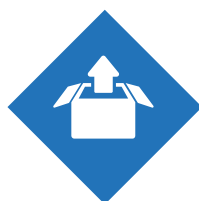


People power sector report

Retail





1.2m
people are employed
as sales and retail
assistants



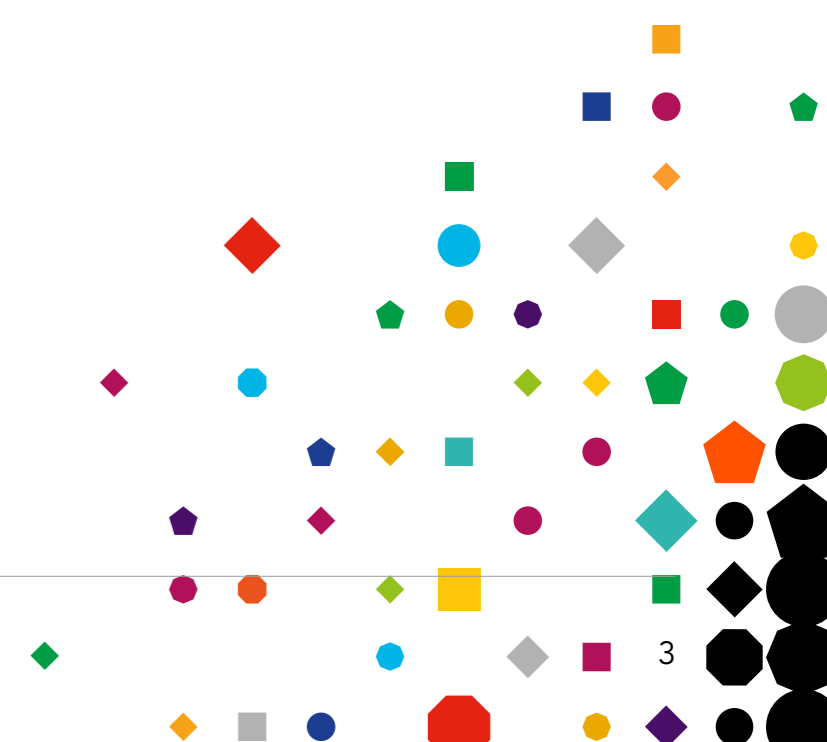
Introduction

As Britain prepares itself to broker a new relationship with the EU, the skills gaps and shortages we have grappled with for years look set to increase significantly. This uncertainty is particularly difficult for certain industries who are most heavily reliant on a steady flow of international labour and haven't yet built up the right infrastructure to home-grow the talent they need.

The biggest employing occupation in the UK, employing more than 1.2 million people, is sales and retail assistants, which indicates the importance of the sector to the British economy. Many of the occupations in this sector are in the lower skilled, lower wage bracket. Much of the predicted growth in this sector is found in the motor vehicle and motorcycle industry, with 7,446 new jobs expected by 2024.

To better understand the skills gaps and shortages currently facing businesses in the retail sector, we spoke to employers about their growth plans, skills and development issues, and factors affecting their ability to succeed.

What emerged was a highly competitive sector, where skilled and specialist staff are in low numbers and high demand. Perhaps recognising this, employers are investing heavily in on-the-job training, including apprenticeships and leadership training, to retain staff and encourage more people into the sector.



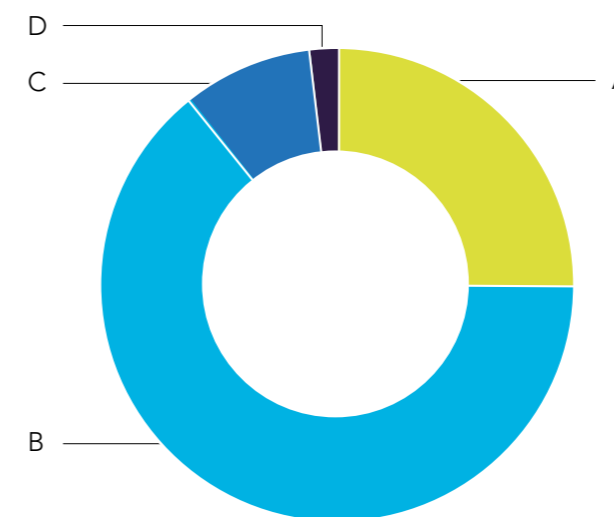
Quantitative findings

1. Will your business grow in the next 12 months?
2. What internal factors might impact upon the productivity of your business over the next three to five years?
3. What external factors might impact upon the ability of your business to grow over the next three to five years?
4. What type of roles are you planning to recruit for in the next three to five years?
5. Do you currently struggle to recruit the skilled staff you need?
6. If yes, which job levels do you struggle to recruit most?
7. If yes, why do you have problems recruiting skilled staff?
8. In the next three to five years do you believe skills gaps in your business are likely to change?
9. What kind of impact do skills gaps have on your business?
10. How effective are the measures you have in place to address skills gaps in your business?
11. If you anticipate having to increase salaries to get the skilled staff you need in the next one to three years, how much do you think you will have to increase salaries by?
12. How do you encourage entrants to the workplace in your business?
13. What kind of training do you offer your staff?
14. What value do your training programmes bring to the business?
15. Currently what percentage of your staff come from the European Union?
16. What measures have you put in place, if any, to mitigate the negative impact of Brexit on your business's ability to recruit skilled people (tick all that apply)?
17. How do you believe that the skills gaps should be tackled in the UK?
18. Which piece of Government policy do you think will be most effective at tackling skills gaps?



1. Will your business grow in the next 12 months?

The short-term outlook for growth in this sector is positive – almost 90% of employers expect to experience growth in 2018/19.



A. We will grow significantly	24%
B. We will grow moderately	66%
C. We will remain the same	8%
D. We will shrink moderately	2%
E. We will shrink significantly	–
F. Other, please specify	–



