

**East Midlands Sector Skills Research
Leicestershire LSC Report**

Skillsmart Retail

1. Introduction

This report is part of a wide-ranging programme of skills research covering all five Learning and Skills Council areas in the East Midlands region.

In relation to each of these Learning and Skills Council areas and the East Midlands region as a whole, a series of detailed reports have been produced that focus on the present and future skill needs of different sectors of the economy. The research outputs include:

- Individual reports for each Sector Skills Council footprint
- A further set of reports covering 39 of the 67 sectors defined by the Working Futures 2 employment forecasts. These sectors have been selected with reference to their importance in terms of numbers employed regionally and at an individual LSC area level and with consideration to the value each report will add to the Sector Skill Council reports.¹

This report focuses on the Skillsmart Retail Sector footprint within the Leicestershire LSC area. The activities covered by the Skillsmart Retail Sector footprint are set out in Appendix One.

The analysis contained in this report is entirely based on secondary data and includes use of data from the Working Futures 2 employment forecasts², National Employer Skills Survey 2005, Annual Business Inquiry 2004 and the Census 2001. Information compiled by Skillsmart Retail Sector Skills Council has also been utilised.

The structure of this report is as follows:

- Current sector structure
- Sub sector analysis
- Workforce profile
- Historical trends
- Forecast employment change
- Drivers of change and key skill issues
- Human resource indicators
- Business and employment matrix

¹ A separate report setting out the full criteria for selection of reports has been produced and is available from Nottinghamshire Learning and Skills Council

² Working Futures: New Projections of Occupational Employment by Sector and Region, 2004, SSDA/LSC/IER/CE

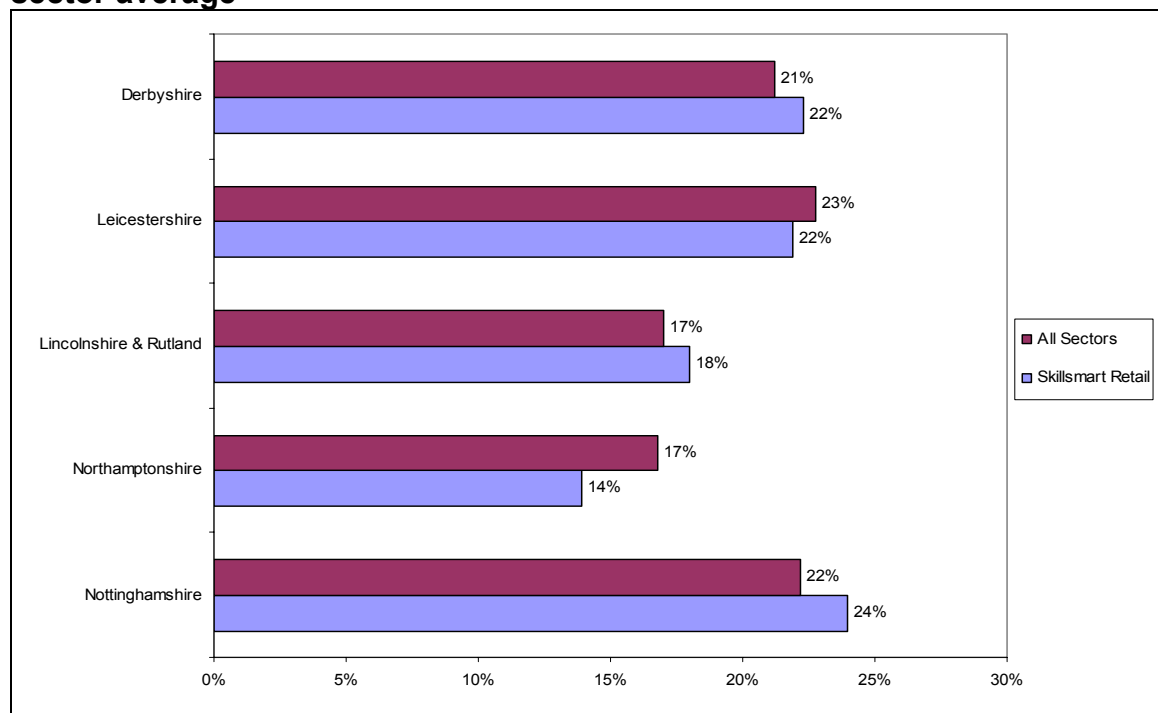
2. Current sector structure

Based on the Annual Business Inquiry 2004 there are an estimated 4,257 employers and 51,964 employees working in the Skillsmart Retail sector in the Leicestershire LSC area³.

The sector accounts for 12% of all employers in Leicestershire LSC area and 13% of total employment⁴.

Chart 1 sets out the distribution of Skillsmart Retail employers by LSC area within the East Midlands region and compares this with the distribution of all employers (All sectors)⁵.

Chart 1: Share of total employers by LSC area; Skillsmart Retail and All sector average



Source: ABI 2004

³ The Annual Business Inquiry figures on employment excludes those self employed and casual labour, so is likely to under-estimate the total number of people working in the sector. Working Futures 2 data which takes account of numbers self employed estimate that the total numbers working in the sector in 2004 was 46,050.

⁴ The Annual Business Inquiry (ABI) estimates for employers cover all UK businesses registered for Value Added Tax (VAT) and/or Pay As you Earn (PAYE).

⁵ It should be noted that the figures on all charts in this report have been rounded to the nearest full percentage, but the bars on each chart still reflect any small decimal point differences

Analysis of the spatial distribution of the sector indicates that as a proportion of all Skillsmart Retail employers within the East Midlands Region those in Leicestershire account for an estimated 22% and of all Skillsmart Retail employers in England, those in Leicestershire account for 1.8%

In relation to employment, the respective figures are 24% of the regional total and 2.0% of the total for England. (See Table 1 for more details).

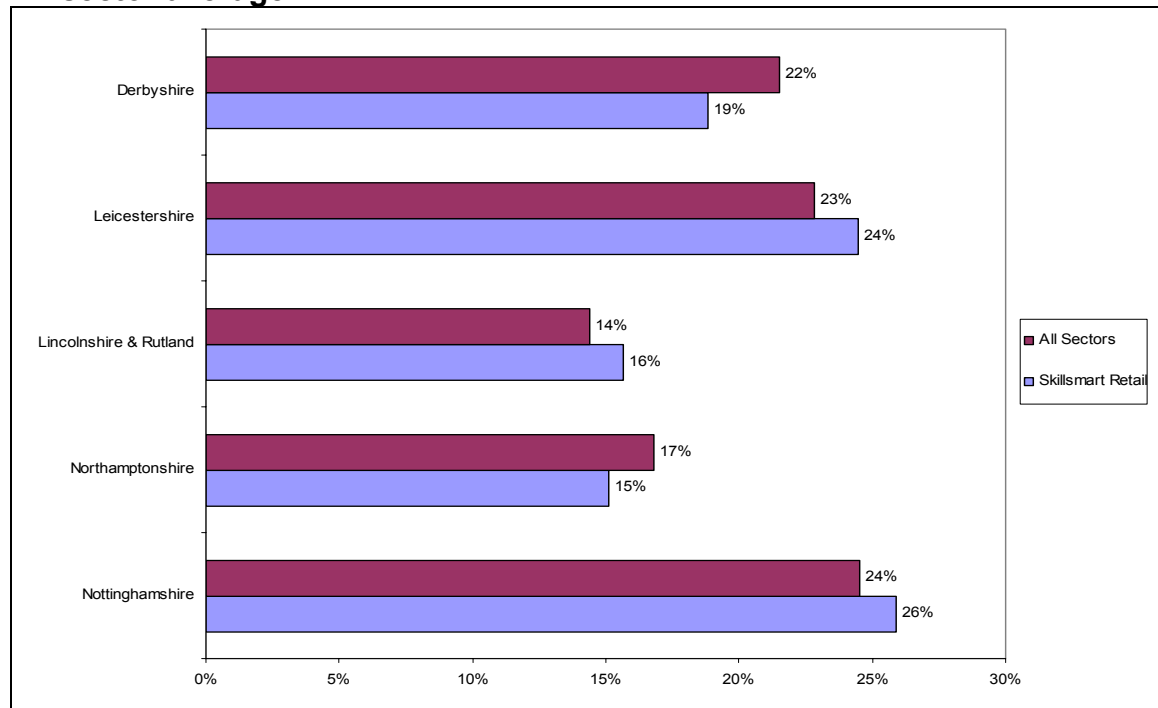
Table 1: Structure of employment and employers within Skillsmart Retail; Leicestershire, East Midlands Region, England

	Number (LSC area)	As % of all in LSC area	As % of sector in East Midlands Region	As % of sector in England
Number of employers	4,257	12%	22%	1.8%
Number of employees	51,964	13%	24%	2.0%

Source: ABI 2004

Chart 2 sets out the distribution of Skillsmart Retail employment by LSC area and compares this with the distribution of total employment (All sectors).

