



UK COMMISSION FOR
EMPLOYMENT AND SKILLS

Sector insights: skills and performance challenges in the retail sector

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Sector Insights: Skills and performance challenges in the retail sector

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Foreword

The UK Commission for Employment and Skills (UKCES) is a publicly funded, industry-led organisation providing leadership on skills and employment issues across the UK. Together, our Commissioners comprise a social partnership of senior leaders of large and small employers from across industry, trade unions, the third sector, further and higher education and all four UK nations.

Our vision is to create, with industry, the best opportunities for the talents and skills of people to drive competitiveness, enterprise and growth in a global economy.

Over the next three years our ambition is to see industry in the UK create “ladders of opportunity” for everyone to get in and on in work. This means employers improving entry routes into the labour market for young people, ensuring the existing workforce has the skills businesses need to compete and individuals need to progress, and deploying those skills in a way that drives productivity and growth. This is a collective agenda for employers working in partnership with government, trade unions, education providers, industry bodies and local organisations.

Our Research

Our research mobilises impartial and robust national and international business and labour market research to inform choice, practice and policy. We aim to lead the debate with industry to drive better outcomes for skills, jobs and growth.

Our ambition is to cement the UK Commission’s reputation as the ‘go-to’ organisation for distinct high quality business intelligence, and communicate compelling research insights that shape policy development and influence behaviour change.

In order to achieve this, we produce and promote robust business intelligence and insights to ensure that skills development supports choice, competitiveness and growth for local and industrial strategies.

Our programme of research includes:

- producing and updating robust **labour market intelligence**, including through our core products (the Employer Skills Survey (ESS), Employer Perspectives Survey (EPS) and Working Futures Series)
- developing an understanding of what works in policy and practice through **evaluative research**

- providing research **insight** by undertaking targeted thematic reviews which pool and synthesise a range of existing intelligence.

Our research programme is underpinned by a number of core principles, including:

- providing **business intelligence**: through our employer surveys and Commissioner leadership we provide insight on employers' most pressing priorities
- using evaluative insights to identify **what works** to improve policy and practice, which ensures that our advice and investments are **evidence based**.
- adopting a **longer term, UK-wide, holistic perspective**, which allows us focus on big issues and cross cutting policy areas, as well as assessing the relative merits of differing approaches to employer engagement in skills
- providing **high quality, authoritative and robust data**, and developing a consistent core baseline which allows comparison over time and between countries and sectors.
- being **objective, impartial, transparent and user-friendly**. We are free of any vested interest, and make our LMI as accessible as possible.

We work in strategic partnership with national and international bodies to ensure a co-ordinated approach to research, and combine robust business intelligence with Commissioner leadership and insight.

The overall aim of this project is to examine the skills and performance challenges in the retail sector in the UK, with a specific emphasis on five key occupations. In addition, the research assesses employer engagement with and use of national occupational standards.

This project forms part of a wider suite of sector labour market intelligence (LMI) research undertaken by the UK Commission. The overall aim of the programme is to examine skills and performance challenges across a range of industry sectors of critical importance for the UK economy.

Sharing the findings of our research and engaging with our audience is important to further develop the evidence on which we base our work. Evidence Reports are our chief means of reporting our detailed analytical work. All of our outputs can be accessed at www.gov.uk/government/organisations/uk-commission-for-employment-and-skills

We hope you find this report useful and informative. If you would like to provide any feedback or comments, or have any queries please e-mail info@ukces.org.uk, quoting the report title or series number. We also welcome feedback on Twitter.

Lesley Giles

Deputy Director

UK Commission for Employment and Skills

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Glossary

FE	Further Education
HE	Higher Education
HEI	Higher Education Institution
HNC	Higher National Certificate
HND	Higher National Diploma
NOS	National Occupational Standards
ONS	Office of National Statistics
POS	Point of Sale
QCF	Qualifications and Credit Framework
SCQF	Scottish Credit and Qualifications Framework
SIC	Standard Industry Classifications
SOC	Standard Occupational Classifications
WBL	Work Based Learning

Executive Summary

Overview of the research

This report is one in a series examining sector skills and performance challenges, with an emphasis on the skills mix needed in specific occupations. It also investigates current levels of use of, and interest in, National Occupational Standards (NOS).

This report focuses on the retail sector, identifying the outlook for jobs and skills as well as looking at trends affecting the sector, employer perceptions of the skills needs of specific occupations, and the implications for skills supply and workforce development. It builds on a previous study which investigated skills and performance challenges across both the wholesale and retail sectors.

The report looks at five occupations in detail:

- customer services/sales assistant;
- customer service manager;
- marketing associate professional;
- human resources manager;
- SME¹ owner/manager.

The research was conducted using a mixed method approach of interviews with stakeholders and retailers, combined with secondary analysis of survey data and literature.

Key findings

The retail sector has seen year on year growth since 2008, and contributed £90bn to the UK economy in 2014 and has seen year on year growth since 2008. The sector is dominated by small businesses, but large retailers make a significant contribution to the workforce size and economic performance of the sector.

Over three million workers were employed in the retail sector in 2013. The workforce is dominated by customer service assistants who account for almost half of the workforce. The total sector workforce is predicted to increase to 3.2 million people in 2020.

¹ Small and medium sized enterprise

Online retailing is transforming the sector, and the past growth of out of town centres and hyper-markets has changed the profile of town and city high streets. In 2014 online sales represented 11 per cent of all retail spending and this had increased by one percentage point by May 2015.

The age profile of the sector is changing. Evidence suggests that as older workers retire they are not being replaced by younger workers at the same rate as in previous years. Roles such as sales/customer service assistants are increasingly being filled by graduates alongside older workers. New technology requires workers to have up-to-date IT skills, which can be a challenge for older workers who are less likely to have good IT skills than younger workers.

Currently, the wholesale and retail sector has a comparatively low-qualified workforce, with only 22 per cent holding a qualification at or above QCF level 4/SCQF level 8-9² in 2012 (compared to an all-industry average of 41 per cent). Predictions suggest that by 2022 holding qualifications at this level will be a pre-requisite for 34 per cent of wholesale and retail jobs and half of jobs across all industries. In order to meet the predicted skills demand retailers will need to upskill existing workers and attract appropriately skilled new entrants.

Results from the UK Commission's Employer Skills Survey 2013 show that 55 per cent of retail establishments with skills gaps identify gaps in the customer handling skills of their existing staff (compared to 47 per cent across all industries). Furthermore 60 per cent of sector employers with skills shortage vacancies have difficulty recruiting employees with these skills (compared to an average of 43 per cent across all industries).

Although the sector suffers from a perception of a lack of training opportunities, approximately 60 per cent of retailers invest in some kind of training, compared to an average of 66 per cent of employers across all industries. On the job training is the most common form of training offered in the sector (and is offered by around half of all companies). Approximately half of retail employers that provide training focus on the use of new technology, and overall a higher per cent of sales and customer service staff received training when compared to managers.

Skills gaps were reported by 18 per cent of retail establishments, which is comparable with the UK average. Where skills gaps exist, being new to post or incomplete training is the most commonly attributed cause. However, a perceived lack of staff motivation and insufficient improvement following training were also reported by 40 per cent of employers.

² QCF A Level 4 qualification is equivalent to a certificate of higher education or higher. Level 3 is equivalent to an A Level and Level 6 is equivalent to degree level.

Whilst only a minority (less than 10 per cent) of the retail workforce were described by employers as not proficient, there was some variation across occupations. Lower proportions of managers were described as not fully proficient than associate professional level staff (which includes marketing associate professionals) or sales and customer service staff.

Current skills issues facing key occupations

Current skills challenges for **customer service/sales assistants** include: a need for better product knowledge; working with new technologies; and challenges in retention. For **customer service managers** challenges include developing appropriate management skills; managing diverse skills and staff requiring technical knowledge; and overseeing an omni-channel³ retailing approach.

Human resources managers face challenges recruiting to a changing sector, which includes recognising changing skills needs across occupations. A significant challenge for individuals in this role is overcoming the negative image of retail careers among potential recruits.

Recruiting **marketing associate professionals** is recognised by employers as a challenge because retail faces strong competition from other sectors in attracting suitably skilled individuals.

SME owner/managers face skills challenges in mastering management skills as well as understanding the benefits of, and adopting, multi-channel and omni-channel retail approaches.

Future skills

Working Futures predicts net sector employment growth between 2012 and 2022 of almost four per cent. The sector will need to recruit over 2 million people by 2022 to fill new jobs as well as replace workers leaving the sector. There will also be an increase in the demand for workers qualified at QCF levels 4-6/SCQF levels 8-12, alongside a growth in the number of associate professionals and technical roles.

In the short term, retail sector employers are most likely to predict that technical, practical and job specific skills need improvement over the next 12 months, along with planning, organisation and customer handling skills.

³ ³Multichannel or Omni-channel retail is defined as 'selling and fulfilling retail goods and services across more than one sales and fulfilment channel, including physical stores, online commerce (fixed or mobile), telephone and catalogue selling. Choosing, purchasing and receiving are increasingly being integrated in a seamless experience for customers, who can perform different parts of the process in different combinations to suit their needs and preferences'. (BIS, October 2013).

