joint initiatives are rare¹⁴. In addition, in those countries with a lower than average coverage of collective bargaining the situation in the commerce sector is even bleaker. One possible explanation for the lower than average collective bargaining coverage is the high number of small companies in the sector.

Interestingly, in those member states with relatively low collective bargaining coverage the commerce sector's own coverage is "significantly lower than for the whole economy." However where there is a relatively high level of coverage, the commerce sector "deviates less from the national average."¹⁵ This trend can also be seen in the relationship between the number of workplaces with employee representation and collective bargaining coverage.

If only those companies in which all employees are covered by a collective agreement are considered, the highest levels of collective bargaining coverage in the sector can be found in Spain (91%), Italy (90%), followed by Austria (72%), Sweden (71%) and Macedonia (70%). In the same way, those member states with the lowest coverage of collective bargaining in the commerce sector are Malta (1%), Turkey (3%), followed by the UK and Estonia (both 9%).¹⁶

As a result of lower trade union membership and collective bargaining coverage within retail, there are fewer workplace representatives and thus lower rates of employee representation on works councils or other company level information and consultation bodies. These factors are particular pronounced in New Member States where the system of employment relations and social dialogue is less developed. Obviously this is not the case in all Member States and in some cases the opposite is true - for example in Portugal only 4% of retail workplaces have employee representation compared to 20% of workplaces across the Portuguese economy generally, while in Finland the figures are 88% and 90% respectively¹⁷.

The perception by employee representatives of their influence over issues at work is better than average in a number of areas such as employment and human resource planning, changes in work organisation, restructuring and career management. However employee representatives perceive their influence to be lower than the average for the total economy in areas such as changes in working time and the determination of pay.¹⁸

Finally, employment relations within small independent shops tend to exist within a less formal environment of employee representation or social dialogue, a situation that is exploited by larger firms in the sector via Franchise arrangements (see below).

4.1 Weak employment protection for commerce workers

Overall while the Commission suggests that employee representation and good social dialogue can help support the adherence by companies to national labour law, preventing a race to the bottom, it accepts that "the problems [in the sector] stem from the non-adherence to the existing rules and the ineffective enforcement of those rules."¹⁹ Thus, Member States need to invest in their systems for detection and management of labour law non-compliance. Consequently the Social Partners have

¹³ "Industrial relations developments in the commerce sector in Europe", Eurofound (2010)

¹⁴ Ibid

¹⁵ "Industrial relations developments in the commerce sector in Europe", Eurofound (2010)

¹⁶ Preliminary Findings of the European Company Survey, Eurofound (2010)

¹⁷ "Towards more efficient and fairer retail services in the Internal Market for 2010", European Commission staff working document (2010)

¹⁸ "Industrial relations developments in the commerce sector in Europe", Eurofound (2010)

¹⁹ Ibid

called on the Commission to simplify and reduce the administrative burden, especially for SMEs, to reduce undeclared work as well as greater communication to employers of the advantages in acting as genuine businesses.

A key concern for the social partners and the Commission is the variety of national employment relation systems that result in significant variation between employees across Member States. These concerns focus on the need to strengthen social dialogue, given its prominence in both the social aspects of the European employment model and its contribution to productivity, governance and competitiveness. To this end the social partners have sought support from organisations such as the International Labour Organisation, for capacity building projects to strengthen social dialogue and to improve the effectiveness and operation of collective bargaining in the new Member States.

In addition the social partners have expressed their commitment to maximising the effectiveness of social dialogue through connecting mechanisms for dialogue at the company, local, national and transnational levels. This process will carry greater significance following the introduction of the new provisions for European Works Councils on 5th June across the EU27, which has been transposed into national legislation, as a result of “recast” EWC Directive.

5.0 Skills and training

Employees in the retail sector tend to be younger and tend to have a lower than average level of education, although in the last decade the education level of workers employed in the sector has increased, both in terms of secondary and tertiary education attainment^{20 21}. The precise movements within the skills spectrum are highlighted by a recent Commission document which shows that there appears to have been a reduction of those workers with a lower skill level and a corresponding increase among workers with higher skills. The proportion of workers with medium skill levels appear to have remain unchanged in the past decade, accounting for about 50% of the retail workforce.²² It is important, as has been stated by the Commission, that due to a growing reliance on ICT technology, employers in the sector ought to give consideration to retaining key skilled workers in this area to assist in the transition towards greater utilisation of newer technology. Furthermore, there will be a greater demand for workers with ICT skills in the future as firms move towards investments in RFID technology, self-scanning and automatic check-outs and technology that gathers ‘real time’ information regarding sales and supplies.