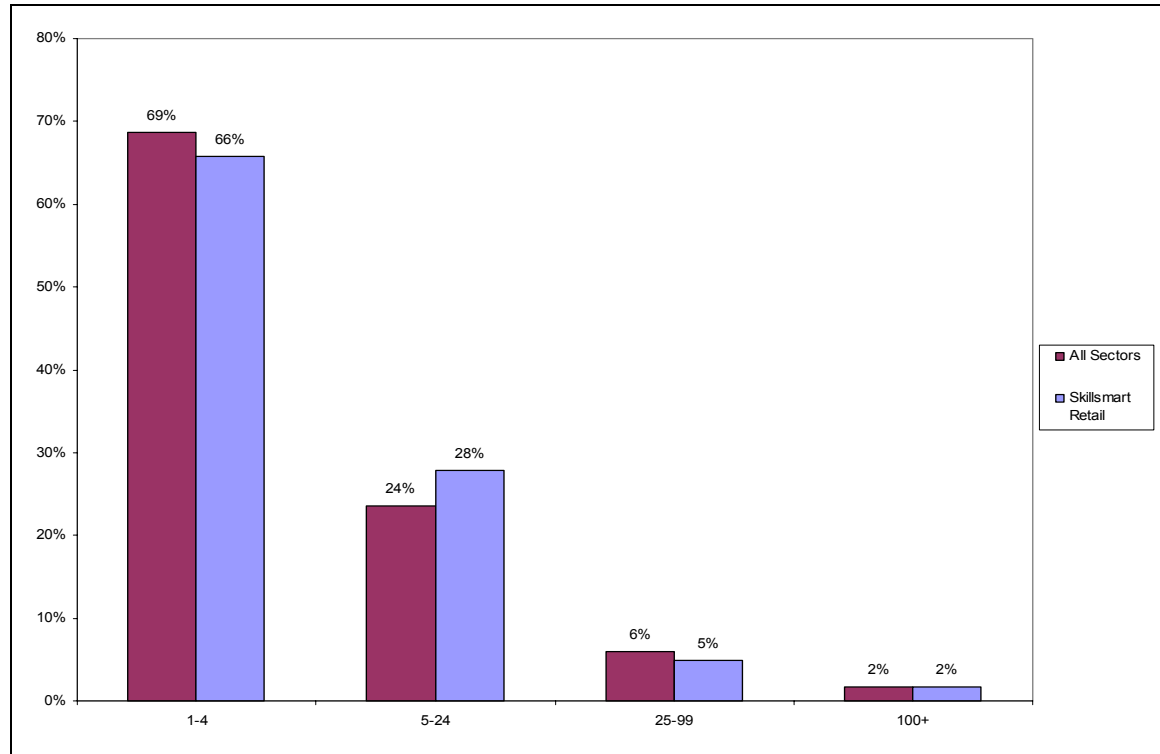
Chart 2: Share of total employment by LSC area; Skillsmart Retail and All sector average



Source: ABI 2004

Chart 3 outlines the proportion of employers within different employment size bands in Leicestershire and indicates that the concentrations of employers (by size) within the Skillsmart Retail sector footprint are broadly similar to the average for all sectors within Leicestershire.

Chart 3: Proportion of employers by employment size band in Leicestershire; Skillsmart Retail and All sector average



Source: ABI 2004

Table 2 identifies the proportion of employees working in different sized workplaces and the relative concentrations of employment within larger establishments (Those employing 100+ employees).

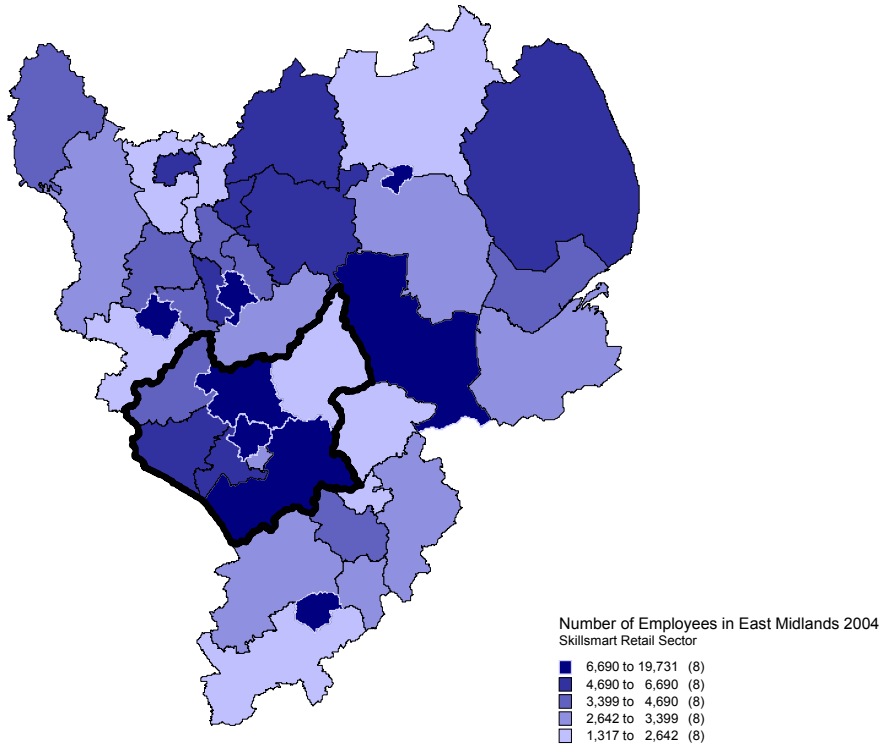
Table 2: Size structure of employment within Skillsmart Retail; Number of employees within each employer size band; Leicestershire, East Midlands Region, England

	Number of employees in Skillsmart Retail (LSC area)	% employees in Skillsmart Retail (LSC area)	% employees in All sectors in LSC area	% employees in Skillsmart Retail in East Midlands Region	% employees in Skillsmart Retail in England
Number of employees (1-4 employees)	7,297	14%	11%	14%	13%
Number of employees (5-24) employees)	12,430	24%	22%	27%	27%
Number of employees (25-99) employees)	9,458	18%	24%	22%	21%
Number of employees (100+) employees)	22,779	44%	43%	38%	39%
All employees	51,964	100%	100%	100%	100%

Source: ABI 2004

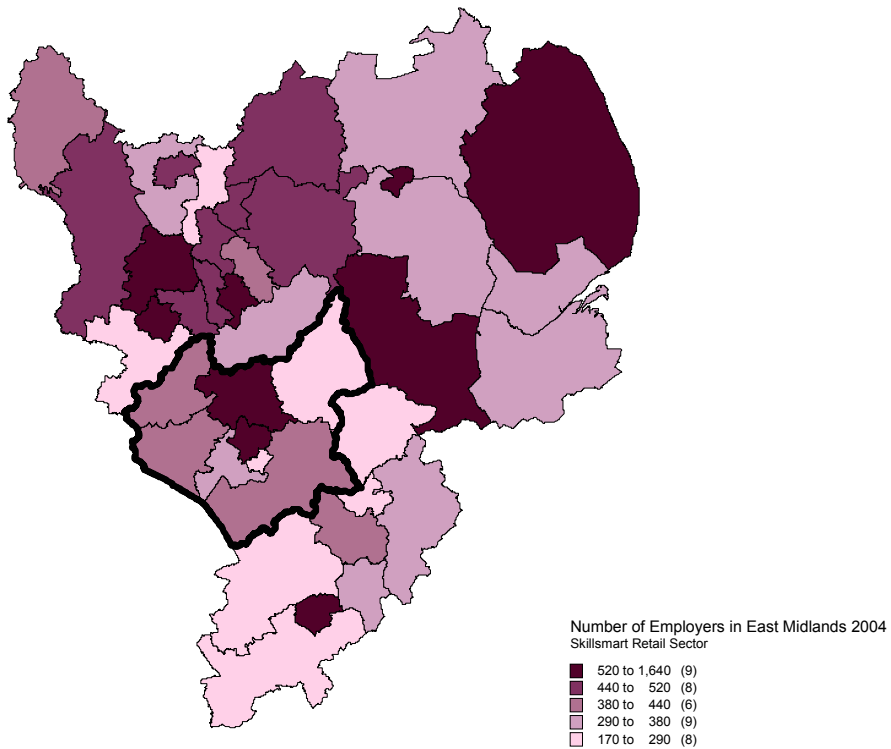
Maps 1 and 2 highlight the spatial concentrations of employees and numbers of businesses in the Skillsmart Retail Sector within each local authority area within the East Midlands region. Appendix Two contains a key to all local authority names within the East Midlands region.