The development of new products is the most powerful driver leading to a need for upskilling, with the impact of new technology also a factor. Pressure to upskill is most pronounced for managers (including HR, customer service and SME owners/managers) and for customer service staff.

Stakeholders and employers identified a range of skills as being of importance to the key occupations:

- Future skills needs for **customer staff** include adapting to new technology; communication; English language skills and general literacy; numeracy; product knowledge; and softer, employability skills. Faced with better informed customers, sales skills (negotiation and persuasion) are also likely to become more critical.
- **Customer service managers** will need a sound understanding of the retailer's different channels (marketing and e-commerce); excellent interpersonal skills to respond to increasing customer demands; and well-developed general retail management skills. Keeping the skills and knowledge of customer service/sales assistants up to date will also be a key challenge in a dynamic sector.
- **Marketing associate professionals** will require more advanced and broader skills in data-handling and analysis to effectively use customer data. Other skills include: exploring information and generating findings; and understanding current and identifying future trends.
- Strategic management skills will become increasingly important for **human resources managers**. However, competition from other sectors for these professionals may impact how well the retail sector can manage the major demographic and skills challenges predicted over the next decade.
- Training in financial management is identified as the most pressing need for **SME owners/managers** to enable them to respond more effectively to competition. Many SMEs could benefit from identifying training needs and investing in training. Behaviour change and confidence-building is also recognised as a requirement to encourage individuals in these roles to think more strategically.

National Occupational Standards

Approximately a third of sector employers reported that they were familiar with National Occupational Standards (NOS), slightly lower than the 39 per cent average across all industries. Small businesses are least likely to be aware of NOS. Where NOS are used by sector employers, this is for HR purposes such as for developing quality standards, external staff recruitment and for helping with writing job descriptions.

Just over half of the employers participating in the research expressed an interest in inputting into the future development of standards.

Conclusions

The sector needs to do more to improve its image to attract the workforce of the future. This means presenting retail as an attractive and promising career to those who may be overlooking it in favour of other options. To continue to attract younger workers, the opportunity to use and develop technology-based skills and knowledge within a retail career should be promoted. The range of potential career options at higher levels and in management roles should also be promoted to undergraduates and graduates through universities and careers intermediaries.

Retailers will need to continue to upskill existing staff to respond to the growing use and sophistication of technology. This will require prioritising engagement with older workers and the self-employed who are less likely to participate in training. The use of intergenerational mentoring may be appropriate in some instances. For example, some older workers may lead on customer service training and where appropriate younger workers could lead on training or confidence building in the use of new technology and social media (Altmann, 2015).

For those retailers looking to upskill existing staff, attention needs to be given to ensuring existing (and new) level 4 provision is tailored to their needs and covers future skill areas of multi-channel retailing, data analytics and a more strategic approach to business. This will require the sector to work with awarding organisations and training providers to ensure these needs are met.

In order to ensure training and upskilling is effective and targeted appropriately, retailers will need to review their methods of diagnosing skills gaps and better match these with suitable training programmes. Retailers also need to provide pathways to facilitate the progression of workers within the sector, particularly those within lower paying roles.

For SMEs, accessible, flexible programmes that combine basic management skills, business strategy and multi-channel retailing should be marketed more widely. Initiatives that have proven successful in recent years (e.g. the Digital High Street programme), programmes such as these should be rolled-out more widely. This may require support from sector bodies, including People 1st and the National Skills Academy for Retail.

There is a need for greater flexibility on the part of employers to incorporate soft skills and attitude into recruitment and training, and in ensuring job roles match employees' abilities. Where retailers have started to do this, good practice should be recorded and applied more widely to other parts of the sector.

Almost one in five retailers employs individuals who they consider to be over-qualified and over-skilled. Retailers should improve mechanisms for capitalising on the skills of employees, such as flagging those with high potential for progression and improving internal skills matching to strengthen internal recruitment processes.

1 Introduction

1.1 Background

The UK Commission for Employment and Skills (UKCES) is a publicly funded, industry-led organisation providing leadership on skills and employment issues across the UK. Together, its Commissioners comprise a social partnership of senior leaders of large and small employers from across industry, trade unions, the third sector, further and higher education and across all four UK nations. Its vision is to create, with industry, the best opportunities for the talents and skills of people to drive competitiveness, enterprise and growth in a global economy.

Innovative and insightful research is central to UKCES's role as a prime source of knowledge on how skills drive enterprise, create more and better jobs and deliver economic growth. Its programme of sector research includes a series of Sector Skills Insights reports, (published in 2012), which focus on skills needs in specific sectors; and a rolling programme of sector-specific studies. The first round of these covered the role of technology in driving high level skills in the digital, off-site construction, aerospace and automotive industries. The second addressed skills and performance challenges in the logistics and wholesale and retail sectors. The third round examines sector skills and performance challenges, with an emphasis on the mix of skills needed in specific occupations, as well as employer awareness of and engagement with National Occupational Standards (NOS).

This report focuses on the retail sector. It:

- synthesises evidence on the sector's labour market to identify the outlook for jobs and skills;
- identifies major trends affecting the sector and how the mix of skills needs is likely to change over the next decade in response to these;
- investigates employers' perceptions of the skills needs of specific occupations, and the challenges employers have in meeting those needs;
- discusses current awareness of, engagement with and interest in National Occupational Standards in developing the sector's workforce;
- draws out the implications for skills supply and workforce development.

In order to identify common skills issues across sectors, the projects in this third round of the sector insights programme share a common methodology where appropriate. This includes: a review of existing literature and data from the UK Commission's Employer Skills Survey, Employer Perspectives Survey, and Working Futures labour market projections; and consultations with sector bodies and sector employers. The focus on five key occupations represents a change from past UKCES sector studies, and reflects UKCES's interest in assessing market demand for National Occupational Standards, as well as an opportunity to build on previous sector research and delve deeper into the operation of specific sector labour markets.

1.2 Project methodology

The research involved a mixed method approach of secondary data analysis, a literature review and targeted, depth interviews with sector stakeholders and employers primarily in relation to five key occupations:

- customer service/sales assistant;
- customer service manager;
- human resources manager;
- marketing associate professional;
- SME owner/manager.

The primary research focused on understanding the experiences of retailers with regard to recruitment, entry, and progression of workers to the sector, the skills gaps experienced, the evolution of skills over the next 5-10 years, ways of ensuring competence and, finally, awareness of and interest in NOS. Stakeholder interviews focused on exploring the impacts of drivers of change, the main skills challenges over the short, medium and long term, and how these will impact on the five key occupations selected.

Primary research consisted of two sets of qualitative in-depth interviews with 17 employers and ten sector stakeholder organisations across the UK. Employers were selected to cover a range of companies of different sizes, specialisms and covering the four UK nations. The retail specialisms represented in the employer interviews included: baked goods; clothing and housewares; cosmetics; DIY and building supplies; food and drink; grocery; health and beauty; homewares; nursery/plants/garden services; pharmacy.

Stakeholders included overarching industry bodies, trade associations, skills bodies, recruiters and education and training providers in further and higher education.

1.3 Report coverage

This report builds on a previous study which investigated the skills and performance challenges across both the wholesale and retail sectors, together with a number of key themes (including attracting talent; the image of the sector; employee retention and progression; managing innovation and technology). Findings were reported in Vokes *et al.* (2014) and are referenced in appropriate sections of the current report.

This report, focusing on retail, begins by summarising the main characteristics of the sector in terms of its definition and industry classifications and the major changes it has experienced in recent years. Further sections introduce the five key occupations and the rationale for their selection; the sector's current skill levels and challenges; and those that apply to the key occupations. Future skills needs are explored, firstly at a general sector-wide level and then with reference to each of the five occupations. The report then covers the associated risks and opportunities for the sector. Analysis of employer awareness, use and interest in National Occupational Standards is followed by a summary of research findings and future implications for skills as they apply to retail.

2 The retail sector in the UK

The retail sector contributed £90bn to the UK economy in 2014 and has seen year on year growth since 2008, weathering the recent recession.

The sector is dominated by small businesses, but large retailers make a disproportionate contribution to the economic performance of the sector.

Over three million workers were employed in the retail sector in 2013. The workforce is dominated by customer service assistants, who account for almost half of the workforce. The total workforce is predicted to increase from 3.1m workers in 2012 to 3.2m in 2020, with the proportion of managers and senior officials also set to increase during this period.

Online retailing is transforming the sector, along with changes to the profile of town and city high streets associated with the previous growth of out of town centres and hypermarkets. Online sales represented 11 per cent of all retail spending in 2014 and by May 2015 this had risen to 12 per cent.

A number of drivers are impacting on the sector, including demographic change; technology and innovation; changes in consumer behaviour; sustainability; regulation and globalisation.

2.1 Retail as a key contributor to the economy

The retail sector is a major contributor to the UK economy. The combined wholesale and retail sector generated Gross Value Added (GVA) of £153.4bn in 2013, of which the retail sub-sector contributed £78.5bn (ONS, 2014a). By 2014 the retail sub-sector was estimated to have contributed £90bn to the economy (House of Commons, 2015). According to figures from the Department for Business Innovation and Skills, the retail sector accounts for just over 6 per cent of total UK GVA (BIS, 2015).

