# SKILLS ISSUES IN THE RETAIL SECTOR IN BOURNEMOUTH, DORSET, POOLE, AND SOMERSET

**A report to**

**LSC Bournemouth, Dorset and Poole**

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# 1. Introduction

1. BMG Research has been commissioned by LSC Bournemouth, Dorset and Poole to assist the LSC to develop its policies and programmes in respect of eight local sectors. These are….

   - Health
   - Engineering
   - Construction
   - Hospitality
   - Retail
   - Financial services
   - Childcare
   - Social care

2. These sectors are regarded as current priorities for the LSC on a number of grounds. They each employ significant numbers of people in Bournemouth, Dorset, Poole, and Somerset. Several of them have significant local focus (in the sense of employing above-UK average proportions of the workforce in the local area. They have an importance to local economies which extends beyond direct employment – generating wealth externally to the local area which is 'imported' into the local area for distribution as local incomes and wages, supporting or linking with other key activities, or providing fundamental services (in house building or social welfare, for example) which are essential underpinnings of an effective society and economy. There is also significant prima facie evidence to suggest that these sub-sectors face a substantial challenge to maintain the flow of labour and skills which they need to secure an optimal level of efficiency. This is not to say, of course, that other local sectors do not have these properties. But, with limited resource, the LSC's intent is to seek progress in *some* sectors rather than dissipate resources too widely. Attention will turn to other areas of the economy in due course.

3. The essence of each study is broadly to undertake a desk review of available information on the sector which describes each local sector, recognises how the sector is developing and the challenges each sector faces, considers how this change process affects skills needs and supply, and, thus, identifies a set of 'skills issues' on which the LSC and its partners may focus with recommendations for appropriate action.

4. This report is the output of a study of the local *retail sector*. Because of the recent re-configuration of LSC activity in the South West Region, the study, whilst originally commissioned by the local LSC for Bournemouth, Dorset and Poole, now reports and applies to the new LSC sub-region which combines *Bournemouth, Dorset, Poole and Somerset*. For convenience, we will refer to this new operating area as 'the BDPS area' in the remainder of this report.

5. The report's chapters consider:

   - The structure and character of sector delivery in the BDPS area.
   - Key skills and labour demand indicators.
   - Skills supply into the sector.
   - Skills issues and recommendations.

# 2. Retail sector employment in the sub-region

### Defining the sector

6. In terms of Standard Industrial Classification (SIC), the 'retail sector' covers the categories of:

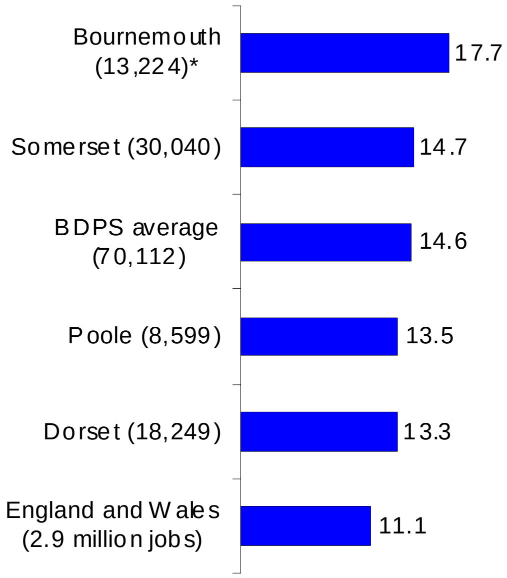
- 52.1 Retail sales in non-specialised stores
- 52.2 Retail sale of food, beverages and tobacco in specialised stores
- 52.3 Retail sales of pharmaceuticals, medical goods, cosmetics and toilet articles
- 52.4 Other retail sale of new goods in specialised stores
- 52.5 Retail sale of second-hand goods in stores
- 52.6 Non-store retailing (markets, e-tailing, catalogues etc)

### Employment in the sector

7. On this basis, it can be estimated (Annual Business Inquiry) that the BDPS area has 70,112 people employed in 6,478 retail establishments.

8. Retail employment is more significant to the economy of the BDPS area than to the national economy, particularly in Bournemouth:

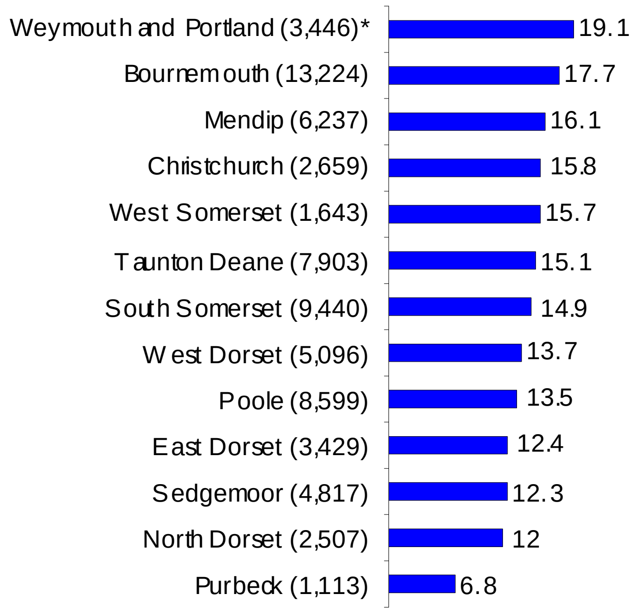
**Figure 1: Percentage of all employment in each County/Unitary Authority which is in the retail sector**




Source: ABI 2004
* Actual numbers of retail jobs

9. At a more detail spatial level, it can be seen that the percentage of retail jobs in local economies varies quite markedly:

**Figure 2: Percentage of all employment in each District/Unitary Authority which is in the retail sector**

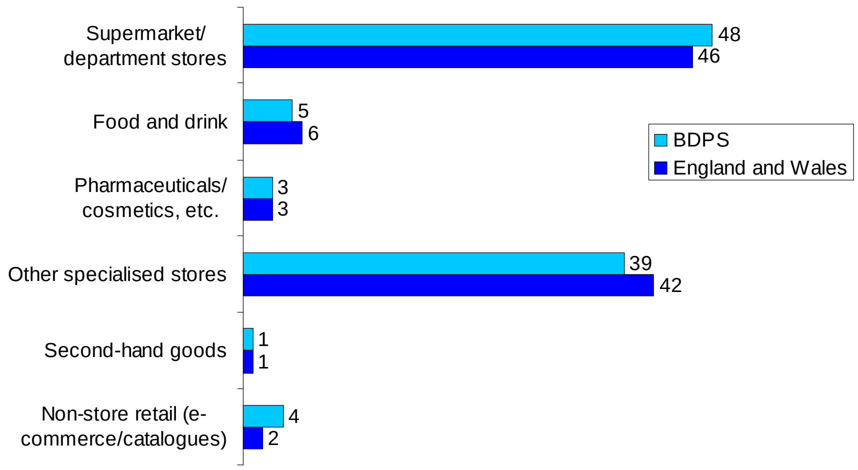



Source: ABI 2004
* Actual numbers of retail jobs in brackets

Note: The ABI, whilst the most authoritative source of information on employment, does not undertake a 100% survey of establishments. The apparent low proportion of retail employment in Purbeck District may be a statistical anomaly.

10. The distribution of retail employment in the BDPS area shows concentrations in non-specialised stores (supermarket and department stores) and in 'other specialised stores' (clothing, shoes, furniture, handbags, pottery, etc.) but this focus is broadly typical of national patterns:

**Figure 3: Percentage of all retail employment in retail sub-sectors**




Source: ABI 2004

11. Given, as above, that the sector employs around 70,000 people in around 6,500 establishments – an average of 11 people per establishment – it is not surprising that many retail establishments are small:

**Table 1: Numbers of retail establishments of different sizes in the BDPS area**

| | 1-10 employees | 11-24 employees | 25-199 employees | 200+ employees | Total |
|---|---|---|---|---|---|
| Bournemouth | 891 | 105 | 52 | 12 | 1,060 |
| Dorset | 1,819 | 155 | 101 | 9 | 2,084 |
| Poole | 543 | 79 | 40 | 6 | 668 |
| Somerset | 2,188 | 314 | 141 | 23 | 2,666 |
| **Total** | **5,441** | **653** | **334** | **50** | **6,478** |

Source: ABI 2004

12. Table 1 shows that 84% of retail establishments in the BDPS area are very small, employing 10 or fewer people. Fewer than 1% of establishments – typically, supermarkets or department stores – employ 200 or more people.

13. This distribution does not, of course, mean that the majority of sector *employees* work in small establishments. In fact, only 30% do so, whilst over half (56%) work in establishments employing 25 or more people:

**Table 2: Employment in retail establishments of different sizes in the BDPS area**

| | 1-10 employees | | 11-24 employees | | 25-199 employees | | 200+ employees | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | No. | % | No. | % | No. | % | No. | % | No. | % |
| Bournemouth | 3,530 | 27 | 1,737 | 13 | 3,227 | 24 | 4,730 | 36 | 13,224 | 100 |
| Dorset | 6,664 | 37 | 2,419 | 13 | 5,921 | 32 | 3,245 | 18 | 18,249 | 100 |
| Poole | 2,057 | 24 | 1,313 | 15 | 2,544 | 30 | 2,685 | 31 | 8,599 | 100 |
| Somerset | 8,879 | 30 | 4,795 | 16 | 7,718 | 26 | 8,648 | 29 | 30,040 | 100 |
| **Total** | **21,130** | **30** | **10,264** | **15** | **19,410** | **28** | **19,308** | **28** | **70,112** | **100** |

Source: ABI 2004
Note: Percentages add horizontally

**Other employment characteristics**

14. Two further key characteristics of employment in the sector are that it is biased to female employment and has a high proportion of part-time jobs. Two-thirds of all jobs in the sector are estimated to be part-time and 6 out of 10 jobs are estimated to be held by women. The two characteristics are inter-related. 7 out of 10 part-time jobs in the sector are held by women but only around half of full-time ones.

**Trend in employment**

15. Nationally, retail employment grew strongly from the late 1990s to mid-2003. Between Spring 1999 and Spring 2003, the sector added around 240,000 jobs to the national total which peaked in Summer 2003 at just over 3 million jobs. This growth added 9% to the total number of retail jobs in the UK at the beginning of the period. Since then, however, there has been some decline in retail jobs with numbers dropping below 3 million again by mid-2005 (Skillsmart Retail, quoting LFS figures).

16. Locally, the Annual Business Inquiry shows strong growth in retail jobs. Overall, the ABI estimates that retail employment added around 15,000 jobs in the BDPS area between 1998 and 2004, taking the jobs total from around 55,000 jobs to around 70,000 jobs in the 6 year period – overall growth of 27%. More detailed statistics suggest that growth was particularly strong in Somerset and Bournemouth and least in Poole. However, the employment effects of recent developments in Poole, for example, the new Asda store and Poole's Quayside development, are too recent to register in these statistics:

**Table 3: Employment change in the retail sector in the BDPS area, 1998-2004**

| | **1998** | **2004** | **Actual change** | **Percentage change** |
|---|---|---|---|---|
| Bournemouth | 9,867 | 13,224 | +3,357 | +34 |
| Dorset | 15,272 | 18,249 | +2,977 | +19 |
| Poole | 8,250 | 8,595 | +349 | +4 |
| Somerset | 21,841 | 30,040 | +8,199 | +38 |
| **Total** | **55,230** | **70,112** | **+14,882** | **+27** |

Source: ABI 2004 and 1998

17. In terms of sub-sectors, it can be seen that there was strong growth in non-specialised stores – supermarkets and department stores – and in much specialised retailing. However, employment in specialised food stores (greengrocers, bakers, butchers, etc.) declined as did employment in independent chemists. The small non-store-based sub-sector covering markets, e-tailing and catalogue selling doubled its employment in the BDPS area:

**Table 4: Employment change in the retail sector by sub-sectors in the BDPS area, 1998-2004**

| | 1998 | 2004 | Actual change | Percentage change |
|---|---|---|---|---|
| Supermarkets/department stores | 25,969 | 33,928 | +7,959 | +31 |
| Food and drink | 4,011 | 3,484 | -527 | -13 |
| Pharmaceutical/chemists, etc. | 2,155 | 2,072 | -83 | -4 |
| Other specialised stores | 21,306 | 27,331 | +6,025 | +28 |
| Second-hand goods | 538 | 672 | +134 | +25 |
| Non-store retail (markets/e-commerce/catalogues) | 1,288 | 2,625 | +1,337 | +104 |
| **Total** | **55,230** | **70,112** | **+14,882** | **+27** |

Source: ABI 2004 and 1998

18. Looking to the future, one long term *forecast* ('Working Futures II', (2005) SSDA/LSC/IER/CE) is that employment in the local retail sector will grow by around 10% over the next 8 years to 2014, adding a further 7,000 jobs or so in that period, and taking the employment total in the local sector to around 77,000 people. However, Experian, forecasting employment change on behalf of Skillsmart Retail, is much more pessimistic and anticipates a small *decline* in retail jobs to 2014. Neither forecast, however, is particularly sensitive at sub-regional level. It may be that a point somewhere between the two estimates – envisaging some growth but not quite as strong as that predicted by Working Futures – offers the best estimate as to the longer-term future. Skillsmart itself (Skillsmart Retail Analysis: Current and future trends in UK retailing, 2006) comments:

> *'It remains a little difficult to be confident about the predicted volume of expansion demand. On balance we anticipate 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.*
>
> *However, a substantial debate is required within the sector about the prospects for future employment growth. The debate will need to focus on the extent to which the retail sector has reached its capacity. Also, some of the restructuring we have seen by some individual retailers may be part of an overall trend in the sector. There is also the question of increased competition from other sectors for their share of consumer spending, such as restaurants, leisure and recreation.'*

19. On the ground, however, the local sector is reported as being quite pessimistic about current and short-term trading conditions. Whilst there are some bright spots, many more retailers report depressed sales and the average level would not suggest demand for additional employment in the immediately foreseeable future.

