BUSINESS

Retail's Other Problem: Too Few Clerks in the Store

Macy's, J.C. Penney and others have cut jobs even more than they have closed stores

Actor Basil Rathbone, perhaps best known for playing Sherlock Holmes in the 1940s, stands for a fitting at Saks Fifth Avenue in 1948. **PHOTO:** CONSTANTIN JOFFE/CONDE NAST/GETTY IMAGES

By Suzanne Kapner

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Many of America's biggest retailers, under assault from Amazon.com Inc., have been slashing staff even faster than they have been closing stores, a dynamic that has left fewer clerks and longer checkout lines at remaining locations.

Despite operating roughly the same number of stores as it did a decade ago, Macy's Inc. M **+0.00%** ▲ has shed 52,000 workers since 2008. At J.C. Penney Co. JCP **1.61%** ▲ , workers have disappeared twice as fast as department stores. That's led to an average of 112 total Penney employees for every store today, down from 145 a decade ago, according to a Wall Street Journal analysis.

Similar per-store staff declines occurred over the past decade at Kohl's Corp. KSS **+0.00%** ▲ , Nordstrom Inc., JWN **3.86%** ▲ Target Corp. TGT **1.35%** ▲ and Walmart Inc., WMT **-0.74%** ▼ regardless of whether the retailer opened or closed stores, according to the Journal's analysis. The employment figures are for all full- and part-time staff and don't distinguish between store, warehouse or headquarters workers. Industry executives say store employees make up the vast majority of retailers' workforce.

"Retailers are shooting themselves in the foot trying to save pennies by lowering labor costs, and that's costing them dollars on the top line," said Rogelio Oliva, a business school professor at Texas A&M University. He recently analyzed the relationship between sales and labor at a women's clothing retailer and found that many of the stores were understaffed by as much as 15%, leading to potentially lower sales.

Some companies attribute the declining head count to staff cuts at headquarters and a switch to smaller stores that need fewer workers. Others have added technology such as self-checkout lanes or shelf-ready packaging that they say makes existing workers more productive. And still others have hired more full-time workers, eliminating the need for two or three part-timers.

Now, some retailers are discovering they may have gone too far and are beginning to replenish staff—just as the booming U.S. economy is creating historic labor shortages and forcing companies to pay higher wages and offer perks such as better training and benefits.

Kroger Co. KR -0.43% ▼ said this month it will hire 11,000 workers to improve customer service and speed checkouts at its nearly 2,800 grocery stores.

Dick's Sporting Goods Inc. DKS 3.82% ▲ wants to increase store labor by about 10%, said Chief Executive Edward Stack, reversing a decadelong trend. Over the holidays, Dick's added more cashiers, "because if there's one thing that drives me nuts, it's waiting at the register," Mr. Stack said in an interview.

Macy's said it is adding staff this year at 50 stores, in areas where the extra bodies will have the most impact, including in fitting rooms and in the dress, women's shoes, and handbag departments.

Retail staffing hasn't kept pace with growth in the broader economy or population gains in the past decade. The number of salespeople at retailers grew by 1.5% over the past decade, even though the population served by each store has increased 12.5%, according to government data. At clothing and accessories stores, the number of cashiers is down more than 50% from 2007.

"Many retailers are at the tipping point of cutting too much labor," said Craig Rowley, a senior partner in the retail division of Korn Ferry International , an executive-search firm. "If you cut staff every year, pretty soon you're at minimal staffing."

The sales floor at Macy's in New York City in 1964. Today, the retailer is adding staff at 50 stores. PHOTO: THOMAS O'HALLORAN/PHOTOQUEST/GETTY IMAGES

Gilbert McGarvey has worked at the flagship Saks Fifth Avenue store in New York City for 24 years, most recently in the shoe department. "It used to be what we sold was service," he said, "Now, they've cut that to the quick."

Saks last year closed the service desk at its flagship store and reduced support staff, which has meant that sales associates now have to process returns and spend more time restocking shelves and fulfilling online orders, tasks that take them away from selling, Mr. McGarvey said.

A spokeswoman for Hudson's Bay Co., which owns Saks, said the Manhattan store had trimmed support staff by 2%, but added 15 service advisers near the store's entrances to help guide shoppers.

Across the board, workers had been stretch so thin that the Retail, Wholesale and Department Store Union stipulated in its latest contract, signed last year, that its members have the right to drop all other responsibilities to help care of customers first.

“If brick-and-mortar retailers can’t compete on price in an online environment, the only thing that allows them to survive is to provide a positive in-store experience,” said Stuart Appelbaum, the union’s president.

Jessica Tokarski recently stopped by a Target store in Orchard Park, N.Y., to buy a phone case. But the 23-year-old couldn’t find anyone to unlock it from the rack, so she left the store without making a purchase.

“I’ve turned to online shopping, because customer service in stores has gotten really bad,” Ms. Tokarski said.

A Target spokeswoman said the retailer has added workers to its stores over the past year and is providing them with more training. She said a large part of Target’s head-count reduction was the result of the 2015 sale of its pharmacy business to CVS Health Corp. , which shifted 15,000 jobs.

Over the past 12 months, 86% of U.S. consumers say they have left a store due to long lines, according to a survey conducted by Adyen, a credit-card processor and payment system. That has resulted in $37.7 billion in lost sales for retailers, Adyen estimates.

Retailers typically set staffing as a percent of sales, but a growing body of research suggests it should be based on foot traffic. The problem is twofold: Many retailers don’t track traffic and even if they do, they are reluctant to add labor, which is already among their biggest costs.

“If you’ve got a lot of foot traffic, but a lull in sales, you need to put more staff in your stores,” said Mark Ryski, the chief executive of HeadCount Corp., a data-analytics firm that tracks footfall at stores around the country.

Some companies are listening. After installing cameras last year, Cycle Gear Inc., a 130-store chain that sells motorcycle apparel and accessories, noticed sales dipped during the afternoon at its Orlando, Fla., store even though it was packed with shoppers.

“That told us the salespeople were overwhelmed,” said Rodger O’Keefe, a vice president. “We added two more sales people during those hours, and sales have been up since then.”

—Theo Francis contributed to this article.

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