Despite the UK recession, retail has remained buoyant with industry turnover having increased steadily year on year: from £311.7bn in 2008 to £358.8bn in 2013 (ONS, 2014a)⁴.

⁴ It is not possible to draw comparisons by UK nation; regional results are not yet available.

Notwithstanding overall growth patterns, however, the retail sector generally operates to low margins. During the recession, these have been squeezed further by increased competition, leading to extremely tight trading conditions, relatively poor profits and investment, and pressure on workforce numbers and profile. The wholesale and retail sector, alongside financial services, ICT, professional services, and transportation and storage, have recently been flagged as sectors where productivity improvements could be made. These five sectors represent 40 per cent of the economy but 65 per cent of the productivity shortfall, which suggests that the sector has the potential to increase its productivity (HM Treasury, 2015a).

In parallel with, but perhaps even more so than in other sectors, retail is undergoing significant structural change. The transformation of town-centre shopping streets caused by the previous growth in hyper-markets and out-of-town malls, is now being overshadowed by the changes brought about by the Internet and on-line shopping. Supermarkets and out-of-town shopping malls took around fifty years to develop fully, although the impacts were felt in a much shorter timescale. Meanwhile, on-line shopping has developed and blossomed into a major aspect of retail in less than ten years. The effects on job roles and skills are potentially profound and the impacts are still at an early stage as multi-channel and omni-channel approaches begin to impact on retailers of all sizes.

2.2 The retail workforce

Total sector employment has fluctuated since 2008, standing in 2013 at just over three million employees across almost 190,000 enterprises (ONS, 2014a)⁵. The retail sector provides 64 per cent of the workforce in the wider wholesale and retail sector, which is the largest sector in the economy by employment.

Retail is a critical part of the UK economy: a major provider of jobs; a vital contributor to national GVA; a key participant in and driver of technological change; and – based on the sector’s ability to increase turnover year on year during the recent recession – has potential to improve productivity and contribute more to economic growth.

⁵ A full breakdown of ONS figures is provided in Appendix 1

In terms of occupations, sales/customer service staff is by far the largest role by employee numbers, accounting for almost half of all people employed in the sector. Data projections predict this share will fall by approximately seven percentage points to 43 per cent by 2022, and the proportion of managers and senior officials will rise by two percentage points (to 13.6 per cent) over the same period. This is set against a predicted overall increase in numbers from 3.1 million workers in 2012, to 3.2 million workers by 2022 (Wilson *et al.*, 2014).

As is the case for the UK economy as a whole, small and micro businesses dominate the retail sector in terms of their number, meaning that small, independent shops typically operated by owner/managers remain a defining characteristic of the sector. However, the largest retailers make a significant contribution to the UK economy and account for a disproportionate number of the sector workforce (ONS 2014a).

The 2014 Annual Survey of Hours and Earnings suggests that employees working within the retail sector earn less than the all industry average. The gross annual median pay of full-time employees is approximately £18,500, compared to £27,000 across all industries. This can be further disaggregated by gender to show that full-time female employees working within the retail sector earn less than their male counterparts (£16,600 and £18,500 respectively).

Women represent 58 per cent of the retail workforce, which is significantly higher than the all economy average (Mosley *et al.*, 2012). However, nested within the retail sector are some of the economy's lowest paid full-time occupations (sales and retail assistants; and retail cashiers and check-out operators) and women are disproportionately represented within these occupations (Perfect, 2012).

The picture may be nuanced further as the Annual Survey of Hours and Earnings excludes the self-employed who account for some of the highest and lowest paid workers. The self-employed are likely to include many sole traders within the retail sector (ONS, 2012).

Standard Industry Classification (SIC) codes

The retail sector is represented in the Office of National Statistics (ONS) Standard Industry Classification (SIC) as 'Division 47: Retail Trade, Except of Motor Vehicles and Motorcycles'. These SIC divisions and codes are used to identify businesses by the types of economic activity in which they are engaged, providing a framework for collecting and presenting economic data. Within Division 47 is a subset of a further 46 categories, which include, for example, retail sale of a variety of food and drink products, sales of computers, textiles, household products, books, music, jewellery and clothing. This report is focused on the entirety of Division 47, and all of the different types of retail activity that take place within it. The main sub-classifications are as follows:

- 47.1 Retail sale in non-specialised stores.
- 47.2 Retail sale of food, beverage and tobacco in specialised stores.
- 47.3 Retail sale of automotive fuel in specialised stores.
- 47.4 Retail sale of information and communication equipment in specialised stores.
- 47.5 Retail sale of other household equipment in specialised stores.
- 47.6 Retail sale of cultural and recreation goods in specialised stores.
- 47.7 Retail sale of other goods in specialised stores.
- 47.8 Retail sale via stalls and markets.
- 47.9 Retail trade not in stores, stalls or markets.

2.3 Drivers impacting on the retail sector

The Internet, together with more sophisticated programming languages, the rapid extension of broadband services, and the equally fast take up of mobile devices, has had a profound effect on the retail sector. In 2014 internet sales accounted for 11 per cent of all retail spending and by May 2015 this had risen to 12 per cent (Office for National Statistics, 2015a, 2015b). In comparison with other European nations, the UK has the highest proportion of online market share (Centre for Retail Research, 2015)⁶.

In addition, the sector is being affected by many of the same challenges as other sectors of the economy, such as ongoing demographic change, the influence of non-Internet technology⁷, changes to regulation and an increasing focus on environmental sustainability (which in part has led to a slight shift in focus for the larger retailers towards local supply).

⁶The CRR's definition of retailing is based on the sale of goods (excluding fuel for vehicles and sales of prepared food in cafes and restaurants). The definition also excludes tickets, holidays, gambling and insurance.

⁷In the retail sector this includes self-service technology; in other sectors this includes increased automation

There is consensus amongst key stakeholders contributing to this research that technology has a very large part to play in driving change, as have the expectations of consumers. How retailers respond to these changes will dictate how well the sector performs in the medium to longer-term; there is a sense from contributors to this research that, at present, the sector is reacting to change, rather than planning ahead and thinking strategically about the future.

The sub-sections that follow draw on and summarise the main findings from Vokes *et al.* (2014), to set into context the occupational discussion in the remaining Chapters.

2.4 Demographic change

As the UK population ages, this is having a transformational effect on the demographic profile of the labour market. The retail sector (and the wider wholesale and retail sector) is particularly vulnerable to this shift, as it has relied predominantly on young workers. Earlier research has shown that 63 per cent of all 16-18 year olds in employment work in the wholesale, retail & repair of motor vehicles and accommodation & food services sectors (Hasluck & Armitage, 2011). These individuals are most often employed in lower-skill level occupations such as sales and customer service roles.

Findings from the previous research in the wholesale and retail sector identified demographic change as being one of the drivers of change with the greatest potential impact. The post-war 'baby boom' generation is already at retirement age and people born during the 1960's boom are expected to retire over the next ten years. This is predicted to present a challenge to the sector because the older workers leaving the sector are not being replaced by new entrants at the same rate. In recent years there has been a reduction in the number of young people entering low-skill level work in retail (Skillsmart Retail, 2010). This has been attributed to numerous factors including: competition from older workers looking to "trade down" to lower and mid-level jobs (UKCES, 2013a); the poor image of retailing potentially discouraging young people from applying for careers; and regional factors such as out-migration of young people from certain parts of the UK (Wales being particularly affected) (UKCES, 2011). In response to this issue, efforts are being made to encourage older workers to delay retirement and to attract older workers (including from other sectors) by offering flexible working opportunities (Flynn, 2010; Flynn, 2014).

Although retaining existing expertise may help to alleviate the skills shortage in the short term, there is a risk that a lack of CPD training among older workers could reduce the relevance of their skills in the medium and longer term. Workers of all ages are required to update their knowledge and skills in response to changes to technology but in recent years there has been a decline in the number of older people participating in training and development. This may be further hampered by reduced funding available for adult education (Skills Commission, 2014).

2.5 Technology and innovation

The sector's investment in technology (in particular ICT) has been credited with contributing to its relative buoyancy during and immediately after the economic recession in the latter part of the 2000s (CBI, 2014). However, the fast-paced nature of technological change, particularly the rise of online, multi-channel and omni-channel retailing is proving challenging to employers. The Centre for Retail Research (2015) reports that *"in Europe as a whole, online retailers in 2015 are expanding 14.2 times faster than conventional outlets creating major strategic issues for store-based retailers"*.

Technology available to retailers includes:

- systems capable of recording vast amounts of customer and behaviour data such Point of Sale (POS) devices;
- self-service check-outs;
- robots to assist customers in finding products in store;
- 'beacon' technologies providing information direct to customer's mobile devices (also enabling customer in-store tracking)⁸;
- 'browse and order' hubs and virtual and augmented reality opportunities for retailers to showcase reviews and product videos.

There are also a range of other mobile-enabled technologies at the disposal of the retailer, such as innovative methods of identifying and reporting out-of-stock items in exchange for gift tokens or store points, and Google map apps to locate stores within malls and shopping centres (Charlton, 2014; Dickey, 2015).