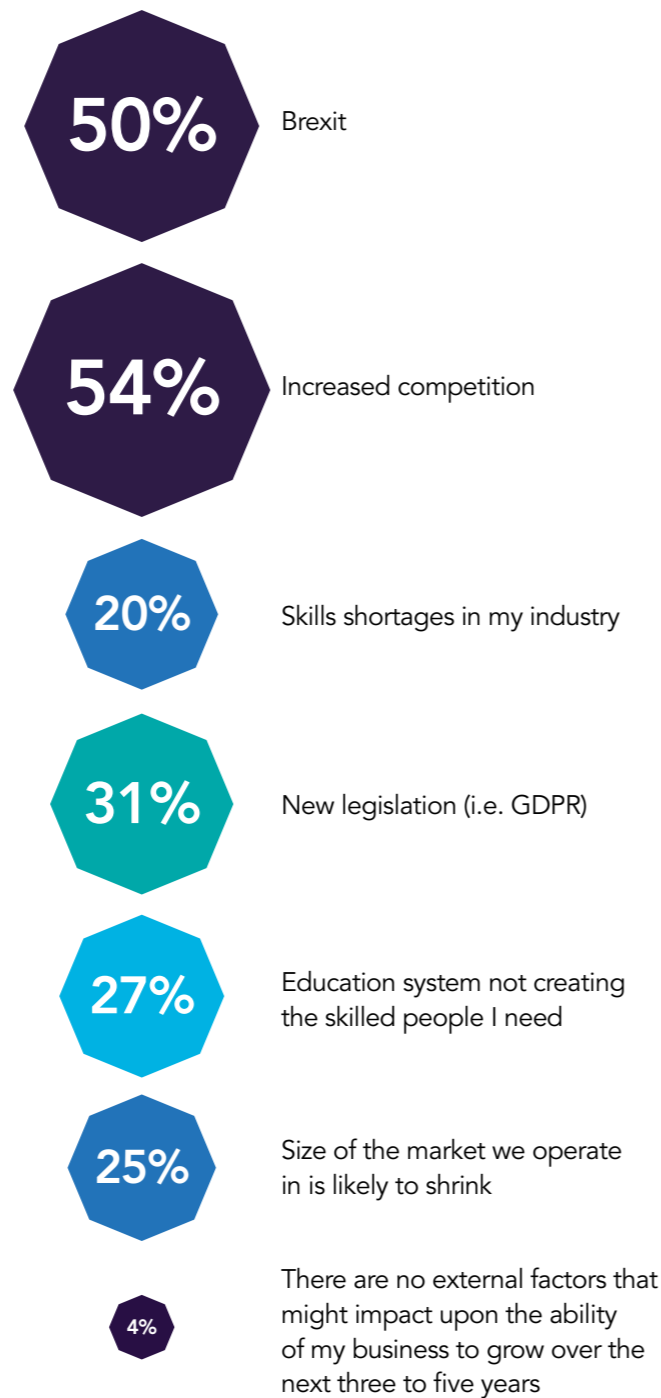
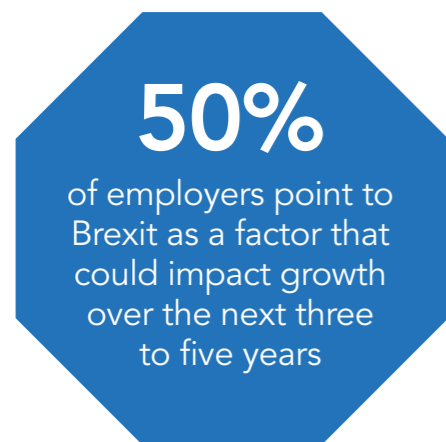
2. What internal factors might impact upon the productivity of your business over the next three to five years?

43% of employers in this sector predict that they will struggle to recruit the skilled people that they need in the next three to five years. More than a third are concerned that their existing staff don't have the right skillset (35%) and that the business does not have the right technology in place (35%) to support productivity in the medium term.



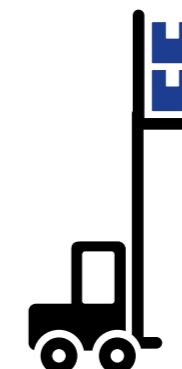
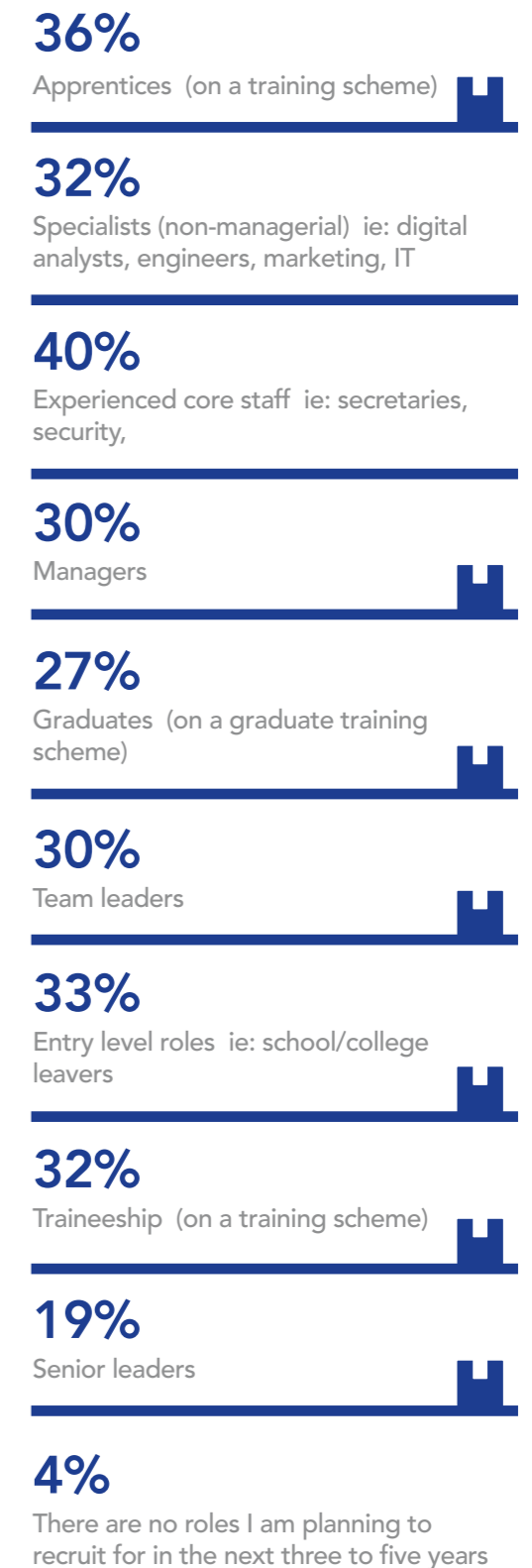
3. What external factors might impact on the ability of your business to grow over the next three to five years?

Perhaps unsurprisingly for a sector that relies upon economic certainty and consumer confidence, 50% of employers point to Brexit as a factor that could impact growth over the next three to five years. An even higher proportion (54%) point to an increase in competition, which the sector has already been experiencing through the growth of online retailers for example or disruptors and new entrants in the supply chain. There are also concerns about the impact of new legislation from around a third of employers (31%).



