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LABOR ISSUES IN FOOD DISTRIBUTION

A Synopsis of Secondary Information

by

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A body of agricultural economists has long been highly critical of the performance of the food distribution sector. Here the term food distribution encompasses all activities from farm to consumer, while performance is an academic concept referring to such factors as profitability of firms and their readiness to innovate. (For a recent review see Marion; alternative views are treated in Grieg.) Viewing productivity in a more technical way, the value of output per unit of total inputs, Lee, Maier, and Lynch also find the food manufacturing industry lacking: "Average productivity growth in the industry between 1958 and 1982 was quite low in magnitude and significantly below that of U.S. manufacturing industries in general" (page 8).

In my personal opinion, much of this work is well done and the results are valid and relevant. But they address only part of the issue. Another approach was indicated in 1982 when the then-president of the American Agricultural Economics Association noted:

With labor accounting for almost one-half of the food marketing bill, one of the major areas of concern of the profession [of Agricultural Economics] should be personnel management and labor relations. Labor economics is noticeably absent

from most teaching programs, and it is virtually non-existent in research and extension programs. (Polopolus, p. 809)

The significance of labor in the non-farming food sector is highlighted by its importance in total U.S. employment. In 1985 the non-farm food sector employed 18.9 million persons, 16 percent of total domestic employment and seven and a half times farm employment. Within the total sector, retailing and eating establishments are dominant sources of employment, hiring in 1985 10.1 million persons, or more than half of all sector employment (*National Food Review*, p. 35).

As the United States moves to become more of a service economy, service employment like that in food stores and restaurants will become relatively more important, and productivity of the work force will become increasingly significant to the overall economy. Yet in recent years, labor productivity in these sectors has been declining. On an index basis labor productivity was 96 in 1984 for all food stores as compared to 101 a decade earlier. Eating and drinking places showed a similar five percentage point drop over the same time period (*National Food Review*, p. 36).

A number of explanations have been proposed for this productivity decline. Some are specific to the sector, such as the longer operating hours in supermarkets, which, in part, spread sales over a greater number of hours worked. Some are related to demographics, especially the increased use of part-time workers and other recent entrants into the work place. These inexperienced employees are typically less productive. A further demographic reality is the decline in the numbers of young workers, a major labor pool for supermarkets in particular. Chains saturated in areas of economic boom have particular problems in this regard. Star Markets of Boston has nearly 2,000 job openings, one-third of its work force (Uchitelle).

Despite the labor shortage, wages for store clerks across the country have been nearly stable, or even declining by some accounts (*National Food Review*, p. 37, McLaughlin and Hawkes). One of the contributing factors to lower relative food store wages is the shrinking role of unions. The Food and Commercial Workers International Union, the dominant union in the sector, had a membership decline to 989,000 in 1985 compared to 1,076,000 in 1979, an 8 percent fall although this was not all in food stores employment (Directory of U.S. Labor Organizations, Appendix A).

Labor productivity in food retailing in particular is being affected by a number of simultaneous trends, including demographics, service levels, pay scales and the role of unions. The individual impact of each is difficult to quantify in research. (For one application in the food sector, see McDowell and Lesser.) Yet what we do know is that management-labor interactions can have a, if not the, dominant influence. Roller and Lesser in an examination of labor productivity in grocery distribution centers, found large variations across firms which were not explainable by size or other physical/technical attributes of the facilities, implying that labor management issues were predominant.

For insights into these issues it is necessary to look to the individuals who work there on a regular basis. That is the purpose of the session this afternoon, and we look forward to it with great anticipation.

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