Our nation’s retailers fulfill an important role in our economy and according to the Commission’s EEO-1 reports, employ nearly 15 percent of all private sector employees. This report is one in a series that examines the retail industry. The focus here is on retail department stores, the largest employer of all retail subsectors except for food and beverage stores. It is also a major employer of women who make up a large portion (75 percent) of the retail salespersons in these stores. There is a wide range of stores within the broad category of department stores. The most exclusive high end department stores are considered as offering superior employment situations in terms of environment, compensation and benefits. This study seeks to determine how people of color fare in these stores. Two key questions surround these stores. Do high end department stores focus so much on locations in affluent neighborhoods that they limit access that nonwhite workers might have to employment there? Second, regardless of accessibility to diverse work forces, do high end department stores maintain a diverse work force? Department stores in the ten largest metropolitan areas are examined: New York, Los Angeles, Chicago, Philadelphia, Dallas, Miami, Washington, Houston, Detroit and Boston. Major findings include:

• The labor market for African American and Hispanic sales workers relevant to high end department stores is not significantly different than the labor markets for other types of department stores.

• The labor market for Asians sales workers is somewhat better for high end department stores than for other types of department stores.

• On average, high end department stores are more likely to have significant shortfalls in the employment of African Americans, Hispanics and Asians as sales workers.

• Chain ownership has a significant effect on diversity of employment.

• There appears to be some evidence that exclusive department stores have substantially more disparities with Hispanic sales workers than other kinds of race/ethnic groups.

This report is a condensed version of High End Department Stores, Their Access and Use of Diverse Labor Markets: Technical Report. More detailed statistical findings and methodology are presented there.
INTRODUCTION

Retail department stores represent a significant portion of employment in the retail industry. General merchandise stores, comprised largely of department stores, account for 14 percent of all retail employment. It is the largest employer of all retail subsectors except for food and beverage stores (18.8 percent). It is also a major employer of women who make up a large portion (75 percent) of the retail salespersons in general merchandise stores.¹

A question regarding equal employment opportunity among different department stores is, how does the quality of work life vary by type of store and location? That is, one might anticipate that higher end department stores are more likely to offer commissions, higher wages, greater benefits, greater flexibility in work hours and more valuable employee discounts. Bernhardt (2000) is more specific about the advantages of working at high end department stores.

Bloomingdale’s and Stern’s department stores, both owned by Federated holding company, illustrate this split. Bloomingdale’s serves high-income customers. Only 20 percent of its workers are part-time, turnover is low, wages are above average for Federated stores, and a significant amount of money is spent on recruiting polished workers with good “people skills” – mostly young white women attending college. By contrast Stern’s is a mass-market operation. It focuses not on service but rather on centralizing and streamlining operations with new technology and fewer people. Wages are significantly lower, about 60 percent of the jobs are part-time, and turnover is high. Employees tend to come from working-class backgrounds (p. 23).

Further, one might expect higher end department stores to be located in the more affluent suburban areas. Thus, if nonwhites are isolated from these areas due to residential choice patterns and/or housing discrimination, their opportunities for employment here will be reduced. This is sometimes referred to as the spatial mismatch hypothesis. However, Arnott (1998) warns that one must recognize significant changes in residential patterns over the last decade.

... the spatial mismatch hypothesis seems to be predicated on the notion of a downtown where the majority of Blacks live, surrounded by a homogeneous, white suburban fringe. But the pattern of residential location by income and race has become more complex in the years since the spatial mismatch

hypothesis was originally formulated and is becoming increasingly complex. (p. 1173).

RESEARCH QUESTIONS

The purpose of this research is to determine if high end department stores vary from that of other department stores with respect to their ability to access and utilize diverse labor pools. Labor market availability is defined broadly here so we use the term, accessibility rather than availability to avoid confusion with legal standards for nondiscrimination or affirmative action that the term availability might imply. Two research hypotheses flow from this question,

Hypothesis 1: Access to nonwhite workers will vary by type of department store.

Hypothesis 2: Employment of nonwhite sales workers will vary by type of department store.

Recent data from the Census and the 2002 EEO-1 report will be utilized. The analyses will account for both employer location and work force resident data based on zip. The data regarding employer location is specific to individual stores. The research will recognize the role that employment discrimination may play by basing analyses on statistics comparing nonwhite labor pools to nonwhite employment. The analyses will examine nonwhite groups separately (African Americans, Hispanics and Asians) to account for variation in residential patterns and employment.

METHODOLOGY

Department stores filing an EEO-1 report was assigned to one of four price point categories.