⁸ When a smartphone (with the appropriate app) is within a certain radius of a beacon it will send a signal containing product details

Alongside technological changes the sector has also seen a rapid change in logistics in response to higher customer expectations. Larger companies have responded by building and renting geographically-dispersed warehouses and creating fleets of smaller delivery vehicles. Smaller retailers have attempted to address the challenge through faster delivery times and slick online tracking of goods ordered.

2.6 Changes in consumer behaviour

Customers' shopping habits are changing in response to these technological advances, bringing about a very substantial growth in e-commerce.

The *Research Online Buy Offline* (ROBO) phenomenon is an example of how consumers are becoming increasingly better-informed and discerning about their purchases, and as a result, businesses are having to adapt their sales and customer service strategies to retain customer loyalty (Skillsmart Retail, 2010). There is also a reverse option for consumers to "research offline, buy online", a practice from which small retailers and those without an effective online presence can suffer. This has led to adoption of an 'entertainment-based approach' to retailing, focused on customer experience (rather than customer service per se).

The strategic approach required to integrate technology with the bricks and mortar store and older technologies and approaches (telephone, mail-order and so on) means that managers and shop owners are also required to develop new skills. This means incorporating an understanding of the value of a multi-channel approach with the skills to implement a consistent customer offer.

Customer demand for quality, price, and speed of delivery is being met with revisions to the structure of businesses and their operations. The example of the Apple Store is pertinent here, where sales staff are regarded as product experts and demonstrators, as well as sales people. Once customers have been fully informed the actual purchase can take place in-store or from the customer's own home computer. New and innovative approaches to a quality customer experience, with the aim of capturing customer loyalty, are seen as key and there is evidence of the Apple '5 step'⁹ method being replicated by other retailers (Gallow, 2013). Increasing importance is also being placed upon maintaining a consistent brand experience and customer service across multiple retail channels.

⁹ Based on the acronym *Apple*: approach; probe; present; listen; end.

2.7 Sustainability

All sections of the economy are being driven to more environmentally sustainable working practices, either in response to consumer demand, or through top-down schemes and Government regulations. As one of the most energy and resource intensive sectors, retail is no exception. In the context of these influences on transport, packaging, power use, and much else, companies are developing more sustainable business models and processes not only to improve their sustainable credentials, but also to reduce costs and improve efficiencies in an increasingly competitive marketplace. This takes many forms including: reducing packaging waste (e.g. the use of hard plastic and styrofoam fillers); introducing charging for carrier bags; offering sustainably-produced 'bags for life' (the latter a modern success story in terms of the sector precipitating consumer behavioural change); and even the creation of smaller "local" stores, which result in lower car mileage than the out-of-town supermarkets they complement.

Retailers add value to their brands by adopting environmentally ethical working practices such as: dealing with waste responsibly; sourcing from local suppliers; providing fair trade products and integrating themselves into the community (Retail Industry Leaders Association, 2012).

The position of sustainability as part of the overall culture of an organisation means that staff will need to understand the driving motivations of the retailer and play a part in helping to realise the company's 'green' credentials. This may involve developing an understanding of environmental practices and regulations amongst managers, and a fundamental understanding amongst all staff of why environmental sustainability is important and how to achieve it (British Retail Consortium, 2014). For some this will mean changing the behaviour of staff and consumers (as in the 'bag for life' example above).

2.8 Regulation

Legislation and regulation has a pervasive impact on the retail sector. Whilst existing legislation is generally well understood, rapid changes within the sector and accompanying business-related law place greater demands on the knowledge and skills of staff at all levels. For example, as retail businesses venture further into online retailing, they are exposed to e-commerce legislation such as the EU Electronic Commerce Directive (HM Treasury, 2011) that affects trading on a national and international level. The Directive requires all staff responsible for sales conducted over the internet to be familiar with the laws governing online trading in their own nation, and abroad.

The labour market is also likely to be affected by changes to employee entry and exit points such as raising of the compulsory education age to 18¹⁰, abolishing compulsory retirement, and putting back the retirement age for State pensions. This may mean a larger proportion of older workers in the labour market and a likely requirement for ongoing upskilling and refresher training. However these changes will also mean that a great deal of skill and knowledge may be kept in the sector for longer.

The proposed consultation on devolving Sunday Trading laws in England and Wales¹¹ to local towns and cities could also increase the demand for retail employees within large stores (HM Treasury, 2015b). However, concerns have also been raised that this may negatively impact on smaller retailers who currently benefit from the restricted opening hours of their larger competitors (Federation of Small Businesses, 2015).

The recently proposed increases to the national minimum wage, for over 25 year olds, is also likely to impact on the sector. Whilst increasing productivity is key to the future of the UK economy, it is also acknowledged that pay increases are required to boost the living standards of some low paid workers (HM Treasury, 2015a). This is likely to be significant for many retail employees (particularly main earners) who are earning relatively low salaries at or just above the national minimum wage (Crib *et al.*, 2013).

2.9 Globalisation

Online retailing has the potential to open up international markets, and this has an effect upon the specialist skills – particularly languages – needed by the retail workforce. Globalisation, as it affects UK retail businesses, will also require customer-facing staff to possess language skills to communicate with overseas consumers, as well as having an awareness of cultural norms and differing customer needs and preferences.

The global supply chain is an intrinsic part of domestic and international trade, with many low-skilled activities being transferred overseas to take advantage of lower labour costs (UKCES, 2010). However, the retail sector, particularly fashion retailing, is under pressure from consumers to offer more sustainable products and avoid negative stereotyping associated with overseas high volume production methods. As a result, some retailers are beginning to ‘re-shore’ their supply-chain (Barr, 2014).

¹⁰ The Government states that young people must stay in some form of education or training until their 18th birthday if they were born on or after 1 September 1997.

¹¹ The current restrictions do not apply in Scotland and Northern Ireland also has separate regulations.

Whilst the opening up of overseas markets presents an opportunity for UK businesses to reach a larger customer base, they also face competition from overseas retailers. Data on cross-border retail deliveries illustrate recent growth in UK-generated orders delivered from overseas. Although this is predicted to stall in the coming months, the expectation is that this market will continue to grow as “*new markets and new retailers come online in the international scene*” (Interactive Media in Retail Group *et al.*, 2015).

3 Key occupations

This report focuses on five key occupations: customer service/sales assistants; customer service managers; marketing associate professionals; human resources managers; SME owner/managers.

These were selected based on three factors: relative contribution to the retail workforce; anticipated position at the forefront of sector change in the future; and prevalence of skills and/or knowledge gaps.

Customer service/sales assistant account for nearly two fifths of the retail workforce and four per cent of the entire UK workforce. This critical role is a typical entry-level position for those wanting to work in the sector. It is a customer-facing role (whether through direct face-to-face, or via electronic, communication) and involves advising customers, processing orders and payment and dealing with returns and any complaints.

Customer service managers represent less than one per cent of the retail workforce, but they are critical for equipping the customer service/sales assistants of the future with the skills and knowledge they need to respond to industry change. Whilst sharing some tasks with customer service/sales assistants, individuals in this role are also responsible for developing customer service policies and procedures, coordinating the work of customer service teams as well as planning and coordinating approaches to helping and advising customers.

The marketing associate professional role is evolving to include greater emphasis on data analysis to help retailers understand and better respond to customer needs as use of social media and multi-channels becomes more widespread.

Human resources managers play a key role in identifying and planning workforce requirements and strategies, critical in a sector faced with changing workforce demographics and an evolving labour market.

Accounting for almost four per cent of the retail workforce, SME owner/managers are a vital component of the sector. They take responsibility for all the major functions of their business; however, because individuals in this role may have set up a business based around a hobby or interest, their possession of detailed product knowledge can be at the expense of business skills.

3.1 Selection criteria – choice of key occupations

The findings from Vokes *et al.* (2014) were used to help select five occupations for investigation in this current study. The selection was based on a number of factors, which included:

- relative contribution to the retail workforce;
- anticipated position at the forefront of change and development within the sector;
- prevalence of skills/knowledge gaps or skills shortages.

The five chosen occupations are:

- customer service/sales assistant;
- customer service manager;
- marketing associate professional/market research analyst;
- human resources manager;
- SME owner/manager.

The following sub-sections discuss each of the five occupations, the corresponding industry classifications and the purpose, skills and knowledge and attributes required for workers in each role. This information has been taken from analysis of a range of job profile information referenced in Appendix 2.

3.2 Standard Occupational Classifications

The key occupations listed above are based on Standard Occupational Classifications (SOC) (Table 3.1). Developed by the ONS, these codes are used to classify all occupations in the UK in terms of their skills level and skill content.

Table 3.1: Key occupations by SOC code, UK

Key occupation (overarching)	4-digit SOC code	Job roles within this SOC code	Retail employee numbers	Proportion of retail workforce %
Customer service/sales assistant	7111 Sales and retail assistants	Retail assistants Sales advisors Sales assistants Sales consultants (retail trade) Shop assistants	1,078,062	37.6
Customer service manager	7220 Customer service managers and supervisors	After-sales manager Call centre supervisor Customer service manager Customer service supervisor Team leader (customer care)	9,735	0.3
Marketing associate professional	3543 Marketing associate professional	Business development manager Market research analyst Marketing consultant Marketing executive	6,152	0.2
Human resources manager	1135 Human resources managers and directors	Human resources manager Personnel manager Recruitment manager	6,078	0.2
SME owner/manager	1254 Shopkeepers and proprietors – wholesale and retail	-	108,557	3.8

Source: ONS Occupation (full) by industry (full) (national), from NOMIS (2014)

3.3 Customer service/sales assistant

Customer service/ sales assistants are typically shop-floor workers in entry level retail positions. This occupation has direct progression routes into the store manager role which is typically achieved by gaining greater retail experience (Devins *et al.*, 2014). Employment figures reveal how important this occupation is to the UK economy: four per cent of the total UK workforce is employed in the 7111 occupational group (Labour Force Survey, 2014). This makes it the largest single SOC code in terms of the number of employees. The retail sector alone employs over a million workers in this role, accounting for 38 per cent of the sector's total workforce (ONS, 2014b).