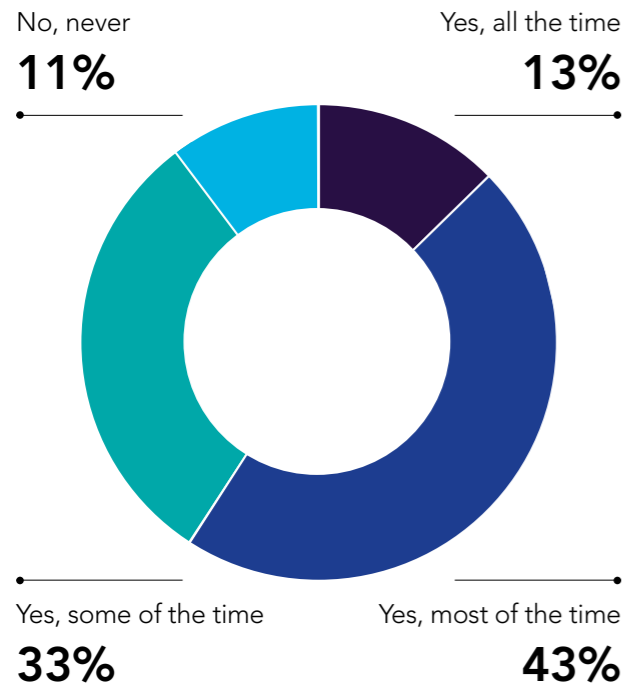
4. What type of roles are you planning to recruit for in the next three to five years?

Experienced core staff, apprentices and entry level roles are most in demand for employers in this sector, suggesting that there are existing skills gaps that employers anticipate will need to be filled in the medium term.



5. Do you currently struggle to recruit the skilled staff you need?

Employers in this sector answered overwhelmingly yes, almost 90% say that they are currently experiencing recruitment issues for skilled staff.



6. If yes, which job levels do you struggle to recruit most?

Employers in this sector are in need of senior staff and experts to fill their skills gaps. The most urgent need is for non-managerial specialists, such as engineers, IT or marketing experts, according to 31% of employers, while experienced core staff, managers and senior leaders are all roles that they are also struggling to fill.

Specialists (non-managerial) ie: digital analysts, engineers, marketing, IT	31%
Experienced core staff ie: secretaries, security,	25%
Managers	26%
Senior leaders	25%
Team leaders	21%
Apprentices (on a training scheme)	18%
Entry level roles ie: school/college leavers	20%
Graduates (on a graduate training scheme)	14%
Traineeship (on a training scheme)	21%
There is no job level I struggle to recruit for the most	1%
Other, please specify	—

7. If yes, why do you have problems recruiting skilled staff?

While most employers blame a high level of competition for their difficulties in recruiting skilled staff, a significant proportion (36%) also highlighted failings in the UK education system, where it is not creating the skills needed for the sector. Other concerns include the location of the business (26%) and the lack of progression opportunities (23%), which could contribute to losing a competitive edge for skilled candidates.

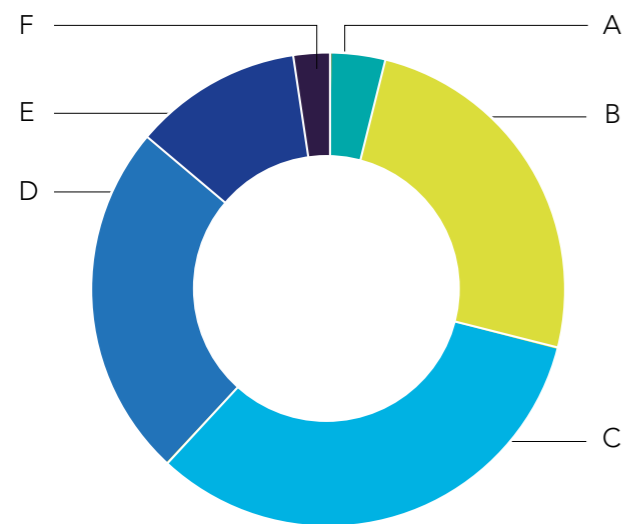
High level of competition for skilled people in the area	41%
UK education system doesn't create the skills we need	36%
We can't compete on salaries/benefits	17%
The location of our business	26%
We aren't able to offer progression opportunities within the business	23%
We don't have the budget to train staff appropriately	21%
Our industry is not desirable	15%
I don't know	2%
Other, please specify	—

34%
of employers say their business is in the wrong location to attract the skilled staff



8. In the next three to five years do you believe skills gaps in your business are likely to change?

Optimism about future improvement in skills gaps among employers is low. Over two thirds (70%) believe that skills gaps will stay the same or worsen, while 30% are more hopeful about things getting better.



- A. Get much worse 5%
- B. Get somewhat worse 26%
- C. Stay the same 39%
- D. Get somewhat better 21%
- E. Get much better 6%
- F. There are no skills gaps in my business 3%



9. What kind of impact do skills gaps have on your business?

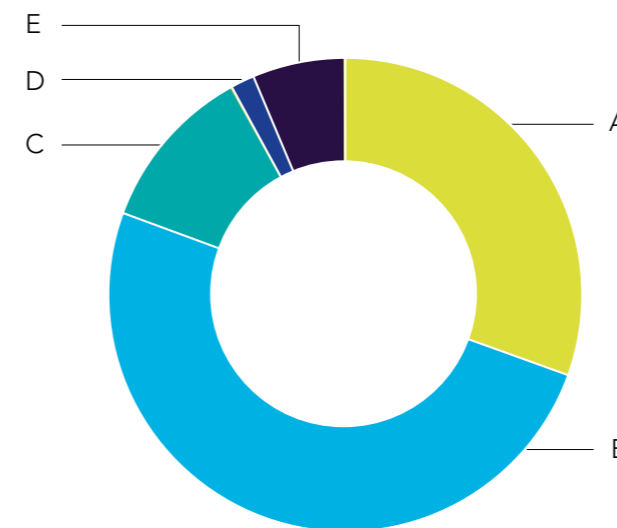
Again, concerns about maintaining a competitive edge emerge among employers when thinking about the impact of skills gaps. 35% say they worry about losing business to competitors and, perhaps related, 37% think that it will cause them to have difficulty meeting customer demand. Perhaps in order to attract and retain staff who can fill those gaps, 34% of employers anticipate higher operating costs, including salaries.



10. How effective are the measures you have in place to address skills gaps in your business?

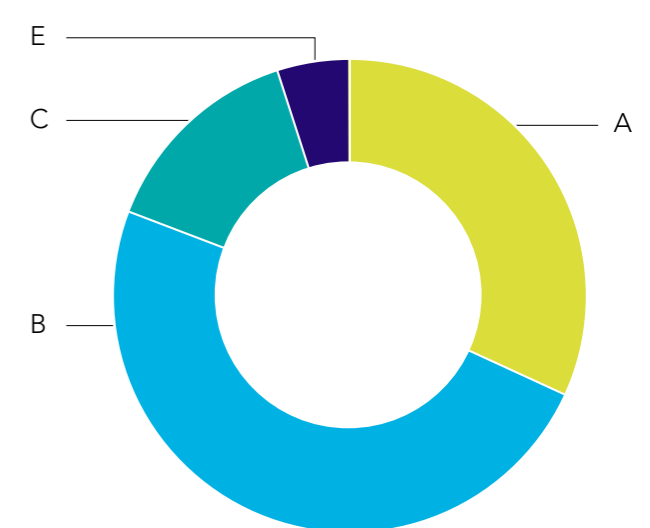
Investing in staff emerges as the most effective tactic to address skills gaps. Whether it is through leadership and management training (79%) a structured talent management programme (78%), or even offering higher salaries (70%) employers agree that measures that encourage existing staff to develop and grow are the most effective. In contrast less than half of employers (47%) think that recruiting from overseas is an effective way of addressing skills gaps in their business.