It is also clear that in the future employers in the sector will require workers to multi-task which will require higher skill levels. However the Commission accepts that demanding greater skills, and a broader skills base from employees will require higher rates of remuneration in return. Overall, as highlighted by the joint statement of the Social Partners, “investment in new technology requires investment in workers”.²³ Within the commerce sector, as with many others, there is a mismatch between the skill requirements of the sector and the skills within the labour market. Thus the social partners have shown an interest in the creation of a European Skills Council for the commerce sector in an attempt to improve the signals by the industry of the skills required to training providers.

There are clear links between training and productivity and through the increased use of new technology, this will become even more apparent. But vocational training is not the only way to raise individual’s skill levels and lifelong learning is a crucial element in the development process.

²⁰ “Industrial relations developments in the commerce sector in Europe”, Eurofound (2010)

²¹ “Towards more efficient and fairer retail services in the Internal Market for 2010”, European Commission staff working document (2010)

²² Ibid

²³ Joint Statement between EuroCommerce and UNI Europa Commerce regarding the E.C Retail Market Monitoring report

6.0 Technological trends

A major development over the past decades has been the move towards greater efficiency of logistical operations, driven on the whole by globalisation. Changes in the sourcing, production and supply chain, to a large extent driven by lower transport costs, have permitted increases in the distances goods travel between producers and retailers, resulting in greater cross-border supply, concentrated among fewer larger companies. Commerce companies are keen to reduce transport costs as the costs associated with goods in transit account for between 10-15% of the final cost of the product²⁴.

The movement towards cost reductions in logistics, particularly storage space, has over the past 50 years led to a greater use of 'on demand' production and 'just in time' delivery, placing a greater reliance on ICT usage to achieve optimum cost reductions. In addition ICT technologies have the capacity to reduce costs through the reduction in waste as a direct result of methods such as 'just in time'. The underlying strategy is to reduce the time goods spend in the supply chain and in transit, and this has led to the growth of central purchasing systems, large distribution centres and larger firms offering transport services to smaller independent retailers. This increased use of ICT has allowed companies to share information, increasing efficiencies between suppliers and retailers. Suppliers often complain about having to over produce due to the uncertainty of the production requirements of retailers as they alter their demand on a day to day basis in a bid to meet changing customer demands. Thus, ICT technology has the potential to impact on issues around supply and demand, stock volumes and prices.

The use of data and ICT is a key driver of innovation throughout the entire commerce sector and is believed to be a major factor in the growth of the productivity gap between the sector in the United States and Europe. However the rate at which European commerce firms invest and utilise ICT techniques varies significantly across Member States and with the size of companies. While UNI Europa accepts that new technologies should be adopted, it is concerned that the resulting change can have a negative impact on employment levels and the quality of jobs. The Federation suggests that there ought to be better anticipation of these changes "in order to avoid or minimise the social consequences of these technological changes as much as possible".²⁵

7.0 Social dumping, the informal economy and precarious employment

In 2010, the President of UNI Europa Commerce, Jörgen Hoppe highlighted the impact of the "strong price competition" that exists within the sector which serves to create a downward pressure on wages. UNI Europa Commerce has repeatedly stated the direct link between the quality of work and productivity.

There is an appreciation by the Commission that the sector's high labour turnover isn't necessarily a problem, providing it offers opportunities for new entrants to the labour market to build up knowledge so they can move on elsewhere. However it is the view of UNI Europa Commerce that high quality services are not produced by a workforce that is constantly changing through high labour turnover. But the Commission does warn that poor working conditions will drive away workers with higher level skills, and greater loyalty, rather than attracting and retaining them.

