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DEPARTMENT STORES
IN HONG KONG

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ABSTRACT

This study examines the pattern of employee casualisation in two Japanese and a British department stores in Hong Kong. A number of employee categories can be identified in these companies according to the model of the ‘flexible firm’. These companies employed four major casualisation strategies which reflected their culture and business strategies. During the economic good times, the Japanese companies tended to casualise more local staff due to the fact that they preferred to use ethnocentric management overseas. However, during the economic downturn, all companies used casualisation for cost-minimisation as a major business strategy for survival. This study implies that casualisation strategies have enabled retailers to increase flexibility. Furthermore, as there are more unemployed workers with the necessary skills are available in the labour market during economic downturn, it is more possible for firms to adopt casualisation. Thus, the condition of the labour market can also influence firms’ employment strategies.
INTRODUCTION

One of the most important employment trends in recent years has been the replacement of permanent jobs by temporary and part-time jobs, and an increase in the number of people who are employed as contingent (peripheral) workers (Callaghan and Hartmann, 1991; Doeringer et al., 1991) on an externalised basis (Lozano 1989, Pfeffer and Baron 1988) – a process generally referred to as employee casualisation. The contingent work force consists of temporary, part-time, seasonal, leased and subcontracted workers (Belous, 1989; Gottfried, 1991; Henson, 1996; Parker, 1994; Uzzi and Barsness, 1995; Beverly, 1993). Employee casualisation tends to be intensified during economic downturn, where employers use more contingent workers to replace full-time permanent workers (Smith, 1997), although precise measurement of the size of contingent workers is difficult [1] (Tilly, 1991).

Many studies have been conducted to explain why employee casualisation is practised in the retail industry. Some argued that it is related to the high cost and low profit characteristic of retail operation, especially when labour cost constitutes more than 50 percent of the total operating costs. Many retailers have to operate very close to break-even point. In order to maintain operation at a profit, retailers have to find ways to save labour cost, and employee casualisation is one of the means (Golden and Zimmerman, 1986).

Others see employee casualisation related to the retail revolution [2]. The retail revolution has deskilled and specialised sales jobs which can, as a result, be easily learnt with little requirement for training. This has facilitated casualisation because sales jobs, which used to be performed by full-time sales staff, can be taken over by part-timers (Montagna, 1977; Bluestone et al., 1981; Benson, 1986). Part-timers, a type of contingent workers, are increasingly used because they have many advantages in relation to the fluctuating seasonal and daily customer demands which cause workload fluctuation. They have more flexibility to adjust to the seasonal fluctuation in demand as their number can be adjusted easily to match staff hours to weekly and daily patterns of trade. The use of part-time staff is not new to retail companies, since retailers have long structured many part-time positions to meet fluctuating demand. Retailers used to employ part-timers to bring in extra staff (primarily women with children who desired flexible schedules) during peak periods of business (Montagna, 1977; Bluestone et al., 1981). Furthermore, part-timers can also perform a 'shock absorber' function to accommodate fluctuating demand, and maintain
flexibility in line with consumer demand (Maguire, 1991). Thus, retailers are able to draw on contingent workers to avoid having workers on their payrolls when demand is slack. Retailers can reduce their wage and benefit costs through contingent workers, and save labour costs by externalising the administrative costs entailed with recruitment, hiring, and control (Pfeffer and Baron, 1988; Smith 1994; Harrison and Kelley, 1993), although part-time working may, on the contrary, seem to increase these costs as well.

In recent years, companies in Hong Kong's service sector have come under increasing pressure to casualise employees as part of the process of downsizing. Much of this pressure stems from the economic downturn in Hong Kong leading to declining consumer markets. The consumer market is mainly depressed by the Asian financial turmoil which has triggered economic recession and unemployment. In the second quarter of 1998, for instance, the GDP of Hong Kong decreased by -5.2 percent, and the unemployment rate increased by 5.3 percent (Anonymous, 1998a; 1998b). Under the pressure of economic downturn and environmental changes, department store operators in Hong Kong are increasingly practising employee casualisation to maintain their competitiveness. Retailers reduce the overall size of their permanent work forces by cutting functional task areas from their business, increasing the use of contingent workers, and subcontracting the services to other firms (Harrison, 1994; Smith, 1994). In this way, they can maintain their competitiveness by cutting costs, reducing prices and achieving improvements in productivity (Beer et al., 1984). At the same time, they have also gone through many important changes in workforce demography, technology and other aspects of the environment that influence the external context of organisations and ways in which they are managed (Sparrow and Hiltrop, 1994). Thus, what is new since the economic downturn is the degree to which contingent workers are increasingly employed as a strategy to cut labour and benefits costs.