We have a structured talent management programme

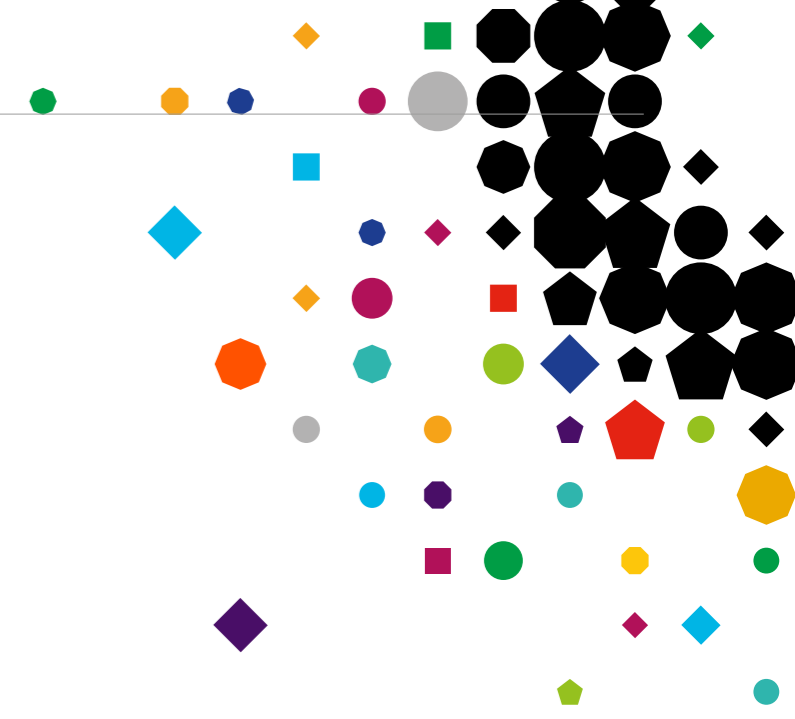


- A. Very effective 21%
- B. Somewhat effective 58%
- C. Not very effective 10%
- D. Not effective at all 1%
- E. We don't have this measure in place 11%

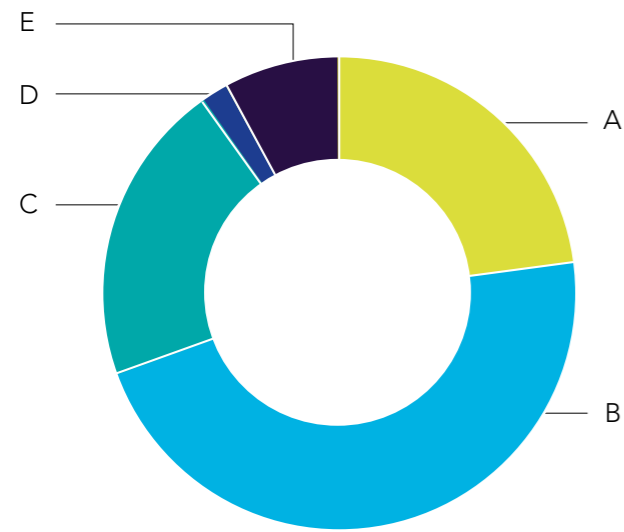
We invest in leadership and management training



- A. Very effective 30%
- B. Somewhat effective 49%
- C. Not very effective 14%
- D. Not effective at all -
- E. We don't have this measure in place 7%

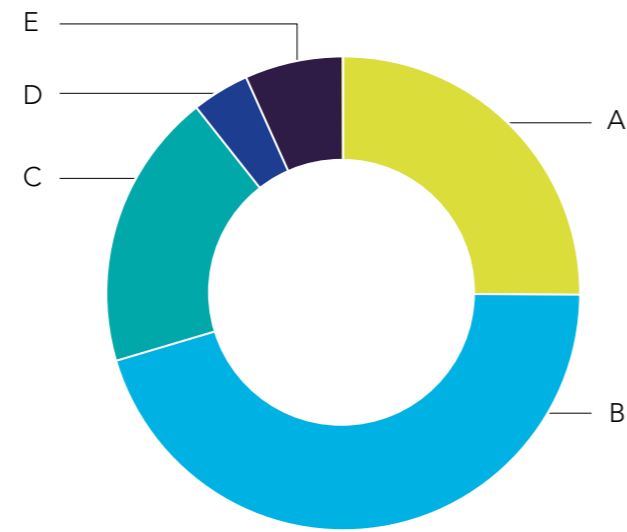


We are increasing recruitment spend



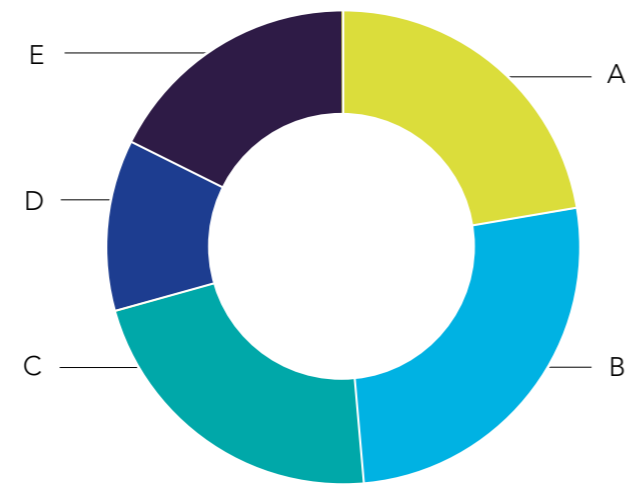
A. Very effective	24%
B. Somewhat effective	42%
C. Not very effective	22%
D. Not effective at all	2%
E. We don't have this measure in place	10%