**Summary: retail employment in the sub-region**

20. A review of retail employment characteristics in the BDPS area reveals:

- The retail sector is more important locally than nationally. It supplies an above-average proportion of jobs in all major sub-areas within the BDPS area (compared with the national average).
- As might be expected, the balance of employment in local retail establishments according to types of goods sold is broadly in line with the national pattern.
- The great majority of retail *establishments* are small (with 10 or fewer staff), but a majority of the *workforce* is employed in larger establishments employing 25 or more people.
- The workforce is strongly weighted to female workers in part-time jobs.
- The sector has been an extremely dynamic one in the recent past. However, forecasts for the future are contradictory and uncertain. It appears that the direction of future employment in the sector awaits more clarity as to the general level of growth in the economy as a whole. Local intelligence suggests that the local retail sector is not currently buoyant and further employment growth is not anticipated in the near future.

# 3. Key sector drivers

### Introduction

21. The previous chapter of this report observed that employment in the sector has risen in recent years and, with some uncertainty, may rise in future. However, employment levels are just one output of more fundamental drivers which determine the sector's progress and development.

22. The Sector Skills Council for the sector, Skillsmart Retail, has identified a range of important drivers. These are discussed below.

### Economic conditions in the UK

23. The performance of the retail sector is intimately tied to the performance of the UK economy as a whole and, given the importance of tourist spend, the performance of world economies. As has been witnessed over the past decade, a buoyant economy boosts both incomes growth and consumer confidence. Consumer confidence has been critical in helping sustain consumer spending (and the output of the retail sector) over recent years, even when incomes growth has been slowing.

24. Looking ahead, it can be anticipated that the general level of buoyancy in the economy will be a key factor in determining the level of output in the sector and, ultimately, the number of people employed in it.

### Globalisation and price competition

25. The ease with which firms can now operate internationally has had a major impact on the retail sector. The present UK retail landscape is very different to that of just a decade ago, with the introduction and growth of retailers such as Zara, Aldo and H&M in the fashion sector, and Walmart's takeover of ASDA in the grocery sector. These retailers have heightened competition on the high street and left some of the traditional British retailers struggling.

26. Global supply chains have also enabled retailers to procure from a wider field. As a result, supply costs have been driven down. Price has been the key (and some would argue only) tool used by retailers to compete and gain market share. In this respect, the ability to source high-quality goods abroad has been fundamental; a 'Made in the UK' label is no longer a major quality differentiator and is becoming an increasingly rare sight.

27. This drive to cut costs, at a time when consumer demand is still rising, has led to a shift in retail operations' employment structure. Whilst retailers have less scope to cut direct sales staff (without threatening their sales and business), those roles that are less customer-facing have suffered. Sales-related roles (buyers and marketers as well as shelf-fillers and trolley collectors) have seen employment numbers fall. With little let-up in competition expected, it is anticipated that this trend will continue over the coming decade.

### Consolidation

28. Competition between retailers has led to a flurry of consolidation activity over recent years. The strengthening role of the large multiples has pushed many independent retailers out of business and led to a decline in the number of self-employed persons in retailing. A decade ago, the self-employed accounted for 16% of retail employment, but this share has now fallen to 10% (LFS, 2005).

Experian forecasts (for Skillsmart Retail) that it will continue to decline over the coming decade.

29. The growing domination of the large multiples and intensifying competition in the market have hit specialists such as butchers, fishmongers and bakers especially hard. Many of these persons were employed (or self-employed) in small independent stores which can no longer compete with the large grocers in terms of both costs and customer convenience. Labour market statistics show that over the period 1993-2003, the number of people employed in food-preparation trades fell by an average of 1.9% per annum. Despite authentic specialist retailers' growing appeal to consumers, a continued decline is forecast over the coming decade. This reflects the fact that the larger retailers are becoming increasingly good at mimicking the specialists (a point discussed further under consumer tastes and attitudes, below).

30. As with many other industries, cost-cutting and consolidation in the retail sector have hit middle management relatively hard. Most managerial occupations saw some moderate growth over the past decade, but this was during a period of strong consumer demand. With weaker spending growth forecast over the coming decade, management employment levels are expected to begin to decline. This is in spite of the growing trend towards smaller convenience stores. As such stores are increasingly bought up by larger companies – such as Bells and Jacksons by Sainsbury's and Cullens by Tesco – it seems likely that further consolidation will be seen rather than expansion, leading to the reduction of many central roles, including managers.

31. Other occupations expected to be cut back, due to cost-cutting and the continuing squeeze on retailers' profits, are finance, HR and administrative roles. In addition to consolidation, this has been made increasingly possible as a result of the growing use of IT in head offices.

**On-line trading**

32. On-line retailing is now an established retail format and a key factor in its growth is the increased use of broadband internet access by British households. 25 million people now use the internet from home (80% of whom have broadband), giving them direct on-line access to virtual stores.

33. Contrary to earlier predictions of traditional retailers falling at the hands of new internet start-ups, established high street retailers such as Tesco, Argos and Next have used on-line retailing as an additional format to reach their customers. Six out of the top 10 UK shopping websites are run by high street retailers.

34. A small number of internet-only retailers have also enjoyed success; Amazon and eBay are key examples of such traders.

35. According to the Office of National Statistics (ONS) the on-line retail sector accounted for £19.8 billion or 7.6% of all retail sales in the United Kingdom in 2005. It is a source of debate, however, as to its future overall share of the market. For example, the Interactive Media in Retail Group (IMRG), the on-line shopping industry body, predicts that on-line retailing will continue to expand in the coming years representing 30% of all retail sales in the UK by 2010.

36. As confidence continues to grow in the format and new technologies continue to be introduced, there is every reason to believe the volume of on-line trading will increase from its current position. Whether it will be as much as predicted by IMRG remains to be seen.

37. The growth in on-line retailing is having, and will continue to have, an impact on retail employment, work organisation and skills. The Department for Trade and Industry (DTI) estimated that due to the success of on-line retailing in 2005 there was a demand for an extra 5,000-10,000 IT specialists.

38. According to Skillsmart Retail's analysis of the occupational structure in retail, on-line retailing will have implications far beyond that of IT specialists. Large retailers have had to recruit more specialist and elementary occupational groups such as distribution managers, delivery drivers and warehouse operatives.

39. On-line retailing also poses challenges for a range of core retailing functions. The challenge of providing high quality customer services is considerable. For instance, delivery drivers will not only need to be able to navigate to their destination but also be competent in customer services. On-line retailers will also need to work on how they are able to respond to complex enquiries about products and services that they offer.

40. How visual merchandising is conducted on the internet is another area of possible debate, with the visual merchandiser's 'space' being the computer screen rather than the store.

**The impact of value retailers**

41. Since the 1990s, price deflation has been a key force in shaping the retail sector. The latest Consumer Price Index in 2005 indicates that in a number of key retail product groups prices have fallen continually since 1996. For example, major household electrical goods such as televisions and fridges are 26% cheaper, stereos and televisions are now 62% and clothing 40% cheaper than in the mid 1990s.

42. Throughout 2005 a number of 'value' retailers reported excellent progress in profitability and market share. Primark is a key example whose operating profits rose by 18% to £59m in the first quarter of 2005. Within the next two years it is seeking to increase its presence on the high street by a further 50%. Other successful 'value' retailers include Hennes and Mauritz and TKMaxx.

43. An added impetus to the 'value' market has been the ongoing success of traditional grocers increasing their non-food offering particularly in clothing.

44. As a result of these trends, the low-cost sector now accounts for nearly £6.4 billion a year and makes up 20% of the total clothing market, compared with 12% five years ago.

45. A key qualitative change that value retailers have achieved is the removal of the stigma of shopping at the value end of the market. As a result low-cost sector shops are now successfully competing with the large traditional high street brands.

46. Such a trend will continue the expectation amongst consumers that prices will drop each year. The strategic challenge to retailers is how they manage this perception and sell products that allow them to make favourable margins on the goods they sell.

## Ethical retailing

47. The impact of what is purchased on growers, producers and on the environment is a growing influence on our purchasing decisions. The indications are that this will continue to be a force in retailing and have an important impact on the strategies of retailers. It will also have implications for training issues, such as product knowledge by sales and customer service occupations.

48. The launch of Fairtrade coffee in 1989, designed to give farmers a fair price for their crop is an early example of products being sold by virtue of their ethical standing. Consumers have continued to prove receptive to ethical retailing and the Fairtrade brand has continued to expand and now includes a range of products including bananas, chocolate and tea. More recent additions include flowers, wine and cooking oils.

49. According to the Fair Trade Foundation, the sale of ethical products grew by more than 50% in 2004 and accounted for £140m of retail sales. The Foundation believes that UK consumers are more supportive of fair trade than any other country. Ethical retailing in clothing has been given added impetus with Marks and Spencer launching a range of Fairtrade and organic cotton clothing.

50. The sale of organic produce, which is believed to have a reduced impact on the environment, has also risen. Research conducted by Mintel indicates that between 2000 and 2005 sales of organic produce doubled to reach around £1.2 billion. The same research indicated that the market is spread throughout the UK with people from all social groups demonstrating an equal propensity to buy such products.

51. The distance travelled by the food we consume is drawing increasing attention from customers and policy makers. The food miles initiative has been promoted by the Department for the Environment and Rural Affairs (Defra) to highlight the impact that this has on Britain's own farming industries and carbon emissions. A recent report by Defra estimated that the environment and social costs of food miles amounted to £9 billion per year.

52. The year 2005 saw a range of initiatives coalescing around ethical retailing to make far reaching changes to the products being sold in the UK. It could have a major impact on an entire range of retail issues if the consumers and government push the agenda further. These issues could include:

    - Greater knowledge of the 'ethics' of what is being sold being demonstrated by the sales staff
    - Delivery and distribution functions
    - Sourcing products from abroad
    - Reducing waste throughout the sector
    - Impact on the environment

## Consumer tastes and attitudes

53. For many consumers, shopping is considered a chore rather than an enjoyable experience. An increasing number of consumers also no longer have the time, or inclination, to shop around due to the rising number of two-earner households. This is particularly true for grocery shopping. Demand from consumers has increasingly moved towards the need for convenience (a one-stop shop), to the

detriment of specialist retailers, in particular butchers, bakers and fishmongers, as discussed above.

54. The larger retailers can also beat the specialists on price. Whilst in the past the latter group had the upper hand in terms of freshness and quality, the gap has narrowed. Consumers are now demanding fresh, high-quality goods, but with an emphasis on convenience and value for money. This has led to retailers increasingly processing foods in-store (eg. fresh bread, salad bars and juice bars). However, the need to keep costs down has led to these jobs generally being performed by process operatives, rather than fully qualified specialists. A clear example of this is the shift away from specialist bakers to bake-offs in supermarkets.

55. However, in other areas of retail, 'experience shopping' is becoming increasingly popular amongst consumers. To some extent this also relates to the fact that consumers are often looking for a 'one-stop shop'. Indeed, shopping malls now not only have bars and restaurants in them but often cinemas and even nightclubs, so people can literally spend the whole day and evening there. On the other hand, whilst shoppers may want a quick shopping experience when buying some items (eg. groceries) or during particular times of the day or week, for other occasions they may look for a more relaxing shopping experience. Increasingly, retailers are offering services to attract and keep shoppers in their stores, from offering makeovers to providing attractive eateries. In terms of skills, this all implies the need for greater customer service.

56. British consumers are also becoming more demanding. This is true both in terms of the price they are willing to pay and the quality of the goods and customer service they receive – compared with their parents' generation, consumers are now far more likely to complain. Retailers are kept on their toes trying to keep customers happy and maintain market share. Consequently, employment of customer service personnel has been rising over the past decade. As the competitive environment heats up, we expect customer service employment growth to pick up as retailers try to differentiate themselves from the competition.