- Designer/Bridge (the most exclusive or high end stores)
- Better/Moderate
- Moderate/Popular
- Off-Price, Discount (the least exclusive stores)
An example of a Designer/Bridge or high end department store would be Saks Fifth Avenue. A Better/Moderate department store would be Macy’s. Sears Roebuck is an example of a Moderate/Popular department store. A chain in the Off-Price, Discount category is K-Mart.

Stores are examined in the ten metropolitan areas with the largest population in the 2000 Census. They are, in order of population: New York, Los Angeles, Chicago, Philadelphia, Dallas, Miami, Washington, Houston, Detroit and Boston. Labor market analyses based on estimates of accessible nonwhite work forces are constructed based on zip codes or more precisely ZIP Code Tabulation Area (ZCTA). Work force estimates are derived from Census Summary File 3 and are developed for each store based on wage earners in relevant zip codes. It is assumed that all wage earners are equally available, qualified, and interested in seeking employment as a sales worker. While all zip codes within a store’s metropolitan area are included, the employment figures were weighted to account to distance from the store and proportion of employment within a zip code. (See Gastwirth and Haber, 1996: Formula 1). Zip codes with larger work forces receive greater weight than those with smaller work forces, and nearby zip codes greater weight than distant neighborhoods.

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3 More precisely ZIP Code Tabulation Area (ZCTA) are used. ZCTA’s are statistical areas developed by the Census Bureau for tabulating data from the 2000 Census. They represent U.S. Postal Service ZIP Code areas. See http://www.census.gov/geo/ZCTA/zcta.html for a technical discussion of these areas.

4 Sung (1996) evaluates nine alternative measures of accessibility which he defines as “the ease with which economic activities can be reached from a location” (p. 474). Our study uses Sung’s Gaussian formulation with accessibility values ranging from 1.0 to 0.0. We defined accessibility values of 1.0 at zero miles, accessibility values of 0.05 at ten miles and accessibility values less than 0.05 at distances beyond ten miles. Probabilities were constructed by dividing the Gaussian accessibility values for each zip code by the sum of Gaussian distance values for all zip codes in a given metropolitan area. The Gaussian distribution decreases slowly at closer distances and decreases rapidly at further distances.
Firm specific employment information came from EEO-1 reports. These annual reports indicate the composition of employers’ workforces by gender and by race/ethnic category. This study focuses exclusively on the EEO-1 sales worker data. Firm level EEO-1 data are confidential.

**ACCESS TO DIVERSE WORK FORCES**

Table 2 reports the weighted percent of nonwhite wage earners computed by department stores within the four major retail price point categories. Nonwhites are examined as a group and then separately. With the exception of minor differences for Asian populations, the current study is not able to detect significant differences in accessibility between the designer/bridge category and the other price point categories. The mean percentage of nonwhites varies from 36.6 percent to 40.1 percent. The largest mean difference occurs between the designer/bridge category and the off-price, discount category, a difference of just 3.6 percent. The mean proportion of nonwhites accessible to the high end (designer/bridge) department stores were compared to each of the different types of department stores. The differences were tested to determine if they were statistically significant. There is some evidence that high end department stores (designer/bridge) have greater access to Asian wage earners than moderate/popular and off-price, discount stores (probability values of 0.005 and 0.003 respectively). It appears the four types of price

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5 Private employers required to file are those with: (a) 100 or more employees, or (b) 50 or more employees and: (1) have a federal contract or first-tier subcontract worth $50,000 or more, or (2) act as depositories of federal funds in any amount, or (3) act as issuing and paying agents for U.S. Savings Bonds and Notes. Single-establishment employers submit only one EEO-1 report, while those employers whose business was conducted at more than one location submit a company-wide consolidated report, a headquarters report, and individual reports for each establishment with 50 or more employees. Employment figures could be reported for any pay period in the third quarter (July through September). In 2002, more than 39,000 employers submitted, as appropriate, individual establishment and headquarters reports for more than 225,000 reporting establishments with about 52 million employees.

6 See “Section 5, Description of Job Categories” in the EEO-1 instruction booklet at http://www.eeoc.gov/stats/jobpat/e1instruct.html

7 All mean difference tests use the Dunnett two-sided multiple comparison procedure with the designer/bridge category as the control group.
point categories have similar labor markets in terms of the proportion of nonwhites, African Americans, and Hispanics in their labor markets.