We are offering higher salaries

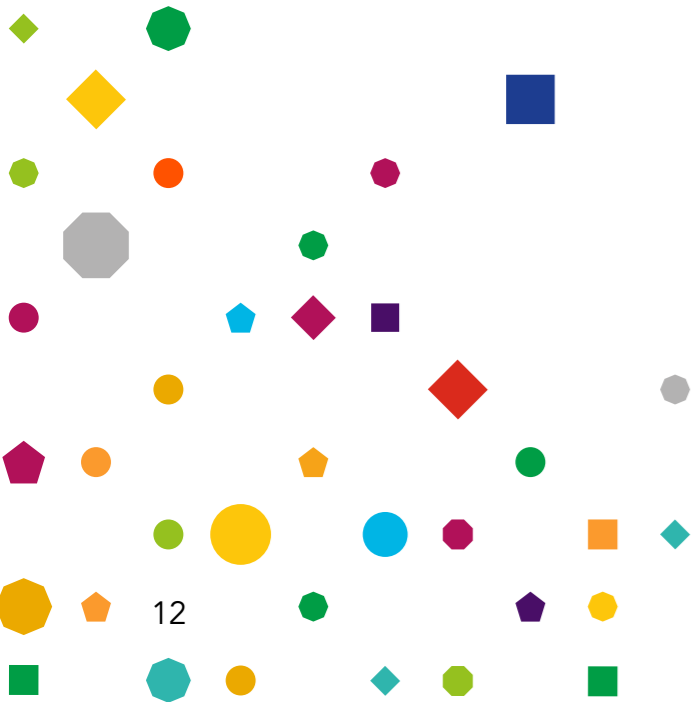


A. Very effective	25%
B. Somewhat effective	45%
C. Not very effective	16%
D. Not effective at all	5%
E. We don't have this measure in place	9%

We recruit staff from overseas



A. Very effective	21%
B. Somewhat effective	26%
C. Not very effective	22%
D. Not effective at all	11%
E. We don't have this measure in place	20%

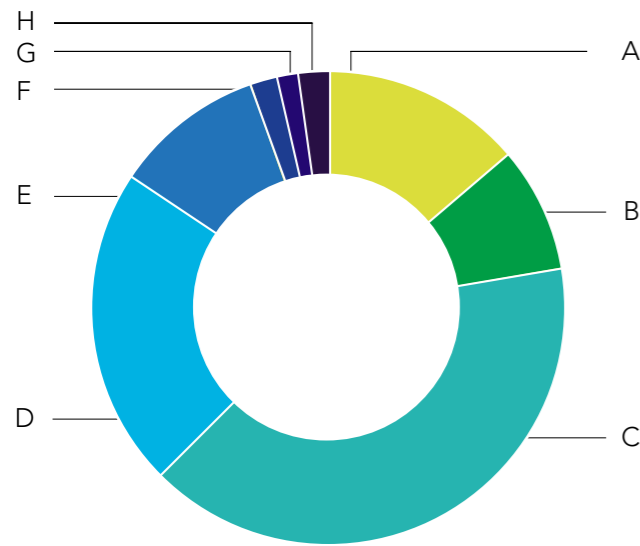


of employers agree investing in staff emerges as the most effective tactic to address the skills gap through leadership and management training



11. If you anticipate having to increase salaries to get the skilled staff you need in the next one to three years, how much do you think you will have to increase salaries by?

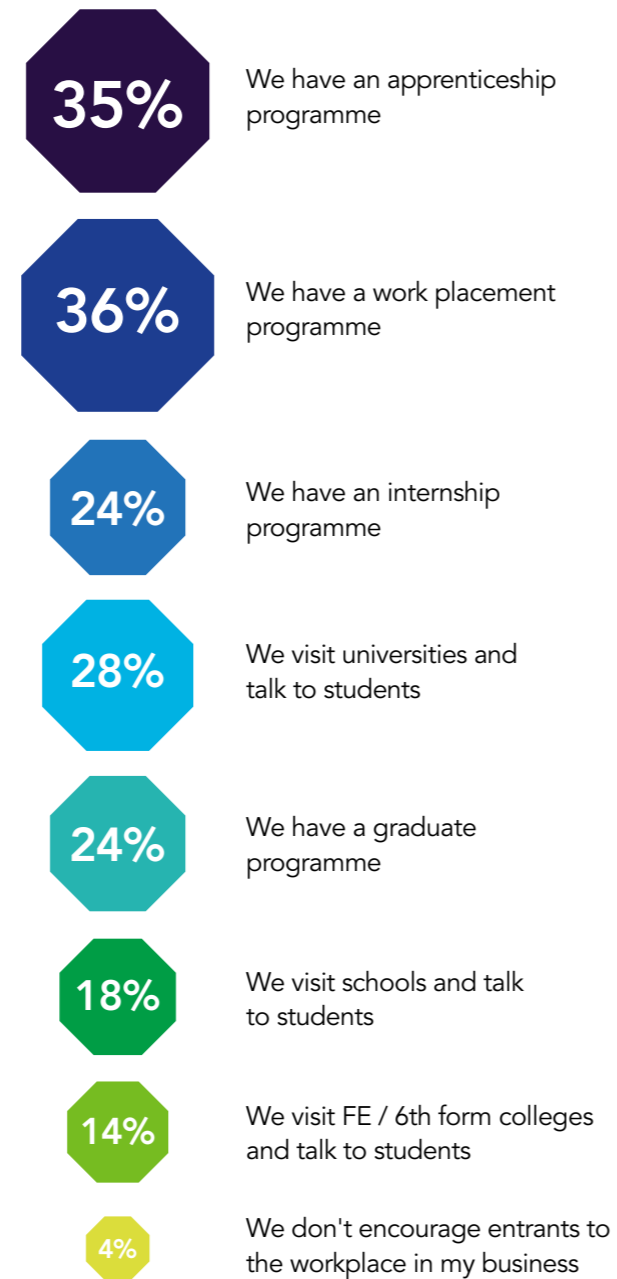
The largest number of employers (45%) anticipate increasing salaries by 11%-20%.



- A. 1% – 5% 13%
- B. 6% – 10% 8%
- C. 11% – 20% 45%
- D. 21% – 30% 25%
- E. 31% – 50% 12%
- F. 51% – 75% 4%
- G. 76% – 100% 2%
- H. I do not anticipate having to increase salaries to get the skilled staff I need in the next one to three years 4%

12. How do you encourage entrants to the workplace in your business?

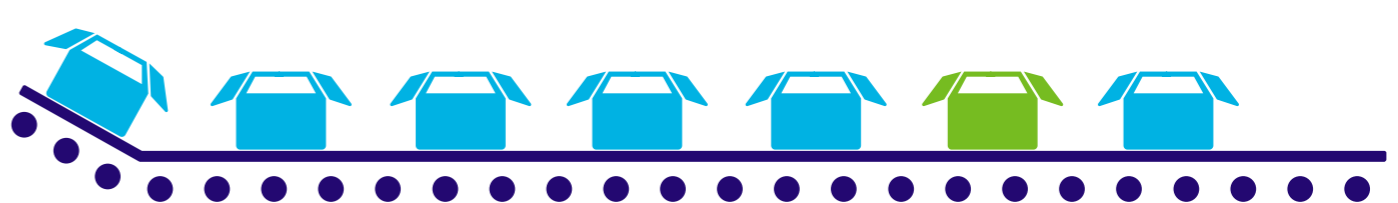
On-the-job training is a popular method of encouraging new entrants into businesses in this sector. 36% have a work placement programme, while 35% have an apprenticeship programme. More than a quarter (28%) of businesses also go direct to universities to talk to students who may be considering a career in the sector.