MAP 1



Source: Annual Business Inquiry 2004

MAP 2



Source: Annual Business Inquiry 2004

3. Sub sector analysis

Total employment within all sectors in Leicestershire represents about 1.8% of the total for England. Given that employment within Skillsmart Retail within the LSC area represents 2.0% of the total for England, employment in Skillsmart Retail activities within Leicestershire are somewhat over-represented.

Table 3 provides a breakdown of employment within different Skillsmart Retail sub-sectors⁶.

The analysis indicates that retail sale in non specialised stores accounts for an estimated 48% of all employment in Skillsmart Retail activities in Leicestershire.

Table 3: Number and % of employment by Skillsmart Retail sub-sector; Leicestershire, East Midlands Region, England

	Number (LSC area)	As % of all in Skillsmart Retail sector in LSC area	As % of sub-sector in East Midlands Region	As % of sub-sector in England
Clothing and footwear	6,253	12%	24%	1.8%
Electrical and household goods	1,382	3%	26%	1.9%
Food	2,815	5%	22%	1.8%
Furniture	1,434	3%	21%	1.8%
Hardware	2,372	5%	19%	2.2%
Non-store retail	3,094	6%	44%	3.5%
Other specialised and seconds	7,818	15%	25%	1.9%
Pharmaceuticals	1,606	3%	24%	1.8%
Retail sale in non-specialised stores	25,190	48%	24%	2.1%
Total for Skillsmart Retail	51,964	100%	24%	2.0%

Source: ABI 2004

Table 4 provides a breakdown of employers within each Skillsmart Retail sub-sector.

⁶ Appendix One contains SIC definitions for each Skillsmart Retail sub sector

Table 4: Number and % of employers by Skillsmart Retail sub-sector; Leicestershire, East Midlands Region, England

	Number (LSC area)	As % of all in Skillsmart Retail sector in LSC area	As % of sub-sector in East Midlands Region	As % of sub-sector in England
Clothing and footwear	611	14%	23%	1.8%
Electrical and household goods	162	4%	23%	1.9%
Food	635	15%	22%	1.7%
Furniture	233	5%	22%	1.8%
Hardware	122	3%	21%	1.8%
Non-store retail	221	5%	20%	1.8%
Other specialised and seconds	1,203	28%	21%	1.6%
Pharmaceuticals	208	5%	24%	1.9%
Retail sale in non-specialised stores	862	20%	23%	1.9%
Total for Skillsmart Retail	4,257	100%	22%	1.8%

Source: ABI 2004

Table 5 identifies sub regional concentrations of employment within different Skillsmart Retail sub-sectors, using location quotients. Location quotients use the local share of national employment for the sub-sector or sector and compare it with the local share of national employment overall. The difference gives an indication of whether there is a higher level of employment in the sub-sector/sector than average, or a lower level. In this example, the average for all sectors is 1.0. Therefore, a figure for a sub-sector/sector below 1.0 indicates an under-representation of employment and a figure above 1.0 represents a relative concentration of employment.

The analysis indicates that in relation to Leicestershire LSC as a whole, there are considerable variations in the concentration of employment within different sub-sectors of activity. Table 5 also identifies a number of relative concentrations of employment or 'hot spots' at a local authority area level.

Table 5: Sub regional concentrations of employment within Skillsmart Retail sub sectors within Leicestershire

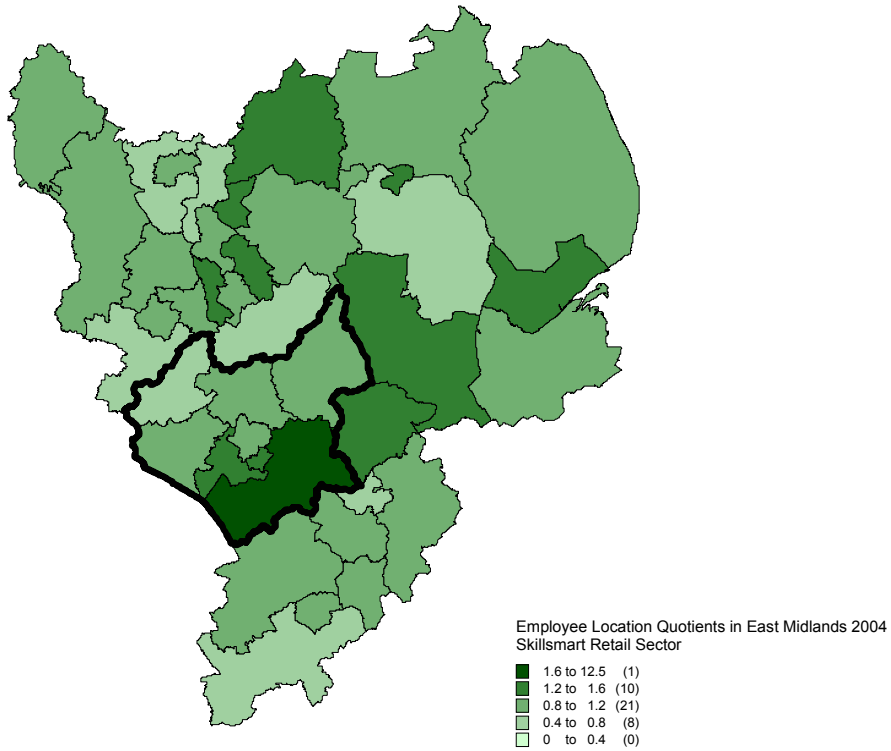
Sub-sector	Location Quotients for Skillsmart Retail sub-sectors in Leicestershire ⁷	Sub regional 'hot spots'
Clothing and footwear	0.97	Blaby (1.59)
Electrical and household goods	1.06	Blaby (2.28)
Food	1.00	
Furniture	1.01	Charnwood (2.07)
Hardware	1.19	Charnwood (1.98), Oadby and Wigston (1.77), Hinckley and Bosworth (1.62)
Non-store retail	1.94	Blaby (5.13), Leicester City (2.65)
Other specialised and seconds	1.02	Harborough (1.49)
Pharmaceuticals	1.00	
Retail sale in non-specialised stores	1.13	Harborough (2.65), Oadby and Wigston (1.81)
Total for Skillsmart Retail	1.10	Harborough (1.81), Oadby and Wigston (1.45)
Total for All Sectors	1.00	

Source: ABI 2004

⁷ The share of employment in England within each sub sector or sector in Leicestershire by comparison with the share of employment in England in Leicestershire of all sectors.

MAP 3

Map 3 identifies spatial differences in location quotients for the Skillsmart Retail sector for each local authority area in the East Midlands region.