**Demographics**

57. The UK's ageing population has been well documented. Retailers are now slowly waking up to its implications in terms of consumer demand, but there are also supply-side implications for retailers in terms of employment and workforce skills.

58. The ageing of the population and, on the flip side, the shrinking size of the working-age population have brought about a growing concern about how the state will support this group in the future. On top of this, weak financial markets over recent years have hit the size of many people's pension funds – a particular concern to those who are close to retirement age. Such considerations have led the OECD, along with other commentators, to suggest the need to increase the retirement age.

59. It seems likely that the number of people working past the current retirement age will grow as people find themselves needing to continue working later into life simply to help support themselves in their old age. Industries such as retail, where there are huge opportunities for flexible working practices, are likely to be obvious targets for older workers looking to earn extra money but without the stress of a full-time job. Some retailers (eg. B&Q) actively encourage older people to apply for employment and the sector has generally been better at recognising the implications of changing demographics for their workforce than

other industries. Such practices may become more common in certain areas of retail (for example, homeware and grocery). However, retailers will also need to recognise that whilst those people can offer much in terms of knowledge and experience, there will be a need to retrain and reskill them, particularly in terms of IT systems. The design of jobs will also need to be developed carefully in order to take the changing workforce characteristics into account.

**Other drivers**

60. Other possible drivers of change to the employment levels, occupations and skills requirements of the retail sector are:

- *Changes to government regulations* – health and safety regulations have a significant impact on all areas of retail. With growing concern about the food we eat and its health implications, we believe the Food Standards Agency will continue to put pressure on grocers to increase the training of staff working with food products.
- *Retailers' requirement to contribute to sustainable development of the environment* – consumers' growing concern about the environment, together with new environmental legislation, is likely to lead to new products and processes. This will inevitably require additional training of staff and the learning of new skills.
- *Rising crime* – retailers currently spend close to £800m on crime prevention annually. Although many larger stores have dedicated security staff, rising crime levels may require growth in this occupational area or the need to train other staff to detect crime. Indeed, the introduction of 'chip and pin' to help prevent fraud will necessitate training.

**Summary: impacts on skills and training**

61. Thus, a number of key sector drivers can be identified. These can be summarised as:

- *Economic conditions* – consumer confidence is key to levels of retail activity in relation to many areas of discretionary spending.
- *Globalisation and price competition* – the extent to which globalisation drives down the price of goods is a further determinant of the volume of activity in the sector.
- *Consolidation* – although it can be overstated, there has been a persistent trend such that larger businesses in the sector drive out small independents.
- *On-line trading* – shifting patterns of consumer use of on-line shopping have significant effects on the balance of skills needed within the sector.
- *Value retailers* – low-cost operators successfully competing with established industry names have performed strongly in the last decade.
- *Ethical retailing* – the purchases of 'fair trade' and organic products have risen significantly.
- *Consumer tastes and attitudes* – there is a dichotomy between consumers who want shopping to be fast and

convenient (leading to the growth of large supermarkets/ hyper-markets able to offer *all* the goods the shopper wants) and consumers for whom shopping is a leisure experience in its own right. Both groups drive different types of retail experiences which require specific skills.

- *Demographics* – ageing customer bases raise issues as to product ranges and customer service levels. An ageing national workforce challenges the maintenance of the traditionally younger workforce in the retail sector given stiff competition for younger staff.

62. The lines between these 'sector drivers' and the skill needs of the industry are not always clear cut or obvious, and may lead in contradictory directions between and within different segments of the sector. However, the broad impacts of industry trends and changes on employment and skill needs can be summarised as:

| | | |
|---|---|---|
| Level of national prosperity → | Consumer confidence/ retail spending levels → | Volume of staff required (more of fewer) |
| Global production of goods/low prices → | Consumer budgets go further/more purchases → | More staff required |
| Industry consolidation → | Loss of specialist food retailers/fewer HQs → | Reduced number of butchers, bakers, fishmongers etc./fewer managers and corporate specialists |
| More on-line purchasing → | Changing balance of how things are sold and transported → | Increased demand for IT specialists/delivery drivers/warehouse staff |
| Value (low-cost) retailers → | Pressure to keep overheads low → | Operations with minimum number of staff per site |
| Ethical trading → | Differentiation of products → | Demand for specialist, knowledgeable customer service staff |
| Consumer tastes – need for 'one-stop shops' offering full product range → | Large stores driving out specialist retailers → | Loss of butchers, bakers, fishmongers in specialist shops; demand for less skilled equivalents in in-store units |
| Consumer tastes – need for 'shopping experiences' as a leisure activity → | Consumer expectations of higher quality environments, choice, and service standards → | Demand for better levels of knowledge and customer service skills |
| Ageing customer bases/ fewer young people available for work in retail → | Pressure to adapt products and services/ need to broaden recruitment → | Requirement to re-skill older workers/offer flexibility/change job design |

63. In each case, it can be seen that a trend or change in the industry and its operating environment has the potential to change staffing levels, or the type of staff required, or the skill sets and skill levels of people employed. These latter requirements then have implications for training and development of staff. These linkages can be described in more detail with regard to three key areas of change in the industry: the demand for higher levels of customer service; organisational change; and increasing use of IT. Thus:

| Traditional roles and characteristics | Drivers of change | New skills required | Implications for training and development |
|---|---|---|---|
| • Only acknowledging the customer's presence if they ask for help | • Increasing competition<br>• Sophisticated customer requirements<br>• Focus on excellence in customer service | • Actively trying to offer help and achieve a sale<br>• Increased product knowledge: ' going the extra mile' | • Focus on selling skills<br>• Communications and interpersonal skills<br>• Specialist product training<br>• Culture is important |
| • Carrying out managers' instructions | • Organisational restructuring/ delayering<br>• Increased accountability and regulation in the industry | • Increased responsibility for line managers<br>• Flexibility, multi-skilling<br>• Staff should be proactive and use initiative<br>• Awareness of health and safety regulations<br>• Knowledge of legal requirements (eg. Sale of Goods Act) | • Training and development to support widened roles (ie. management skills, decision making, team building)<br>• Employers are trying to create 'ownership' of work amongst their staff. This requires an understanding of organisational goals, communication of up-to-date policy and any changes in policy |
| • Cash handling and shelf stacking | • Increasing use of IT<br>• Changing methods of stock control | • General IT literacy (point of sale entry systems)<br>• Ability to read spreadsheets and computerised stock reports | • Induction training on computerised systems<br>• Workbooks to take people through the systems<br>• On-line help packages. Many stores now using computer based training packages for a range of training and development areas (eg. product knowledge) |

# 4. Demand for labour and skills in Bournemouth, Dorset, Poole and Somerset

### Introduction

64. Thus far, we have reflected on the size of the retail sector in the BDPS area, on the trend in employment, and on the major factors which drive both the overall level of employment and the changing nature of skills required in the industry.

65. In this chapter, the nature of labour and skills demand in the sub-region is considered in more detail.

### Occupational structure

66. At the simplest level, 'labour demand' can be considered just as the necessity to fill the 70,000 or so jobs which are offered by the sector in Bournemouth, Dorset, Poole and Somerset. However, the nature of those jobs can be more clearly understood by reference to their occupational structure.

67. It is not possible to quantify the occupational structure for the BDPS area in *exact* terms, since no data source is available for this purpose. However, projecting the occupational structure of employment for the region on to the local workforce total produces an estimate of the local occupational structure which is probably not too far away from the actual one. This technique produces results as below:

**Table 5: Estimated occupational structure of retail sector employment in the BDPS area**

| | % | Number |
|---|---|---|
| Sales assistants and retail cashiers (sales assistants, check-out operators and telesales) | 45.0 | 31,550 |
| Managers in distribution, storage and retail (area/head office and managers of large multiples and wholesale) | 10.0 | 7,010 |
| Elementary sales occupations (shelf-fillers and trolley collectors) | 6.0 | 4,210 |
| Managers in service industries (managers of independent stores) | 5.0 | 3,510 |
| Goods storage (goods handling and storage occupations) | 2.5 | 1,750 |
| Sales and related associate professionals (buying, marketing and sales) | 2.5 | 1,750 |
| Functional managers (buying, merchandising, marketing, advertising, finance, etc.) | 2.3 | 1,600 |
| General administrative occupations (office assistants, clerks, etc) | 2.3 | 1,600 |
| Customer service occupations (call centre operatives and customer care occupations) | 2.2 | 1.540 |
| Sales related occupations (excludes visual merchandisers) (van/ mobile sales persons, market/street traders) | 2.0 | 1,400 |
| Transport drivers and operatives (heavy goods, van and transport drivers and chauffeurs) | 1.6 | 1,120 |
| Administrative finance (credit control, book-keepers, counter clerks) | 1.5 | 1,050 |
| Food preparation trades (butchers, bakers, fishmongers and chefs | 1.5 | 1,050 |
| Administrative and secretarial (stock control, transport, distribution and database clerks) | 1.0 | 700 |
| Health professionals (pharmacists, opticians and dentists | 1.0 | 700 |
| Health associate professionals (pharmacists, opticians, dental assistants and nurses) | 1.0 | 700 |
| Secretarial related occupations (receptionists, PAs, company and other secretaries) | 1.0 | 700 |
| Skilled trades (florists, furniture makers, gold/silversmiths) | 1.0 | 700 |
| Other occupations in retail (such as security, catering, maintenance, gardeners, labourers, etc.) | 10.6 | 7,430 |
| **Total** | **100.0** | **70,112** |

Source: Experian for Skillsmart Retail, Developing an Occupational Map of the Retail Sector, August 2004; regional proportions projected on to local workforce total

68. A key feature of this data is the large proportion of the workforce which is involved in fairly low skilled occupations, most often as sales assistants and cashiers. This description may apply overall to around 70% of the workforce with around half of the remainder comprising managers – either within corporate organisations or as owner/managers of small stores.

69. As we have noted, forecasts for future levels of total local employment are somewhat contradictory. However, within the overall total there are expected to be shifts in the occupational balance. For example, it is anticipated (Experian for Skillsmart Retail) that the number of managers, skilled trades, and administrators in the sector will decline and that the number of sales assistants will rise. However, the forecast changes are not great and the broad occupational structure of the workforce is expected to remain basically intact.

70. What is much more significant to the sector is the issue of labour turnover or 'churn'. Quantification of this effect is difficult, however. Various estimates have been made of replacement needs in the sector. 40% has been quoted (Skills Dialogue, 2002) as being average for the sector for routine sales occupations. A replacement analysis at national level for the retail sub-sector (Institute of Employment Research) estimates that the population of routine *sales assistants* needs to be recruited every 10 years due to replacement; but that estimate (implying an annual demand of 10%) may only take into account 'true' losses to the sector (ie. not movement within it). The national Employer Skills Survey for 2001 suggested a 32% annual turnover rate for the retail sector as a whole (all occupations).

71. Perhaps the best that can be said is that labour replacement needs will generate a positive recruitment demand for most occupations in the sector which is substantially in excess of demand brought about by any growth in the absolute number of jobs in the sector or by minor shifts in the occupational balance within the sector.

72. In relation to two significant occupational groups – sales assistants/checkout operators and shelf-fillers/trolley collectors, which together account for over 35,000 jobs in the BDPS area – the annual recruitment need, mainly for replacement purposes, may be of around 14,000-15,000 people.

**Skill needs**

73. Whilst there is difficulty in prescribing future needs for recruitment into the sector in numerical terms – the best description is, perhaps, 'fewer' at managerial level, 'more' for most intermediate occupations and 'a lot' at sales assistant level – the pattern of skill needs is more clear.

74. Broadly speaking, the retail and related industries have similar front and back end processes. At the front end, regardless of sector, they are all involved with the customer, selling a service or product. Clearly, health and safety issues differ across the sectors, along with competencies. Nevertheless, the core skills or competencies are selling and managing the customer relationship. As a result, the front-end skills needs and challenges faced by seemingly diverse sub-sectors are similar.

75. There are also strong synergies in the back-end supply chain functions across the industry. Managing a successful retail business depends on a well-structured and responsive distribution and warehousing system. Storage and logistics systems across all sectors have developed in much the same direction, driven by the same technological advances. Regardless of the diverse products, the systems underpinning their delivery are about storage and distribution of the product to the market and the end customer. The technology behind this applies across the board, independent of sector and product. Just-in-time systems, for example, are not unique to one type of retailing or distribution system – they can apply to petrol as much as to clothing or food – and rely on sophisticated 'point-of-sale' technology.

76. As the industry concentrates, formalises and becomes more 'systems-intensive' it would be expected that IT and systems skills would become more important.

