



Targeting the sectors vital to the economy of **Suffolk**

Introduction

This paper outlines the workforce dynamics and skills and training issues in key sectors in the Suffolk economy.

The paper sets out:

- The demographics of the workforce
- The skills and qualifications profile of the workforce
- The likely demand for and supply of new skills and workers, now and in the future
- The local business drivers

Definition of the Sector:

Skillsmart Retail is the Sector Skills Council for the retail sector. The sector is covered within the UK Standard Industrial Classification listings (SIC) – under section G subsection 45-47 inclusive.

Retailing is defined as the resale (sale without transformation) of new and used goods mainly to the general public. This sector also includes wholesale of new and used goods to retailers, to industrial, commercial, institutions or professional users.

Retail in the Suffolk economy

The number of employees within the retail sector in Suffolk is over 31,300, of which 20,000 are part time and 11,300 are full time employees.

The total number of retail business within the county currently stands at approximately 3,220. The majority of the retailers within Suffolk employ less than ten staff. There is evidence to show that on average 50% more females are employed within the retail sector than men within Suffolk. This male / female ratio is reflected within both full and part time work.

The latest publications from the Retail Centre Experian rankings, which cover the UK retail outlets, show that Ipswich as 37th out of the top 50 shopping centers as based on CACI's Retail foot print analysis. Suffolk is amongst the highest placed retail outlets within the East of England.

The National and Regional Context

Background

The retail sector has an important role in the future economy of the East of England through:

- Sustaining rural communities
- The redevelopment of market towns
- Providing employment within major towns
- Attracting workers for other sectors by providing good facilities
- Flexibility in working hours.

Within the East of England Region the retail sector employs approximately 290,000 in just under 25,000 work-places. More than 80% of these workplaces employ fewer than 10 people. Over two thirds are female and almost two thirds are part time. One in eight retail employees are over 55 and conversely around one in three in the sector is aged 16-24. The proportion of employees from the black and minority ethnic groups is 5% half the national average for the sector.

In the East of England there is a slightly lower than average proportion of the workforce qualified to level 3 (32% compared to 36% nationally). A higher than average proportion of employees are qualified to level 2 (39% compared to 36% nationally) and 28% have a level 1 or no qualification compared to 27% nationally.

There are identified skills shortages distributed evenly across the East of England region. Employers report that the skills of their workforce need to improve in oral communication, customer handling, team working and personal attributes. Significantly though, employers in the retail sector tend to have low commitment to training, with two fifths of retail businesses in the East of England failing to train their staff. (Only quarter having a training budget)

Retail sector has the largest private sector employers in the UK. Retail sector it employs around 3 million people, one in ten of the workforce.

The sector accounts for £265 billion in annual sales and one-third of all consumer spend throughout the UK. The retail sector is also home to over 280,000 small independent retail businesses and around 211,000 micro business in England.

Key drivers of change

Retailers in the East of England were more likely than the national average (48% vs. 35%) to agree with this statement “*We don’t spend enough money on training*”

32% of the retail workforce in the East of England- or some 91,000 individuals- are aged under 24 years of age. As the workforce ages, the East of England retailers will need to broaden the labour pool from which they traditionally recruit. Currently 28% of the workforce is aged over 45.

Over 41% of the East of England retailers have devised a training plan. On-the-job/internal training is the most preferred method. However 42% have funded no training over the past year.

As in the rest of England, the two main occupational groups in the East of England are sales and customer services (accounting for 138,750 employees) and managers and senior officials (53,500)

The “pattern” of qualifications among the two groups match closely the average of 31% sales staff hold a level 2 qualification and 36% of Managers are qualified at level 3 or higher.

Based on analysis of Labour Survey data, Skillsmart Retail calculates that there are around 21,000 retail sales and customer service staff and 5,900 retail managers working in the East of England retail sector without any qualifications.

In terms of skills needs, the National Employer Skills Survey 2005 showed that customer handling, teamwork and verbal communication are the three most difficult skills to obtain from retail job applicants.