13. What kind of training do you offer your staff?

Once again, on-the-job training in the form of apprenticeships (offered by 43% of employers) and traineeships (offered by a third), is popular in this sector. Other accredited programmes, delivered in-house, are utilised by 39% of employers, while 31% encourage progression through leadership and management training.

Apprenticeships	43%
In-house training programmes accredited by an awarding organisation (i.e City & Guilds)	39%
Traineeships	33%
Leadership and management	31%
Unaccredited in-house training programmes i.e. anti-bribery,	21%
Degree	15%
Masters / MBA	9%
License to practice i.e. construction, dentist	11%
We don't offer any training for our staff	8%
Other, please specify	—





47% of employers said offering training has a valuable impact on staff loyalty and retention, while a similar amount said that training improved productivity

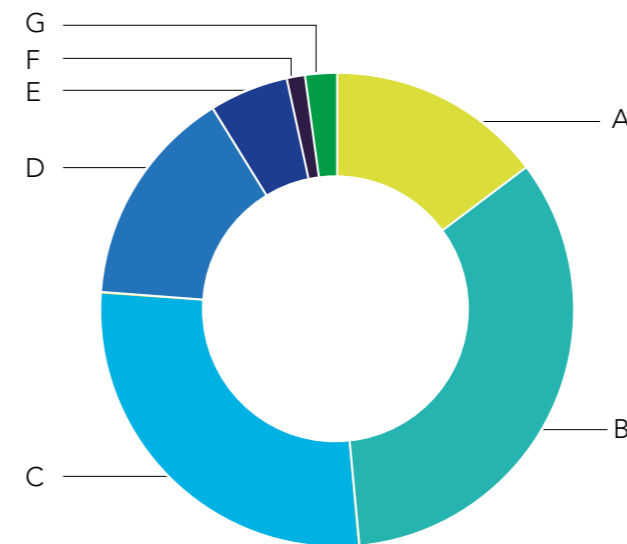
14. What value do your training programmes bring to the business?

Training programmes bring a range of benefits to existing staff, according to employers. A deepening of staff loyalty, improvements to retention and productivity and increased staff wellbeing are highlighted as benefits that training brings their workforce. Customers also benefit from better service.

Staff loyalty and retention	47%
Improved productivity	44%
Higher productivity	44%
Staff engagement	33%
Better customer service	43%
Increased staff well-being	44%
Reduced staff turnover	34%
Attraction of new talent	25%
Our training programme(s) bring no value to the business	—
Other, please specify	—

15. Currently what percentage of your staff come from the European Union?

Around a third of employers have between 1% and 10% of staff that originate from the European Union, while over a quarter have 11%-24%. Almost 15% do not have any staff from the European Union.



A. None	15%
B. 1% - 10%	33%
C. 11% - 24%	26%
D. 25% - 49%	15%
E. 50% - 74%	6%
F. 75% - 100%	1%
G. I don't know	4%



16. What measures have you put in place, if any, to mitigate the negative impact of Brexit on your business's ability to recruit skilled people (tick all that apply)?

While the majority of employers report that they are putting various measures in place, interestingly almost a fifth (18%) of employers in this sector say that this is an approach that they have not taken. Popular tactics include making the business more attractive to home-grown talent from the UK (29%), upskilling the current workforce (28%), and increasing the number of apprentices (27%). Just 11% are considering relocating their business.



We are going to upskill our current workforce	28%
We are taking steps to make our business more attractive to UK workers (e.g. improving pay and benefits, improving training and progression opportunities)	29%
We are increasing our apprenticeship numbers	27%
We are considering employing more international staff (from outside of the EU)	18%
We are taking steps to make our business more attractive to international workers (e.g. improving pay and benefits, improving training and progression opportunities)	20%
We are engaging more with schools to increase local recruitment	18%
We have not put any measures in place to mitigate the negative impact of Brexit on my business' ability to recruit skilled people	18%
We will have to outsource work	15%
I will redeploy staff from other parts of the business	10%
Greater automation	19%
We are considering relocating our business	11%
Other, please specify	1%



17. How do you believe that the skills gaps should be tackled in the UK?

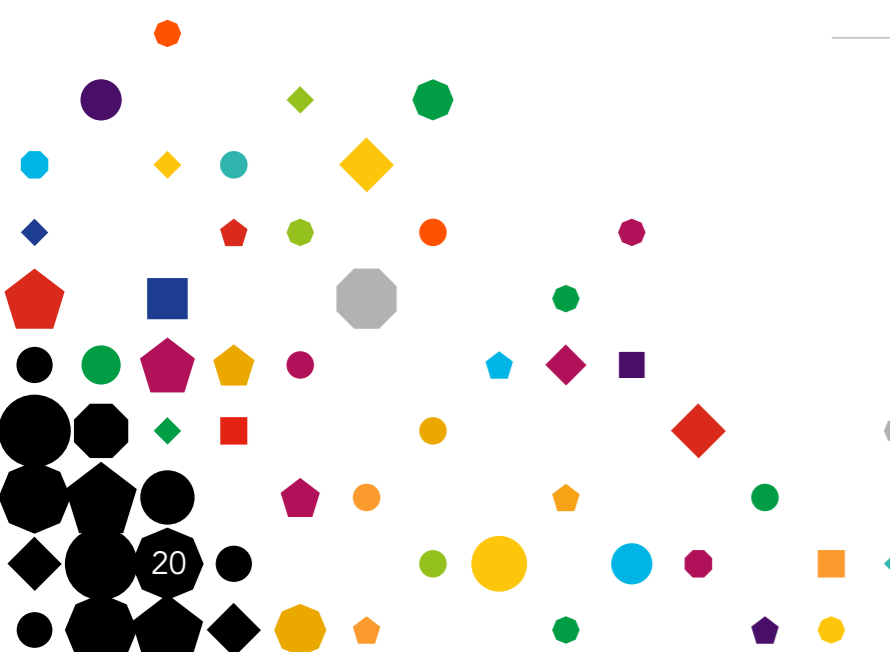
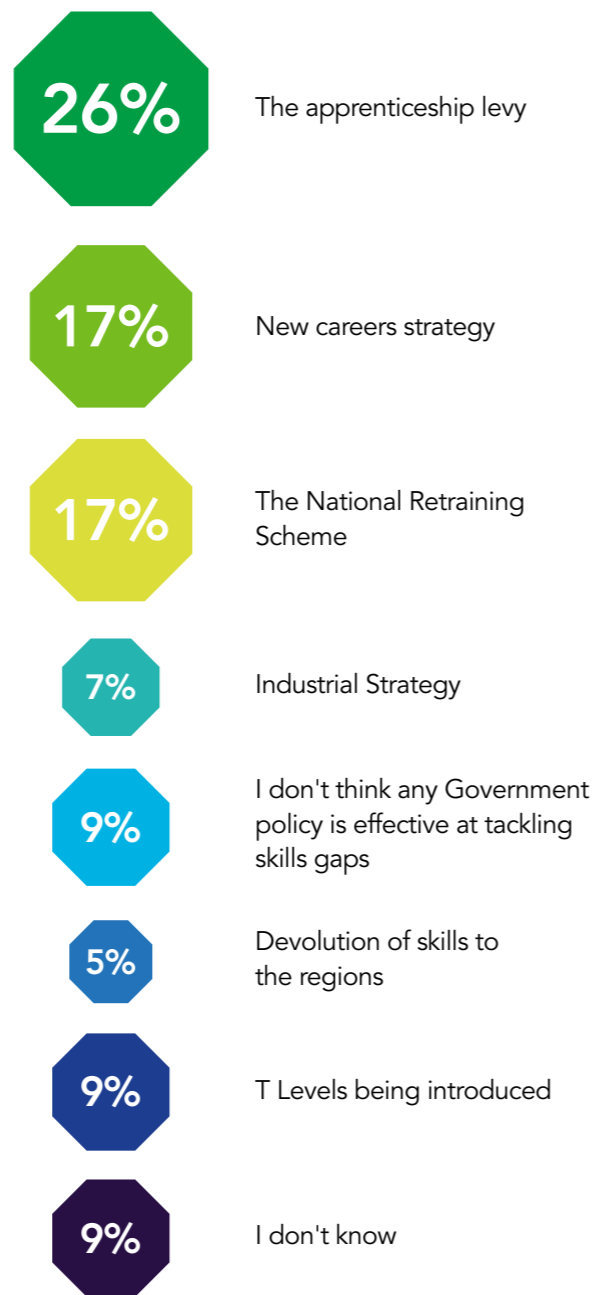
Education and training are key for this sector. Half of all employers want a better alignment between education and the needs of business, while 44% say that companies need to invest in more in training for their staff. 41% call for Government to get involved, collaborating more closely with the education and business sectors.