77. Thus, a national survey (National Employer Skills Survey, 2003) clearly showed these skills to be central both to retail and distribution sub-sectors. The percentages in the table below show proportions of respondents in the sector saying these skills would become more important to them in the next 2-3 years:

**Table 6: Skills needs expected to become more important over the next 2/3 years.**

| Retail | Rank |
|---|---|
| General IT user skills (30%) | 1 |
| Advanced IT/software skills (14%) | 2 |
| Problem solving skills (10%) | 3 |
| Management skills (10%) | 4 |
| Other technical and practical skills (9%) | 5 |
| Team working skills (8%) | 6 |
| Customer handling skills (7%) | 7 |
| Numeracy skills (7%) | 8 |
| Literacy skills (7%) | 9 |
| Communication skills (6%) | 10 |
| *Source: NESS 2003* | |

78. The national Skills Dialogue (2002) for the sector had, however, some doubts as to whether survey-based analysis is other than an approximate or general guide to 'true' skill needs. The report argued that sector employers are *not* good at recognising and dealing with the skill requirements of the industry….

- Employers themselves do not have a clear understanding of the true level of skills *required* in their industries to compete effectively in the future.
- Employers have an insufficient understanding of the *baseline* level of skills held by their workforce. It is believed that there is both under-utilisation of skills that their employees hold and which can be applied creatively to support the business; and, equally, too many employees are thrown in the deep end without adequate skills, contributing to the high level of turnover in the retail industries.

79. Thus, the report suggested that a more refined view of skill needs than that which can be offered by a general survey is required. Drawing on Institute for Customer Service research, a more extensive description of the 'ideal' sector worker at the customer interface was identified as one who has:

- strong interpersonal and empathetic abilities – an ability to listen, reflect, respond appropriately in an articulate manner
- ability to work constructively with colleagues and other departments
- able to adapt well developed behavioural and communication skills to suit customer needs
- good mix of technical skills and people skills – to identify a customer's level of knowledge and understanding and respond with appropriate product and technical knowledge
- flexible and multi-skilled
- dynamic, energetic, empowered
- motivated, with a desire to take responsibility to resolve customer problems
- customer focused, flexible and motivated with the aim of enhancing customer loyalty
- higher calibre, higher intellect
- better educated, and with more commitment to the task
- able to balance the needs of the customer with the needs of the organisation.

80. In relation to another growth area, supply chain management, it is evident that increasing sophistication is key. Essentially, the competitiveness of UK retailing is in large part due to skilful management of the supply chain, an area where the UK leads Europe. The growing sophistication of supply chain management also enables the streamlining of distribution operations resulting in cost savings. The fluid supply chain has been facilitated by sophisticated technological systems and also the moves of the retail sector towards factory gate pricing and backhauling (whereby return loads are found for lorries in the distribution process). The big supermarkets have sought to raise responsiveness to customer demands and to minimise costs by taking under their control the management of the supply chain process and to increase cost transparency by distinguishing between production and transportation costs.

81. And at the highest occupational level in the retail sector, there is a constant pressure for *managerial* advances.

82. The challenges facing today's managers are greater than they have ever been. With a shift from hierarchical and paternalistic management styles, area managers' roles have transformed from policing and compliance to a consultant/business adviser role. This requires managers to think conceptually and to have an ability to apply wider knowledge and experience to solve business challenges in a creative way. This needs to be coupled with a grounded understanding of the business to be able to move it forward. For many managers, this is a wider skills set than they currently have, requiring training investment to adapt to the new market conditions.

83. The quality of existing management in the industry is having a knock-on impact on the quality of staff at more junior levels. Much of the training carried out in the distributive industry is work-based and on-the-job. Where those in senior positions are lacking in people management and training skills, the staff beneath them will not benefit from on-the-job mentoring and coaching and are unlikely to

develop the high quality customer service and sales skills that the industry is crying out for. The level of turnover may also be reduced if management skills can be enhanced. In the retail industry, particularly amongst employees that work at weekends and part-time, those who deliver customer service see themselves as working for their line manager rather than the company. Line managers across the board need better people management skills.

84. A consultancy report (Bain and Company) summarises the types of management skills needed in the sector:

- balanced managers – results-focused, driven, high energy commercial champions, yet approachable team workers
- first-line managers need to be able to manage in dynamic environments, and they must be empowered to take responsibility and make things happen
- they must be commercially astute, totally customer focused, with excellent people management and communication skills
- they must be able to take a more strategic view – not just deal with irate customers (or suppliers)
- they need to be coaches, team developers and performance monitors not merely supervisors.

**Summary: labour and skills demand**

85. Thus, a brief review of labour and skills demand in the retail sector in the BDPS area suggests the following key points:

- Demand can be considered simply as the need to adequately staff around 70,000 job opportunities in the sector.
- Of these, around 70% are at fairly low, routine skill levels.
- Occupational movements within the sector are forecast but, in aggregate, they appear relatively minor.
- The volume of demand for labour and skills likely to be generated by net employment growth in the sector is uncertain (depending largely on an economic outlook which is less clear at the moment than at previous points in the economic cycle).
- However, a much more significant phenomenon is the volume of demand, particularly at lower skill levels, generated by churn or labour turnover in the industry. This will continue to drive consistent recruitment efforts by the major firms in the sector for the foreseeable future.
- Generally, the pressure on the industry in terms of *skills*, particularly within major businesses in the sector, is to develop a more customer-responsiveness and knowledgeable level of service at the customer interface, to develop and deploy sophisticated supply chain and logistics skills, and to develop managers able to take on board the best modern management methods and skills.

# 5. Supply of labour and skills

### Introduction

86. The previous chapter quantified current and future demand for skills as closely as available statistics and other intelligence allow.

87. This chapter turns to consider the question of labour supply into the industry.

### Entry and progression in retail

88. In a report prepared by Experian for Skillsmart Retail (Developing an occupational map of the UK Retail Sector, 2004) it is argued that the nature of the industry is such that many people enter into retail operations without specifically considering it as a career choice. Indeed, many fall into retail as a career because it was something they originally did while thinking about what career they wanted to pursue. It allows for generalists to gain skills whilst they decide in which area to specialise and for those without qualifications to gain recognition and promotion for their ability to do the job.

89. Whilst the hours are long and the work hard, there are opportunities for all to reach any level, dependent on their capabilities. Retail is not an industry that looks first and foremost for the qualification level of applicants; it looks for people with the right attitudes and behaviours that can be moulded into a good sales team. A great retailer is one who has a 'nose' for the business along with passion for the product.

90. A model of entry to, through, and sometimes out of retail is set out below. It is a composite model from several retailers and the job titles will not correspond to any individual case. However, the pattern of progression from the sales floor up through management is generally recognisable.

**Table 7: Career paths into, through, and out of retail operations**

| Level | Into Retail | | Within Retail | | Out of Retail |
|---|---|---|---|---|---|
| 8<br>7 | Senior managers with strategic experience | → | Retail director<br>- National<br>- Regional | → | Senior strategic roles in any sector |
| 6 | Senior managers from customer-facing organisations | → | ↑<br>Regional manager | → | Operational manager/director roles and business improvement roles in any sector |
| 5 | Managers from customer-facing organisations | → | ↑<br>Store manager | → | Management roles in the service sector (e.g. hospitality, catering)<br>Training roles |
| 4 | Graduates<br>Employees with management/organisational experience from other sectors | → | ↑<br>Assistant manager<br>Department manager | → | Management roles in the service sector (e.g. hospitality, catering)<br>Training roles |
| 3 | Employees from other sectors | → | ↑<br>1st line manager (supervisor/ team leader) | → | Other supervisory roles outside of retail |
| 2<br>1 | School leavers<br>Job changers<br>Returners | → | ↑<br>Sales staff/colleagues<br>Grade3<br>Grade 2<br>Grade 1 | → | Other customer-facing roles outside of retail |

91. This model hides complexities. Specifically, it does not show the range of business activities accommodated within the same job titles. For example, staff with the same job title in a large supermarket chain will take on responsibilities from a range including replenishment, checkout operation, fresh produce service (including butchery, bakery, fishmongers, hot food, salad bar) and so on. The model also does not show the lack of alignment between job titles and levels of responsibility in different retail firms. For example, the responsibilities of store managers in small stores might be more akin to department managers or even supervisors in large stores.

*Buying and merchandising*

92. The normal route into buying and merchandising tends to be from university into ‘trainee’ roles either in a retail head office, large departmental store or bookstore. The employee can then learn on-the-job over several years. Occasionally sales staff will move into buying roles in a departmental store. Buyers tend to stay within the same retail sub-sector or type of goods for the whole of their careers. However, bookstore staff will tend to move into publishing if they leave the high street. Merchandisers, as well as understanding the products, are highly trained operators of very sophisticated software programmes and could move into other roles in logistics.

93. There is generally little to offer in terms of related external qualifications. The professional institute is the Chartered Institute of Purchasing and Supply (CIPS), which offers a range of institute exams but, to date, has failed to engage with buyers and merchandisers in retail. This is in part due to the nature of the business and in part due to the fact that there is only one fairly generic retail-specific module in its learning programme. However, retailers have developed a new degree-level programme for fashion merchandisers. This unique Fashion Merchandise Management BA Hons course is available at the University of Westminster. With the growing use of e-commerce in buying, several FE/HEIs now offer foundation degree courses in this subject.

*Finance*

94. There is a full range of occupational roles in finance from financial assistants and auditors to accounting technicians and chartered accountants. These roles also cover the areas of corporate governance, and insurance and financial health. The range of available roles means that people can join at all levels and gain external qualifications to progress. The fast track route takes school leavers with good A-level passes through to AAT and ACA qualifications in just four years. The sector has a large degree of self-regulation and is represented by the Institute of Chartered Accountants, which is the professional institute for accountancy.

95. There is also a Finance SSC, which covers the sale of financial products. This product area is growing in retail, with an increasing number of retailers now also selling financial services and products from extended warranties through to insurance policies and credit banking. The Financial Services Authority (FSA) has recently imposed new training requirements on all retail staff that sell extended warranties on electrical products. Consequently, in the competency maps, sales assistants selling electrical goods will need a higher level of competencies than those selling other goods.

*Logistics*

96. Logistics encompasses roles ranging from warehouse operatives and team leaders to transport managers, distribution managers and logisticians. There is an SSC (Skills for Logistics) and a professional Institute (the Chartered Institute for Logistics and Transport) and both the S/NVQs and institute vocational-related qualifications offered by these organisations are at levels 2-5. Most employment in warehousing and distribution centres is in the retail sector, although a third-party contractor may operate these centres.

97. Careers in either transport or logistics are developed mainly though in-house training or through business schools, with Cranfield being the market leader for delivery. A growing number of courses are being developed for SAP and RFID technologies, which impact on today’s logistics functions.

*Human resources*

98. The Chartered Institute for Personnel and Development (CIPD) is the professional institute for this function and an emerging SSC for Lifelong Learning is in development. HR departments employ staff at all levels and are served by both professional and occupational competencies leading to S/NVQs in Learning and Development and professional qualifications. CIPD membership is a requirement for middle and senior management posts. A number of external companies offer short training and coaching courses. The most well known and used is the Training Foundation’s TAP programme. Coaching skills are also particularly relevant to line managers in store operations.

*Marketing*

99. Marketers normally enter these occupations through graduate entry or through working in a communications role. Marketing is based on known metrics and market segmentation and attracts a lot of younger people as it is seen as an attractive function in which to work. Public relations sits alongside these communication roles. The Charted Institute of Marketing (CIM) is well known and offers a full range of marketing qualifications. Additionally, there are large numbers of degrees and post-degree courses in this subject including specific Retail Marketing degrees.

100. E-retailing is becoming increasingly important as an additional channel to market. Several foundation degree courses are now available in this subject area.

*ICT*

101. E-skills is the SSC representing this function both from a user perspective, i.e. those who use IT software to do their work, and from the technical perspective, i.e. software and hardware developers, programmers and IT support functions. There are a number of S/NVQs available which cover all the roles, as well as apprenticeships. People can enter IT at all levels including degree level.

102. E-retailing and other technological advances are driving retail growth and margins, making retail one of the most exciting areas of IT to be employed in.

*Administration/customer service*

103. Both administration and customer service occupations are represented by organisations that used to be NTOs (Council for Administration and the Institute for Customer Services) and still operate as standard-setting bodies on behalf of those occupations. The SSDA is responsible for these cross-sector occupations, as it is for all occupations not represented by a SSC.

104. NVQs and apprenticeship programmes exist in both of these occupational areas.

105. Specialist retailers are those retailers that whilst offering a service proposition for money also have very specific learning routes particular to their roles, e.g. opticians, pharmacists and florists. These occupations are represented by SEMTA and LANTRA respectively.