There is also evidence from Skillsmart SSA research that the level of skills required from store managers in large retailers has increased significantly over the past five years, including leading and developing teams, setting and monitoring customer service policies, IT, strategic planning and financial management.

In smaller company owner-managers are more likely to need practical support with marketing and business planning, visual merchandising, security and crime prevention, also basic IT skills.

The research confirms that the preference for larger retailers is to train in-house and that those retailers who employ fewer than 50 people (where they do take up training) are likely to rely on public provision.

Workforce development priorities

Employment Forecasts

According to forecasts by the Institute for Employment Research (IER), overall demand for jobs in the retail sector will grow during the period 2004 to 2014 by 1.4 million.

This increased demand will be in two forms. Firstly, expansion demand which is the result of new jobs being created as the sector grows; these are new jobs. IER estimates that just over a quarter of a million new jobs will be created in the retail sector between 2004 and 2014.

The second form of demand is replacement demand and is a result of people leaving the industry because of retirement, sickness or moving to work in other areas of the economy. IER estimate that around 1.17 million positions will be created as a result of people moving out of the sector. This high estimate of replacement demand is feasible given the sector's reputation for high employment turnover.

It remains a little more difficult to be confident about the predicted volume of expansion demand. On balance it is anticipated that the sector will demonstrate some overall growth in employment in the longer term. Signs of this may occur in the next twelve months as the economic cycle returns to a period of growth. This growth may feed through to increased consumer spending and eventually growth in retail employment. The prospects for short term employment growth are limited by suppressed consumer spending.

Strengths

- The retail sector in England is the largest private sector employer and employs in excess of 250,000 people 10% of the workforce.
- Retail has a major presence throughout England with the numbers of establishments broadly reflecting population densities
- Much of the employment and turnover is accounted for by a few dominant retailers who operate both nationally and internationally
- The retail sector is a major force for regeneration in England with a wide range of retail-led developments taking place in many major towns and cities.

Weaknesses

- Poor perception of sector as a career, resulting in a lack of good quality applicants at all stages in the recruitment cycle
- Relatively large numbers of over 55 years olds (one in eight) - many are below Level 2 and do not receive training.
- Overall skills gap of 20% due to retail expenditure on training being less per capita than other sectors
- A lack of Leadership and Management skills is perceived to be a major weakness particularly at store management level

Opportunities

- Retailers need bite sized/modular learning to address their business needs through accreditation of in-house training
- Attention should be focused on hard to reach employers employing from 4 to 50 staff.
- Development of a 14-19 work related Diploma
- Train to Gain and Skills Pledge to support employers to address their training needs
- Support for Trade Unions and Union Learning representatives in the workplace
- Increase the Higher Education sectors focus on workforce development
- Introduction of the Skills Passport (see section below)

Threats

- The retail sector contains some of the UK's most successful businesses, many of whom continue to expand their operations overseas and compete confidently with other global companies, as competition continues to intensify many of these smaller concerns will cease to trade.
- With over 100 retail developments taking place in UK's towns and cities the retail sector is recognised as a key contributor to regeneration, however, not everyone recognises retail as a sector priority.
- The drivers affecting the sector such as globalisation, government regulation and technological development (shopping on line) consumer trends will have a qualitative impact on jobs in the sector.

Skillsmart Retail: Skills Passport

Skillsmart Retail has developed a tool for building and maintaining a verified record of all skills and training. It takes the form of an easily accessible photo card and interactive online profile, capable of being updated any time. It can be owned by the individual and is transferable between employers. It can therefore form the basis of a personal development plan. Details of any in-house training as well as life experiences can be entered onto the passport. Formal training activities, such as Health & Safety training, National/Scottish Vocational Qualifications (N/SVQs) or GCSEs can also be entered onto the Passport. Retail Passport provides a range of benefits for both employers and employees.

Employers can directly benefit from the use of this tool as it can help with recruitment - providing a verified skills record for job applicants.

