

Sector Review

Organizational Health & Wellness Trends in RETAIL & HOSPITALITY

Insights from the WarrenShepell Research Group



WarrenShepell


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EXECUTIVE SUMMARY

The retail and hospitality sectors account for a significant and growing portion of North American employment and consumption. Yet, as we have seen over the last few years, these sectors are also highly vulnerable to global events, competition, and a fluctuating economy. The 'health' of retail and hospitality is therefore closely and precariously tied to the prosperity and well-being of many Canadians.

Careers in retail and hospitality can be socially rewarding and stimulating in their focus on directly meeting customer needs. However, our research indicates that, relative to other sectors, associates in retail and hospitality face a number of unique stressors in their personal and work environments.

- the occurrence and threat of armed robbery is ever-present to retail associates in particular
- on the home front, associates report higher incidences of domestic violence. Again, this is especially the case for retail, where the rate of reporting is more than twice the national norm
- both retail and hospitality associates report greater stress and depression symptoms than employees in other sectors
- especially within hospitality, there are signs that associates may engage in substance use to cope with their distress. Alcohol, smoking and anxiety present at higher frequencies in hospitality than in other sectors, signaling a potentially costly source of absenteeism and presenteeism (associates at work but less-than-optimally productive) linked to lifestyle issues, not to mention detrimental health consequences for the individuals themselves

Job strain, effort-reward imbalance, and the apprehension of future events may combine to create a challenging environment in which to manage, motivate and retain healthy retail and hospitality associates. Given that EAP utilization in retail and hospitality runs slightly below national norms, the higher incidence of these serious psychosocial and mental health issues may represent the tip of the iceberg and a significant risk for retail and hospitality employers.

The last few years have seen groundbreaking studies on the relationships among employee satisfaction, customer satisfaction, and revenue in these sectors (e.g., the Employee-Customer-Profit Chain). This model is helpful for framing our own results and suggests specific areas for organizational development. Taken together with the trends noted here, retail and hospitality employers are in an excellent position to develop and implement specific interventions for the psychosocial and mental health issues causing high rates of distress in workplaces that are already highly susceptible to economic and market fluctuations.

THE INDUSTRY

Retail and hospitality represent a sizable portion of the Canadian economy, accounting for over 50 per cent of total consumption in Canadian households and almost 7 per cent of gross domestic product. Retail in particular, which includes food, clothing, housewares and household equipment, employs over 7 per cent of the Canadian population or approximately 1.75 million Canadians. The sector is also growing. Wal-Mart and other chains are planning massive expansions over the next five years. It is currently estimated that one in eight graduating students in Canada will make their careers in retailing.

Retail and hospitality have suffered financially in recent years. They are among the first sectors to weaken in an

economic downturn, as witnessed over the last two years. Additionally, 9/11 and SARS have taken their toll, especially in the hospitality sector with its emphasis on air travel and human contact. Canadian businesses in retail and hospitality have also struggled to respond to increasingly demanding consumers in the midst of global competition. Eaton's and Woolco are gone while Wal-Mart, Old Navy and Best Buy have proliferated and prospered. Together, these factors have led to widespread acquisitions, downsizing, and restructuring in the industry. The pain felt in retail and hospitality is not trivial. Given their size, the economic problems of these sectors are the problems of the Canadian economy in general.

THE EMPLOYER/EMPLOYEE EXPERIENCE

The retail work environment has been characterized as high stress. The hours are long and shiftwork is the norm. The industry is dominated by part-time workers, which translates on average to lower pay, fewer benefits and less job security. Retail associate commitment tends to be low. Given these factors, retailers are challenged to attract and retain the best talent as well as create a healthy and productive work environment. However, managers are often young. They typically come up through the ranks, and find themselves in charge of a very challenging workforce, in a challenging environment. Wages are low, so managers must find ways to motivate and train associates to achieve sales targets. Add to this the difficulty in taking retail associates 'off the floor' to train or manage them. Because of these challenges, some retailers have emerged as standard-setters in best practices to create engagement, team spirit and loyalty - it's all about fun and teambuilding.

Work in hospitality shares a number of the same features as retail. Customer satisfaction and loyalty are the lynchpins of both industries. Thus, the customer is the *raison d'être* for associates. Associates are expected at all times to ensure positive customer experiences and reflect the brand in all they do. Meeting and serving customers can be an intrinsically-rewarding aspect of the job.