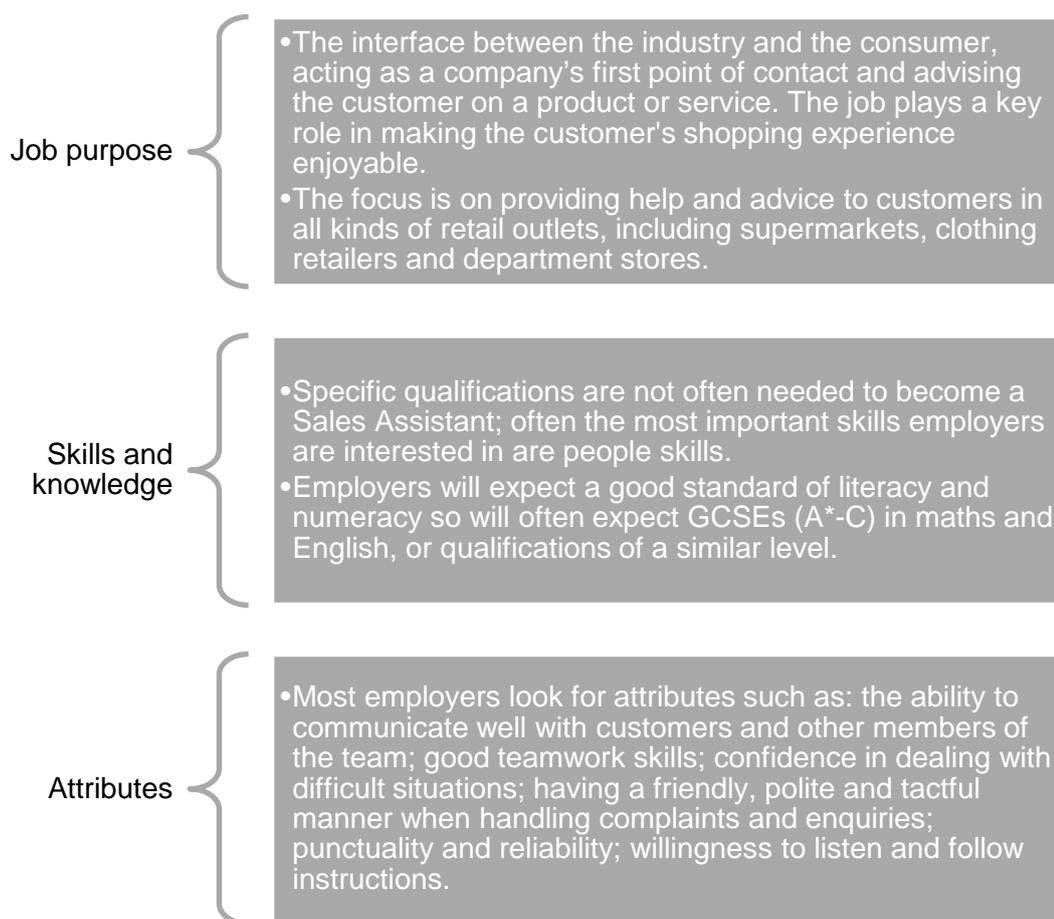
This occupational group (ONS, 2011a):

- discusses customer requirements, including type and price range of goods/services desired;
- advises customer on selection, purchase, use and care of merchandise and quotes prices, discounts and delivery times;
- advises customer making major purchase on credit terms and arranges finance as appropriate;
- receives full or partial payment, checks validity of form of payment, writes or prints bill, receipt or docket and packages merchandise for customer;
- arranges and replenishes goods on display stands, undertakes stock checks and assists with the receipt of deliveries from suppliers into the stock room;
- handles returns and deals with customer complaints.

SOC code 7111 represents an entry level occupational group. Whilst alternative occupational groups include certain tasks that sales and retail assistants are also likely to undertake, they are not always relevant to all business types, sizes and environments in the sector¹².

¹² For example: 7112 – Retail cashiers and check-out operators: include job roles such as till operators and are more relevant to sales assistants working in large hyper-/supermarkets which have large enough workforces to employ staff in distinct job roles with less overlap between occupational roles, or to businesses which have a specific function (e.g. petrol stations) which require specific job roles (e.g. forecourt attendant) and which fall within this classification.

Figure 3.1: Customer Service/Sales Assistant - description



3.4 Customer service manager

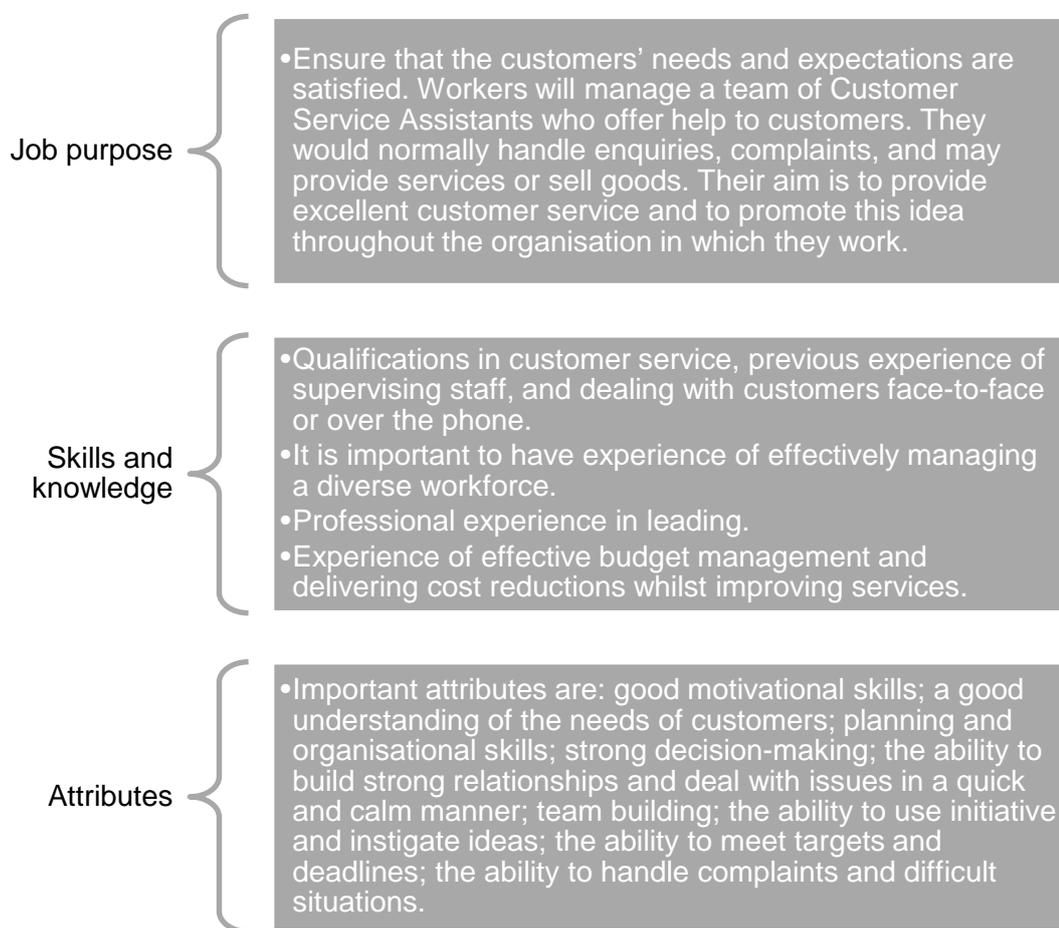
There are 9,735 individuals employed as customer service managers in the UK retail sector, accounting for 0.3 per cent of the total retail workforce (ONS, 2014b). They typically share tasks with the customer service advisors, however their role also includes middle-management level tasks.

Vokes *et al.* (2014) identified the growing importance being placed upon customer service roles as retail consumers become increasingly knowledgeable and discerning about products. Individuals in this occupational group not only require customer relations skills but also specialist product knowledge in order to successfully respond to changing consumer demands. Exploring this occupation provides an opportunity to examine retailers' strategies for equipping their senior customer service staff with these skills and knowledge, whether through training or experience, and identify the most successful approaches.

This occupational group (ONS, 2011b):

- develops and implements policies and procedures to deal effectively with customer requirements and complaints;
- co-ordinates and controls the work of those within customer services departments;
- discusses customer responses with other managers with a view to improving the product or service provided;
- plans and co-ordinates the operations of help and advisory services to provide support for customers and users.