In the process, employee casualisation, once thought to be confined to workers in the lowest levels of the labour market, has spread through the ranks of managerial and professional workers. Researchers recently have focused on a broad, destabilising set of changes touching the careers of salaried employees, professional and managerial staff alike (Baker and Aldrich, 1996; DeFillippi and Arthur, 1994; Hirsch and Shanley, 1996). Managerial and professional displacement and unemployment, and white-collar unemployment in general, have been unprecedented (Mishel and Bernstein, 1994). In-depth interviews, observational studies of corporate restructuring and downsizing (Glassner 1994;
Gould et al., 1996; Heckscher, 1995; Newman, 1988; Smith, 1990), and overview studies of the erosion of internal labour markets and the subsequent transformation of managerial and professional employment (Brodsky, 1994; Doeringer et al., 1991; Hirsch, 1993; Osterman, 1988) have generated a picture of tremendous upheaval in the ranks of middle-level employees (Hendry and Jenkins, 1997; Herriot and Pemberton, 1995). Reports abound of the widespread elimination of managerial ranks, the difficulty of finding comparably paid and secure positions, and the downward mobility of professionals and managers. The middle ranks of large corporations have become the target of cost-cutting strategies, and their work is pushed into the lower levels of the firm.

The retail industry has experienced these general and specific trends. Retailers expand and contract the size of their work forces to accommodate fluctuations in production and service cycles to achieve organisational flexibility, and intensify employee casualisation during economic downturn.

RESEARCH OBJECTIVES

The purpose of this study is to investigate the pattern of employee casualisation in the department store industry in Hong Kong. The research on employee casualisation has focussed mainly on advanced economies that have high unemployment which makes it possible for employers to restructure the labour market. This implies that employers in the advanced economies have a choice in their labour-use strategies. However, no major attempt has been made to examine whether employers in Asian countries with booming economies have a choice in the use of employee casualisation. This paper attempts to fill this gap to illuminate our understanding of the use of employee casualisation by retailers in Hong Kong. Essentially, it explores the following: 1) the types of employees undergoing casualisation, 2) the means of casualisation adopted for different categories of employees, 3) casualisation strategies adopted among department stores from two national origins – Japanese and British companies, and 4) different forms of employee casualisation in different economic conditions. Before exploring these research objectives, there is a need to elaborate the conceptual framework used in this research.
CONCEPTUAL FRAMEWORK

This research is based on the conceptual framework of Atkinson's (1985) model of the 'flexible firm' (Figure 1) to study various employee casualisation strategies adopted by the case companies. Casualisation covers all aspects of employment conditions in which staff who used to be employed internally are externalised, and staff who are contingent in nature are employed in the peripheral groups, and in the outside ring of Atkinson's (1985) model of the 'flexible firm' (Hendry, 1995).

Figure 1
The Model of the 'Flexible Firm'


Atkinson (1984)'s model of the flexible firm incorporates the concepts of primary and secondary labour markets through which the firm is flexible in terms of its adaptability to expansion, contraction or change in the product market. This is in turn dependent on the workers offering two kinds of flexibility: functional and numerical flexibility. The functional flexibility is offered by the core workers who cross the occupational boundaries to reach multi-skilling. Core workers are the full-time, permanent employees who enjoy job security and high earnings. The company invests training in them, and they develop new skills which separate them increasingly from the external labour market. The numerical
flexibility is offered by the peripheral workers who are insecurely and irregularly employed, i.e. they are disposable and can be easily increased in line with even short term changes in the level of demand for labour, which provides the employer with a numerically variable work force. Peripheral workers are located outside the core group with a great variety of types. The first peripheral group is the full-time workers who are hired to perform specific jobs, usually of a semi-skilled nature. They are easily hired and fired, and their numbers are varied according to level of activity. Therefore, they enjoy less job security and inferior career prospect. The second peripheral group includes part-timers and different types of temporary workers. They perform the same kind of jobs as the first peripheral group. Like the first group, their numbers are also varied to cope with fluctuating business activity. Outside the company, there are a variety of external workers, such as subcontract workers, self-employed workers and agency temporaries, who enable companies to limit their financial commitment.