However, there is a price to be paid. Constant contact with clients, especially difficult ones, can be exhausting, leading to stress, burnout, and negative associate attitudes (e.g., cynicism). The importance of associate attitudes cannot be overstated. As demonstrated by the Employee-Customer-Profit Chain at Sears, associate satisfaction impacts the bottom line through customer satisfaction¹. While these findings have been taken to heart by many employers, it is difficult to say how many are making the extensive changes suggested by the researchers to improve associate well-being.

Retail jobs are often maligned. Many younger workers consider them as pit stops or stepping stones to something greater. Other workers, such as those who are older or in second careers, new immigrants or individuals re-entering the workforce, often do not consider retail a career. In

contrast, hospitality associates tend to see their work more as a career choice. This may act as a buffer against workplace stressors. However, it could also spell trouble for employers who seek to retain the best talent. Research indicates that highly-engaged associates are more likely than other associates to leave when the work environment does not enable them to perform at their best².

Age & Gender

Retail associates tend to cluster into two groups: those who are younger than average (including students) who may be male or female, and older associates who are more likely to be female.

Education

Retail and hospitality are growing industries. However, it has been noted by some work researchers that most of the growth has been restricted to lower-paying, front-line service jobs in retail, accommodation and food services. As the education level of the average Canadian worker increases, it may be more difficult to attract, motivate and retain associates in these sectors. Additionally, as retail and hospitality continue to grow at the expense of other sectors, and employers across Canada continue to shift a large part of their workforces into part-time, temporary and contract positions, current associates with strong skills and high education may perceive few employment alternatives and begin to feel trapped in jobs that offer few intrinsic or extrinsic rewards. Possessing higher skills and education in a work environment that cannot or will not use them is a known factor in burnout.

Unionization

Retail associates are typically not unionized. Large retail chains such as Wal-Mart are adamantly anti-union. Grocery chains tend to be unionized (e.g., UFCW; United Food & Commercial Workers Union). Many workers in the hospitality industry are also represented by unions (e.g., HERE; Hotel Employees and Restaurant Employees International).

Language / Culture / Ethnicity

Retail and hospitality organizations have highly diverse employee populations, and are known as environments in

which new immigrants to Canada can gain Canadian work experience. Many positions in retail and hospitality do not require indepth technical knowledge or other specific skill areas as other sectors, and therefore often attract new Canadians who can gain entry to the workforce through this sector. Hospitality, with its emphasis on travel and tourism, is highly multi-cultural, and an environment in which the ability to communicate in more than one language is highly valued.

Training

Training is one of the biggest challenges in retail and hospitality. This, in combination with a desire to enhance the image of retail as a viable career option, has led the Retail Council of Canada (RCC) to develop training and

certification programs that will raise the professional standards within the sector, improving both the skills of existing workers and attracting more applicants to the sector. On-the-job training is difficult to conduct in retail and hospitality as it requires managers to take associates, many of whom are part-time, off the floor. The high degree of turnover can also render training efforts wasteful if the training is taken elsewhere. It would appear that employers need to adopt innovative approaches to training to address these problems, including considering online training options, and offering paid training programs based on performance or tenure. In general, implementing solid training and development programs and incorporating these programs into 'employer brands' would likely go far to attract and retain employees in these sectors.

EAP TRENDS

Average Utilization

EAP utilization in the retail and hospitality sectors runs slightly below national norms (three-year average of 5.32% versus national norm of 7.89%). As in other sectors, retail and hospitality experienced a spike in utilization in 2001, which may be due in part to 9/11. These sectors were hit harder than others in the aftermath of 9/11 as consumers delayed purchases and cancelled vacations and travel.

Similar to the norm, most of the utilization in retail and hospitality is accounted for by clients accessing services for the first time. However, new accesses account for a higher proportion of utilization compared to the national norm (three-year average 68.42% versus national norm 62.39%). Thus, the incidence rate is increasing among retail and hospitality (i.e., the proportion of associates who have 'ever' sought EAP).

Viewed in a positive light, this may signal that a greater number of associates are seeking help when needed. It may also signal that distress is touching a wider proportion of associates in these sectors. Given that services are underutilized in retail and hospitality relative to the norm, it is possible that reported cases of distress represent the 'tip of the iceberg'. However, it is also possible that the increase is a benign byproduct of ongoing turnover. Further research will help us to elucidate the nature of this apparent trend.

EAP and Work/Life Services Utilization Ratio

Retail and hospitality depart slightly from the national norm in terms of the ratio of Mainstream EAP counselling services to Work/Life and other services. Associates access fewer mainstream services (three-year average 73.36% versus national norm 76.34%). This dip in the ratio is almost entirely accounted for by the hospitality sector (three-year average 69.50). Legal consultation accounts for the majority of Work/Life services in both sectors, even more so than the norm (three-year average 17.29% versus national norm 14.66%). Hospitality associates also access nutritional services at a rate almost three times that of the national norm (three-year average of 4.54% versus 1.55%).