The Retail Sector

Table 1: Businesses in Suffolk

Employer size band	
	Number of businesses
1-10	2,750
11-49	420
50 +	80

Source: Annual Business Inquiry, NOMIS 2006

Table 2: Employees in Retail Sector

Number of employees in Retail Sector (Skillsmart)	
Suffolk LSC	31,300
Total EoE	291,700

Source: Annual Business Inquiry, NOMIS 2006

Table 3: Employees by gender - Suffolk

Employees by gender	
Male	11,300
Female	20,000
Total	31,300

Source: Annual Business Inquiry, NOMIS 2006

Table 4: Part time/full time employees - Suffolk

Employees: Part time/Full time	
Full Time	11,300
Part Time	20,000
Total	31,300

Source: Annual Business Inquiry, NOMIS 2004

Table 5: Number of employees by business type in Retail

Retail Employees by Occupation				
	Employees			
	East of England	%	England	%
Managers and senior Officials	54,718	18.8	477,556	18.7
Professional occupations	7,110	2.4	46,503	1.8
Associate Professional and Technical	16,544	5.7	118,039	4.6
Administrative and secretarial	20,124	6.9	161,407	6.4
Skilled Trades Occupations	10,073	3.5	86,269	3.6
Personal Service Occupations	475	0.2	5,073	0.2
Sales and Customer Service Occupations	142,706	48.9	1,224,241	50.7
Process Plant and Machine Operatives	6455	2.2	68,183	2.8
Elementary Occupations	33,337	11.4	276,705	11.2
Total	291,541	100	2,463,965	100

Source: Labour Force Survey, 2005

Table 6: Number of businesses by type in Retail (Skillsmart)

Businesses by type		
	Number of businesses	
	Suffolk	East of England
Retail non specialist stores	530	4,315
Retail sale of Food beverages and tobacco	390	2,760
Retail Sale of Pharmaceutical and medical goods and toilet articles	120	1,141
Other retail of new goods and specialist stores	1810	14,208
Retail sale of second-hand goods in stores	180	975
Retail sale – not in stores	210	1,669

Source annual business inquiry work place analysis NOMIS 2006

Skills shortages and gaps

The National Employer Skills Survey (NESS) offers some insight into the sectors skills shortages (a lack of suitably skilled people in the labour market) and skills gaps (skills deficiencies in the existing workforce). It is important to note that the NESS does not include the self employed or businesses with only one employee. NESS data is regionally based and cannot be brought down to local level with any degree of certainty of information.

Table 7: Skills Gaps

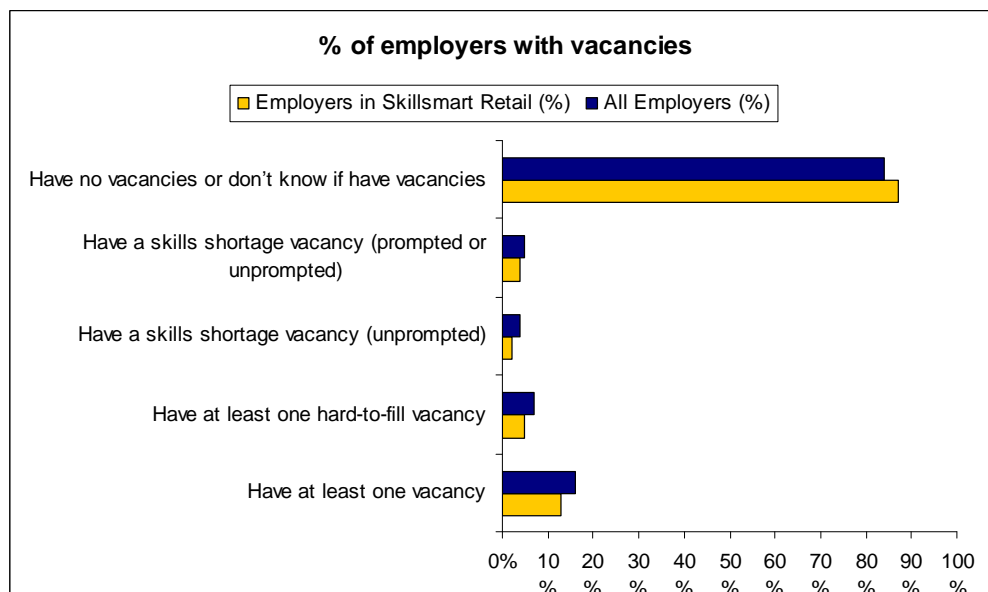
Formal assessment of whether individual employees have gaps in their skills		
	Employers in retail Skillsmart	All employers
Yes	49%	54%
No	48%	44%
Don't know	3%	2%