**Qualifications in the sector**

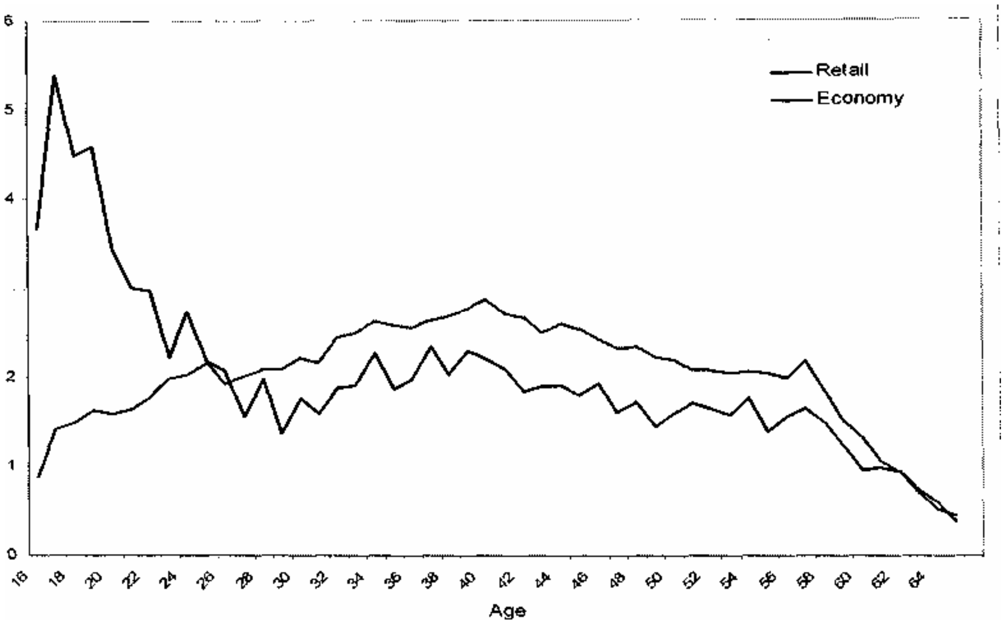
106. Given an entry and progression pattern such that, apart from graduate manager recruits and a number of other specialists (small in total numbers), many people ‘fall into’ retail as an occupation or career, and that the sector does not tend to regard qualifications as important as basic personal attributes, it is unsurprising that the workforce has a relatively low-qualifications profile. Around 10% of workers are at graduate level or above (Level 4/5), around 20% are at Level 3, 40% are at Level 2, around 13% are at Level 1 and 17% have no recognised qualifications at all (Note: these are any or general qualifications held by staff, not the level of *retail* qualifications). The proportion with Level 1 or below qualifications, around 30%, compares with 20% in industries other than retail.

107. Amongst managers, just 20% have a degree compared with twice that (39%) of managers in other industries.

## Age profile of the industry

108. Correspondingly, an industry which does not place any particular stress on experience or qualifications or set these up as barriers to entry, is likely to have an attraction to young entrants. The age profile of the sector compared with that of workers in the economy as a whole is shown in the following chart. It can be seen that the profile for the *retail sector* peaks at age 18 whilst the much flatter *all-economy* profile peaks at around age 40 to 42 :

**Figure 4: Age profile of retail sector employment**




109. The chart (using 2004 LFS data as the source) shows clearly the unusually high level of employment in the retail sector of people aged 16-24.

110. However, whilst the industry remains heavily reliant on a shifting cohort of young people, often working only a few hours per week or entering and leaving the sector quite quickly, young people themselves are not inclined to see retail as a destination career.

111. Research into young people's views of retailing (Retail e-commerce Task Force, Destination Retail: a survey of young people's attitudes towards a career in retailing, DTI) has found that:

- they are attracted to the industries that will provide them with learning opportunities – retail is not seen as such
- knowledge of retailing goes as far as the store – there is little understanding of the supply chain function and the variety of careers outside the shop floor
- they do not perceive retailing to be a technology-led sector, or a sector that will enable them to develop their skills around IT
- they receive little informed information from careers advisers and teachers

- little awareness exists of opportunities in areas such as HR, marketing, systems management, logistics, etc.
- retail brand is an important element in choice of workplace with fashion, sports, music, software/games and computers the most popular areas.

112. The industry needs to work with and influence young people's perceptions of the industry with the primary aim of encouraging people to think of retailing as a long-term career option rather than a temporary stop gap measure. The report suggests:

> 'Employers need to provide more work experience for young people while they are at schools and colleges and encourage permanent staff to excite young people on Saturday and vacation work to see the potential of a career in retailing.'

113. However, the same survey research also indicates that young people are open-minded in considering a career in retail: 58% stated they would be willing to consider working for a retailer, which is higher than the number willing to consider working in an office (56%), a school (42%), a hospital (38%) or a factory (10%). Another positive finding is that only 42% would *not* consider a job in retailing.

114. These findings suggest that there is at least a window of opportunity in which retailers can encourage individuals to enter the industry. However, it also suggests that a poor retailing experience early on may well be the reason why so few see it as a destination job and why turnover is so high.

115. With regard to *mature* entrants, the industry has observed that increasing participation in education in the youngest age group (16-19) and a declining number of people in the 20-39 age range (1.2 million fewer by 2009 in the UK as a whole) inevitably throws more attention towards older workers.

116. Thus, the industry Skills Dialogue observes that retailing is presently a young business but in the face of the demographic and skills reality some employers are seeking the talent they require in the more mature worker. B&Q is the pioneer in this respect but the trend is more widespread. The government's Age Positive campaign aims to challenge employer's prejudices in the lead up to prospective new laws to comply with an EU Directive.

117. This shift is given some comfort by the perception that older workers bring a wiser head to any retail job: their skills and knowledge base is more extensive as retailing is likely to be their second career. Unlike young people – whose main motivating factor is excitement and fun coupled with a learning environment – older people have responsibilities such as a mortgage and family, or are seeking to supplement a pension and are likely to be less fickle employees.

**Apprenticeship in the retail sector**

118. Given the uncertainty of young people as to the value of retail as a career, and the scepticism of many retail employers about the value of formal qualifications to retail operations, the Apprenticeship route, with a strong emphasis on the work experience or 'employed' element should, in principle, be of value to the sector.

119. However, a report on *Modern Apprenticeship* (now 'Apprenticeship') in the sector based on empirical research (Evaluation of Modern Apprenticeship in the Retail

Sector, Skillsmart, 2003) revealed a number of limitations from the point of view of *employers*:

- Apprenticeship was used only by 1 in 20 retailers who recruited young people into the sector in the last year.
- One factor in this is widespread ignorance of the programme. Two-thirds of employers had never heard of it. Most of those who had heard of it, knew little or nothing about it. It would be hard not to conclude that Apprenticeship or its future is an issue of little concern at present to these retail operations.
- For retailers who are aware of Apprenticeship, but who don't use it, a frequent factor is their perception that they are offering low-skill employment for which significant training would be largely overkill. A further significant group of employers, however, don't use Apprenticeship because they have company-specific training provision which, because of its bespoke nature, they regard as more satisfactory.
- Amongst non-user firms, there is no widespread antipathy to Apprenticeship. They often recognise its ambitions to offer quality training and its capacity to deliver qualifications and to motivate young people. Rather fewer are aware of the problems of poor completion and bureaucracy which have afflicted the programme. The analysis is rather that lack of awareness and a widespread view that the business simply doesn't need an externally-generated or relatively formalised training system jointly conspire to keep the Apprenticeship usage levels low; not specifically that a poor image of Apprenticeship is the barrier.
- When asked about future use of Apprenticeship, the most likely future users were those already using it. The survey did not identify a significant cohort of likely new users about to come on stream.
- Most retail learners were undertaking Foundation Apprenticeship. Few were doing Advanced Apprenticeship. Progression was infrequent because virtually no learners have the supervisory role which Advanced Apprenticeship implies as its learning context.
- Training providers experienced considerable difficulty in getting employers with placements to release learners for 'theoretical' training with the provider.
- The Key Skills element is seen as the greatest barrier to learner participation and success.
- Providers are aware of the Technical Certificate but do not fully understand it as yet. They expect the Certificate to lead to further decline in Apprenticeship.

120. The report concluded that the sector faced a difficult challenge. That is, to develop a vocational programme for sector entrants which is more directly seen to meet retail needs and to deal with the reality of young entrants' low skills and aversion to theoretical learning assessment. But not one which is so 'flexible' as to lose shape, rigour and reputation.

121. Further research amongst *providers* (Improving the provision of Government-funded work-based learning in the retail sector, Pye-Tait for Skillsmart Retail, January 2005) revealed a range of difficulties from *their* perspective:

- *Perceptions of the retail industry and work-based learning:*

  A common theme among the providers is the *poor image that the retail industry holds* with the general public. Retail is not seen as a viable career option, rather it acts as a temporary stop-gap for employment or provides part-time work. Work-based learning is generally regarded as the only option for those learners who are not able to or do not want to continue with further or higher education.

  Lack of information and knowledge of the framework is also a problem for providers. Employers, young people, schools, colleges and careers advisors have a *relatively poor understanding of the apprenticeship framework* and what it involves. This makes engaging employers, retaining the interest of learners and agreeing time for off-the-job learning very difficult.

  The retail environment is variously described as 'fast-moving' and 'volatile'. *High staff turnover* is a prime concern to providers as this has a direct impact on retention and achievement rates. Young people often move between employers, generally because they are more employable when they have commenced training, or because they subsequently decide to work in a particular sub-sector, or move to a national company.

- *The requirements of the Apprenticeship framework:*

  Key skills training and the external testing are particularly difficult to achieve due to the time required for off-the-job training and (in England) the requirement for external testing. Just over 74 per cent of the sample indicate that *getting the learner to attend the external test is a problem*, of which a significant proportion claim it is a *major* problem. This is compounded by the perceived irrelevance of key skills to employers and learners.

  Whilst for some providers the technical certificate is less of a challenge as they have learnt to integrate, with considerable preparation, the training within the NVQ. However, others report that this remains a difficulty for them.

  Providers claim there is a *considerable leap or step up from level 2 to level 3***,** and as there are fewer opportunities to become a supervisor (the role around which the Level 3 NVQ/apprenticeship is framed) it is frustrating for those learners wishing to progress to something beyond level 2.

  Similarly, within *micro/small businesses* the opportunity for the learner to acquire all the necessary experience to meet the full demands of the level 3 can be quite onerous.

- *Quality assurance and inspections:*

  On the whole, *providers feel unprepared for inspections* and not fully informed. They report an inspection is a stressful and an anxiety-laden experience as they are unsure of what to expect.

Significant issues for providers are the grading and scoring systems, the weighting of strengths and weaknesses, the benchmarking of retention and achievement and the focus on completion rather than competence. The mechanistic nature and approach of inspections does not account for the features and characteristics of the retail industry.

- *Funding, referral and recruiting assessors:*

  Whilst funding was not highlighted as a particular issue, aside from those occasions where completion took place before payment could be claimed, *lack of resources* (e.g. time and learning resources) is a fairly significant issue.

  Referral procedures were highlighted because learners are often referred to unsuitable programmes. Recruitment of qualified assessors is problematic but managed by providers training their own staff for Assessor awards.

122. Against this background, Skillsmart Retail continues to market Retail Apprenticeship asserting, in promotional literature, that:

> '**Apprenticeships can be a great route into retail.**
>
> Retailers are well known for providing all their employees with on the job training. These often excellent programmes, give those starting out on their career in the sector a good grounding in the skills they need to do the job, be it selling or understanding the product.
>
> Getting ahead, however, takes more and for those with management potential, apprenticeships can help to launch a successful career.
>
> The reputation of apprenticeships is growing amongst retailers who are increasingly turning to the programme to supplement their in-house programmes particularly in the development of their future first line managers. Apprenticeships give young people the opportunity to be trained in all elements of retail operations and to gain the skills needed by the retailer to run effectively and profitably. In addition, the programme allows young people to prove their competence and provides them with a solid platform for further studies or from which to build their career in the sector.
>
> An Apprenticeship in Retail covers these broad areas:
>
> - Occupational competence (NVQ/SVQ)
> - Knowledge and understanding
> - Key/core skills'

123. However, it is also recognised by Skillsmart that Apprenticeship in the sector faces a considerable challenge. It is noted, for example (Retail Toolkit, Retail Sector Forum, LSC, August 2005) that no less than 75% of retail apprentices (at national level) drop out of the programme before completion. As at May 2006, a review of Apprenticeship frameworks in England and Wales had identified a set of recommended changes which were going forward for approval.

## Graduate recruitment

124. At higher levels, analysis reveals that *graduate* supply is by no means automatic or encouraging.

125. Retail and distribution now requires fewer managers as a result of the restructuring of organisations, new working practices and advances in technology, but they need these managers to be far more skilled and well qualified than ever before.

126. However, the A level pool – typically where the retailing industry used to seek its future managers – is shrinking, and those graduates who do enter the industry turnover fairly rapidly. As customer service becomes a brand differentiator across the financial services and the hospitality sectors, the industry also has to fend off poachers for its best talent. Financial services in particular has higher remuneration than the retail sector (this flow of talent does not operate in the reverse direction). One of the big questions facing the sector is 'where are the managers of the future going to come from?'