Figure 3.2: Customer service manager - description



3.5 Marketing associate professional

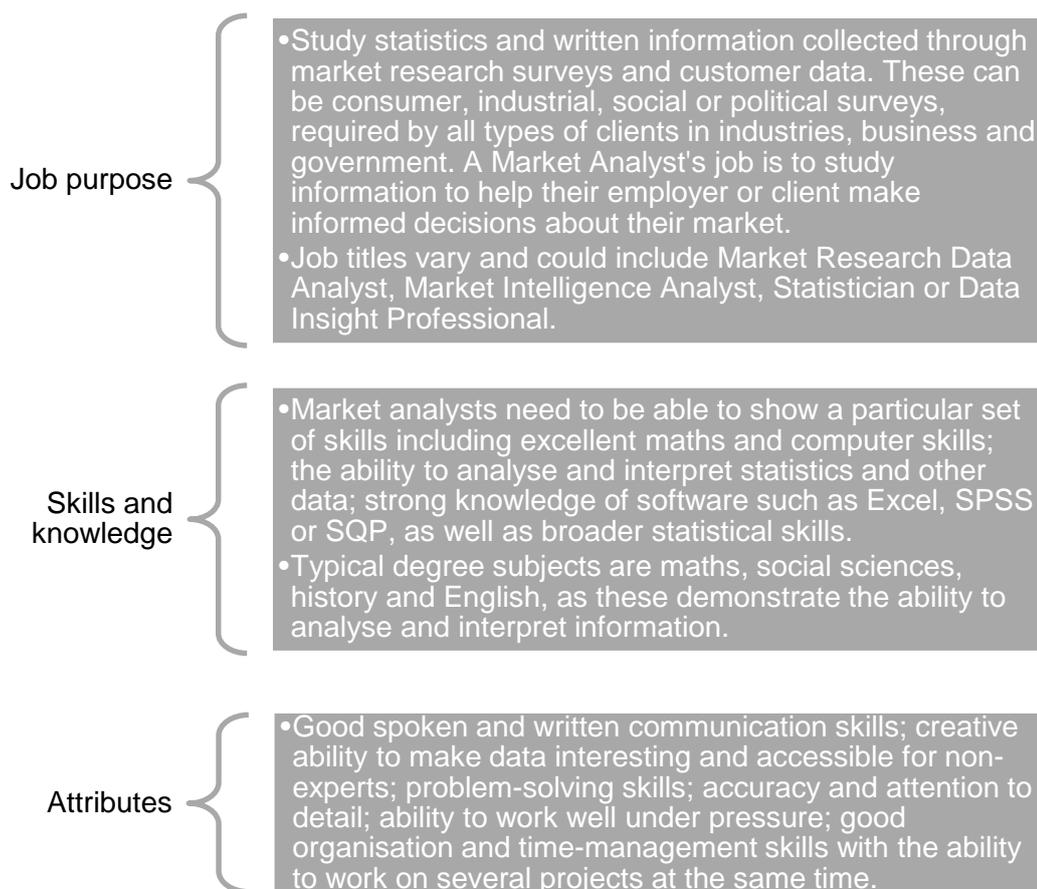
Individuals in this occupational group are responsible for analysing data collected on customer satisfaction, demands and expectations, and sales figures. Marketing roles are evolving rapidly in response to businesses' need to understand and profit from customer data collected from social media and multi-channel consumer feedback channels, and the growing importance of brand awareness. Vokes *et al.* (2014) revealed that digital skills are becoming increasingly important to the retail marketing profession, including awareness of the application of social media and methods of engaging with customers online. Retailers are now competing with other sectors to secure skilled individuals with experience in digital marketing and data analysis.

The marketing associate professional role covered in SOC code 3543 incorporates digital skills. However there are also elements of the more senior 1132 occupational group (marketing and sales directors) that are relevant to this study. Within the retail sector there are 6,152 individuals employed in the marketing associate professional role and a further 6,057 employed as marketing and sales directors; combined these roles account for 0.4% of the entire retail workforce (ONS, 2014b).

This occupational group (ONS, 2011c):

- discusses business methods, products or services and targets the customer group with their employer or client in order to identify marketing requirements;
- establishes an appropriate quantitative and qualitative market research methodology and prepares proposals outlining programmes of work and details of costs;
- collates and interprets findings of market research and presents results to clients;
- with appropriate departments, discusses possible changes that need to be made in terms of design, price, packaging, promotion etc. in light of market research;
- briefs the advertising team on client requirements, monitors the progress of advertising campaigns and liaises with the client on potential modifications.

Figure 3.3: Marketing associate professional - description



3.6 Human resources manager

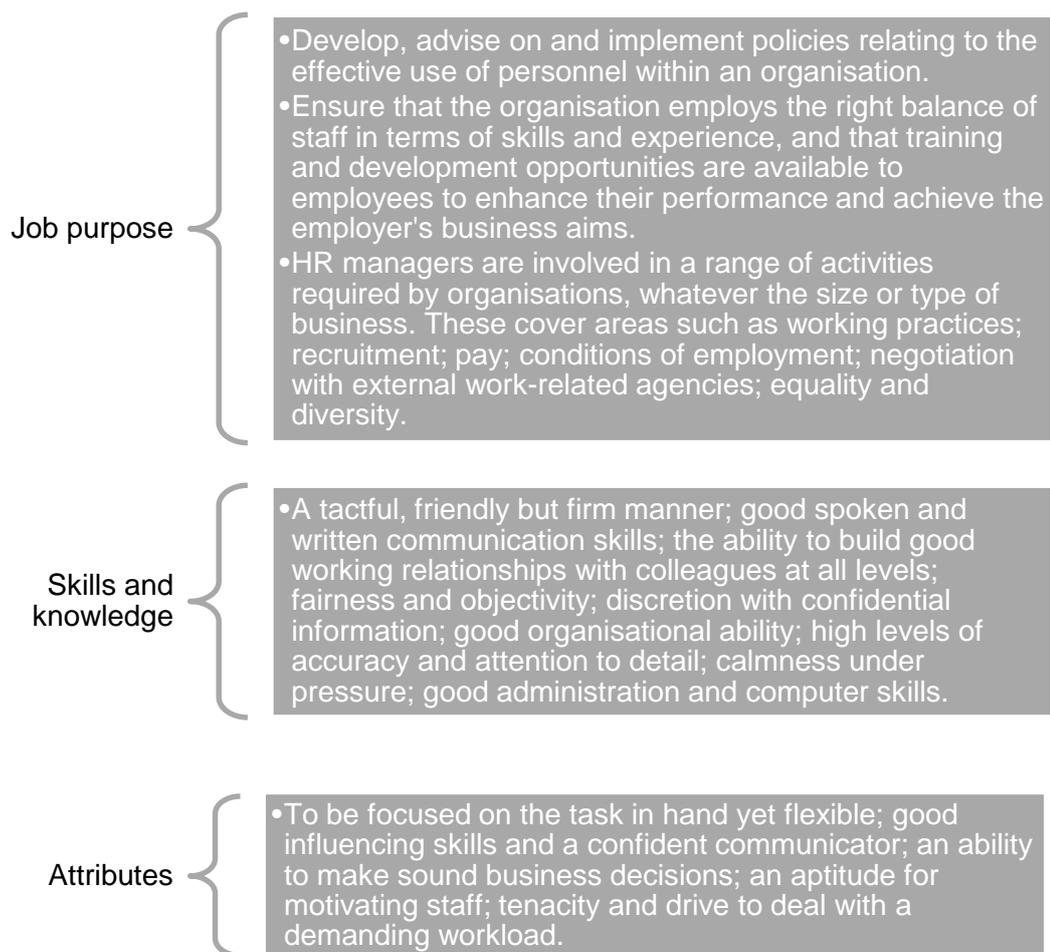
The role of human resources manager is a senior position within the HR profession. There are 6,078 individuals employed in this role in retail, which accounts for 0.2% of the entire sector workforce (ONS, 2014b). The 1135 occupational group is not reserved solely for HR professionals in a retail environment and it is likely to require skills and knowledge which are desirable in, and transferable to, other sectors. Similar occupational tasks are also covered by more junior HR roles (e.g. 3562 human resources and industrial officers) such as providing advice on training and recruitment.

Drivers of change such as changing workforce demographics and technology were identified as having a major impact upon the human resources manager role in Vokes *et al.* (2014). Individuals in these occupations are not only responsible for attracting talent into retail, but also for recruiting those with the skills and knowledge required by the sector to respond to technological changes. Retail, historically, has struggled to attract graduates in comparison to rival sectors as the industry is not widely recognised for its career progression opportunities. Similarly, as the sector starts to rely more upon those with digital marketing and data analyst experience and skills, it is forced to compete with other sectors for individuals with these skills. Human resources managers are key to determining the recruitment and development strategies employed by a business to meet its workforce demands, and exploring this occupation provides the opportunity to examine the challenges and issues faced during this process.

This occupational group (ONS, 2011d):

- determines staffing needs;
- oversees the preparation of job descriptions, drafts advertisements and interviews candidates;
- oversees the monitoring of employee performance and career development needs;
- provides or arranges for provision of training courses;
- undertakes industrial relations negotiations with employees' representatives or trades unions;
- develops and administers salary, health and safety and promotion policies;
- examines and reports on company and departmental structures, chains of command, information flows, etc. and evaluates efficiency of existing operations;
- considers alternative work procedures to improve productivity;
- stays abreast of relevant legislation, considers its impact on the organisation's HR strategy and recommends appropriate action.