Source: Annual Business Inquiry 2004

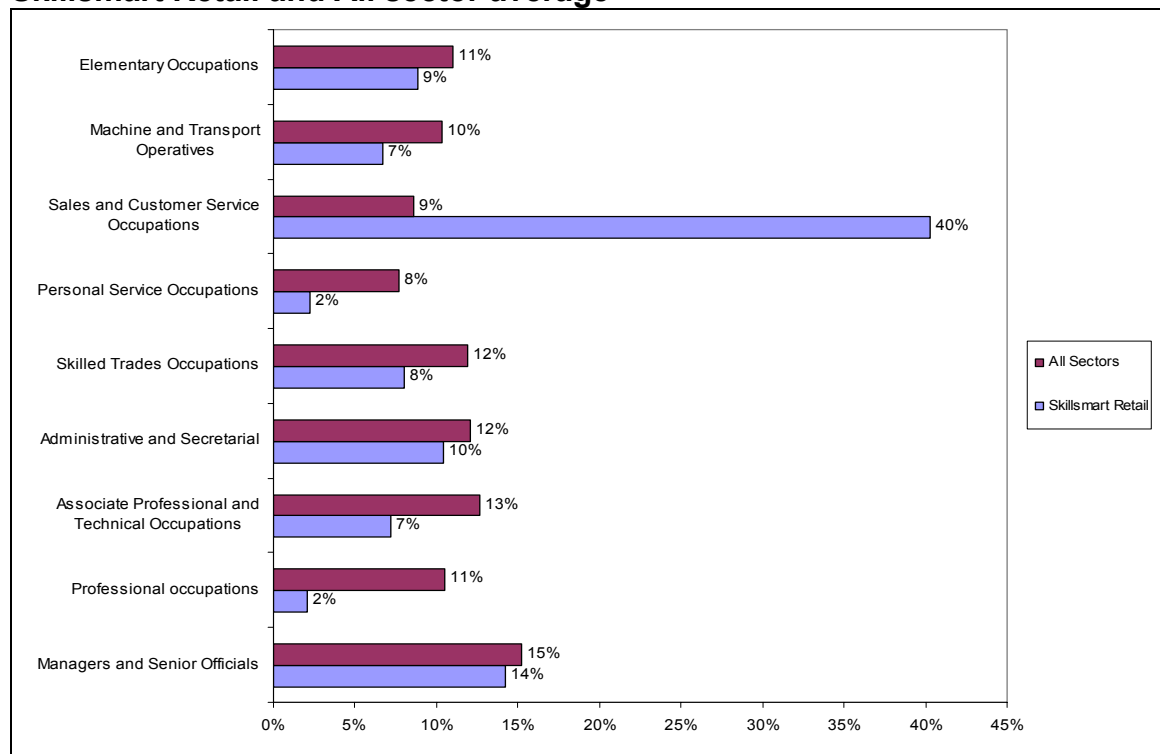
4. Workforce profile

This section examines the profile of those working within the Skillsmart Retail sector in Leicestershire in relation to occupations, employment status, ethnicity, age and attainment level.

Chart 4 sets out the occupational structure and indicates that by comparison with the average for all sectors:

- A somewhat higher proportion of those employed in the Skillsmart Retail sector work in sales and customer service occupations
- A lower proportion work in professional and personal service occupations

Chart 4: Occupational structure of employment within Leicestershire; Skillsmart Retail and All sector average



Source: Working Futures 2

Table 6 indicates that by comparison with the average for all sectors within the Leicestershire LSC area⁸:

- Part time work is more prevalent within Skillsmart Retail

⁸ The employment data relating to the workforce profile in terms of part time and full time employees, self-employment and gender is drawn from Working Futures 2 and are estimates. At an individual LSC area level these figures need to be treated with caution

- The gender profile is predominantly female

Table 6: Skillsmart Retail workforce profile summary; Leicestershire, East Midlands, England

	Skillsmart Retail			Average for all sectors in LSC area
	LSC area	Regional average	Average for England	
% part time employees ⁹	60%	58%	54%	28%
% full time employees ¹⁰	33%	34%	38%	60%
% self-employed ¹¹	7%	7%	8%	12%
% male ¹²	35%	36%	38%	54%
% female ¹³	65%	64%	62%	46%
% Non-White employees ¹⁴	17%	7%	9%	12% ¹⁵
% employed whose highest qualification is NVQ Level 4 or above ¹⁶	11%	9%	11%	18%
% employed whose highest qualification is NVQ Level 3	10%	9%	10%	8%
% employed whose highest qualification is NVQ Level 2	26%	27%	28%	21%
% employed whose highest qualification is NVQ Level 1	23%	24%	23%	21%
% employed with no qualifications	25%	25%	23%	24%
Other qualifications/Not known	5%	5%	5%	8%
% employed aged 16-17 ¹⁷	6%	6%	7%	2%
% employed aged 18-24	19%	17%	19%	12%
% employed aged 25-44	45%	44%	43%	50%
% employed aged 45+	30%	32%	31%	36%

⁹ Working Futures 2

¹⁰ Working Futures 2

¹¹ Working Futures 2

¹² Working Futures 2

¹³ Working Futures 2

¹⁴ Census 2001. All Census data utilised is workplace based

¹⁵ In relation to ethnicity, qualifications and age, the average for all sectors has been derived from the average for all SSC footprints

¹⁶ All attainment level data has been derived from Census 2001.

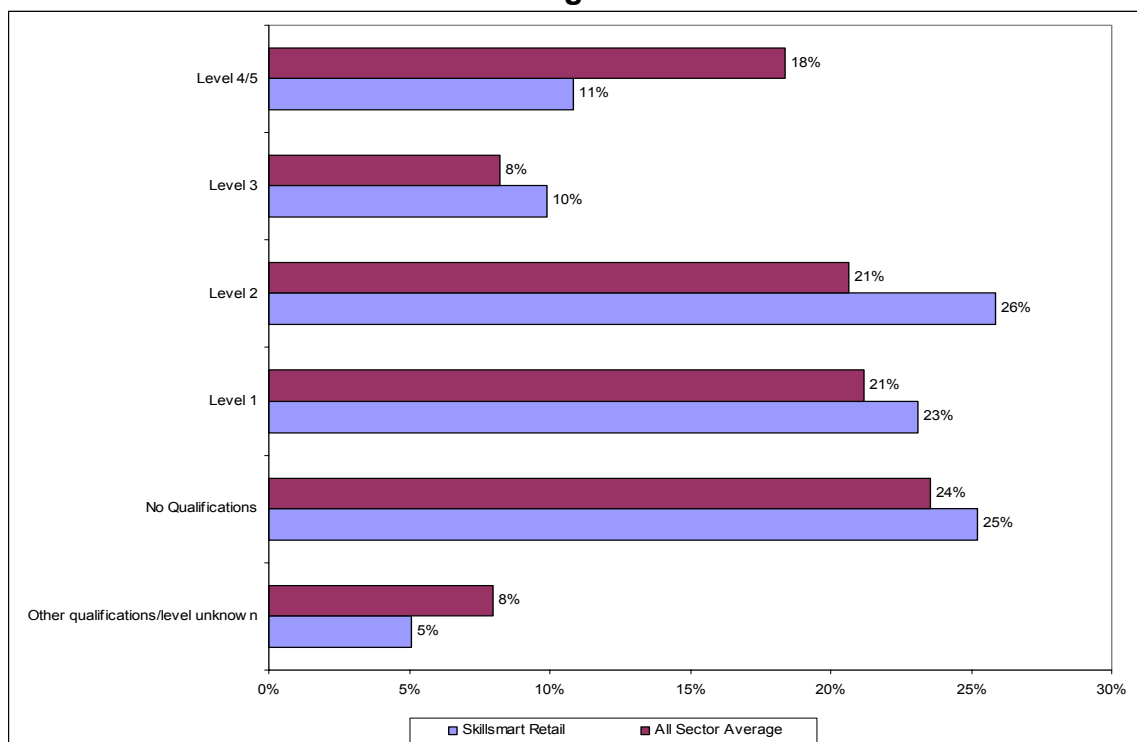
¹⁷ All age data has been derived from the Census 2001

It is estimated that 17% of all Skillsmart Retail workers within Leicestershire are classified as Non-White, which compares with an England average of 9%. The average for all sectors in the Leicestershire LSC area is 12%.

Examination of the existing age profile of the workforce can help highlight a number of potential recruitment, retention and succession issues employers may need to address. Within Skillsmart Retail the proportion of those aged 45 or more within Leicestershire is 30%. This compares with an average for all sectors in the LSC area of 36%.

In relation to workforce attainment levels, Table 6 and Chart 5 indicate that while it is estimated that 25% of the Skillsmart Retail workforce within Leicestershire have no qualifications, the average for all sectors in the LSC area is 24%. At the other end of the spectrum, while an estimated 11% of the Skillsmart Retail workforce in Leicestershire has attained an NVQ Level 4 or above qualification, the respective average for all Sector Skill Councils in Leicestershire is 18%.