This study adopts Atkinson’s (1985) model of the ‘flexible firm’ as a theoretical basis because it has received a widespread acceptance due to its graphic boldness, and its ability to integrate a number of casualisation processes. Based on the model, the types of employees – core and peripheral (in various forms) – are identified, and the means of casualisation for different categories of employees can be traced. However, Atkinson’s (1985) model has some conceptual weaknesses. First, it is argued that the notion of the core is defined by the concept of key skills. The evaluation of which skills are core is complicated by the fact that skill is socially constructed. Skills which are essential to an organisation, may be socially constructed as semi- or unskilled, and may not be rewarded by the advantages of an internal labour market. Second, it is also argued that the identification of the core can shift when the situation changes (Pollert, 1987). These two conceptual shortcomings of the theoretical framework are overcome by the design of research methodology discussed below.

RESEARCH METHODOLOGY

A qualitative research design was used because in Hong Kong the issue of employee casualisation has been understudied, and the existing knowledge of the actual working of employee casualisation was insufficient to allow the authors to conduct a quantitative study.
The authors used a qualitative approach because it can provide 'the optimum conditions for the acquisition of those illuminating insights which make formerly opaque connections suddenly pellucid' within their real life context (Mitchell, 1983: 146). The study relied on multiple case studies to develop 'an ideal or an atypical type' of the wider phenomenon which can reveal clearly confirming or conflicting evidence (Yin, 1989) of casualisation among different types of employee as described in Atkinson's (1985) model of the 'flexible firm'.

Due to the two conceptual weaknesses in Atkinson's (1985) model of the 'flexible firm', this research adopted two methodological measures: 1) to study casualisation strategies adopted among department stores from two national origins - Japanese and British companies, and 2) to examine employee casualisation in different economic conditions. The first methodological measure was to find out whether culture has any possible impact on the choice of casualisation strategies adopted by Japanese and British companies. The selection of case companies was governed by three criteria. Firstly, two Japanese and one British department stores were chosen in Hong Kong because there were no firms from other national origins in the industry at that time. Second, the parent countries of Japan and Britain demonstrated the employment conditions as described in Atkinson's (1985) model of the 'flexible firm' (Clark, 1979; Inohara, 1990; Kamada, 1994; Standing 1991; Curry 1992; Howell 1992; Brodsky 1994; Faux 1995a, 1995b). Finally, the third criterion was related to the company's ability to maximise the opportunities for differentiating between concepts in this study. Thus, the case companies were chosen not on how representative they were in a statistical sense, but on their explanatory power and logical inference in which conclusions could be made on the validity of propositions (Glaser and Strauss, 1967; Bennett, 1991).

In order to examine whether the identification of the core shifts when the situation changes, fieldwork was conducted in two stages. The first stage was conducted during the latter half of 1996 when the economy was booming. The second stage was follow-up interviews conducted in the latter half of 1998, to trace the changes in casualisation strategies since the retail industry had undergone very drastic changes in the intervening two years, as a result of the Asian financial crisis in October 1997. Three foreign-owned department stores – Morioka and Okadaya (Japanese-owned), and Supercom (British-owned) – were selected as the case companies (see Table 1).
Table 1

The Profile of Case Companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Morioka</th>
<th>Okadaya</th>
<th>Supercom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year of Establishment</td>
<td>1974</td>
<td>1986</td>
<td>1987</td>
</tr>
<tr>
<td>Year of First Store Opened</td>
<td>1984</td>
<td>1987</td>
<td>1988</td>
</tr>
<tr>
<td>Length of Active Operation</td>
<td>13</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Ownership</td>
<td>100% Japanese</td>
<td>100% Japanese</td>
<td>100% British</td>
</tr>
<tr>
<td>No. of stores (as of October 1997)</td>
<td>11</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>No. of stores (as of October 1998)</td>
<td>0*</td>
<td>6**</td>
<td>9***</td>
</tr>
</tbody>
</table>

Source: compiled by the authors based on the company reports.

* Morioka declared insolvency and closed all its operation in Hong Kong in November 1997.
** Okadaya opened a new store outlet in December 1998 by taking over the old store outlet in Tuen Mun from Morioka.
*** Supercom also opened a new store outlet in December 1998 in Kowloon Tong which was planned to open before the economic downturn.