127. Some retailers have tried to promote new talent by sponsoring A level students through university rather than fighting for them at the close of the university milk round. The investment costs of attracting, recruiting and developing graduates is high yet many leave after a short period of time in the industry.

128. A further barrier to the take-up of higher education opportunities in retailing is that young people do not know they exist: a survey of young people showed that only a quarter are aware that degrees in retailing are available. It also found that the majority of young people do not link retailing with universities and colleges.

## Employer training

129. In terms of *employer* training, the estimate (drawing on the National Employer Skills Survey, 2005) is that 57% of *establishments* trained staff in the last 12 months. This is lower than the national all-sectors average of 65%. However, the discrepancy is at least partly explained by the large proportion of very small firms in the sector which don't train.

130. However, much of that training is driven by regulation or simple labour turnover. Survey evidence (NESS 2005) shows that a substantial proportion of training is related to health and safety or to induction training for new staff.

131. Difficulty lies in knowing whether the level or quality of training is adequate or not. The Skills Dialogue report suggests that the industry tends to be more confident of its internal than external provision. The report argues that, in general, the quality of training provided in-house in the industry is of a high quality, whilst there are serious questions about the quality of structured training provision from public training providers.

132. A consequence of this is that employers in the industry tend to eschew formal qualifications (the main offering of public training providers) in favour of their own in-house programmes. Training programme quality is therefore dependent on brand reputation with those in the business having an implicit recognition of the value of training carried out in different companies. Employees that have worked (and been trained) in these companies are sought after in the market place.

133. Overall, the national employer training picture may be:

- Smaller businesses with stable workforces are (as in the rest of the economy) less likely to train.
- Larger ones do so in large proportions and involving large volumes of staff, often using internal programmes in preference to external ones.
- However, the frequent low quality of entrants, together with high turnover and associated recruitment difficulty, produces problems – trainability (because of lack of basic skills) may be low, training programmes may simply not catch up with the flow, and low quality entrants may simply lack the personal skills which are at the heart of the retail sales function.

**Other features of the national supply picture**

134. A number of other initiatives and programmes to improve skills supply are being piloted or planned.

*Young Apprenticeship in Retail*

135. The Young Apprenticeship in Retail is a new two year programme designed to enable hard-working and talented 14-16 year-olds to combine school with practical skills and experience in industry.

136. It is aimed at pupils with a good record of academic achievement who are interested in the world of retail.

137. Young Apprentices follow the National Curriculum but for two days a week they will spend time on the Young Apprenticeship in Retail, working towards one or more vocational qualifications relevant to the retail industry. A special feature of the programme is the 50 days pupils spend with a retail employer learning about retail and employability skills, the retailer's business and the career opportunities available in the sector.

138. This aspect requires forward-thinking employers who can provide the pupils with 'real-life', work-based experience for around 50 days over the two years. The Young Apprenticeship programme aims to create high-calibre pupils who could become 'top-of-the-range' recruits to their business after finishing their full-time education.

139. From September 2006, ten pilot programmes will be running in England and seeking support from their local employers for the work-based element. From September 2007, in the BDPS area, Paragon Training in partnership with Bournemouth and Poole College will offer 30 Young Apprenticeship placements per year.

*Centres of Vocational Excellence (CoVE)*

140. The Centres of Vocational Excellence (CoVE) programme has been established by the Learning and Skills Council to help improve the level of education and training support available to specific industry sectors in England.

141. All training and education providers are able to apply for CoVE status. However they need to demonstrate that they have an active partnership with the

businesses in their chosen sector and that they understand and can deliver to their needs.

142. The primary aim of CoVEs is to develop the skills and careers of those already in work, to enhance the employability of new entrants to the market and the employment prospects of those seeking return to work. CoVEs therefore work closely with the business sector, government funding agencies such as the Regional Development Agency and other key partner organisations to develop:

- mutual understanding of the current and future skills needs of the sector
- creative approaches to tackling skills issues
- excellent quality of provision
- learning opportunities that meet both learner's and employer's skills needs
- the skills of new entrants to the labour market and those already in work
- demand led provision
- strategies to promote access and participation in learning amongst traditionally excluded or disadvantaged groups
- the skills, industry awareness and understanding of teaching staff

143. Skillsmart Retail is currently working with the Learning and Skills Council to develop the national CoVE network and to ensure that it meets the above objectives. Seven CoVEs are already in place.

*The 14-19 agenda: Retail Ambassadors and the Retail Specialised Diploma*

144. Much attention has been placed on the government's proposals for the 14 to 19 education agenda and the effect it will have on the curriculum in schools.

145. With the introduction of a more vocational curriculum, both students and teachers will need to increase direct links with industry. Skillsmart Retail has been working to develop appropriate methods of engagement for the retail sector. The Nationwide Retail Ambassadors Scheme and the Retail Specialised Diploma (14 to 19) are in development and designed to champion school-level, work-related learning and encourage young people to think about a career in retail.

146. *Ambassadors* are experienced retail professionals who are trained to visit schools, act as role models and facilitate creative programmes of work that benefit teachers, students and, ultimately, their own organisations. The *Retail Specialised Diploma* for 14 to 19 year olds will be deliverable from 2010 and will appeal directly to the growing number of young people who wish to both stay in full-time education and undertake a mixture of general and vocational learning. It will enable these students to get a perspective on the various options and career pathways that are available in retail. The diploma will provide a route for young people wishing to work in retail or progress into further or higher education through a vocational route.

*The RetailPassport*

147. A new initiative called RetailPassport is currently being trialled with Hampshire and Isle of Wight LSC. It aims to offer an effective tool for building and maintaining the skills and qualifications profiles of retail employees and those wishing to enter the industry.

148. The initiative allows anybody to set up their own on-line skills and qualifications passport to help them keep a record of all the training undergone and skills they acquire, as they progress through their retail career.

149. Each passport accrues greater value when it is verified by employers, educational establishments, recruitment agencies, job centres or any of the other organisations that are registered as RetailPassport verifiers.

150. A passport can be set up by an individual, an employer, or an organisation which is a Registered Verifier. As well as being a method of maintaining an employee's records of achievement, it will allow mapping of training and experience to qualifications and retain any on-the-job learning that runs concurrent with formal training.

151. This adaptability seeks to promote lifelong learning whilst enabling individuals to navigate clearly-defined career paths and qualification routes.

**Local skills supply**

152. Turning now from the national context to the local position, labour and skills supply in the BDPS area depends, broadly, on two factors. Firstly, the general availability of labour and, secondly, the scale and success of mechanisms to generate relevant skills.

**Broad labour supply**

153. Thus, a first issue concerns the availability of labour in general. Of course, the retail sector is in competition with other sectors for the supply of labour – particularly at lower levels and for generic skills which are readily transferable between sectors. The question is one of whether the local labour market is 'tight' (ie. fairly competitive for labour or skills) or not.

154. There are a number of indicators of 'tightness' in Bournemouth, Dorset and Poole.

155. Firstly, the working age employment rate in Dorset and Poole is higher than in England and the SW as a whole though Bournemouth has a lower rate than both. Since 2001/02, the rate has grown in Dorset, but fallen in Poole and in Bournemouth. The national rate has remained static, and the SW rate has fallen slightly:

**Table 8: Employment rates in Bournemouth, Dorset and Poole**

| Percentage of working age population | Jun 01-May 02 | Jun 04-May 05 | % point change |
|---|---|---|---|
| Dorset | 79.4 | 80.9 | +1.5 |
| Bournemouth | 73.0 | 68.1 | -4.9 |
| Poole | 80.3 | 77.2 | -3.1 |
| South West | 78.9 | 78.8 | -0.1 |
| England | 75.1 | 75.1 | 0 |

Source: ONS Quarterly Labour Force Survey 4th quarter average May 05

156. Thus, although there has been some slackening, local employment rates in Dorset and Poole (though not Bournemouth) remain higher than national levels – suggesting that the number of people available to enter the labour market is lesser than elsewhere.

157. Secondly, the latest annual unemployment rates are 3.9% for Bournemouth, 2.4% for Dorset and 2.3% for Poole (SW: 3.6%, Eng: 4.7%). Bournemouth's 12-month average claimant count rate of 1.7% is higher than the South West average of 1.4% The rates for Dorset (0.9%) and Poole (1.0%) are below. All are less than the England rate (2.4%). Again, therefore, labour market tightness is evident. Unemployment rates (though recently moving upwards) remain very low in historical terms and local unemployment may be reduced to the minimum of people in 'transitional' unemployment – between jobs – or who are difficult to employ because of low abilities and/or low motivation.

158. If these factors suggest that local labour supply is constricted, then data on *house price* data emphasises the difficulty for prospective applicants for lower paid/lower skilled occupations to move into the area.

159. Thus, in Q3 of 2005, the average house price in Poole (£254,959) was the highest (out of 15) among SW county and unitary authorities, and was 29.3% above the English average (£197,201). (SW: £202,396). Dorset had the third highest average house price in the region (£230,261), and Bournemouth the ninth highest (£196,367).

160. More particularly, lower quartile housing affordability ratios show that lower quartile house prices are approximately 9.1 times lower quartile resident earnings in Bournemouth, and 9.6 times in Poole (SW: 8.5, England 6.8). For Dorset districts, ratios range from 9.2 (Weymouth and Portland) to 11.9 (Christchurch). The latter is the highest lower quartile ratio of any local authority in the South West. *(House Prices: OPDM Mean House Prices Q3 2005 (provisional)/ Affordability: HM Land Registry house prices Q1-Q2 2005/ONS Annual Survey of Hours and Earnings 2005.*)

161. Data on *Somerset* is less comprehensive but it can be noted that:

- Somerset's economic activity rate (81.6) remains higher than that of the South West (80.8) or the UK (78.1)
- Unemployment (claimant count) is lower in Somerset (1.4) than the South West average (1.7) or the UK average (2.6).

- House prices are below the average for England and Wales. However, because of relatively lower wages, their affordability is also less than average.

162. Overall, these statistics, for the BDP area and Somerset, suggest that the labour market in both sub-regions is still quite tight and that the retail sector has to find advantages (typically of easy entry and flexible and casual work rather than of high wages) to maintain its workforce levels in quite competitive labour market conditions. At lower skill and pay levels, house prices are a major barrier to in-migrants who might otherwise service the industry.

**Work-based learning (WBL)**

163. Statistics for WBL participation in the BDPS area show that 263 Apprentices *finished* their learning in retail trades in 2004/05. These were distributed by age and gender as:

**Table 9: 'Completing' retail Apprentices in the BDPS area, 2004/05**

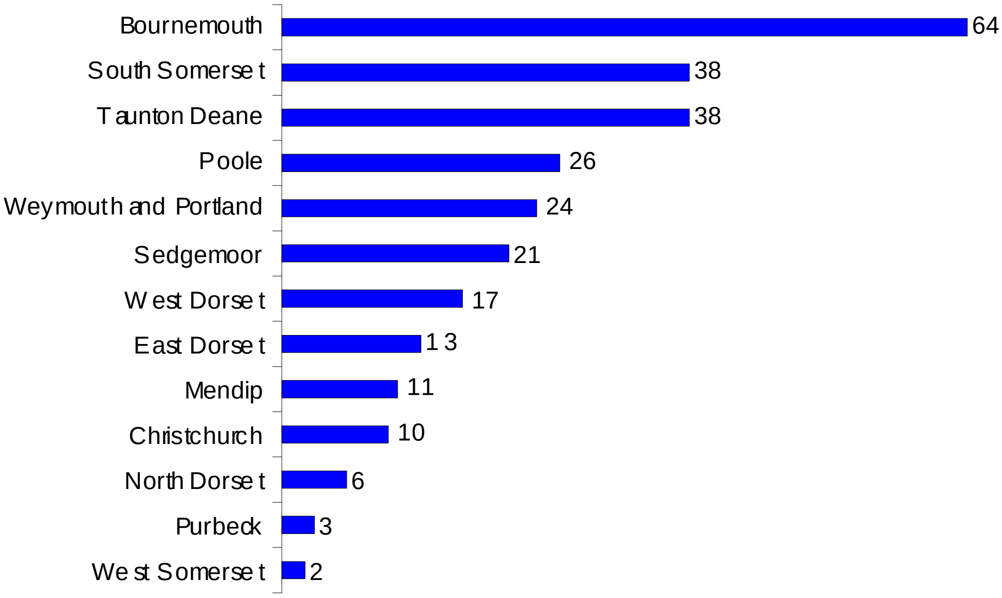
| | F | M | Total |
|---|---|---|---|
| 16-18 years | 82 | 31 | 113 |
| 19-20 years | 60 | 23 | 83 |
| 21-24 years | 47 | 20 | 67 |
| **Total** | **189** | **74** | **263** |

Source: ILR 2004/05

164. It can be seen that the structure of apprenticeship tends to perpetuate the bias towards female employment in the sector.