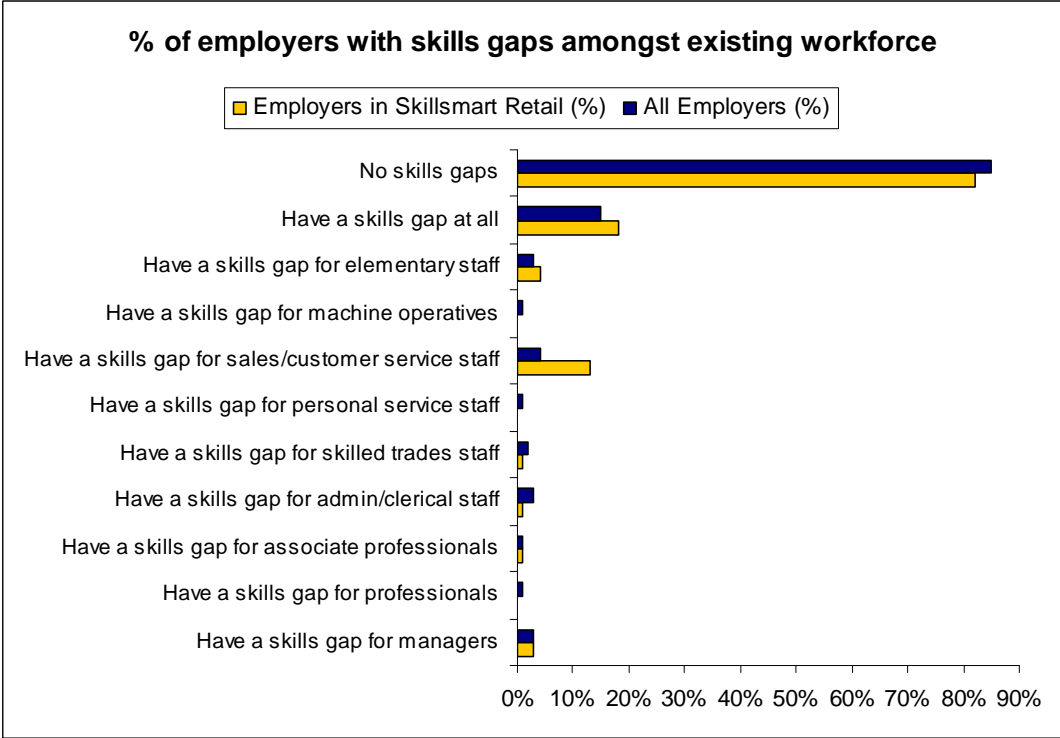
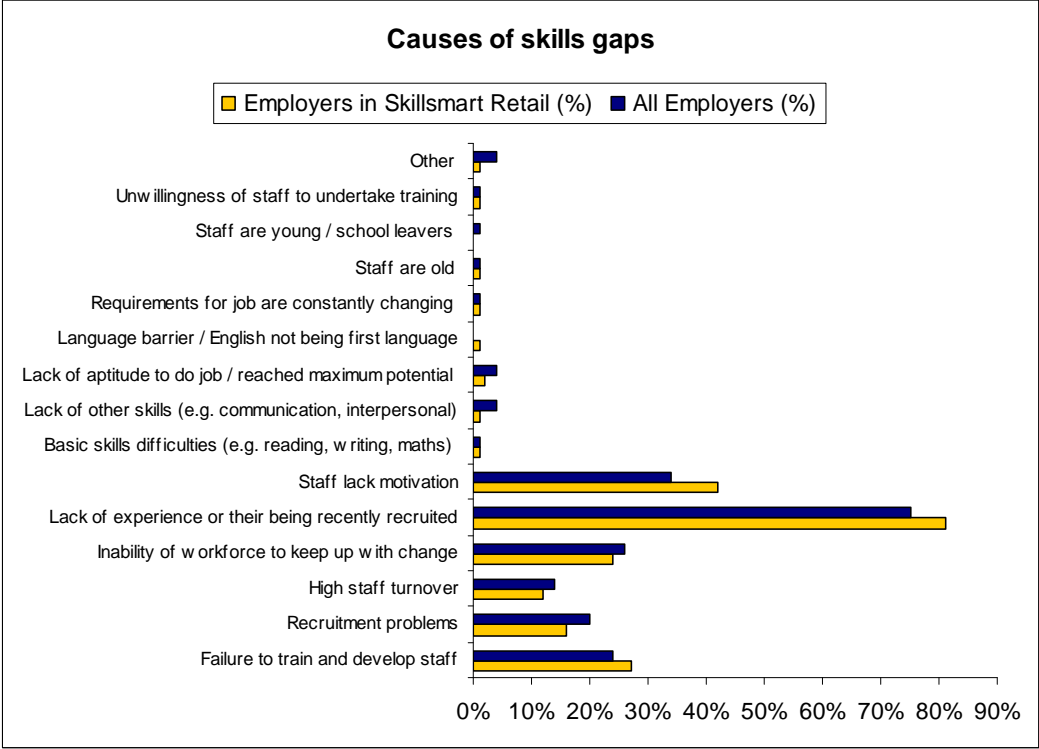
Source: National Employer Skills Survey, 2005