Morioka was a wholly-owned Japanese department store established in 1974. It remained dormant until its first store opened in 1984. The parent company moved its headquarters from Shizuoka, Japan to Hong Kong in 1989, and then relocated to Shanghai, China in 1996. Morioka had opened a total of eleven store outlets in various new towns of Hong Kong, Macao and the border of China. It was one of the largest Japanese department stores in Hong Kong, employing a total of 2,700 full-time employees before it declared insolvency and closed in November 1997. Some of the respondents interviewed in the first stage were contacted to find out how they managed to get another job in the retail sector.

Okadaya was also a wholly-owned Japanese department store established in 1986. By mid-1998, it operated six store outlets in the new town areas of Hong Kong, and employed 1,800 full-time local employees. It was the only Japanese department store which continued to expand after the Asian financial turmoil, and opened two more new store outlets in 1998. It was observed in the second stage of fieldwork that some respondents from Morioka who were interviewed in the first stage were recruited to work in Okadaya.
Supercom was a wholly-owned British department store established in 1987. It operated ten store outlets in both new towns and downtown areas, and employed 1,900 full-time local employees by mid-1998. The company closed one store outlet in Mongkok, cut half the size of floor space in its Diamond Hill store, and laid off 50 local middle managers in November 1998.

A total of 45 in-depth interviews were conducted in the first stage of interview, with respondents coming from various hierarchical levels and functional departments – covering top management, operational and administrative management, supervisory, and sales staff. The interview used a semi-structured and open-ended interview schedule which was developed through a pre-test with 10 employees from another Japanese retailer in Hong Kong. Based on the assumption that employee casualisation can be understood by human resource management (HRM) practices applied to different employee groups, the interview questions were set around three of the HRM practices, including the ways in which they were recruited and selected, remunerated, trained and developed. In the second follow-up stage, a total of 30 interviews were conducted in Okadaya and Supercom (as Morioka had closed down). The primary data were supplemented by secondary data collection from the company’s documents and reports, government documents, and newspaper clippings.

All interviews were recorded on tape, and transcribed. Then, the authors analysed and developed the data through ‘concept saturation’ since the sample was selected according to the ‘theoretical sampling’ method. After the patterning and clustering of the HRM practices, the data was shuttled back and forth with the more general categories which involved more abstraction and conceptual process until the category was ‘saturated’ (Glaser, 1978). The data on the companies were compared, and the casualisation strategies adopted by the Japanese case companies was also compared with those of the British case company to explain whether culture or business strategies play a part in the choices made by these companies.

The findings are analysed in three sections. The first section draws on the employment systems and employee casualisation through the analysis of HRM practices adopted by the case companies. The second section compares the patterns of employee casualisation among the three companies. The third section outlines the implications of the use of casualisation in different retail environments.
EMPLOYMENT SYSTEMS AND CASUALISATION AT MORIOKA, OKADAYA AND SUPERCOM

Three HRM practices – recruitment and selection procedures, pay and benefits policies, training and development methods – are discussed here. Since all case companies employed various categories of staff, ranging from expatriate managers, full-time local managers and employees, part-time staff and consignment staff, the analysis below provides the context of casualisation in terms of the types of HRM practice applied to each category of staff.

Recruitment and Selection Procedures

Both Morioka and Okadaya recruited Japanese managers periodically from an annual recruitment exercise from university, and selected them on the basis of the match between their personality and the company’s corporate culture. On the other hand, all local managers and employees were recruited on a non-periodic basis from the external labour market, and were selected for their experience. In contrast, Supercom recruited and selected all managers – both British expatriate and local – in the same way as their counterparts in London, based on personality [3].

All the three companies recruited part-time staff by means of walk-ins and referrals. All companies had the policy of subcontracting staff to outside companies. Morioka and Okadaya also had consignment staff who worked for outside companies which operated counters in their stores (such as in Britain cosmetic firms operate independently inside UK stores). Okadaya and Supercom also contracted out their information technology to outside information technology companies.

Morioka closed down its business in November 1997, and all its employees became unemployed. In November 1998, Supercom laid off 50 middle managers, and redeployed 40 middle managers to different or lower positions. Okadaya maintained a no laid-off policy, and recruited some of Morioka’s former full-time staff on a part-time basis.