Chart 5: Proportion of Leicestershire workforce by highest qualification; Skillsmart Retail and All sector average



Source: Census of Population 2001

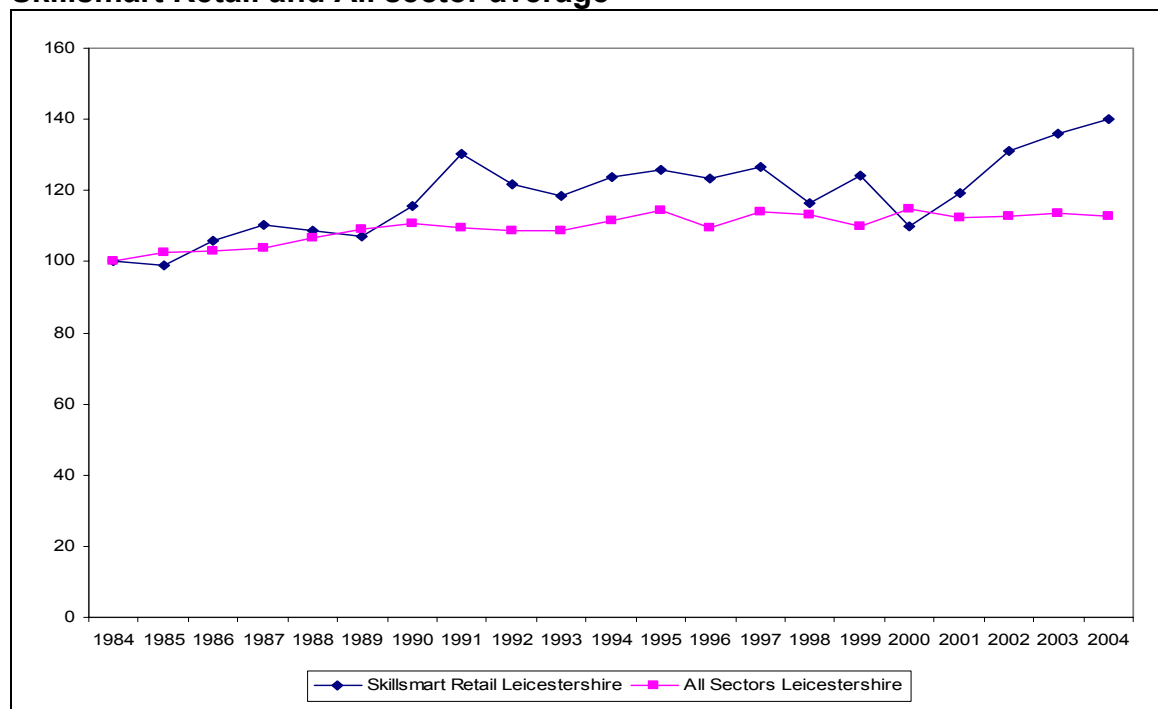
5. Historical trends

Table 7 identifies employment trends over the period 1984-2004. The analysis indicates that:

- Over the whole period 1984-2004 numbers employed within Skillsmart Retail in Leicestershire changed by an estimated 13,150, or +40%. This compares with +47% for the sector in the East Midlands Region and +32% within England. The average for all sectors within Leicestershire over this period was +13%.
- Over the more recent period 1994-2004 numbers employed within Skillsmart Retail in Leicestershire changed by an estimated 5,350, or +13%. This compares with +16% for the sector in the East Midlands Region and +15% within England. The average for all sectors within Leicestershire over this period was +1%.

Chart 6 outlines the year on year changes over the period 1984-2004. It shows how the growth/decline in employment in the Skillsmart Retail sector compares with the growth/decline in employment across all sectors. It maps the change in employment, with the figure for both sets of data being indexed to 100 in 1984.

Chart 6: Historical employment trends in Leicestershire 1984-2004; Skillsmart Retail and All sector average



Source: Working Futures 2;

Note: Both the Skillsmart Retail and All sector average have been indexed to 100 in 1984

Table 7: Skillsmart Retail employment trends summary 1984, 1994, 2004; Leicestershire, East Midlands, England

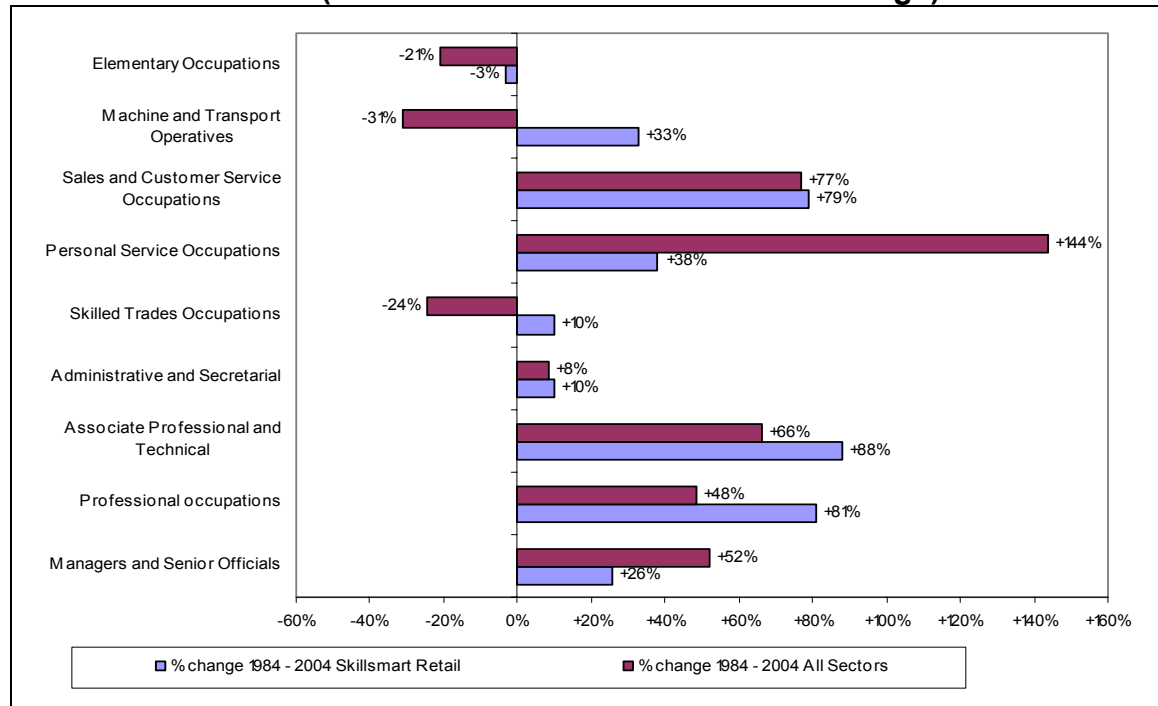
	LSC area Numbers	LSC area %	Regional average	Average for England	Average for all sectors in LSC area
Change in numbers employed 1984-1994	7,800	+24%	+27%	+14%	+12%
Change in numbers employed 1994-2004	5,350	+13%	+16%	+15%	+1%
Change in numbers employed 1984-2004	13,150	+40%	+47%	+32%	+13%

Source: Working Futures 2

Note: Numbers have been rounded to the nearest 50

Chart 7 sets out changes in employment by occupation and indicates that there has been growth in all occupational areas within Skillsmart Retail in Leicestershire with the exception of elementary occupations, which have experienced a small decline.

Chart 7: % change in numbers employed by broad occupation within LSC area 1984-2004 (Skillsmart Retail and All sector average)



Source: Working Futures 2

6. Forecast employment change

Table 8 and Chart 8 provide a summary of forecast employment change over the period 2004-2014.

Table 8: Skillsmart Retail employment forecast summary; 2004-2014

	Skillsmart Retail				Average for all sectors in LSC area (%)
	Leicestershire area (Numbers)	Leicestershire area (%)	Regional average (%)	Average for England (%)	
Change in total numbers employed	3,250	+7%	+9%	+8%	+2%
Expected change part time employees	7,400	+27%	+20%	+15%	+9%
Change full time employees	-2,300	-15%	+3%	+6%	+1%
Change in numbers self employed	-1,850	-55%	-53%	-25%	-8%
Change in numbers of males	-250	-2%	+13%	+11%	+1%
Change in numbers of females	3,500	+12%	+6%	+7%	+3%
Net requirement (Total numbers)	21,000	N/A	N/A	N/A	169,000
Replacement demand (Total numbers)	17,000	N/A	N/A	N/A	161,000