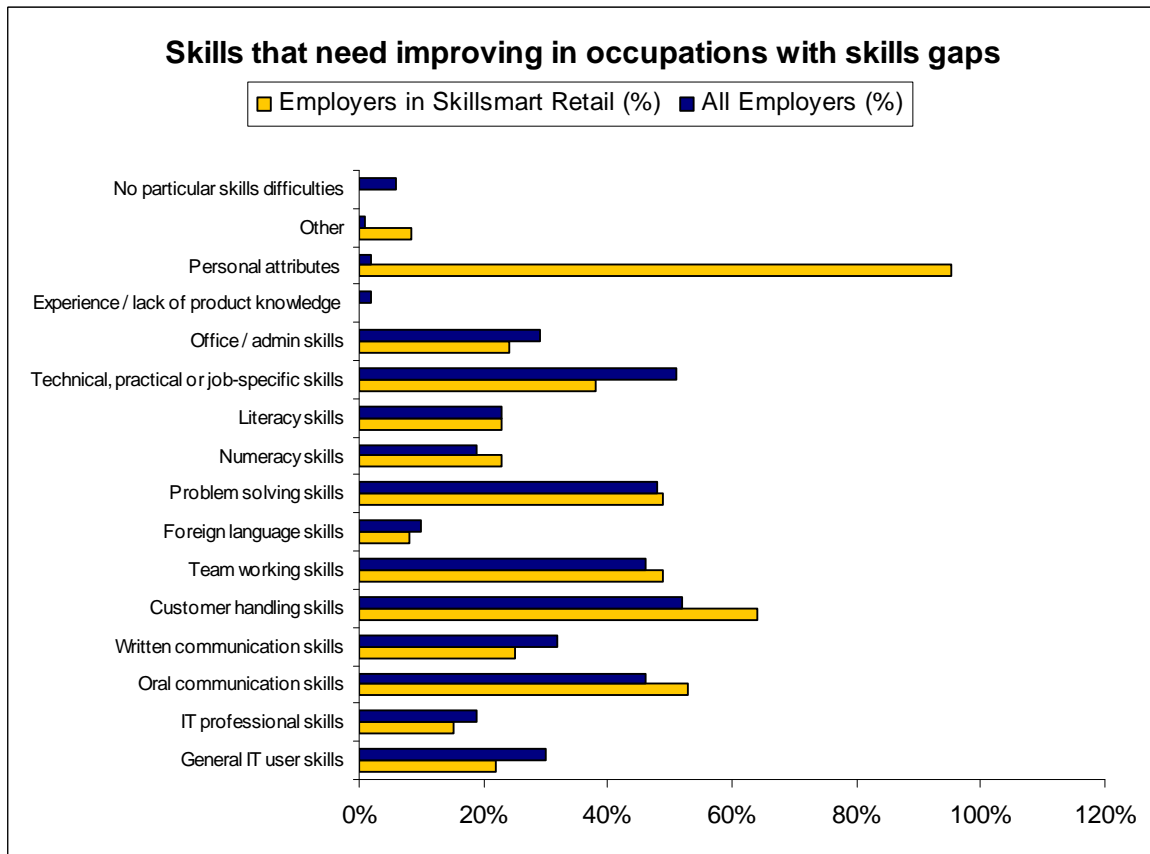
Table 8: Training

Whether funded/arranged training over last 12 months		
	Employers in retail (Skillsmart)	All employers
On job and off job training	23%	34%
Off job training only	10%	14%
On job training only	25%	17%
No training	42%	35%

Source: National Employer Skills Survey, 2005







Employment Forecasts

The retail sector is thought to be on the verge of a national employment crisis - the Organisation for Economic Co-operation and Development has predicted a shortfall of 65 million employees in the total UK workforce over the next 20 years - the result of changing demographics, and an ageing population.