Mainstream Counselling Presenting Issues

The most frequent presenting problem among retail and hospitality associates is marital and relationship discord, similar to national norm. However, a defining trend for these sectors involves personal stress and depression symptoms. In both retail and hospitality, personal stress is the second most presented problem compared to the third at the national level (combined three-year average 10.11% versus national norm 8.84%). Depression symptoms account for 6.59% of presenting problems in both sectors combined compared to the norm of 6.07% (three-year average).

As depicted in Fig. 1, hospitality associates, in particular, report higher rates of personal stress (three-year average 11.26%) and, in Fig. 2, depression symptoms (three-year average 6.62%), the latter being their third-ranked issue. However, the most rapid increase in reported personal stress was found among retail associates (almost 1½ times since 2000).

Fig. 1: Personal Stress in Retail/Hospitality Sectors

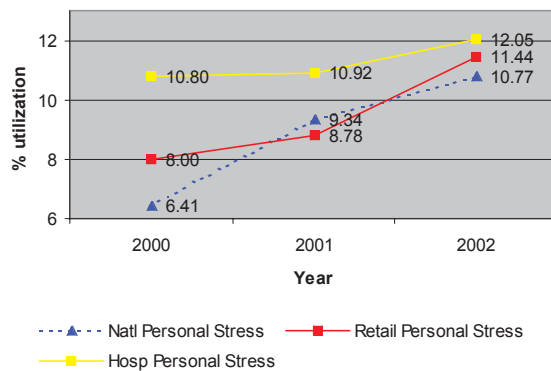
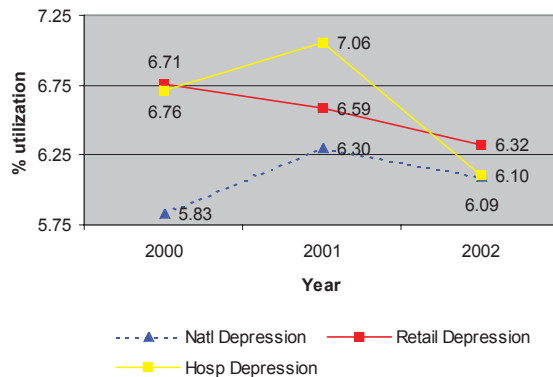


Fig. 2: Depression in Retail/Hospitality Sectors

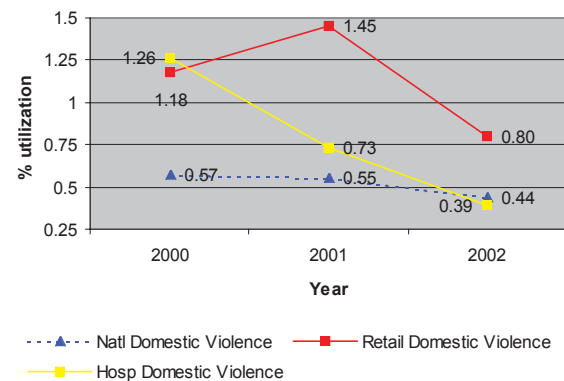


Retail and hospitality associates also present a higher proportion of work relationship and conflict issues (three-year average 4.02% versus national norm 3.07%), especially hospitality associates (three-year average 4.27%).

Especially troubling are higher reports of domestic violence in both sectors (three-year average 1.01% versus national norm 0.52%). Retail, in particular (three-year average 1.14%) has been associated with some especially traumatic incidents of this nature on record. The violence is usually perpetrated against women associates by their partners. The causes of this troubling behaviour within retail are unknown. However, retail associates report a higher number of separate traumas and higher stress levels

compared to hospitality associates. These factors may exacerbate already strained domestic relations. Significant others' addiction, as a presenting problem, is also slightly higher among retail associates (three-year average 0.79% versus national norm 0.56%). This suggests the possibility of a growing addiction-abuse link in the social networks of retail associates. More frequent reports of domestic violence among retail associates may also be a function of gender, since the sector employs a relatively high proportion of women (domestic violence is usually male-to-female).