There has been an increase in precarious employment, part-time work, the use of shift patterns and an increase in the rate at which employers reorganise working patterns and the organisation of work. In particular the use of flexible work, for employees in the sector, has "in many cases become

²⁴ Ibid

²⁵ UNI Europa Commerce statement on additional elements regarding the E.U Commission 'retail market monitoring report' (2010)

incompatible with the organisation of their private lives".²⁶ UNI Europa Commerce states that the commerce sector, although tailoring its services and business to the benefit of consumers, must not do so in isolation of wider society. While the sector makes a large contribution to society it must also keep in mind its responsibility as an employer and as such ought to consider more the social impact of these changes on the lives of its workforce. For example, the use Sunday work "contradicts the European Parliament's, the Council's and Commission's target of increasing women's participation in the labour market"²⁷, as women are unlikely to be able abandon their family role for such work. In fact women are disproportionately affected by the shifts in working patterns across the sector due to them being the primary carer in many families and the lack of available childcare facilities. Thus the Commission has been urged by its European, Economic and Social Committee to "carry out a specific study on the impact of shop opening hours, including Sundays, on local economic and social development, the level of service provided for consumers, and employees' quality of life".²⁸

Due to its relatively heavy reliance on labour, the drive for cost minimisation will undoubtedly, at some point, come to bear on worker's terms and conditions. Thus, employer attempts to optimise labour input costs will have an impact upon working time and shift patterns, as employers design schedules to match customer demands, resulting in greater labour flexibility. This in turn increases employer's demands for part-time, temporary and seasonal workers. Even those engaged in permanent, full-time employment will be subject to what the Commission terms "personalised work schedules which can vary week to week or even day to day".²⁹

The Commission supports attempts by employers to reduce labour costs and refers to them as "novel labour-saving formats"³⁰, even suggesting that SMEs, due to their lack of buying power, ought to "minimise wages and contributions for the social and retirement needs of ... their employees". In terms of the informal economy, the Commission states that illegitimate firms operating in the commerce sector will pressurise genuine companies to "keep overall labour costs for unskilled work as low as possible".³¹

Differences in labour regulations across member states poses challenges for trade unions and can lead to what the Commission terms the "adopt[ion] ...[of] ... questionable practices of the incumbents in those Member States in order to be competitive". However, while UNI Europa considers this acceptable within a framework of principles that are respected in the host country, it does make clear that growth in employment within the sector has been "at the expense of worker's terms and conditions" and that "many jobs created in the retail sector are underpaid and within unacceptable working time frames".³²

The Commission suggests that "labour cost utilisation should not imply lower wage and working conditions"³³ as excessively lowering labour costs can be counterproductive, especially in those parts of the sector that provide specialist or personalised services. The social partners in the sector agree that in order to ensure good governance and a respect for labour law and collective

²⁶ Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Retail market monitoring report "Towards more efficient and fairer retail services in the internal market for 2020" (2011)

²⁷ UNI Europa Commerce statement on additional elements regarding the E.U Commission 'retail market monitoring report' (2010)

²⁸ Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Retail market monitoring report "Towards more efficient and fairer retail services in the internal market for 2020" (2011)

²⁹ "Towards more efficient and fairer retail services in the Internal Market for 2010", European Commission staff working document (2010)

³⁰ Ibid

³¹ Ibid

³² "Statement on additional elements regarding the E.U Commission 'retail market monitoring report'", UNI Europa Commerce (2010)

³³ "Towards more efficient and fairer retail services in the Internal Market for 2010", European Commission staff working document (2010)

agreements, social dialogue “is a crucial instrument for discussion, consensus building and agreement on reform paths”³⁴. The European Commission makes the point that as the retail sector employs a large number of vulnerable groups, i.e. the young and inexperienced, and due to its high labour turnover particular attention ought to be given to health and safety risks and their management.

Due to the pressures to minimise labour costs, companies are constantly seeking new approaches to avoid additional employment regulation. As such the use of Franchises is popular among a number of large commerce business and, due to their size, these units are not required to adhere to a number of important legal obligations such as establishing information and consultation mechanisms. However, due to the limited availability of data on this matter further investigation into this issue is required.

Annex A

To produce this synthesis, the following documents were examined:

- Retail Services in the Internal Market, European Commission (July 2010)
- Statement on additional elements regarding the E.U Commission ‘retail market monitoring report’, produced by UNI Europa Commerce (October 2010)
- Joint letter from the social partners to Mr Faull, Director General DG MARKT at the European Commission (September 2010)
- EESC Opinion on the European Commission’s Retail Monitoring Report (January 2011)
- Vocational education and skills development for commerce workers, International Labour Organisation (2008)
- Industrial relations developments in the commerce sector in Europe, Eurofound (2010)
- UNI Europa Commerce EWC report, ADAPT International (January 2011)
- Speech by UNI Europa Commerce President Jörgen Hoppe at the Commission conference “Towards a fairer and more efficient retail sector in 2020”, 27th October 2010

³⁴ Joint statement between EuroCommerce and UNI Europa Commerce regarding the social aspects of Retail Market Monitoring