Also:

In addition to the diminishing pool of labour the retail sector has a higher-than average turnover of staff - 40%.

A poor sector image means it is not seen as a serious career choice - 56% of career advisers do not think the sector offers career development

Only 21% of managers have a degree or postgraduate qualification compare to 41% across all industries.

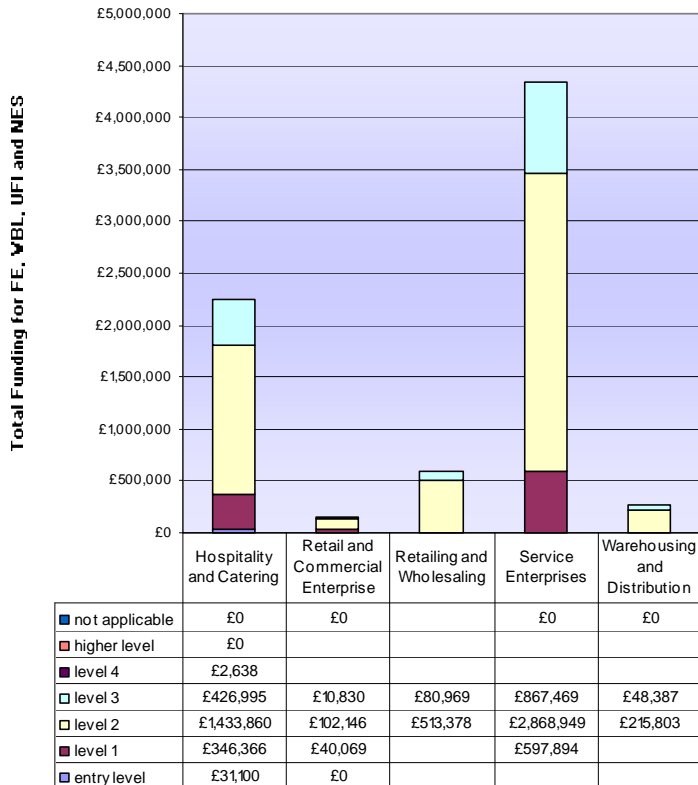
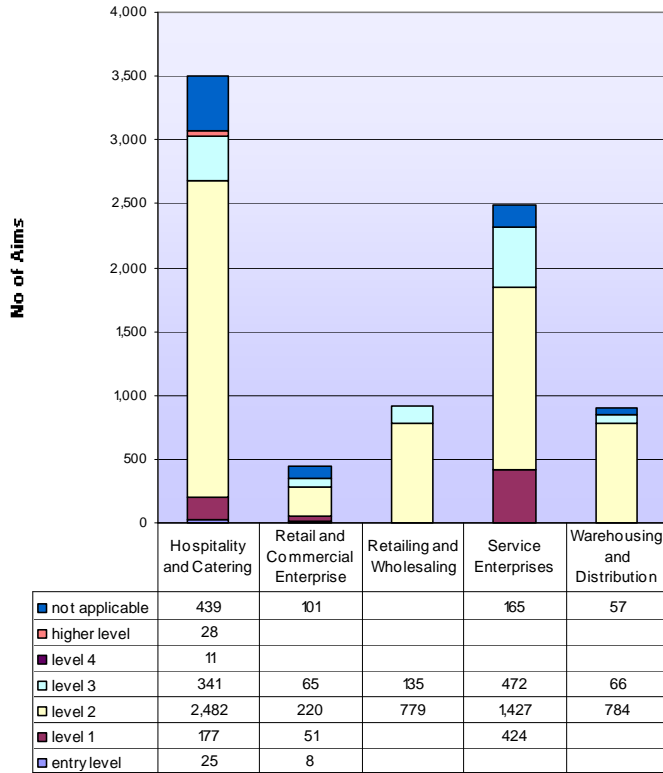
Two thirds of employees have either no qualifications or have only basic qualifications.