**TABLE 1: AVERAGE PERCENT OF WORKERS WITHIN WEIGHTED RELEVANT LABOR MARKET**

<table>
<thead>
<tr>
<th>LABOR MARKET</th>
<th>PRICEPT4</th>
<th>STORES (N)</th>
<th>PERCENT OF WORKERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONWHITE</td>
<td>DESIGNER/BRIDGE</td>
<td>111</td>
<td>40.1</td>
</tr>
<tr>
<td>NONWHITE</td>
<td>BETTER/MODERATE</td>
<td>215</td>
<td>39.1</td>
</tr>
<tr>
<td>NONWHITE</td>
<td>MODERATE/POPULAR</td>
<td>718</td>
<td>37.4</td>
</tr>
<tr>
<td>NONWHITE</td>
<td>OFF-PRICE, DISCOUNT</td>
<td>1347</td>
<td>36.6</td>
</tr>
<tr>
<td>AFRICAN AMERICAN</td>
<td>DESIGNER/BRIDGE</td>
<td>111</td>
<td>12.8</td>
</tr>
<tr>
<td>AFRICAN AMERICAN</td>
<td>BETTER/MODERATE</td>
<td>215</td>
<td>13.5</td>
</tr>
<tr>
<td>AFRICAN AMERICAN</td>
<td>MODERATE/POPULAR</td>
<td>718</td>
<td>12.0</td>
</tr>
<tr>
<td>AFRICAN AMERICAN</td>
<td>OFF-PRICE, DISCOUNT</td>
<td>1347</td>
<td>12.7</td>
</tr>
<tr>
<td>HISPANIC</td>
<td>DESIGNER/BRIDGE</td>
<td>111</td>
<td>18.0</td>
</tr>
<tr>
<td>HISPANIC</td>
<td>BETTER/MODERATE</td>
<td>215</td>
<td>17.0</td>
</tr>
<tr>
<td>HISPANIC</td>
<td>MODERATE/POPULAR</td>
<td>718</td>
<td>17.8</td>
</tr>
<tr>
<td>HISPANIC</td>
<td>OFF-PRICE, DISCOUNT</td>
<td>1347</td>
<td>16.3</td>
</tr>
<tr>
<td>ASIAN</td>
<td>DESIGNER/BRIDGE</td>
<td>111</td>
<td>7.3</td>
</tr>
<tr>
<td>ASIAN</td>
<td>BETTER/MODERATE</td>
<td>215</td>
<td>6.8</td>
</tr>
<tr>
<td>ASIAN</td>
<td>MODERATE/POPULAR</td>
<td>718</td>
<td>5.8</td>
</tr>
<tr>
<td>ASIAN</td>
<td>OFF-PRICE, DISCOUNT</td>
<td>1347</td>
<td>5.8</td>
</tr>
</tbody>
</table>

Regression analyses were also used to examine access to diverse work forces by accounting for differences in metropolitan area and major chain. The latter variable indicates whether chains within a category of department store have different accessibility patterns. Type of department store, controlled for metropolitan area, is not a significant explanatory factor.

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8 All of the regression equations are statistically significant, with overall probabilities less than 0.0001, and the proportion of explained variation or R squared ranges from 0.204 to 0.614.
except for Asian accessibility. **That is, type of department store has no influence on the store’s access to nonwhite, African American and Hispanic workers.** Chains in the more exclusive group of department stores (designer/bridge and better/moderate) appear to have no significant influence on access to nonwhite workers measured collectively or by individual group. However, chains in the lower two price point categories, moderate/popular and off-price, discount, show significant influence. Taken as a whole, the present study suggests that access to most types of race/ethnic workers tends to vary more by type of chain within price point categories rather than by the type of department store as measured by price point categories. These results suggest that high end department stores are located in a manner that provides the same access to nonwhite workers as other types of department stores.

**EMPLOYMENT DIVERSITY**

For the purposes of this study, employment of nonwhite workers is measured by a shortfall ratio.\(^9\) The shortfall is computed as a ratio of total sales workers in order to account for variations in store employment. Negative values of the shortfall ratio indicate a deficit of nonwhite sales workers. Since the expected number of nonwhite sales workers cannot exceed the total number of sales workers, the shortfall ratio per sales worker is always less than 1.0.\(^10\) The positive shortfall mean value of 0.113 is significantly different from a neutral value of 0.0 (a two-sided t test probability less than 0.0001) indicating that the stores in this segment of retail industry employ more nonwhite workers, on average, than might be expected from their labor market accessibility in the general population.