18. Which piece of Government policy do you think will be most effective at tackling skills gaps?

The Apprenticeship Levy emerges as the employers choice for legislation, with more than a quarter (26%) identifying it as the most effective piece of legislation for skills gaps.

13%
of employers say no Government policy is effective in tackling the skills gap



26%

of employers identify the Apprenticeship Levy as the clear leader Government policy to tackle the skills gap.

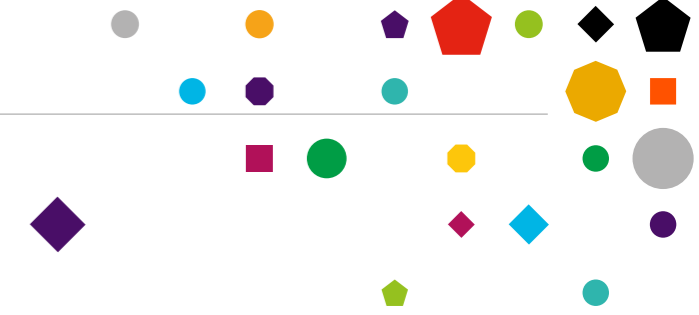
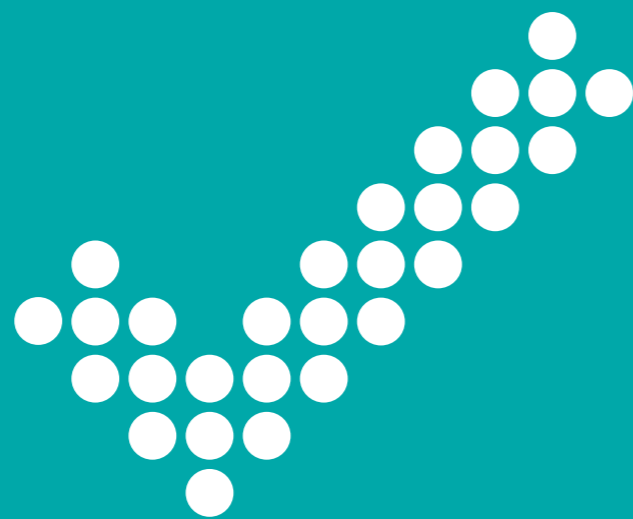


Recommendations

Our research has shown that UK employers are facing significant challenges as a result of skills gaps and skills shortages. Brexit is on the horizon and remains a largely unknown quantity, productivity is lagging behind other developed nations and there is a very real threat that skills gaps could significantly impact the UK's ability to perform on a global scale. Added to this, increased digitalisation, AI and automation are also playing their roles in contributing to the current state of flux.

We have set out nine recommendations for Government, employers and the education sector which address the concerns raised in this report. We believe these will help to create a skills system that is fit-for-purpose and can support a thriving UK economy, both now and in the future.

The statistics given in our recommendations are from employers across all industries.



1. Careers education, information, advice and guidance (CEIAG) needs to be redesigned for the modern world

Despite just 19% of our respondents telling us that they believed the careers strategy was the most effective way to tackle skills gaps, there is clear evidence to show that a lack of co-ordinated careers advice and guidance is hampering young people's chances of securing a successful career. This in turn contributes to the skills shortages faced by 9/10 employers who responded to this research.

We need to rethink the way that CEIAG is delivered to young people today. Generation Z are digital natives who are adept at consuming data on smart phones and devices. Making greater use of digital channels will democratise access to information about careers, with young people from all areas of the country and all walks of life able to access the same information from the same sources whilst also making sharing of information more efficient for employers and Government alike

2. T Levels could help to reduce skills gaps and provide a good route into work for young people if they are better promoted and embedded

T Levels are, in theory, a positive policy intervention that, if implemented correctly, could support young people into meaningful careers with real progression whilst at the same time helping to reduce the skills shortages many industries are facing. However, Government must recognise that it's a real risk for young people to choose to study an untested qualification that is not widely understood by employers. We know from recent research with AELP that just 17% of employers have a good understanding of T Levels. Our research echoed these findings with just 8% of employers stating T Levels were an effective skills policy intervention.

The Government will need to invest heavily to promote T Levels to young people and their parents so that they achieve the desired take up. There is also more work to be done to distinguish them from apprenticeships and make it clear to employers why both routes into work are valid and needed. Finally, what distinguishes

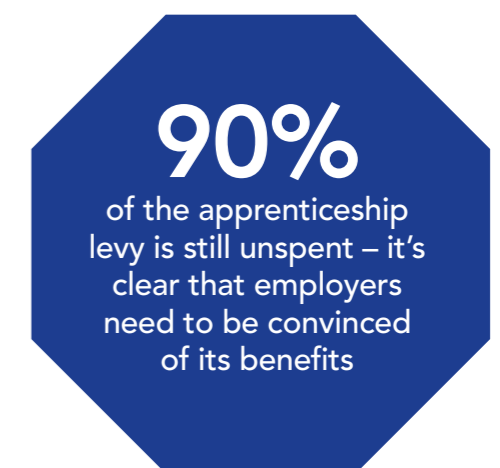
T Levels from other qualifications is the industry placement so it is essential Government provides enough financial support and guidance to ensure employers and providers can successfully deliver this essential element of the programme

3. Make the most of the apprenticeship levy to build a talented home-grown workforce and upskill employees at all levels

Brexit could create huge skills challenges particularly in sectors such as accommodation and food services, construction and retail.