There is a need to raise the profile of the sector as a career choice for school leavers and graduates.

Supply Data

LSC Funded Provision 2005/6 (FE, WBL, TtG, UFI, NES)

All age groups - by Sector Subject Area 2 - Retail and Commercial Enterprise



The Current Workforce

Key Findings and Conclusions

Despite its dominance, the sector has some serious challenges ahead to develop an appropriately skilled workforce.

The overall level of qualifications and training within the retail sector compares poorly with the average for the whole economy. There are significant gaps between the desired levels of qualifications for all the occupations in the retail sector, apart from those in the established professions.

These poor comparisons are troubling for a sector wishing to be perceived as a sector of choice for those seeking to develop a career. The sector's current career mantra is *'join us and you will receive responsibility quickly'* and the associated message is *'experience is the main currency'* might also attract many to the sector. However, for candidates making their career choices with further development opportunities and future transferable qualification as a factor, the sector could be viewed as less appealing.

There is a generally high staff turnover rate – 40%, and according to Retail Week Online, retail has the highest percentage of 'faked sick days' in the UK. Much of retailing is seen as a low skill activity, though this undersells the value of personal skills (team work, personal attributes and customer service). The poor perception of the sector means that retailers find it difficult to recruit, motivate and retain good staff. According to the Institute for Retail Studies, retailers often view labour in a contradictory fashion, i.e. they are well aware that they need staff to run the business yet they perceive retail labour as 'costs' rather than 'service provider'.

The best retailers expend money and effort on attempting to make staff feel 'valued' and reward them to retain them. They adopt the principle of the 'employee profit chain' which preaches the doctrine that the better motivated the employee the greater the long-term financial return to the company.

Regulation and legislation are key issues for the sector, with compliance, trading hours, minimum wage and food and safety having a bearing on the business model.

Technology is also altering business processes with some elements being out-sourced to specialists both to improve efficiencies and remain competitive. The changing patterns in population such as the increasing age profile and growth in single-person households is also having an impact on the sector, with increasing reliance on home-shopping, non traditional shopping hours and the creation of functions such as personal shoppers.

The impact of internet shopping remains unclear – projections of market penetration vary widely but according to Institute for Retail Studies, e-commerce market share in 2005 was dominated by computer software sales (51%), music and video sales (20%) and books sales (18%). The Interactive Media in Retail

Group (IMRG) forecasts that by 2012 total online sales will be worth in excess of £60 billion per annum and represent almost 20% of all retail sales. The impact of this expansion on retail staff numbers is as yet unclear.

Skillsmart Sector Skills Council issued a policy statement regarding the use of customer service NVQ/SVQ and apprenticeship programmes in retail stores. They state that a number of retailers have been encouraged to offer customer service qualifications opposed to retail. Customer service qualification does not have any of the commercial skills necessary for the promotion to level 3 and above.

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