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\(^9\) The shortfall ratio is defined as the difference between observed and expected number of nonwhite sales workers at each store, divided by the total number of sales workers at each store. The expected number of sales workers is computed by the formula,

\[
\text{Expected number of nonwhite sales workers} = \\
\left( \frac{\text{the proportion of nonwhites as defined by the measure of labor market accessibility described above}}{\text{total number of sales workers per store}} \right) \times \text{total number of sales workers}
\]

\(^10\) For these department stores, the ratios range from a negative value of -0.664 to a positive value of 0.665. The shortfall ratio distribution is approximately symmetric with a skewness measure close to zero (-0.126) and similar values for the mean and median (0.113 and 0.107 respectively).
Mean values of the shortfall ratios for high end department stores (designer/bridge) are compared to those for the other department store types and tested for statistical significance. **As expected, the mean shortfall ratio in the high end department stores (designer/bridge category) is significantly different than the mean shortfall ratios for the other types of department stores.** The two-sided mean difference tests show probabilities of less than 0.0001 for all four race/ethnic conditions (nonwhite, African American, Hispanic, Asian).

Differences in employment diversity were tested further using regression analyses similar those examining labor market accessibility. **Consistent with the discussion of mean shortfall ratios, the price point categories, controlled for metropolitan area, show statistically significant differences in shortfall ratios across all four race/ethnic groups.** In addition, although chains in the better/moderate category appear to have no significant influence on employment shortfalls, the chain probability differences within the other types of department stores indicate they have a significant influence. Taken as a whole, the shortfall ratio index suggests that the employment of nonwhite sales workers varies both by type of department store as well as by selected chains within the upper and lower price point categories.

### EXAMINATION OF DISPARITIES AT THE STORE LEVEL

The shortfall ratios measure the direction of nonwhite employment (that is, whether a store employs more nonwhites or fewer nonwhites than might be expected from its surrounding labor pool), but it does not show which stores, if any, have employment deficits that might have occurred by chance. We now examine the shortfalls that would be considered both negative and statistically significant. Focusing on the firms with the lowest rates of nonwhite employment has the added benefit that it allows us to measure how many stores might be classified as potential candidates for some sort of remedial action.

A binomial test is used to compare each store’s employment of nonwhite sales workers to the computed proportion of nonwhite workers in each store’s labor market. Those firms are categorized by (1) whether or not they have significant negative disparities between expected and observed nonwhite sales workers and (2) whether or not they are high end department stores. A Fishers Exact test is used to determine if the expected number of high

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11 All of the employment regression equations are statistically significant, with overall probabilities less than 0.0001, and the proportion of explained variation varies from 0.360 to 0.464.
end department stores with significant disparities is greater than expected. Indeed it is. We would expect ten stores to have significant disparities, but 47 have such disparities (probability less than 0.00000). For African Americans, we would expect four designer/bridge department stores to have significant disparities, 18 have such disparities (probability less than 0.0000). Based on chance, 15 stores might be expected to have significant disparities of Hispanics, instead 55 have such disparities (probability less than 0.0000). Unlike, the results for African Americans and Hispanics, while there are more high end stores with significant disparities (13) for Asian sales workers than would be expected (10) this difference was not statistically significant. Consistent with the results reported in above store chain appears to be related to diversity of employment. Some chains have a larger percentage of stores with significant disparities than others.

Results are summarized for nonwhites, African Americans, Hispanics and Asians and are also summarized by type of department store. Table 2 summarizes results for the relevant race/ethnic groups. For example, 20.8 percent of all department stores with a significant disparity in the employment of nonwhite sales workers are high end department stores, that is, in the designer/bridge category. (This is derived from 47 designer/bridge stores with significant disparities for nonwhite sales workers out of 226 total stores with such disparities.)

**TABLE 2: PERCENT OF STORES WITH SIGNIFICANT DISPARITIES BY RACE/ETHNIC GROUP**

<table>
<thead>
<tr>
<th>STORE TYPE</th>
<th>NON-WHITES</th>
<th>AFRICAN AMERICANS</th>
<th>HISPANICS</th>
<th>ASIANS</th>
<th>TOTAL STORES</th>
<th>PERCENT OF STORES</th>
</tr>
</thead>
<tbody>
<tr>
<td>DESIGNER/BRIDGE (1)</td>
<td>20.8</td>
<td>20.45</td>
<td>16.37</td>
<td>5.94</td>
<td>111</td>
<td>4.64</td>
</tr>
<tr>
<td>BETTER/MODERATE (2)</td>
<td>7.52</td>
<td>4.55</td>
<td>19.94</td>
<td>9.59</td>
<td>215</td>
<td>8.98</td>
</tr>
<tr>
<td>MODERATE/POPULAR (3)</td>
<td>42.48</td>
<td>40.91</td>
<td>33.93</td>
<td>30.14</td>
<td>718</td>
<td>30.33</td>
</tr>
<tr>
<td>OFF-PRICE, DISCOUNT (4)</td>
<td>29.2</td>
<td>34.09</td>
<td>29.76</td>
<td>54.34</td>
<td>1347</td>
<td>56.34</td>
</tr>
</tbody>
</table>

Although designer/bridge (high end) department stores account for just 4.64 percent of all department stores, they account of 20.8 percent of significant disparities for nonwhites, 20.45 percent for African Americans, 16.37 percent for Hispanics. Only when computing disparities for Asians are the percent of designer/bridge stores with significant disparities close to their overall percentage of department stores. In contrast the percent of stores with
disparities in the off-price discount category is far below their portion of all stores (56.34 percent) with the exception of Asians.