165. Locationally, Apprentices were resident in all BDPS Districts/UAs with the greater number in Bournemouth, Taunton Deane, South Somerset, Poole, and Weymouth and Portland:

**Figure 5: Numbers of 'completing' retail apprentices per District/UA, 2004/05**




Source: ILR 2004/05

166. The great majority of Apprenticeships (236 cases) were at Foundation level, Level 2, rather than at Advanced level, Level 3 (27 cases).

167. Success rates in 2004/05 were moderate (but rather better than the 25% completion which Skillsmart Retail quotes as the national success rate) and show marked improvement in 2005/06:

**Table 10: Success rates in retail Apprenticeship in the BDPS area, 2004/05 and 2005/06**

| | 2004/05 | | 2005/06 | |
|---|---|---|---|---|
| | **Some achievement** | **Full framework completion** | **Some achievement** | **Full framework completion** |
| Advanced Apprenticeship | 41% | 26% | 50% | 50% |
| Apprenticeship | 49% | 45% | 63% | 59% |

Source: ILR 2004/05 and 2005/06

## Further Education

168. In total, 175 people resident in the BDPS area undertook retail-related studies in Further Education during 2004/05. Of these:

- 41 were aged 16-18, 134 were aged 19 or over.
- 119 were female and 56 were male.

- Students included residents in all BDPS Districts/Unitary Authorities with the more significant numbers (more than 10 cases) in South Somerset (33), Bournemouth (23), Mendip (20), North Dorset (17), Poole (16), Taunton Deane (14), Sedgemoor (12).
- 35 were studying at Level 1/entry level, 127 were studying at Level 2, and 13 were studying at Level 3.

169. 'Learning aims' were directed to:

**Table 11: Learning aims of retail FE students in the BDPS area, 2004/05**

| | 16-18 years | 19+ years | Total |
|---|---|---|---|
| Certificate in retail | 15 | 7 | 22 |
| Certificate in retail principles | 2 | 9 | 11 |
| GNVQ in Foundation Retail and Distribution | 4 | 2 | 6 |
| NVQ in retail operations | 20 | 85 | 105 |
| National Certificate for Personal Licence Holders | 0 | 13 | 13 |
| National Skills Profile – Retail | 0 | 7 | 7 |
| NVQ in Procurement | 0 | 1 | 1 |
| **Total** | **41** | **134** | **175** |

Source: ILR 2004/05

170. Of 16-18 year students, 80% either completed their learning aim or were continuing working towards it; 20% failed to complete. Of 19+ year old students, 84% either completed their learning aim or were continuing working towards it; 16% failed to complete.

171. Key FE providers are:

- Bournemouth and Poole College (29% of learning aims)
- Distance learning (via West Notts and Derby Colleges, 20% of learning aims)
- Yeovil College (16% of learning aims)
- Stroud College (11% of learning aims)
- Somerset College ((at Taunton) (11% of learning aims)
- Weymouth College (7% of learning aims)
- Bristol College (6% of learning aims)

**Retail WBL and FE: comment**

172. Statistics in the previous two sections suggest:

- Retail study in WBL and FE continues to attract more female students than male ones.
- The great majority of learning in both programmes is at a modest level, Level 2 or below – only 10% is at Level 3.
- FE provision is spread across a number of providers, none of which has a dominant position, and around 4 out of 10 learning aims are met by providers outside the BDPS area, by Colleges in adjacent districts and via distance learning.

173. However, perhaps, the most striking statistics concern the low numbers of people participating in retail learning/training *via FE/WBL* in relation to the number of people employed in the sector: a ratio of 1 FE/WBL learner to 170 employees in the sector (compared, say, to a ratio of 1 to 13 in the construction sector).

174. Completion rates in WBL were below 50% in 2004/05 but showed substantial improvement in 2005/06.

**The Dorset Retail Skillshop**

175. Since 2004/05, BDP LSC has invested in the development of the *Dorset Retail Skillshop*, which is now recognised by retailers involved as a focal point for discussing their recruitment/staff skills needs and for providing access to high quality training.

176. The Retail Skillshop is essentially a partnership of local employers, Skillsmart Retail, training providers, Town Centre Managers, Business Link, Dorset Skills, and the Retail CoVE. Steered by an *Advisory Group*, they work together to ensure there is better understanding of the skills needs of the sector and plan and deliver research and training projects to meet business needs.

177. Development projects undertaken to date include:

- Funding and managing a *Skillshop Co-ordinator* to facilitate projects, activities and relationships with local employers and their networks.
- Promoting retail as a career of choice by funding *Retail Ambassadors* who visit schools and by running awareness workshops for prospective recruits.
- Adding value to the *Retail Apprenticeship recruitment process* by making it more responsive to learner and employer needs and developing and producing support materials for the technical certificate. 29 non-employed apprentices have undertaken a training centre based course and worked across a number of retailers before taking up employment. 12 have completed their apprenticeship and 11 are now employed in the sector.
- Conducting a *local survey* of over 100 businesses and 240 customers across the conurbation. A variety of skills shortages/gaps were identified and published as a workforce development plan in March 2005.
- Using the workforce development plan as the basis for commissioning a series of *taster courses* for new and existing retail employees designed to increase their skills and encourage take up of nationally recognised qualifications.

To date, 124 individuals have attended one or more of 19 short courses/workshops from 69 different employers A number of employees have progressed to accredited learning with NVQ3 in Retail.

- Funding a *Retail Awards Scheme* for those businesses and employees who took part in the local survey in March 2005. A second ceremony is planned for the conurbation in 2006, with a further scheme in progress involving 135 retailers across 9 retail cluster areas/market towns.
- Promoting opportunities in retail through delivery of a series of one day *workshops* for new retail employees aged 16-24 years and 16-18 year olds looking to enter the sector.
- Funding a feasibility study on need for a *Foundation Degree in Retail* conducted by Bournemouth University. The report and recommendations to develop the programme was delivered to the LSC in June 2006.
- Promoting the Retail Skillshop through marketing materials and attendance at various meetings and events. The brand is now recognised across the conurbation.

**The Retail Centre of Vocational Excellence (CoVE)**

178. Comments above, on relatively low numbers of FE/WBL retail trainees, apply, however, to a period (2004/05) which substantially pre-dates the establishment of a retail CoVE. This involves a collaboration between Bournemouth and Poole College, Paragon and ITE Training Group (based in Weymouth), Key Training (based in Swindon) and Swindon College. Supported by the LSC, this partnership aims to work closely with retail businesses to meet the skill needs of the retail industry by providing 'flexible, demand-driven, high-quality training, with the aim of producing appropriately skilled and qualified workers to meet the needs of the economy'. The CoVE offers short courses, workshops, Apprenticeships, NVQs and bespoke programmes.

179. It remains to be seen how far this development will extend the limited scale of recognised training (as registered by the ILR) which was discussed above.

**Employer training**

180. To this point, our analysis of local skills supply has focussed on 'official' programmes. However, the retail sector, more than most, has traditionally relied on *internal* training systems to prepare individuals for their roles – informal systems in small independent shops and quite sophisticated ones in the major corporates.

181. The National Employer Skills Survey gives an insight into the training behaviour of retail establishments. To secure a reliable sample, regional statistics (based on 791 responses) are used as a proxy for the BDPS area. The table below sets out a range of training-related indicators and compares them with the regional all-sectors average:

**Table 12: Employer training indicators: regional statistics used as proxy for BDPS area**

| | All sectors average * | Retail * |
|---|---|---|
| **Training infrastructure** | | |
| Has a training plan | 44 | 43 |
| Has a training budget | 32 | 27 |
| Uses formal job descriptions | 74 | 69 |
| Formally assesses skills gaps | 55 | 52 |
| Uses annual performance reviews | 58 | 52 |
| **Engagement in training** | | |
| Trained any staff in past year | 65 | 60 |
| Trained any staff off-the-job | 42 | 28 |
| Only supplied on-the-job training | 22 | 32 |
| Average number of days per trainee | 14.3 | 11.8 |
| Average annual spend on training per training establishment | £2,661 | £912 |
| **Training towards qualifications** | | |
| Proportion of staff trained towards a nationally recognised qualification | 17.2 | 11.1 |
| Proportion of staff trained towards an NVQ | 7.8 | 5.8 |
| Proportion of employers (who use NVQ) training staff towards NVQ Level 3 | 48 | 35 |
| Proportion of employers (who use NVQ) training staff towards NVQ Level 4 | 15 | 3 |
| **Use of external providers** | | |
| Proportion of training establishments used FE in last year | 30 | 16 |
| Proportion of training establishments *not* using FE saying 'prefer to train in-house' | 45 | 65 |
| Proportion of training establishments using private providers | 50 | 29 |

Source: NESS 2005
* Note: Percentages unless otherwise indicated

182. This table confirms a number of acknowledged characteristics of training behaviour in the retail sector:

- Slightly weaker infrastructure for training.
- Less likelihood of employers being engaged in staff training.
- Shorter training.
- Stronger likelihood of only supplying on-the-job training.
- Less likely to train staff towards qualifications, particularly higher level ones.
- Less likely to use external FE and private providers and more likely to express a preference for in-house training.

183. In short, therefore, an examination of retail employer behaviours and perspectives with regard to formal training, accords with the previous analyses (using ILR data) which showed a low level of 'accredited' participation and outputs from WBL and FE.

184. Informally, local sector contacts report that the problem of engaging local sector employers in training and training-related initiatives is very significant. They report most small employers as uninterested and an absence of a widespread 'training culture' in the sector.

**Use of foreign labour**

185. Another important feature of local labour supply is the use of in-migrants, particularly from Eastern Europe, to supplement the domestic workforce. There are no official statistics on this recent phenomenon but local industry specialists suggest that the practice is widespread and growing. The main attractions for employers are a somewhat older age cohort, greater willingness to work, and acceptance of minimum wage rates.

**Other regional 'supply-side' initiatives**

186. A range of other regional initiatives promoted by Skillsmart Retail to improve skills supply in the South West include:

- Introducing Retail workshops for small and medium sized businesses with less than 250 employees aimed at improving profitability and customer satisfaction while developing high performing teams.
- Setting up Retail networks in Dorset, West of England, Devon and Cornwall, Swindon and Wiltshire, Somerset and Gloucestershire including Retailers, Town and City Centre Managers, the Learning and Skills Council, Business Link's, Training Providers, Colleges, Universities, local Councils, JobCentre Plus and Connexions. The networks are set up to share information and best practice, and achieve shared goals in developing and supporting those in the Retail Sector.
- Developing Retail Reference Groups in the South West to create a voice from the sector on business support, skills gaps and workforce development issues.
- Setting up Retail Co-ordinators in the West of England, Dorset and Plymouth giving a local point of contact for information, advice and guidance to those working in the sector and those seeking to join.
- Establishing research projects identifying training and development needs of retail businesses in the South West.
- Creating a presence at careers events for the 14-19 year old age group to promote retail as a career of choice.
- Delivering 'taster' days in retail for Careers Advisors.
- Working with JobCentre Plus to create routes into retail including parents returning to work, people with disabilities and the unemployed.

- Opening up employment and training opportunities in the local Retail Sector to individuals who have difficulty in gaining employment.

**Summary: supply of labour and skills into the retail industry**

187. *National* analysis suggests:

- For the bulk of lower grade staff, entry to the sector is informal and not qualifications-dependent.
- The sector has, therefore, developed a lower-than-average qualifications profile and employment is skewed to young people for whom a job in the sector is often not seen as the first step on a career ladder.
- Young people in general have been shown to have little knowledge of the sector, do not understand its non-stop floor functions, and have little awareness of career progression opportunities in the sector.
- As the workforce ages, the sector may need to recruit more older workers where they can. Some older workers ('women returners', for example) are welcomed by the industry but there may need to be a further widening of the 'older' labour pool on which the sector draws.
- Apprenticeship in the sector is not viewed particularly positively – many small employers see it as too 'heavy' and bureaucratic; many larger ones have their own, preferred, mechanisms for training young people.
- Providers, too, report a range of barriers to retail Apprenticeship (some of which apply to Apprenticeship in general).
- Retail Apprenticeship continues to be promoted, however, and change in the framework is being pushed forward.
- A range of new initiatives ('Young Apprenticeship in Retail', a national network of CoVEs, 'Retail Ambassadors', 'Retail Specialised Diploma' for 14-19 year olds, the 'Retail Passport') are being trialled or developed.

188. *Local* analysis suggests:

- Broad labour supply (despite some recent slackening) remains constrained and competition for labour is significant.
- With respect to WBL and FE….
  - Numbers in either mode of training are low in relation to the size of the industry.
  - Completion rates are moderate at best.
  - Most learning is at Level 2 or below.
- A retail CoVE partly based in the BDPS area has been established but recognisable impacts (measured via ILR) are not yet available.