Source: Working Futures 2

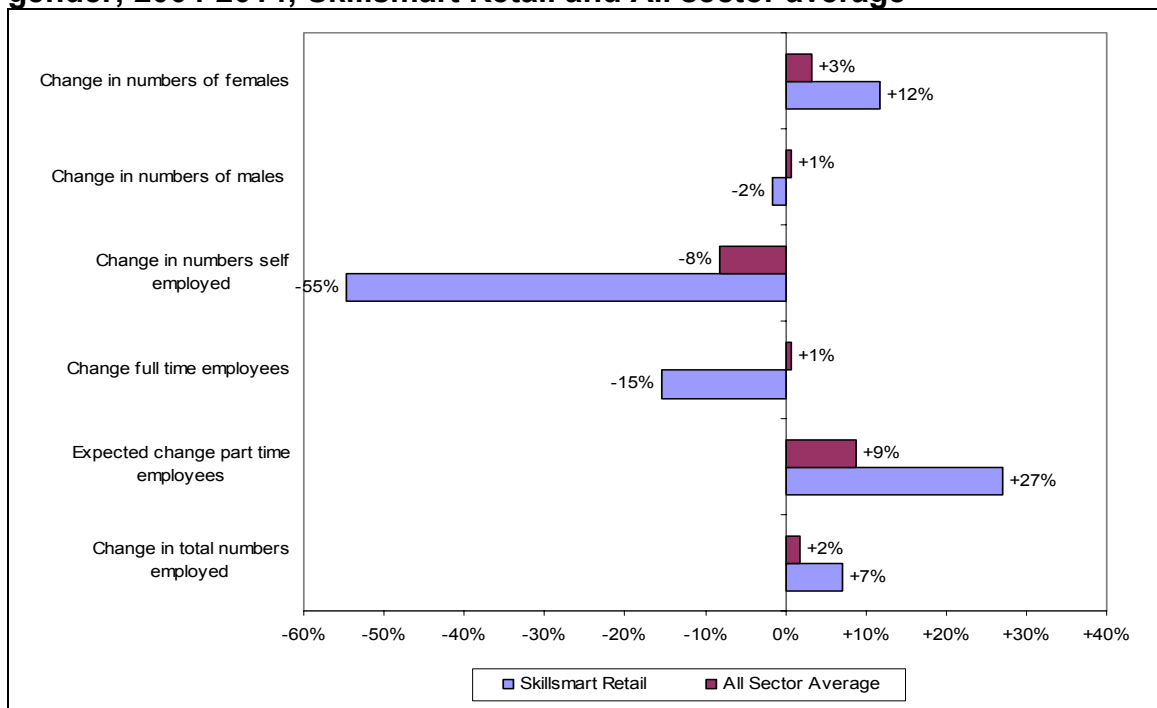
Note: Numbers have been rounded to the nearest 50

The analysis set out in Table 8 indicates that over the period 2004-2014 it is estimated that:

- overall employment within the Skillsmart Retail sector will increase by about 3,250, implying an estimated change of +7% over this period. This compares with an estimated +9% in relation to the sector regionally and +8% within England. The respective figure for all sectors in the LSC area is +2%.
- part time employment within the Skillsmart Retail sector will increase by about 7,400, implying an estimated change of +27% over this period. This compares with an estimated +20% change in relation to the sector regionally and +15% within England. The respective figure for all sectors in the LSC area is +9%.

- full time employment within the Skillsmart Retail sector will decrease by about -2,300, implying an estimated change of -15% over this period. This compares with an estimated +3% in relation to the sector regionally and +6% within England. The respective figure for all sectors in the LSC area is +1%.
- self-employment within the Skillsmart Retail sector will decrease by about -1,850, implying an estimated change of -55% over this period. This compares with an estimated -53% in relation to the sector regionally and -25% within England. The respective figure for all sectors in the LSC area is -8%.
- male employment within the Skillsmart Retail sector will decrease by about -250, implying an estimated change of -2% over this period. This compares with an estimated +13% in relation to the sector regionally and +11% within England. The respective figure for all sectors in the LSC area is +1%.
- female employment within the Skillsmart Retail sector will increase by about 3,500, implying an estimated change of +12% over this period. This compares with an estimated +6% in relation to the sector regionally and +7% within England. The respective figure for all sectors in the LSC area is +3%.

Chart 8: Forecast change in numbers employed by nature of work and gender; 2004-2014; Skillsmart Retail and All sector average

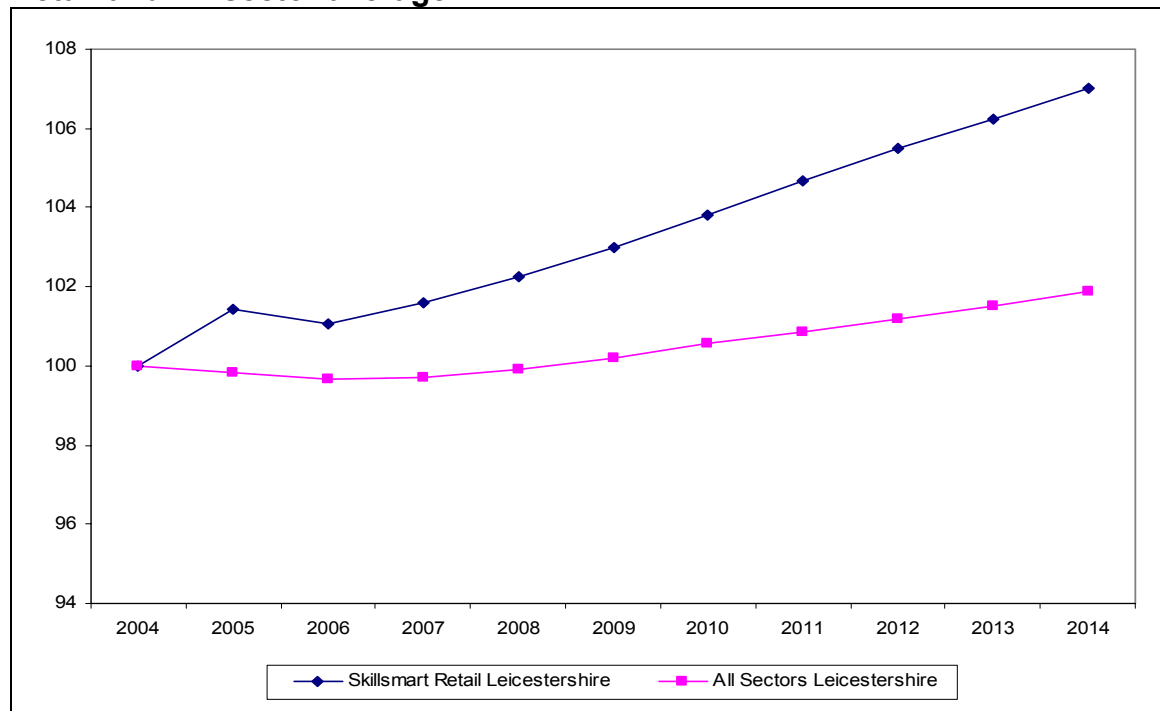


Source: Working Futures 2

The forecasts set out in Table 8 and Chart 8 indicate that in addition to the net increase in numbers employed within Skillsmart Retail in Leicestershire over the period 2004-2014 there are likely to be an additional 17,000 workers required as a result of replacement demand, as people retire, move into other jobs in the sector or leave the sector altogether. This implies a net requirement for workers over the whole period 2004-2014 of about 21,000 workers, or an average annual net requirement of about 2,100 workers¹⁸. This accounts for about 12.4% of the total estimated annual net requirement for all sectors in Leicestershire.

Chart 9 outlines year on year forecast changes within the Leicestershire Skillsmart Retail sector for the period 2004-2014 and compares these trends with the all sector average, forecast by indexing both sets of data to 100 in 2004. The chart indicates that the Leicestershire Skillsmart Retail sector is likely to outperform the all sector average over this period.