Figure 3.4: Human resources manager - description



3.7 SME owner/manager

The retail sector accounts for over 100,000 shopkeepers and proprietors, constituting four per cent of the total retail workforce (ONS, 2014b). Exploring the progression routes into this occupation and the necessary skills/knowledge required to set-up and manage a business is essential to ensure future industry standards fully reflect the role.

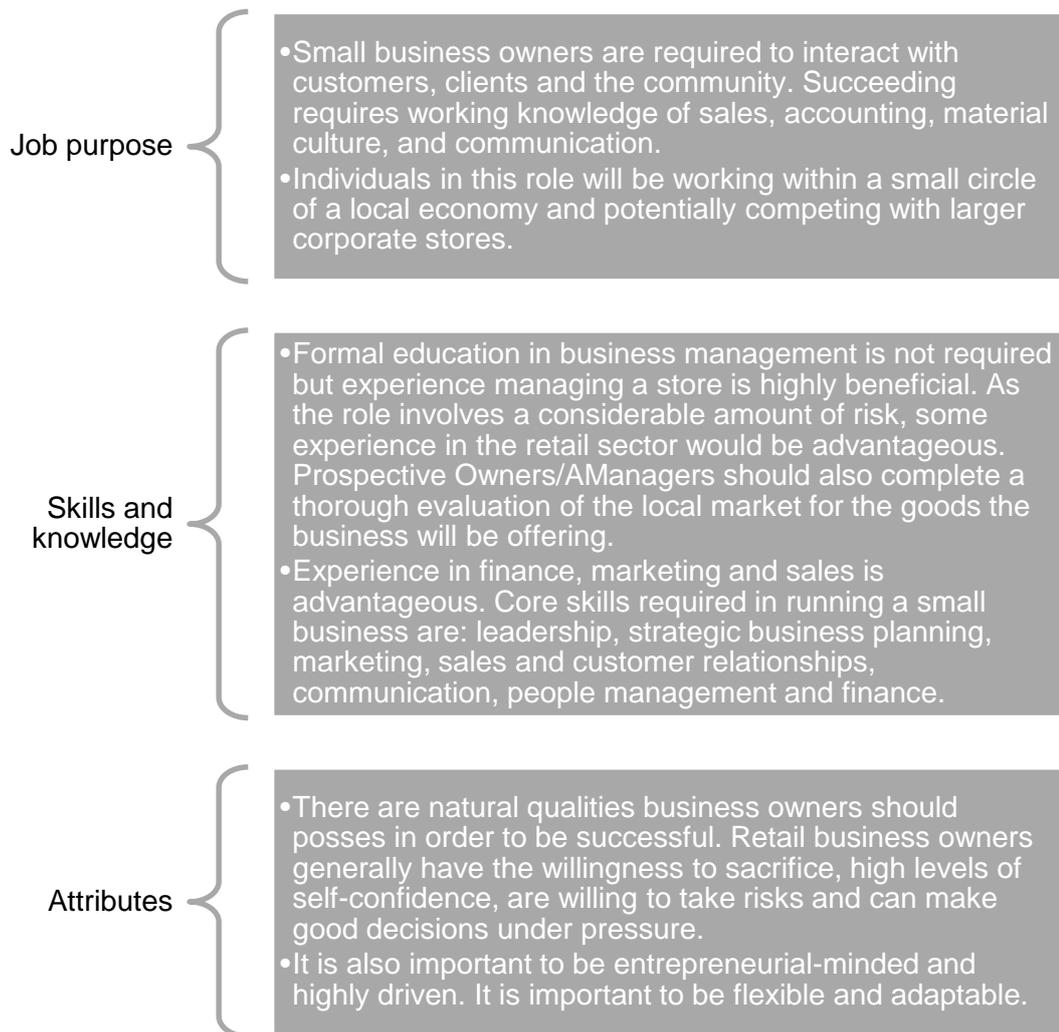
Vokes *et al.* (2014), revealed that one of the major challenges faced by SME proprietors was the need to possess a wide range of skills required to manage every aspect of a business. They are less likely to have the resources available to employ people to take responsibility for distinct business areas (e.g. finance, HR or marketing) and so are often required to oversee most or all of these functions themselves. It was recognised by Vokes *et al.* (2014) that shopkeepers often set up a business specialising in their personal interest or hobby and that, although they possess detailed product knowledge, they do not necessarily hold formal business management experience or training. Incumbents in this role can therefore suffer from skill gaps in key areas of business management which could affect the success of their company. Research conducted by the RSA suggests that self-employed workers do not always recognise the need for training or personal development however (RSA, 2015), and that business owners might not recognise the importance of possessing business skills (Meager *et al.*, 2011).

Although market/brand awareness and advertising are included as typical job tasks in the 1254 occupational group's description, explicit marketing activities (in particular, digital marketing) are not referenced. However, this will be an aspect of continued future importance for the role in terms of the digital marketing and advertising strategies required in particular to operate across multiple channels.

This occupational group (ONS, 2011e):

- defines the market position for the business, decides what to sell, forecasts demand and develops the brand image of the business;
- determines staffing, financial, material and other short- and long-term requirements;
- oversees staff training, rotas and the allocation of work;
- provides information about merchandise to staff and customers and ensures customer complaints are appropriately dealt with;
- ensures that adequate reserves of merchandise are held and orders new stock as required;
- maintains financial and other shop records and controls security arrangements for the premises;
- authorises payment for supplies received and decides on vending price and credit terms;
- examines quality of merchandise and ensures that effective use is made of advertising and display facilities.

Figure 3.5: SME owner/manager - description



3.8 Progression and retail careers

The retail sector provides an entry point into the labour market for many young people, although recent research suggests that 16-17 year olds are significantly less likely to combine work and employment than they were ten years ago (UKCES, 2015b). For some (i.e. those working part-time whilst in education) employment in this sector is temporary, whilst for others it is more permanent (Devins, 2014). The following section considers possible routes into and potential progression routes from the selected occupations.

Customer service staff

Many stores employ temporary staff at busy times such as Christmas and “Saturday staff” on the busiest day of the week. These roles can be good ways of getting experience leading to a permanent job. Promotion prospects can be very good within the customer services industry once an employee has a significant amount of experience. With experience, a customer service/sales assistant could progress to supervisor level then into management, or into retail merchandising. Transferable skills developed in the role, such as communication skills and experience of working with people, are useful in almost any line of work (particularly in hospitality and catering) so the job offers a range of opportunities for career progression not directly linked to the customer service sector.

Customer service manager

One way to progress to customer services management is to start as a customer service assistant and work up to supervisor or team leader, then to manager. A customer service manager will usually be trained on the job by the employer. With experience, an individual in this role could progress to senior / departmental management and, depending on the type of employer, progress into other areas such as sales or account handling. Good customer service skills are in demand in all industries, so these skills could be used to move into other careers. A customer service manager may be encouraged to work towards a relevant qualification, such as the Level 4 (NVQ/SVQ) in customer service (containing options in staff management, quality assurance and service improvement) (Skills CFA, 2015). There are numerous other management qualifications, which include elements of customer service.

Human resources manager

This job role is generally confined to the larger retail companies. Employers may prefer a human resources manager to have, or be willing to work towards, qualifications in human resource management, for example, those offered by the Chartered Institute of Personnel and Development (CIPD). Individuals in this role could start as an Assistant Administrator in a company's HR department, and study part-time for the CIPD Level 3 Certificate in Human Resources Practice whilst working. Individuals may also be able to take the CIPD's Level 3 Award in Human Resources Essentials or the Certificate in Human Resources Practice at a local college before looking for their first job in HR and personnel.

Marketing associate professional

Depending on the type of data being analysed, some employers will prefer a degree in statistics, or a related subject that covers statistics, such as maths, business studies or economics. Whatever the role, work experience in research, advertising, data analysis or market research will be useful. With the right experience and ability, there may be opportunities to work up from these positions by taking further training and qualifications. The Chartered Institute of Marketing (CIM) offers professional qualifications to marketing professionals at Foundation, Certificate and Diploma level, and Chartered status at postgraduate level (CIM, 2015). Other professional qualifications are offered by the Institute of Direct Marketing (IDM), The Institute of Export (IoE) and the Communications & Marketing Education Foundation (CAM).

SME owner/manager

There are various qualifications available in the UK aimed at the small business owner or manager, ranging from vocational qualifications such as BTECs to intermediate qualifications such as Foundation Degrees, and Undergraduate Degrees¹³. There is also a variety of shorter courses which can be completed part time and/or over the internet. Following achievement of a first degree some business owners may choose to complete an MBA (Master of Business Administration) which can be studied part-time, whilst still allowing time to focus on the business.

Although it can be a useful way to understand the inner workings of a business, and to make businesses more productive, many business owners choose not to undertake training or qualifications. The RSA (2015) report that this may be due to a variety of reasons including a lack of access to personal development opportunities; prohibitively high costs of training and being unable to take time off from work.