Pay and Benefits Policies

The Japanese expatriates of Morioka were paid based on seniority in the parent company,
supplemented by various allowances. Japanese expatriates of Okadaya were paid through a service contract based on individual and company performance. In contrast, local staff at Morioka and Okadaya were paid on the basis of qualifications, experience and performance, which varied between groups. Okadaya’s local professionals received a higher salary and a bonus of at least 20 percent above the average of other local staff.

Supercom applied an egalitarian remuneration policy to both its expatriate and local staff based on the company’s worldwide banding system [4]. All expatriate staff – both British expatriates in Hong Kong, and Hong Kong employees assigned overseas – were compensated with overseas allowances and a mobility package. All full-time staff were compensated according to the band they belonged to. However, the 40 re-deployed middle managers experienced a pay cut as a result of demotion to lower hierarchy in November 1998.

All the companies paid part-time staff on an hourly basis with minimal benefit, apart from Okadaya which paid part-time staff with occasional bonuses and fringe benefits. Both Okadaya and Supercom paid the part-time staff who were employed after the Asian financial crisis with a lower rate according to the market price than those who were employed before the crisis.

The labour cost for the consignment and subcontracting staff in the case companies was borne by the consignment companies and subcontracted information technology companies respectively.

Training and Development Methods

The expatriates of Morioka and Okadaya received lifelong generalist training and development, through extensive job rotation, on-the-job and off-the-job training throughout their career. In Morioka, almost all full-time local interviewees said that they received little off-the-job training, and were seldom exposed to development apart from learning on-the-job. On the other hand, due to the implementation of the ‘Okadaya University’ programme [5], more than 80 percent of local interviewees from Okadaya said that they had abundant opportunities for both on-the-job and off-the-job training and development. Furthermore, local professionals of Okadaya were also exposed to regular training opportunities in Japan. Supercom adopted
a standard approach to staff training and development for full-time staff in Hong Kong similar to that of the parent company in London (Supercom’s Training Department, 1995).

All part-time staff in the three companies received little training apart from the on-the-job instruction from their direct supervisors, performing simple tasks only which did not require much skills. Consignment staff at Morioka and Okadaya were not given any training by these companies.

Disregarding a declining profit incurred after the Asian financial turmoil, Okadaya not only maintained its training and development programme, but also planned to run the management trainee programme. Furthermore, due to the increase of part-time employment, Okadaya put more effort in providing training to the part-timers. For example, all newly employed part-time staff received a half-day off-the-job training, and trained on-the-job by the ‘Big Brother, Big Sister’ mentor programme. On the other hand, Supercom had restructured and downsized its operation in the head office. The training department was also downsized, and the management trainee programme was suspended after operating for the last six years.

**Analysis of Employment Systems from the Model of the ‘Flexible Firm’**

Summarising the data from the three HRM practices, a number of categories of employees can be identified in each company according to the model of the ‘flexible firm’. A total of four staff categories – a core group of the Japanese expatriates, a first peripheral group of local managers and supervisors, a second peripheral group of part-time staff, and a group of consignment staff at the outside can be identified in Morioka. In Okadaya, a total of six staff categories – a core group of the Japanese expatriates, a semi-core group of local professionals, a first peripheral group of local managers and supervisors, a second peripheral group of part-time staff, and two groups of external work force: a group of consignment staff and a group of subcontracted staff in retail technology – can be identified. In Supercom, three categories of staff – a core group of British and local managers, and full-time staff, a second peripheral group of group of part-time staff, and a group of externally employed subcontracted staff in retail technology – can be identified. The emerging evidence suggests that the three case companies employed different casualisation strategies although they faced similar contextual changes, such as increased competitive constraints and declining
consumption in the retail market in Hong Kong. This reflects that managerial strategic choices play a key mediating role (Kochan, Katz and McKersie, 1986; Storey, 1992) in employee casualisation. Furthermore, it may also reflect the national characteristics of the parent company which are examined below.

PATTERNS OF EMPLOYEE CASUALISATION COMPARED

Since the managerial strategies have been shown to vary among the three companies, this section seeks to explain their choices made by examining the employee casualisation used. In the discussion below, two major factors – national culture and business strategies – are used to explain the managerial strategies of casualisation. Various employee casualisation strategies were used at two major hierarchical levels: lower general level and middle managerial level.