Chart 9: Indexed forecast employment change 2004-2014; Skillsmart Retail and All sector average



Source: Working Futures 2;

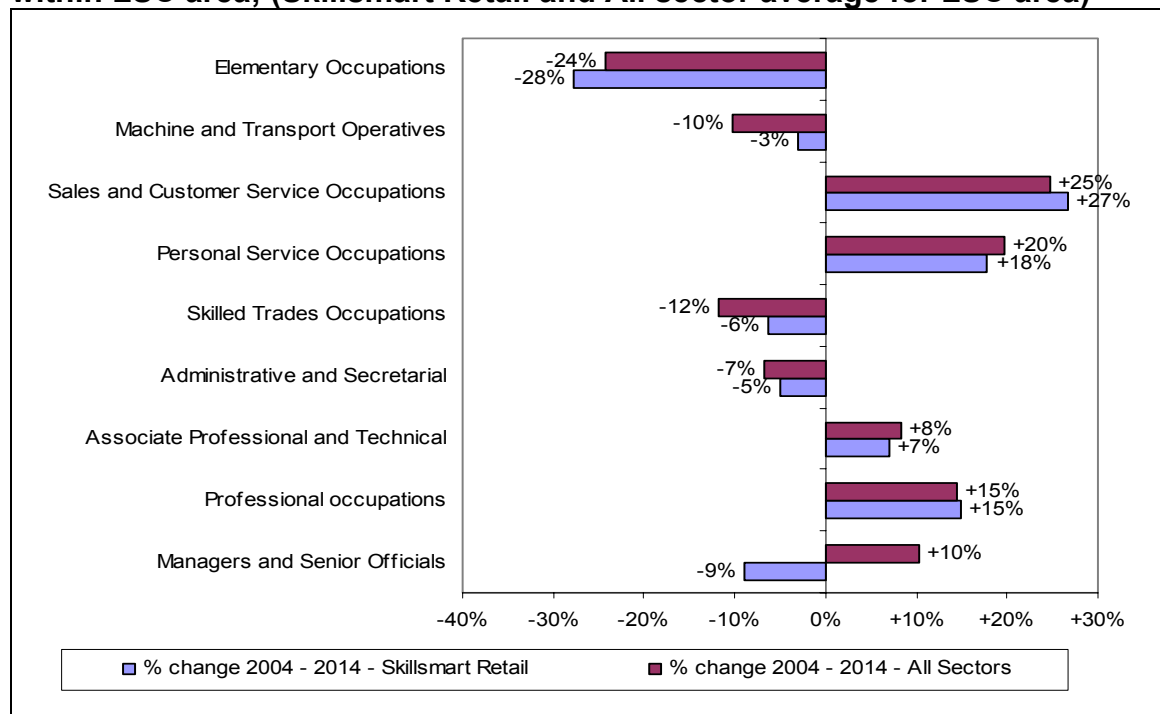
Note: Both the Skillsmart Retail and all sector average have been indexed to 100 in 2004

¹⁸ The actual annual net requirement will of course vary from year to year

Chart 10 identifies forecast change by occupational area over the period 2004-2014 and compares expected trends within the Skillsmart Retail sector with the all sector average within Leicestershire.

The majority of occupational areas within the Leicestershire Skillsmart Retail sector are expected to experience growth, with the exception of administrative and secretarial and elementary occupations, which are expected to experience significant net decline.

Chart 10: Forecast change 2004-2014 by main occupational categories within LSC area; (Skillsmart Retail and All sector average for LSC area)



Source: Working Futures 2

7. Drivers of change and key skill issues

Drivers of Change

Research commissioned by Skillsmart in the East Midlands highlighted a number of key drivers impacting on the industry¹⁹. These can be summarised as follows:

Business Concentration. Large employers continue to grow at the expense of smaller retailers as business concentration becomes increasingly apparent and the UK becomes more fully integrated in the global retail economy. Today, the sector is dominated by large multiples catering to mass markets in both food and non-food areas.

Rising Consumer Expectations. Whilst consumers are still concerned with the quality and value of products, they are increasingly demanding greater sophistication from retailers. Consumer expectations are also driving extended opening hours and the development of the '24/7' economy. There are also much higher expectations of products and services.

Diversification. Traditional product boundaries are dissolving. The large supermarkets for example have increasingly moved into new, non-food markets - in-store clothes, electronics, pharmacies, and even opticians and chiropodists by offering all these products and services in-store. Significantly, they have also shifted their development strategies from out of-town developments to a rediscovery of the competitive potential of the high street.

Price Competition. Price competition continues to be fierce and has intensified in recent years. Technological innovations and better supply chain management have contributed to this trend. Consumers have become accustomed to low prices and expect them to keep on falling, thus putting an added pressure on profit margins - women's clothing is now 25% cheaper than in 1987.

Globalisation. Like the majority of domestic industries, retailing is affected by increasing global trade and intensity of competition. A key source of this competition is the progressive internationalisation of the sector and the entry of overseas companies into the UK retail market, in both food and non-food retailing.

Technology Innovations Sector competitiveness is linked to continuing investments in technology. Those retailers that harness and exploit technology before their competitors do will become the strongest and most successful. For example, technology in the retail sector has allowed retailers to hold better customer's data, a more effective control of stocks, and better supply chain management.

¹⁹ The information contained in this section is drawn from 'Buying into Retail': Phase One, Identification of key business needs and emerging skill requirements in the East Midlands

Demographic Changes. The retail sector will have to adapt to cater for changes in demographic make up. In particular, there will be higher demand for products and services geared towards the ageing population. There has also been an increase in single parent households; retailers will have to adapt product quantities and portions for this growing group.

Online Retail. Despite over-hyped predictions, it is clear that on line shopping will continue to be part of the core retail offer – though it is difficult to predict precisely the way in which it will develop and how quickly. It is also clear that certain segments of the retail industry - the sale of books, CDs, DVDs and flight tickets etc - have benefited from on-line shopping much more than other retail sectors.

Key skill issues

The Phase two research into the East Midlands retail industry highlighted the relative weakness of the skills profile of the East Midlands retail sector in comparison to the rest of the UK²⁰. The research also indicated that the retail sector will experience major skill gaps in the future unless the overall skill levels of the retail workforce are increased.

As a consequence of the research commissioned by Skillsmart in the East Midlands, support and funding has been agreed for a regional strategic retail forum. It was envisaged that the group will lead on raising regional productivity, skills levels and economic competitiveness through effective partnership alliances. It was also intended that the group would also lobby and influence regional and national agencies on the issues facing the local workforce and work to keep retail high on the regional agenda²¹.

Although, generally, the retail industry does not report large numbers of skill shortages, there is consistently a high incidence of skills gaps. A significant amount of research has now been undertaken at the national level looking at skills needs in relation to the retail sector that confirm that the key skills gaps facing the retail sector in the East Midlands - currently and into the foreseeable future - relate to:

- Management/ Supervisory Skills
- Customer Service Skills
- ICT Skills

For example, the National Employer Skills Survey (2001) suggesting that the most anticipated skills needs within the retail industry are *Customer Handling*, *Advanced IT Skills* and *Basic Computer Literacy*²². Further details on these specific skills gaps are provided in the following sections:

²⁰ 'Buying into Retail': Phase Two, Research into the East Midlands retail industry: skills, training and business issues, Skillsmart Retail

²¹ Skillsmart Retail Annual Review 2004/2005

²² The information on key skill issues is mainly drawn from 'Buying into Retail': Phase One, Identification of key business needs and emerging skill requirements in the East Midlands except where separately referenced

Customer Service

Current perceptions tend to undervalue the need for enhanced personal skills in order to sell in an advanced service economy. Knowledge of the product sold is a vital basic requirement of good customer service. Given the nature of increasing competition amongst retailers and heightened customers' expectations, it seems reasonable to assume that Customer Service skills are likely to remain a critical area for retail employers.

Management Skills

It is also clear that Management Skills within the industry need to be further developed. It is considered that many managers are given early responsibility but may lack sufficient high level management, leadership and HR skills to help drive the business and staff forward²³.

In large companies, there has been a shift from a monitoring and command attitude towards one that places greater emphasis on 'people skills'. In smaller companies, where the manager is usually the owner, management involves carrying out a variety of tasks. However, the key to the successful management of small business will increasingly be the ability to identify new markets and develop new products and services accordingly. Increasingly, retail managers will need to develop better people management skills, improve communication and flexibility, and create innovative incentives to attract and retain staff

It is considered that Management and Leadership skills must be addressed in order to cascade the learning process down through the store. A consortium approach of shared training provision in management and leadership could be customised to a group of retail companies across the region²⁴.

IT Skills

Innovations in ICT have driven important changes in the retail sector, including, for example, the way that retailers control supply chains and use customer information. Moreover, growth in e-commerce will also demand increasing numbers of IT literate retail personnel - an area in which the sector already experiences significant skill gaps.

However, it is considered that there is a particular skills gap in the retail industry associated with IT capabilities. Given technology advances in the industry (including enhanced on-line retailing), it is expected that requirements for computing/ IT competencies amongst staff will continue to expand.

²³ 'Buying into Retail': Phase Two, Research into the East Midlands retail industry: skills, training and business issues, Skillsmart Retail

²⁴ 'Buying into Retail': Phase Two, Research into the East Midlands retail industry: skills, training and business issues, Skillsmart Retail

Basic skills

There is also clearly an issue in relation to the lack of basic skills within the retail sector, which may restrict business development in the future. Retailers are concerned with the increasing lack of basic communication skills, poor attitude and service orientation of young people working in retail²⁵.