Table 3 summarizes results by type of department store but can also be used to see how results vary by different race/ethnic groups. For example, 42.34 percent of all high end (designer/bridge) department stores have a significant disparity in their employment of nonwhite sales workers. (This is derived from 47 designer/bridge stores with significant disparities for nonwhite sales workers out of 111 designer/bridge stores.)

<table>
<thead>
<tr>
<th>STORE TYPE</th>
<th>NON-WHITES</th>
<th>AFRICAN AMERICANS</th>
<th>HISPANICS</th>
<th>ASIANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>DESIGNER/BRIDGE (1)</td>
<td>42.34</td>
<td>16.22</td>
<td>49.55</td>
<td>11.71</td>
</tr>
<tr>
<td>BETTER/MODERATE (2)</td>
<td>7.91</td>
<td>1.86</td>
<td>31.16</td>
<td>9.77</td>
</tr>
<tr>
<td>MODERATE/POPULAR (3)</td>
<td>13.37</td>
<td>5.01</td>
<td>15.88</td>
<td>9.19</td>
</tr>
<tr>
<td>OFF-PRICE, DISCOUNT (4)</td>
<td>4.9</td>
<td>2.23</td>
<td>7.42</td>
<td>8.83</td>
</tr>
</tbody>
</table>

Looking at designer/bridge department stores, 42.34 percent of these stores have significant disparities between the expected and actual number of nonwhites sales workers employed. (This means that 57.66 percent of designer/bridge department stores do not have significant disparities of nonwhite sales workers.) In contrast only 16.22 percent of these high end department stores have significant disparities in the employment of African American sales workers. The percentage for Hispanics is 49.55 and 11.71 for Asians. What is particularly striking here is the percentage of stores, even across different types of stores, with significant disparities for Hispanics. While the percentage of stores for African Americans and for Asians is fairly similar, the percentage for Hispanics is always the highest and for the two most exclusive store types is more than three times as high. The exception to these findings is off-price, discount stores where Asians have the largest portion of stores with significant disparities.
SUMMARY

The research examined two hypotheses: the more exclusive the department store, the lower the proportion of nonwhites in its labor pool, and the more exclusive the department store, the lower its utilization of nonwhite sales workers. Department store exclusivity was measured in terms of four price point categories: designer/bridge, better/moderate, moderate/popular, and off-price, discount.

The results do not support the first hypothesis. This study is unable to detect significant differences in labor market accessibility between the designer/bridge category and the others types of department stores for nonwhites, African Americans, and Hispanics. There is some evidence that more exclusive department stores have slightly larger Asian labor pools than other types of department stores.¹²

By contrast, the results generally support the second hypothesis. We measured employment utilization in terms of a ratio of shortfall to sales workers. As hypothesized, the mean shortfall ratios in the designer/bridge category are significantly worse than the mean shortfall ratios in the other types of department stores regardless of the race/ethnic group.

Chain ownership has a significant effect on average shortfall ratio values for all types of department stores except the better/moderate category. Within three types of departments stores, designer/bridge, moderate/popular, and off-price discount, there appears to be a certain number of outlying chains, that is, chains with substantially higher or lower average shortfall ratios than the other chains. There appears to be some evidence that exclusive department stores have substantially more disparities with Hispanic sales workers than other kinds of race/ethnic groups. It is not clear from this research whether these disparities might be tied to qualifications unique to these exclusive stores but the differences between chains within this type of store suggest that qualifications alone may not explain these results.

¹² There is also some evidence of chain disparities, especially among the less exclusive department stores, that are probably related to preferences among selected chains for rural rather than urban locations.
ADDITIONAL INFORMATION

For additional information, visit our web site at http://www.eeoc.gov. Click on STATISTICS and JOB PATTERNS FOR MINORITIES AND WOMEN (http://www.eeoc.gov/stats/jobpat/jobpat.html) for sample copies of the EEO-1 form, an instruction booklet and aggregate statistics. Click on SPECIAL REPORT (http://www.eeoc.gov/stats/reports/index.html) for other research reports.

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