The apprenticeship levy is an effective tool for developing home-grown talent and enabling people to progress through the workforce. However, with 90% of the levy still unspent it's clear that employers need to be convinced of its benefits. Employers should look at their talent development plans and see where the levy can be used to support reskilling and upskilling, as well as entry level recruitment.

Employers need greater support and advice from Government to help them recognise the benefits of apprenticeships and better understand how to access the system. Some thought should also be given to simplifying the current system, as employers have told us they find its complexity off-putting.



4. Government should consider widening the apprenticeship levy to meet employer needs

Whilst the apprenticeship levy was the most popular of the current Government initiatives to tackle skills shortages, still only a fifth (21%) of our respondents stated that it was the most effective piece of policy.

There has been a significant amount of media coverage since the launch of the apprenticeship levy focusing on the fact that the new system does not fully meet the needs of employers.

Government must be willing to listen to employers to make sure that the new-system genuinely works for them. There is appetite from across industry to broaden the scope of the levy and Government must work with employers to understand how they want to use their levy to support skills development in their organisations. This may require employers to provide evidence of investment in apprenticeships to unlock some use of levy for other reskilling/upskilling programmes.

5. Investing in training and development activity can have a significant impact on business performance

Our findings show that high-quality training programmes could help to tackle skills shortages by not only upskilling employees to do roles but also by encouraging current staff to stay with the business. Almost half (46%) of our respondents told us that their training programmes helped increase staff loyalty and retention.

Our findings also demonstrate that training helps to improve productivity within businesses (45% of employers agreed).

However, despite this proven business benefit, Britain has some of the lowest levels of employer investment in skills development in Europe with only Greece, Poland and Romania providing less employer-funded training. It is encouraging that almost half of respondents to the survey (45%) recognised that employers themselves need to invest more in training to help address skills gaps and Government and the education sector can play their part by demonstrating the value of skills investment through evidence-based case studies.



6. Employers should consider investing in quality on-boarding and engagement programmes

As noted in the research 9/10 employers experienced problems with skills gaps, hanging onto the people that you have already managed to recruit will help to mitigate some of these issues.

It is estimated that on average one third of new employees leave within the first six months of taking up a new role¹. Recruitment is expensive and laborious so having a comprehensive programme to pre-board, welcome and support new recruits into a business will mean that employers retain much more of the talent that they have invested so much time and effort in attracting.

Employers should consider allocating a buddy for new hires whilst they settle in, potentially elongating their on-boarding process to as long as a year and ensuring that staff have adequate access to any necessary training and advice needed to do their jobs effectively.

7. Effective leaders and managers will be essential to help businesses navigate Brexit and in the post-Brexit world

Employers cited Brexit as the single most concerning external factor facing their business, with almost half (46%) of respondents stating it would impact their productivity in the coming years. This is coupled with other skilled labour immigration constraints, all of which require UK Plc to look inwards for recruitment and staff development.

Having effective leaders and managers in place during this tumultuous time will be critical in helping businesses navigate change and transition from a pre-Brexit to post-Brexit world. Yet employers told us that leader and manager posts were most difficult to fill with almost half (47%) stating that they struggled to recruit these roles.

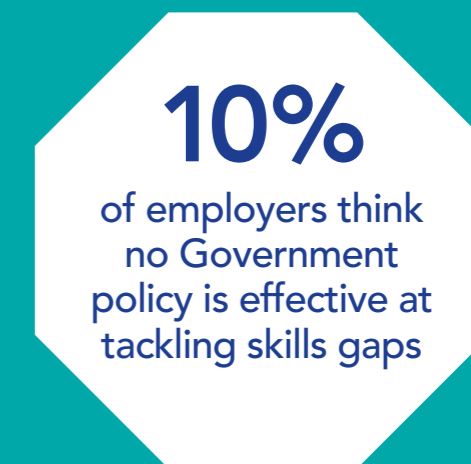
Only a quarter of respondents (27%) told us that they were planning to upskill their current workforce to mitigate the impact of Brexit and just a third (34%) told us that they offered leadership and management training.

Employers who aren't already doing so, should consider putting in place a talent management programme to identify future managers and leaders within their own organisations. Through the use of diagnostics tools they can identify talent within organisations and begin to develop it. This in turn will help with staff retention and engagement.

8. Training and development activity needs to be linked to business performance and its effectiveness constantly measured and evaluated

There was a clear mismatch between how effective employers believed their activity to develop skills was, with 77% stating that their talent management planning and management and leadership training activity was effective or very effective, with the incredibly high level of skills gaps and shortages that they were experiencing.

HR budgets and activity need to be seen as vital to business performance and HR departments must constantly measure their outcomes in terms of productivity and business performance



9. An independent body is needed to have oversight of UK skills policy and make sure it meets current and future skills needs

Employers were less than enthusiastic about any existing policy interventions; our research showed that 10% of employers think no Government policy is effective at tackling skills gaps.

Even less (8%) felt T Levels would be effective and just 14% of respondents felt the National Retraining Schemes would be the most effective way of tackling skills gaps

Part of the issue is that skills policy is currently developed in different places and in silos, resulting in disjointed policy that is not as effective as it could be at meeting UK skills needs now and in the future. Government often also lacks the required level of buy-in from employers when implementing policy (as has been seen with the apprenticeship levy.)

We believe a Skills Policy Institute should be created with representatives from across policy makers, education/training and industry to take a holistic view of existing skills policy and look at how it can be most effectively implemented now and in the next 5 to 10 years.



Methodology

We worked with economic modellers Emsi to map the UK jobs market and identify occupation changes over the next six years. All jobs and industries throughout this analysis use either 1-digit or 4-digit Standard Occupation Classification (SOC) and Standard Industry Classification (SIC) codes.

We also worked with researchers Censuswide and polled 1,000 employers to understand their first-hand experience of the labour market, get their thoughts about what they believe the future holds for their business over the next three to five years and how well equipped they feel they are to meet the challenges of today and tomorrow. Research was undertaken in March/ April 2018.

Methodology for employer research carried out by Censuswide

The research was conducted via online survey by Censuswide, with 1,006 UK C-Suite level personnel in UK between 05/04/2018 – 30/04/2018. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles.

Methodology for economic modelling carried out by Emsi

Emsi labour market data is created from a collection of nine Government sources, which they combine to provide multi-layered cross-checking. This includes:

Business Register Employment Survey (BRES); Workforce Jobs Series (WJS); Working Futures (WF); Annual Survey of Hours and Earnings (ASHE); Labour Force Survey (LFS); Annual Population Survey (APS); Mid-Year Population Estimates; Subnational Population Projections; Annual Business Inquiry (ABI).