At the national level 17% of those working in retail have no formal qualifications. Often, the sector has provided employment for more marginal workers excluded from other industries on the grounds of their lack of qualifications. The wide pool from which retail must increasingly draw its labour force has however served to intensify skills gaps in the workplace, mainly in the areas of social and product skills. It is notable also that in some areas of the country the sector has also had to face the challenge of training those for whom English is a second language²⁶. It has been suggested that skills gaps in literacy, numeracy, language and IT, and up to Level 2, should be addressed through publicly funded or subsidised work based training available for selected companies through the Employer Skills Offer and/or the National Employer Training Programme²⁷.

Recruitment

Responses from a qualitative survey of East Midlands retailers identified that recruiting the right quality and flexibility of staff to fill the available hours and positions is becoming more difficult for East Midlands retailers²⁸.

All sectors are competing for labour and the relatively lower wages in the retail sector add to recruitment and retention difficulties. The staff turnover levels (which are distorted by seasonal working) in retail are 43% nationally, twice the average for all sectors. This clearly poses significant costs for the sector.

In the region there is currently a serious under-representation of higher level skills in retail - for example, only 1 in 10 employees have NVQ 4 or above (or equivalent), compared to 1 in 4 for all sectors. For NVQ 3 the ratios are 1 in 3 compared to 1 in 2.

Students comprise an increasing proportion of the retail work force in the region, particularly in Nottingham but also in other cities, which have large student populations²⁹.

²⁵ 'Buying into Retail': Phase Two, Research into the East Midlands retail industry: skills, training and business issues, Skillsmart Retail

²⁶ 'Buying into Retail': Phase One, Identification of key business needs and emerging skill requirements in the East Midlands

²⁷ 'Buying into Retail': Phase Two, Research into the East Midlands retail industry: skills, training and business issues, Skillsmart Retail

²⁸ 'Buying into Retail': Phase Two, Research into the East Midlands retail industry: skills, training and business issues, Skillsmart Retail

²⁹ 'Buying into Retail': Phase Two, Research into the East Midlands retail industry: skills, training and business issues, Skillsmart Retail

Students are an increasing proportion of the part-time workforce; they possess higher skills and are quick to learn. Retailers could encourage greater involvement and utilise students' enhanced skills and specialist knowledge e.g. fashion awareness or IT. This in turn will increase motivation and raise productivity.

8. Human resource indicators

Table 9 is based on the results of the National Employer Skills Survey (NESS) 2005. In order to ensure the data utilised is reasonably robust, all analysis is restricted to a regional or national level.

Table 9: Skillsmart Retail Human Resource indicators summary

	East Midlands Skillsmart Retail average	England Skillsmart Retail average	Average for All sectors in East Midlands
% employers reporting skill gaps	16%	20%	16%
Skill shortage vacancies (SSVs) as a % of all vacancies	14%	17%	20%
% employers reporting hard to fill vacancies	3%	6%	5%
Hard to fill vacancies as a % of all vacancies	18%	32%	29%
% employers undertaking training over the previous 12 months	59%	57%	66%
% employees undertaking training over the previous 12 months	86%	70%	84%
% establishments with a business plan	48%	50%	55%
% establishments with a training plan	40%	43%	47%
% establishments with a training budget	23%	25%	34%
% of establishments that formally assess whether individual employees have gaps in their skills	51%	51%	56%
% of establishments formally assess the performance of employees who have received training and development	41%	57%	46%
Employer engagement score ³⁰	40.5	45.1	47.6

Source: National Employer Skills Survey 2005

Note: The sample size for data from NESS at a detailed sector level is likely to be too small at an LSC level. All data has been weighted

³⁰ This has been compiled by summing the % of establishments with a business plan, establishments with a training plan, establishments with a training budget, establishments that formally assess whether individual employees have gaps in their skills and establishments that formally assess the performance of employees who have received training and development divided by 5

Table 9 compares the Skillsmart Retail sector within the East Midlands with the respective figures for England and also the average for all sectors within the East Midlands region. The analysis indicates that in relation to:

- the proportion of employers reporting skill gaps, the figure for Skillsmart Retail within the East Midlands region of 16% compares with a figure for Skillsmart Retail in England of 20% and an average for all sectors in the East Midlands region of 16%
- the proportion of employers reporting hard to fill vacancies, the figure for Skillsmart Retail within the East Midlands region of 3% compares with a figure for Skillsmart Retail in England of 6% and an average for all sectors in the East Midlands region of 5%
- reported skill shortage vacancies as a proportion of all vacancies, the figure for Skillsmart Retail within the East Midlands region of 14% compares with a figure for Skillsmart Retail in England of 17% and an average for all sectors in the East Midlands region of 20%
- hard to fill vacancies as a proportion of all vacancies, the figure for Skillsmart Retail within the East Midlands region is 18% compared with a figure for Skillsmart Retail in England of 32% and an average for all sectors in the East Midlands region of 29%
- the proportion of employers undertaking training over the previous 12 months, the figure for Skillsmart Retail within the East Midlands region of 59% compares with a figure for Skillsmart Retail in England of 57% and an average for all sectors in the East Midlands region of 66%
- the proportion of employees undertaking training over the previous 12 months, the figure for Skillsmart Retail within the East Midlands region of 86% compares with a figure for Skillsmart Retail in England of 70% and an average for all sectors in the East Midlands region of 84%

A number of indicators of levels of employer engagement have been utilised as part of the analysis. A composite employer engagement score based on five different indicators has been derived, these being the % of establishments with a business plan, establishments with a training plan, establishments with a training budget, establishments that formally assess whether individual employees have gaps in their skills and establishments that formally assess the performance of employees who have received training and development.

The composite employer engagement score provides an indication of the overall commitment of employers to these human resource planning and management techniques. The analysis indicates that the East Midlands Skillsmart Retail sector has an overall score of 40.5, compared with 45.1 for Skillsmart Retail in England and an All Sector regional average of 47.6.

9. Business and employment matrix

Table 10 sets out a series of business and employment indicators for Skillsmart Retail in Leicestershire. Each of these indicators has also been set in the context of a ranking of all 25 Sector Skills Councils in Leicestershire, which provides an SSC ranking (1-25) for Skillsmart Retail in relation to each indicator.

Table 10: Business and employment matrix

Indicator	Skillsmart Retail	SSC Ranking
Number of businesses 2004	4,257	1
Numbers employed 2004	46,050 ³¹	1
% change in numbers employed 1984-2004	+40%	12
Absolute change in numbers employed 1984-2004	+13,150	1
Expected % change in numbers employed 2004-2014	+7%	9
Expected absolute change in numbers employed 2004-2014	+3,250	2
Expected absolute replacement demand 2004-2014	+17,000	1
Skill Shortage Vacancies as a % of all vacancies 2005	14%	19
% of employers reporting skill gaps 2005	16%	7
% workforce with no qualifications	25%	10
% employed whose highest qualification is NVQ Level 1	23%	9
% employed whose highest qualification is NVQ Level 2	26%	5
% employed whose highest qualification is NVQ Level 3	10%	9
% employed whose highest qualification is NVQ Level 4 or higher	11%	16
% non-white employees 2001	17%	3
% employees aged 45+	30%	18
An occupational employment change score ³²	0.17	12

³¹ This figure is derived from Working Futures 2 and is an estimate that includes employees and those working on a self employed basis. The figure therefore differs from data derived from the Annual Business Inquiry – It is rounded to the nearest 50

³² This occupational employment change score has been developed in order to provide an indication of the extent of occupational restructuring expected to occur in the future within different sectors. The score is derived from Working Futures 2 data and is calculated by summing each element of expected occupational change (using broad occupational groupings) over the period 2004-2014 and expressing this as a ratio in relation to total numbers employed in 2004 in all occupations within Skillsmart Retail. The direction of change in occupational employment, whether negative or positive is treated as positive when calculating this ratio. The score provides an indication of the extent of expected occupational restructuring, with the highest scores pointing to a greater level of expected occupational restructuring.

Activities covered by the Skillsmart Retail Sector footprint

SSC industry	Sub sectors	SIC sub sector definitions
Skillsmart Retail [52.1-52.6]	Retail sale in non-specialised stores	52.1
	Food	52.2
	Pharmaceuticals	52.3
	Clothing and footwear	52.41, 52.42, 52.43
	Furniture	52.44
	Electrical and household goods	52.45
	Hardware	52.46
	Other specialised and seconds	52.47, 52.48, 5250
	Non-store retail	52.6

Appendix Two