Fig. 3: Domestic Violence in Retail/Hospitality Sectors



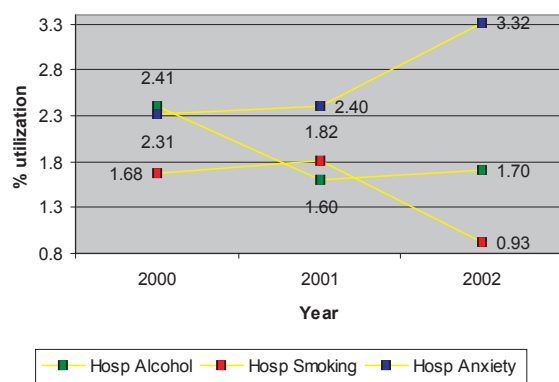
Overall, while the rate of domestic violence in both sectors is small compared to the norm, it warrants serious attention given the devastating physical and emotional impact of this problem.

Retail and hospitality show some divergence in some presenting problems that are worthy of note. Retail associates report a conspicuously higher proportion of suicidal risk (three-year average 1.04% versus national norm 0.66%). Reports of suicide-related traumas are also high for the retail sector. Although this difference may seem small, it translates to approximately eight more retail clients per year who present this issue when compared to the national norm. Suicidal ideation and other risk factors strongly predict suicide attempt. A single suicide can have devastating impacts not only on the individual and their significant others, of course, but also on their colleagues.

Hospitality reports a higher number of career issues relative to the national norm (three-year average 3.34% versus national norm 2.23%). This is understandable given that many associates in this field identify strongly with

their careers. Hospitality associates also report a higher proportion of addiction issues involving alcohol (three-year average 1.90% versus national norm 1.15%) and smoking (three-year average 1.48% versus national norm 0.41%). Hospitality reports a slightly higher rate of anxiety relative to the norm (three-year average 2.68% versus national norm 2.37%) with a 40% up tick between 2001 and 2002. Again, it is tempting to speculate the reasons behind the

Fig. 4: Alcohol, Smoking & Anxiety in Hospitality Sector



higher rates of negative mood and substance use among hospitality associates. The hospitality work experience is characterized by shift work and variable hours. Substance abuse may be a mechanism for coping with higher levels of personal stress, anxiety and depression symptoms that may result. Higher rates of negative mood and substance use may also reflect the volatility in that sector. While many retail businesses sell essential products (e.g., food), hospitality tends to sell luxury products and services. Consumers tend to cut back on the latter when the economy weakens. The resulting stress may manifest itself in higher rates of substance use, smoking and anxiety. Finally, the higher rates may also reflect self-selection (i.e., people bringing their lifestyles to the workplace) as well as employee acculturation to the kinds of social environments that are associated with certain areas of the industry (e.g., entertainment, casino's).

Trauma

There is a currently a lack of appropriate national norms on trauma reports. Additionally, since the frequency of trauma reporting is quite low, comparing the rate of one

type of trauma relative to another defies meaningful interpretation. However, the rates associated with some forms of trauma have held over time and/or have spiked in recent years, signaling meaningful trends.

In both sectors, the death of employee is the most frequently seen trauma (three-year average 23.89%). A rise in 2002 is largely accounted for by a spike among hospitality associates (57.69%). Both sectors experienced spikes in reported train/plane/car crashes in 2001 (18.58% of trauma reports 2001), especially hospitality (34.62% of trauma reports 2001). These reports are largely a function of 9/11 with hospitality associates suffering greater repercussions on average (e.g., collapse of travel industry, fear among airline workers). As would be expected, associates in this sector reported more downsizing/restructuring and employee termination-related traumas in 2001.

Reports of armed robbery (three-year average 8.52%) and robbery (three-year average 4.86%) are consistent over time within retail. The combination of serving the public, night shifts and handling money is a potentially lethal one. The impact of this problem can be catastrophic for individuals and the workplace. The possibility of future robbery is likely a constant stressor. Retail also report higher rates of individual-harm-related traumas, including suicide (2000-2001 average 7.54%), murder/suicide (2000-2001 average 8.40%) and murder (three-year average 4.86%). Although such reports tend to peak from year to year, it is important to understand that the resulting psychological trauma does not stay neatly 'contained' within reporting years. The repercussions of such events may include a number of lingering emotional problems (e.g. dysthymic disorder).

Also associated with retail are consistent reports of downsizing/restructuring (three-year average 13.18%) and employee termination (three-year average 9.19%) over time. This involuntary turnover suggests an industry in constant turmoil, likely fueled by fierce competition for market share in the face of global competition.

Other trends to note

Both retail and hospitality reported higher levels of self-reported stress at Intake compared to the national norm (three-year average 43.78 versus national norm 40.88% for 'top-box' self-reported stress). This is especially so for retail, with an almost 5-point difference from the norm (three-year average 45.51% versus national norm 40.88%). This may be understandable for both industries, given the high degree of client contact (associated with greater stress in general).