Lower General Level

At the lower hierarchical level, the first strategy identified is concerned with an increasing use of part-time staff to replace full-time staff. All case companies had intensified the use of part-time sales staff at the lower hierarchy when the market was getting more competitive. For example, since Okadaya started to operate department store business in 1987, it used to employ only 10 percent of part-time employees. Since implementing the ‘man-hour’ policy in 1993, part-time staff had more than doubled over five years from 20 percent in 1993 to 50 percent in 1998. Supercom also employed a high ratio of part-time staff, amounting to 35 percent of the total number of employees in 1997. Supercom had increased the use of part-time staff as it had not employed any new full-time staff for the new operation in Kowloon Tong opened in December 1998, but had laid off 50 local full-time middle managers in November 1998 for cost-cutting. This indicates that the increasing use of this second peripheral group had helped the companies to minimise labour costs through numerical flexibility.

The second employee casualisation strategy identified at the lower level is by the contracting-out policy. Morioka had a large number of consignment staff since it consigned out more than 70 percent of the stores’ total floor space. The Japanese management of
Morioka believed that such consignment policy could help save costs, since on one hand the company did not need to recruit, hire, pay and train consignment staff, but on the other hand, it could receive guaranteed income. Morioka used this policy to transfer business risks to consignment companies. However, the managing director of Okadaya attributed one of the major factors leading to Morioka's collapse to its use of consignment policy as a means of speculating in the property market since it had turned Morioka into a landlord rather than a retailer. On the other hand, Okadaya limited its consignment counters to less than 20 percent of its total floor space areas, and Supercom did not have any consignment counters as it only sold house-brand products.

Under the current economic recession after the Asian financial turmoil, Okadaya had to casualise the low-skilled local full-time staff to the entry positions. They were increasingly replaced by a growing number of low-skilled contingent workers, who were not confined to women, but also male workers from the low-skilled Chinese immigrants, and an increasing number of unemployed workers who were laid off in the declining local economy.

Middle Management Level

At the middle management level, the case companies employed varied casualisation strategies. Firstly, full-time local staff of Supercom had to perform cross-functional jobs with a certain level of skills since they were recruited and selected for functional flexibility, and they were constantly given training and development. Thus, before the financial crisis, the jobs of local full-time managers in Supercom were not deskilled and casualised as a result of the advancement of retail technology because their employment status was equal to those of the British expatriates and other staff of the company worldwide (Wong and Hendry, forthcoming). However, after the financial crisis, middle managers were casualised as some of them were either laid off or demoted, and were casualised and replaced by an increasing number of part time staff.

The advancement of retail technology had deskilled the jobs of most full-time employees in the Japanese case companies. Most of the jobs performed by full-time managers and employees had been deskilled, and were replaced by either consignment or part-time staff, apart from the local professionals working for Okadaya. The jobs of Okadaya's local professionals who were not transferred to the outside computer company.
were not deskilled because the company needed their skills for the implementation of retail technology. Local professionals could get promoted to senior managerial positions. Because of the risk of labour turnover through lateral job hopping to another company, Okadaya tended to employ local professionals as semi-core employees. Furthermore, the long-serving staff, especially those who had been staying with the company for more than 10 years, were also treated with better employment status, such as better promotion opportunities to senior managerial positions, because they were considered by the Japanese as loyal and reliable. Therefore, in Okadaya the high-skilled long-serving local managers and professionals were not deskilled and casualised like the other local full-time employees.

On the other hand, Morioka did not employ any local professionals as it did not introduce any retail technology. Morioka tended to casualise almost all full-time local staff as it did not introduce retail technology (Wong and Hendry, 1997). The full-time local staff were deskilled and treated by inferior HRM practices such as lower pay and fewer training and development opportunity compared to other case companies. The phenomenon of deskilling and casualising local full-time staff to the peripheral groups by the Japanese case companies during the economic good times is largely attributed to culture. The Japanese tend to use ethnocentric management approach to manage their overseas staff. This degradation of jobs using new retail technology to deskill tasks in turn increases direct management control over work.

Furthermore, Okadaya and Supercom tended to contract out their retail technology to outside computer firms so that they could concentrate on the development of retail business. Okadaya even transferred the local manager of its computer department to the computer firm so as to coordinate information technological development. Therefore, although Okadaya had not deskilled its local professionals, it had casualised some of them by transferring them to the outside computer company.