- Survey evidence of employer training in the sector suggests below-average engagement, a marked preference for in-house training methods, and lower reliance on qualifications when compared with other sectors.
- Local intelligence suggests that the sector below the corporate level lacks a 'training culture' and that employers are resistant to training messages.
- A range of regional initiatives is being promoted by the SSC for the sector which aim to encourage stronger and higher quality labour and skills supply into the sector.

# 6. The balance between demand and supply

189. The key question in respect of the demand and supply of skills is, basically, does skills supply currently meet the needs of the industry, and will it do so in future.

190. One method of assessing this would be to consider the demand for skills and set it against an account of supply. However, any attempt to match these two analyses against each other in a statistical sense is not possible. The problem has several angles:

- Firstly, data on demand is unreliable. Forecasting models cannot predict the future with any great precision; and the smaller the area to which they are applied, the less precise they become.
- Secondly, data on supply is hard to interpret. It is not known, for example, which skills WBL trainees are training in, nor what level of employability they reach, particularly amongst the substantial proportion of trainees who do not complete the full framework. FE data is also imprecise in that it deals with 'learning aims' rather than numbers of individuals (some of whom may pursue more than one aim) and again it is not clear how many trainees proceed to full qualification and are delivered into the workforce.
- Thirdly, we have noted that a significant proportion of employers in the sector train their staff (around 60% in the most recent estimate). Around 1 in 6 of these use FE. What the remainder do is largely unknown. Some of the training may not be productivity-related at all. Health and Safety training, for example, and induction training, though essential, don't necessarily improve the overall level of skills employed in retail activity as such. But amongst the remainder must be a significant amount of training which formally or informally improves worker performance. But the scale or nature of that improvement and its contribution to the overall skills equilibrium in the sector is not measurable.
- Fourthly, whilst people train towards and achieve qualifications, the quality of that training and the worth of the qualification is variable. Simply, we do not know how much of the training which WBL/FE delivers is regarded as adequate by the industry but it seems unlikely that all of it is.

191. Generally, therefore, *inferences* can be drawn from an examination of demand and supply. Some of these have been set out in previous chapters and will be extended in the final chapter of this report. However, a formal statistical account of the skills equilibrium, one which says, for example, that the area will need x people with formal retail skills per year and is generating y people with these skills per year, cannot reliably or meaningfully be computed.

192. In order to comment on the skills equilibrium, therefore, we need to rely on evidence of *disequilibrium* – that is, of skills shortage and skills gaps. The following table uses data from National Employer Skills Surveys to generate some broad indicators of such difficulties. South West regional data is used as a proxy for the BDPS area (to avoid the problem of small sample bases):

**Table 13: Indicators of labour and skills deficiencies, South West Region, 2005; percentages of establishments**

| | 2005 | |
|---|---|---|
| | All sectors | Retail |
| Have at least one vacancy | 17 | 18 |
| Have at least one vacancy which is hard-to-fill | 7 | 6 |
| Have a skill shortage vacancy | 4 | 3 |
| Have a skills gap | 15 | 21 |

Source: NESS05

193. What this data shows is that the retail sector faces fairly average (or slightly lower) difficulty in recruiting but retail employers are markedly more likely to believe that at least some of their employees are not fully proficient (21% against an average of 15%). Essentially, it seems likely that retail employers are obliged to be less discriminatory in whom they recruit (given their lesser interest in qualifications which we noted earlier) but then are consequently more likely to suffer the problems of having staff who are less skilled than they should be.

194. The occupational distributions of vacancies, skill shortage vacancies, and skills gaps are also clearly different from the average for the economy as a whole:

**Table 14: Indicators of skills difficulties; percentages of all difficulties associated with different occupational groups, South West Region, 2005**

| | % of vacancies | | % of skill shortage vacancies | | % of staff not fully proficient | |
|---|---|---|---|---|---|---|
| | All sectors | Retail | All sectors | Retail | All sectors | Retail |
| Managerial | 5 | 4 | 4 | 5 | 11 | 12 |
| Professional | 7 | 1 | 9 | 0 | 8 | 1 |
| Technical | 16 | 3 | 13 | 3 | 3 | 1 |
| Clerical | 12 | 5 | 8 | 7 | 11 | 3 |
| Skilled trades | 10 | 7 | 26 | 22 | 9 | 2 |
| Personal service staff | 9 | 0 | 11 | 0 | 6 | 0 |
| Sales staff | 16 | 73 | 9 | 54 | 25 | 68 |
| Operatives | 11 | 1 | 13 | 3 | 7 | 2 |
| Elementary staff | 15 | 7 | 7 | 7 | 21 | 11 |
| | **100** | **100** | **100** | **100** | **100** | **100** |

Source: NESS05

195. This data shows that *sales staff* is the area which creates most difficulty – accounting for high proportions of vacancy, skill shortages, and skill gaps. Correspondingly, the skills which retail managers most saw as being in need of improvement were *customer-handling skills*. It should also be noted, however, that a significant proportion of skill shortage vacancies are for *skilled retail trades* (butchers, bakers, fishmongers, etc.).

**Summary: the balance of demand and supply**

196. Survey data suggests that the retail sector does not face any particular difficulty recruiting staff (because it has low entry thresholds) but does have a significant likelihood of having recognisable skill gaps in the workforce (for the same reason). These are overwhelmingly concentrated on the shopfloor at quite low levels of skill with a major difficulty being that staff lack appropriate customer handling skills. Within this general observation, there is a specific, less frequent, skill shortage in respect of skilled retail trades.

# 7. Skills issues in the retail sector

197. A review of the local retail sector in the BDPS area suggests (as would be true of the retail sector nationally) that it is a fundamentally difficult sector in which to seek to improve skill levels. The basic difficulties are these:

- A substantial part of the sector comprises many small proprietor-managed businesses with few staff. These businesses are not particularly concerned with external agencies – they are seldom even aware of bodies such as the LSC or the SSC for the industry and do not seek or welcome intervention. They train staff informally to do the fairly basic tasks which retailing at that level requires.

- A further substantial part of the sector comprises the local outlets of major corporate or chain retailers. These businesses have a history of organising training for their staff internally to the organisation. They are intensely price competitive and have very strong commercial instincts. They frequently do not wish to work in partnership with other businesses in their sector. They may have little time for 'initiatives' which do not have a very evident and immediate commercial return. Their business models are adapted to the use of low-grade, low-paid staff employed on part-time or casual or seasonal terms from whom only minimum routine capabilities are expected. No great value is placed on their retail qualifications but rather on their fairly basic qualities – to get on with customers, operate a till, turn up on time, and so on.

198. However, whilst these fundamental difficulties exist, the sector is under a variety of pressures and it needs to improve its performance. Issues which arise from these circumstances include:

- *Management and supervisory* skills are in short supply. There is a need to promote the importance of continuing professional development to meet replacement demand and to raise the skill levels of existing managers. In principle, the promotion of. and take up of, Apprenticeships at Level 3 would help to develop a more highly skilled level of managers and supervisors/team leaders who can lead and implement change, simultaneously taking the workforce with them.

- Proportionately to its size, the sector is grossly *under-represented in respect of the numbers training in FE and WBL*. Collectively, thus, providers carry out low volumes of formal training compared to the size and potential of the sector. Building the critical mass from which to offer the full breadth of retail provision is not without its risks but the potential for growth appears to be considerable.

- There is concern as to the ability of public providers to respond to local needs, with examples of provision being *bought outside the sub-region*. Collectively, local provision needs to offer the full breadth and depth of training required.

- The development of a relevant and workable *Apprenticeship model* for the sector is necessary. In the meanwhile, a number of retailers appear to be successfully using the current model. This 'good practice' should be copied as well as exploring and overcoming the barriers to improved take up. Nationally, these include a poor understanding of the Framework by key players including employers, schools, colleges and young people. This makes engaging employers, retaining the interest of learners and agreeing time for off-job learning difficult. Similar difficulties are found around perceptions of 'Key Skills' and how they fit into the Apprenticeship.

- Recruiting older Apprentices (at 18, say, rather than at 16) may be beneficial.

- Additionally, with a high proportion of the workforce *without qualifications* and anecdotal evidence of *low levels of basic skills* (of literacy and numeracy), there is a need to make a concerted effort to improve the take up of the training available particularly under the Skills for Life programme.

- There is a continuing need to *promote the benefits of learning* and stimulate demand from employers and individuals. There may also be a lack of awareness of employees' skill levels and lack of expertise/skill in identifying current and future training needs and learning gaps. However, there is a perception amongst local industry specialists that 'bulk marketing' of training and other HRD initiatives is ineffective. Effective promotion (that which converts to action) is only believed to be effective when one-to-one relationships (between retail managers and representatives of external agencies) are established. In this light, it is believed that local SSC resources are extremely thinly spread and that there is little awareness of the Sector Skills Council. In principle, the Train to Gain brokerage programme might offer the capacity to increase the volume of one-to-one contacts but the obvious question is of how much brokerage time will be available and of how many contacts can be delivered in a reasonable time frame.

- The *sector image* is poor and not a realistic reflection of the industry. Thus, retail is often seen as a stop-gap or provider of temporary employment rather than a career. Career paths are not evident or transparent. It is not attracting sufficient young people who see the sector as one which offers worthwhile jobs and opportunities. Local industry representatives also report that the retail experience offered to young people is often of low quality – repetitive work in poor working conditions often leads to bored young employees who leave. It is important not just that the image of the sector is promoted but that the sector works to generate worthwhile and interesting jobs which are able to stimulate and motivate recruits. Job rotation is believed to be particularly significant to this.

- Given the very large number of small businesses, training needs to take account of the very real problems of release of staff. Providing training that is *flexible*, modular, and timely is essential.

- Retailers of all sizes rely heavily on part-time staff and are increasingly trading over longer hours. The barrier of *inadequate time for learning* is both common and significant.

- Training content and delivery increasingly needs to take account of *older entrants* who will be bringing experience of prior learning and transferable skills, whilst lacking the industry-specific skills which the sector requires.
- Providing well-organised and structured *work experience* for potential young and older trainers as tasters/work trials is an aid to recruitment and minimises drop out.

199. Overall, there is a need for a strategic employer-led approach working with partners which results in better local training provision – flexible, forward-looking and geared to employer demand.

200. However, it appears that most of these issues are, *in principle*, being addressed:

| Issue | Current strategy/initiatives |
|---|---|
| Management skills | Skillsmart Retail Workshops in the South West<br>Business Link programmes<br>Train to Gain brokerage |
| Flexibility and relevance of provision | Retail CoVE in Wiltshire and Dorset<br>Retail Networks for Somerset and Dorset |
| Apprenticeship | National development of the Framework<br>SSC and LSC marketing of Apprenticeship<br>Retail Skillshop contributions (increasing Apprenticeship responsiveness, providing learning materials) |
| Industry image | Retail Ambassador programme<br>Workshops to promote opportunities in retail (Retail Skillshop)<br>'Taster' days in retail for Careers Advisors<br>Young Apprenticeship in Retail<br>Retail Specialised Diploma |
| Increasing the volume of learning | Taster courses for retail employers (Retail Skillshop)<br>RetailPassport (being trialled)<br>Train to Gain training subsidy<br>Skills for Life funding |
| Improving industry cohesion and promoting learning | Retail Networks<br>Retail Skillshop<br>Dorset Retail Co-ordinator<br>Train to Gain brokerage potential<br>Retail CoVE |

201. Thus, the key issue for the local LSC and its partners is not whether industry needs have been recognised. Nor is it whether programmes and initiatives have been designed or are being developed.

202. Rather, the real issues are whether the programmes and initiatives are of **sufficient scale** – **well co-ordinated, resourced and effective** – across the new local LSC geography (combining Bournemouth, Dorset, Poole and Somerset); and whether these programmes/initiatives, which are mostly of fairly recent origin, will be **maintained and funded consistently over a sufficient period of time** in order to allow them to have more than a marginal or temporary effect.

203. It should also be recognised that many basic ‘issues’ in the sector stem from the nature of the sector and the behaviour and attitudes of employers - particularly from that section of the industry which continues to base its operations on a low pay/low skills business model. Where that approach remains significant, it is unlikely that efforts, either within or from outside the sector, will fundamentally change the degree or shape of recruitment and skills development. It is important, therefore, not only that external and sector agencies seek to improve skills supply, but that **the sector itself continues to evolve in the direction of higher quality service and, correspondingly, a more qualified, stable, and effective workforce.** At present, however, relatively few independent operators show interest in the sector’s strategic development (for example, by taking part in employer forums or joining the Retail Skillshop’s working groups) and the general aspect of the sector is not a responsive one. It may be that a real question for the LSC may arise; that is, if the additional resources and effort which are available to allocate to priority sectors are insufficient to bring about measurable change (because of structural/attitudinal barriers) within the retail industry, might it not be better to divert those scarce resources to other industries where they have more effect?

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