Retail associates also report a wider range of separate traumas, including those directly dangerous for associates (e.g., armed robbery). While rates of self-reported stress

are comparable to hospitality, some retail associates may be near the breaking point, as suggested by higher risks of suicide and acting out (e.g., domestic violence). While hospitality associates may suffer from reported traumas, they may be buffered by strong career values, higher engagement and higher levels of education (e.g., hospitality programs).

Overall, the rising tide of reported stress in retail and hospitality cannot not be dismissed as the 'cost of doing business'. Untreated stress can lead to outcomes that are detrimental for individuals and employers alike such as illness-related absenteeism³ and substance abuse⁴, and of course, lower employee and organizational performance⁵.

TRENDS AND APPROACH TO ORGANIZATIONAL HEALTH

The *Employee-Customer-Profit Chain* is perhaps the most comprehensive, relevant and pervasive model for evaluating occupational health trends in retail and hospitality. The now seminal work conducted at Sears was among the first to show a connection among associate attitudes, customer satisfaction, and financial performance in the Retail industry⁶. While this finding has been replicated across dozens of industries⁷, the lesson is particularly critical for retail and hospitality, given the intimate social connection that exists between associates and customers. Among the recommendations made by the Sears team for improving associate satisfaction was to explain to associates in detail how their work fits into the employee-customer-profit chain and how they need to work differently. They also recommended a number of changes to ensure that work enhances associate growth and development. Connecting associate work to the overall vision and re-designing jobs to foster development both make for more meaningful work. Should retail work be perceived as more meaningful to associates, perhaps it would be viewed as less 'stigmatized' as a career choice.

EAP has a significant role to play in the employee-customer-profit chain. First, not all retail and hospitality employers will be able to implement the extensive initiatives suggested by the Sears team. Second, the time

lag from implementation to revenue growth is long. Third, the change required carries its own costs for associates (e.g., stress, anxiety). Finally, recent history has shown that retail and hospitality can be disproportionately affected by intermittent trauma (e.g., robbery, downsizing, 9/11). The severity of such events and their impact on associates cannot be addressed merely through the presence of a healthy organizational culture.

EAP enters the model at the employee satisfaction level, providing services to treat distress and return associates to full functioning. Organizational values such as integrity, trust and respect for the individual have been identified as critical for success within the employee-customer-profit chain. These values are instilled and lived through the provision of EAP services. While many retailers have not taken advantage of EAP due to its perceived expense and the rate of turnover in a largely part-time workforce, those firms that recognize the value of EAP have used it progressively and to their benefit. Progressive EAP firms must offer innovative programs that address and overcome these perceived barriers to implementation, as this research shows both the need and value of the services for retail and hospitality workers and workplaces.

END NOTES

- ¹ Rucci, A.J., Kirn, S.P., & Quinn, R.T. (1998) The associate-customer profit chain at Sears. *Harvard Business Review*, (January-February), 83-97.
- ² Britt, T.W. (2003) Black Hawk down at work. *Harvard Business Review*, (January), 16.
- ³ Jacobson, B.H. et al. (1996). The relationship between perceived stress and self-reported illness-related absenteeism. *American Journal of Health Promotion*, 11, 54-61.
- ⁴ Harris, M.M., & Heft, L.L. (1992). Alcohol and drug use in the workplace: Issues, controversies, and directions for future research. *Journal of Management*, 18, 239-266.
- ⁵ Jex, S.M. (1998). *Stress and Job Performance : Theory, Research, and Implications for Managerial Practice*. Thousand Oaks, CA: Sage.
- ⁶ Rucci et al. (1998) found that a 5-unit increase in employee attitudes led to a 1.3-unit increase in customer satisfaction, which further led to a 0.5% increase in revenue. Follow-up studies have reported much higher increases in actual sales (Kirn, pers. comm.).
- ⁷ Harter, J.K., Schmidt, F.L., & Hayes, T.L. (2002). Business-unit-level relationship between employee satisfaction, employee engagement and business outcomes: A meta-analysis. *Journal of Applied Psychology*, 87, 268-279.

THE WARRENSHEPELL RESEARCH GROUP

The WarrenShepell Research Group has been formed to gather, analyze and provide commentary on organizational health trends that affect our clients, their employees and families. Collecting and disseminating data about mental health issues, linking with some of the industry's highest profile research institutes and individual scholars, and drawing from our 24 years of expertise in the industry, the WarrenShepell Research Group's mandate is to help our clients and the broader business community understand the intricacies and the impact of poor mental health, work/life imbalances and related issues in our workplaces and in our communities.

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