After the Asian financial crisis, Supercom had also casualised 40 middle managerial staff to less skilled jobs in the lower positions, and the 50 managers being laid off were replaced by the existing staff who had to work cross-functionally.

From the various casualisation strategies employed among the low- and middle-level staff, the case companies employed four major casualisation strategies. First, decreasing
direct labour which was substituted by contingent staff through the support of new retail technology. Second, subcontracting work outside through consignment and contracting-out policies. Third, improving employee flexibility by breaking down existing horizontal and vertical skill demarcations among professional and long-serving employees, and thus increasing the range of tasks and the amount of discretion. Fourth, increasing direct management control through job deskilling.

CONCLUSION AND IMPLICATIONS

This study suggests that there is an overall effect of increasing economic pressure, competition and jobs deskilling in the retail industry. Drawing on evidence from the multiple case studies, this paper has analysed casualisation strategies adopted by Japanese and British department stores in Hong Kong. These companies have disintegrated vertically by externalising labour inputs that were formerly employed internally. This increases the demand for contingent labour, and for more experienced and skilled staff selling their expertise and know-how to retail companies on a non-permanent basis. The new labour market is structured around core workers, experienced or skilled contingent workers, and low-skilled contingent workers (Noyelle, 1990). The core is shrinking to accommodate only a selected group of top managers who continue to enjoy mobility opportunities within the company.

Experienced and skilled professional staff are employed as semi-core employees. Their mobility (turnover) through lateral job hopping to other companies is minimised by better pay and more opportunities for training and promotion. This has enhanced dynamic flexibility through enhancing employees' security which seek to increase worker commitment and loyalty, and assume increased responsibility for company success (Deyo, 1997). This suggests that these semi-core employees benefit from the casualisation strategy because they are buffered by a peripheral work force brought in to absorb fluctuations in work cycles. Meanwhile, the status of the low-skilled full-time workers is weakened to the entry positions on a company's employment ladder. They are increasingly replaced by low-skilled contingent workers - part-time staff because they incur lower costs, and can increase the company's numerical flexibility, and consignment or subcontracted workers because they help the company to down-load financial risks, and off-load direct employment responsibility.
As a whole, apart from expatriate and local professional staff, all full-time staff especially those at the lower hierarchy are undergoing a casualisation process as they are deskilled, and increasingly replaced by contingent staff. This may be one of the objectives for companies to seek involvement and quality effort from the core and semi-core staff which can be bolstered by the presence of a large and growing contingent work force as it signals to them what can happen if they refuse or limit their efforts.

In this general trend, individual companies adopt specific casualisation strategies which reflect both culture and business strategies. For example, during the economic good times before the financial crisis, Supercom tended to be less casualised among the local full-time middle managers compared to Morioka and Okadaya because Supercom employed a standardised policy in terms of the HRM practices. Many middle managers have to perform cross-functional duties requiring continuous training and development which could not be taken up by part-timers. On the other hand, Morioka and Okadaya differentiated their recruitment and selection procedures, pay and benefits policies, training and development methods between the expatriate and local middle managerial staff. This can be attributed to the cultural factor that the Japanese tend to use an ethnocentric approach to manage overseas staff. As a result of such casualisation, Morioka and Okadaya had deskilled many middle managerial jobs to low-skilled lower level specialised jobs.

However, after the Asian financial turmoil, the three case companies have gone through many changes. One of the case companies, Morioka, has closed and terminated its business all over the world. Another company, Supercom, reported its first profit decline in seven years in 1998 (Bloomberg, 1998). In early November 1998, as a result of a US$15 million loss in the Asian Pacific region during March to October 1998, Supercom laid off 50 middle managers, and announced possible pay cuts for 40 more managerial staff. The public relations manager of Supercom said the cost-cutting moves were necessary to stay competitive (Sui, 1998). However, Okadaya has performed very well in the current recession, and has opened two more store outlets by taking over two of Morioka’s closed stores in 1998. Although Okadaya has performed the best among the three case companies, it has also announced its first profit decline in nine years (Anonymous, 1998c). This also made Okadaya employ more part-time staff.

The growing number of contingent workers are, by and large, assigned to the least
skilled, most easily filled jobs, and are monitored and controlled by permanent core full-time staff. They are typically excluded from company events and rituals that are designed to glue them socially together to the organisational culture. Many staff have been forced into part-time employment after the financial crisis as an increasing number of unemployed workers is generated from the bankruptcy of many retail firms – including four major Japanese retailers (Morioka, Tokyu Matsuzakaya, and Daimaru), one major American retailer (Wal Mat), and several small- to medium-sized Chinese retailers (for example, Chung Hui). Coupled with declining sales and profitability, the remaining two case companies – Okadaya and Supercom – have resorted more vigorously to casualising employees in order to minimise costs. Although Okadaya (unlike Supercom) has not resorted to layoffs, it has increased the ratio of contingent workers. It shows that the use of casualisation for cost-minimisation is mainly attributed to a business strategy for survival. As the Personnel Manager of Okadaya said, 'Most of the workers who seek part-time employment in our company were those who became unemployed after the closing of many retailing operations in Hong Kong. They are willing to work hard disregarding the relatively lower pay and benefits they are receiving now compared with what they received in their full-time employment before'. It has impacted on significant numbers of people who want full-time, permanent work but cannot find it, and that the character of unemployment has decidedly shifted. A much larger proportion of the work force is either underemployed, overemployed, low paid, or trapped in unfavorable job situations (Mishel and Bernstein, 1994).

To conclude, the first implication from this study is that casualisation strategies adopted in retailing have enabled retailers to increase flexibility and their ability to quickly, efficiently and continuously introduce changes in demand. The use of employee casualisation strategies relieves retailers from obligations to the work forces, and make possible for retailers to respond effectively to the fluctuations in demand. It indicates that retailers react to market fluctuations by marginalising a large proportion of work forces from more stable and permanent forms of employment. It is generally evidenced in Hong Kong that there is an increased use of subcontracting, casualisation and subcontract labour for numerical flexibility for the short-term adjustment to cost competitive pressures from economic downturn (Chiu and Levin, 1995; Chiu and Lui, 1994). As shown in Supercom’s case, the company has to face decreasing profitability by casualising middle managers. However, it is also the case that Supercom’s casualisation strategy during the economic good times was to increase the long-term flexibility focused on enhancing worker welfare and
security, with increased worker participation in organisational decision-making. This policy arrived to increase worker commitment and loyalty, and assume increased responsibility for company success in the long run (Deyo, 1997). Okadaya had a similar intent to achieve long-term flexibility, as it tried to reintroduce the management trainee programme after going into the red for the first time.

The second implication is that as there are more unemployed workers with the necessary skills are available in the labour market, it is more possible for firms to adopt casualisation. Thus, the condition of the labour market can also influence firms’ employment strategies. In general, the casualisation strategies used in retail firms can be taken as a reference for other industries in Hong Kong, such as banking and hotels, since they also face the same contextual cost-competitive pressures in the short run and also need to seek long-term flexibility by increasing worker commitment and loyalty.

NOTES

1. The precise measurement of contingent workers is difficult because of definitional ambiguities, and researchers may count the number of jobs rather than the number of job holders in various categories (Tilly, 1991).

2. The retail revolution occurred when ‘self-service’ selling was introduced in the 1940s. Before the retail revolution occurred in the late 1940s, sales staff needed to have technical know-how such as general sales ability and merchandise information, and psychological know-how to get customers to buy. However, the retail revolution divided jobs into more specialised tasks by breaking down complex work processes into simple tasks. For instance, some sales staff mainly engaged in stocking shelves unless there was rush at the check-out counters, some worked only on produce, and some were only food baggers (picking up the item from cash registers and packed them into shopping bags). Therefore, sales staff no longer needed to be well educated, instead, they only possessed easily replaceable and interchangeable skills (Benson, 1986; Maguire, 1991).

3. The personality criteria are enthusiasm/motivation, assertiveness, leadership, analytical consideration, international awareness, teamwork, and adaptability.

4. Supercom categorises staff into six bands. Band 1 consisted of directors, consisted of controllers in band 2, store manager in band 3, assistant store manager in band 4, department manager and officer in band 5, and sales assistants and clerical staff in band 6.

5. ‘Okadaya University’ was a training and development programme provided by Okadaya to local staff. It covers skill-related training at three levels – supervisory, managerial and executive. The staff who had completed the level would receive a certificate which is considered as a prerequisite for promotion.
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