¹³ Examples include BTEC/HNDs in Business; Foundation Degrees in Small Business Management (available in England and Wales); undergraduate degrees in Entrepreneurship and Business.

4 The retail sector today

Currently, the wholesale and retail sector has a comparatively low-qualified workforce, with only 22 per cent holding a qualification at or above QCF level 4/SCQF level 8-9, compared to an all-industry average of 41 per cent. Predictions suggest that by 2022 holding qualifications at this level will be a pre-requisite for 34 per cent of wholesale and retail jobs and half of jobs across all industries.

There are over 270 accredited vocational qualifications available at QCF levels 1-4 in retail-specific subjects in England, Wales and Northern Ireland, with a further 40 available at all levels in Scotland. However, there are a comparatively small number of higher level vocational qualifications in retail.

Almost 60 per cent of retailers offer some form of training. Approximately half of retail employers that provide training focus on the use of new technology, and overall a higher per cent of sales and customer service staff received training compared to managers.

One fifth of retail establishments with a skills shortage vacancy reported a hard-to fill vacancy. Skills gaps were reported by 18 per cent of retail establishments, which is comparable with the UK average. Where skills gaps exist being new to post or incomplete training is the most commonly cited cause. However a perceived lack of staff motivation and insufficient improvement following training were also reported by more than forty per cent of employers with skills gaps.

Skills issues for customer service/sales assistants include: better product knowledge; a changing skills profile; and challenges in retaining a skilled workforce. For customer service managers, challenges include developing appropriate management skills; managing diverse skills and staff requiring technical knowledge, as well as overseeing an omni-channel sales approach.

Human resources managers are faced with challenges of recruiting to a changing sector; recognising changing job profiles; and overcoming the negative image of retail careers. The changing role of the marketing associate professional is recognised as a skills challenge, as is competition from other sectors in attracting suitably skilled individuals.

The SME owner/manager faces skills challenges in mastering management skills as well as understanding the benefits of and adopting multi-channel retail approaches.

4.1 Skills and training

Currently, as a sector, retail¹⁴ has a comparatively low-qualified workforce with only 22 per cent holding a qualification at QCF level 4/SCQF level 8-9 and above, in comparison with 29 per cent for the whole economy (Wilson *et al.*, 2014).

The Confederation of British Industry (CBI), citing UKCES Working Futures projections, estimates that by 2022, qualifications at QCF level 4/SCQF level 7¹⁵ and higher will be a prerequisite for half of all jobs (CBI, 2014). This is thought to be attributed to the combined growth in the number of individuals with mid to higher-level qualifications as a result of a doubling of the number of people entering higher education since 1994, and a reduction in the number of economically active people (aged 20 to 60 years) without qualifications (CBI, 2014). Stakeholders contributing to this research generally support this finding, suggesting that these high level skills needs are driven in part by the continuing development of technology.

In terms of workforce – there was a major upskill drive in the mid-1990s to get people up to skill levels 1-3. A lot of retailers got involved in this because it was a good way to add value to their employees and easy to access. We're finding now that retailers in particular are wanting higher skills and they want HEIs to develop higher curriculum courses at levels 4–6 for their managers to get some form of qualification. This is driven by the change in the retail landscape i.e. their employees need a greater range of skills rather than just understanding basic maths and English – they need to understand how to use technology in store (Stakeholder respondent – HEI)

With a larger proportion of the labour market equipped with higher-level qualifications, employers are free to recruit more highly skilled individuals to occupations previously filled by those with fewer or lower-level skills. This is reported as being responsible, in part, for the increase in the skill requirements of mid-level occupations generally, discussed in Chapter 5.

¹⁴ This is based on Working Futures data and figures are for the wider wholesale and retail sector.

¹⁵ This is the equivalent of an HNC or a Certificate of Higher Education

4.2 Availability of training and qualifications

In terms of accredited provision, there are over 270 vocational qualifications (levels 1-4) available in the Qualifications and Credit Framework (QCF)¹⁶, alongside graduate and postgraduate level qualifications on offer in higher education. Table 4.1 summarises the number of accredited relevant vocational qualifications regulated in England, Wales and Northern Ireland on the QCF¹⁷.

Table 4.1: Retail qualifications available on the QCF in England, Wales and Northern Ireland

QCF Level	Description of qualifications	Number of qualifications
1	A range of Awards, Certificates and Diplomas in 'Retail Skills' and 'Retail Knowledge'.	37
2	A range of Awards, Certificates and Diplomas in 'Retail Skills' and 'Retail Knowledge'. Other qualifications cover specialisms such as: fashion, food, beauty, trade business, customer service, health products. Two qualifications focus on multi-channel retailing.	120
3	A range of Awards, Certificates and Diplomas in 'Retail Skills' and 'Retail Knowledge'. Other qualifications cover specialisms such as: supervision, management, visual merchandising, and food safety supervision. Five qualifications focus on multi-channel retailing.	106
4	A range of Diplomas covering retail knowledge, retail management, buying and merchandising, visual merchandising, fashion retail.	11

Vocational provision is concentrated mostly at levels 2 and 3 (aimed at individuals working at the level of customer service/sales assistants, which are the most populous roles). However, stakeholders have suggested that the comparatively small number of vocational qualifications at higher levels is a concern.

...in recent years there is a real difficulty for [low paid/low skilled individuals] to gain the new skills and progress up the ladder – there is a lack of level 4 and level 5 development opportunities. Also a lack of opportunities to develop in the sector will impact upon the sector: impact upon recruitment, people realise that they do not always get a job with level 3 qualifications. In retail, it is important to offer opportunities such as degree apprenticeships to help keep people in the industry. (Stakeholder respondent – Overarching industry body)

The Government's Trailblazer initiative in England has seen the development of new apprenticeship standards for Retailer (level 2), Retail Team Leader (level 3) and Retail Manager (level 4). The latter may help to address some stakeholders' views that a lack of opportunities to study at level 4 and above is hindering progression and retention.

¹⁶ Each qualification on the QCF sits at one of 8 levels. Depending on its size (i.e. the number of credit it contains) a qualification will be classified as either an Award, a Certificate or a Diploma.

¹⁷ These are all referenced to the Sector Subject Area 7.1 'Retailing and Wholesaling'

The Scottish Credit and Qualifications Framework (SCQF) paints a similar picture: whilst there are over 40 retail qualifications available on the Framework, only four of them are at SCQF levels 7 and 8 (equivalent to QCF levels 4 and 5):

- one qualification at SCQF level 7 in Retail Management
- three qualifications at SCQF level 8 in Retail Management and in Fashion Retailing

The comparatively small number of vocational qualifications at these levels may be a reflection of the size of the market. For example, managers and senior officials account for just under 12 per cent of the retail workforce (Wilson *et al.*, 2014).

Higher level courses such as Higher National Certificates (HNCs) and Higher National Diplomas (HNDs), Foundation Degrees and Degrees in retailing and related subjects¹⁸ are available in the UK at 46 establishments, which include colleges and Universities. Courses in Northern Ireland, Scotland and Wales are very limited, being offered by only two, three and four institutions, respectively¹⁹.

In terms of the development of skills in numeracy, literacy and ICT there are a large number and variety of different courses and qualifications available. For example, in England, functional skills qualifications in English, Maths and ICT are available as stand-alone qualifications aimed at developing competency in these subjects. Functional skills qualifications are also component parts of apprenticeships, including most of the new Trailblazer apprenticeships in England. Functional skills qualifications are also available in Wales, as well as Essential Skills Wales (ESW) qualifications in communication, application of number and information communication technology (ICT), which are a component part of Welsh apprenticeships. In Northern Ireland functional skills qualifications are offered and, in Scotland, there are a variety of qualifications aimed at improving individuals' 'core skills' in communication, numeracy, information and communication technology as well as working with others and problem solving.

The government has recently announced plans to develop an employer-designed degree apprenticeship in Leadership and Management. Whilst this is not directly set within the retail context it will potentially be useful to employees and particularly small business owners within the retail sector (HM Treasury, 2015a).

¹⁸ Such as business, advertising, marketing and promotion

¹⁹ Information obtained from the UCAS database accessed 18/03/15

4.3 Access to adequate training

Skills development plays a large part in career progression and therefore employers' access to and investment in relevant training is essential to support upskilling of the retail workforce. However, industry experts are concerned that workers who require the most support in their skills development are the ones who participate in training the least, for example, small businesses and older workers.

Although there are growing numbers of older workers, educational provision and training tends to focus on younger people. In particular, there has been a substantial decline in the percentage of people aged over 55 years participating in further education (down to 8 per cent in 2012 from 21 per cent in 2007). Similarly, workers in lower-skilled or part-time jobs who are most likely to benefit from mid- to high-level vocational training, experienced some of the largest declines in training during the recession period (Skills Commission, 2014).

Industry experts are keen to demonstrate how establishing pathways to higher-level vocational training will benefit not just the retail sector but the entire UK economy. Providing workers with a "clear line of sight to work" (Commission on Adult Vocational Teaching and Learning (CAVTL), 2014) and illustrating how their newly acquired skills can be put to use in work, puts training into context and fuels ambition. High quality training at levels 2 and 3 will help to support progression into higher-level training and ultimately establish a strong supply of skilled employees for the future.

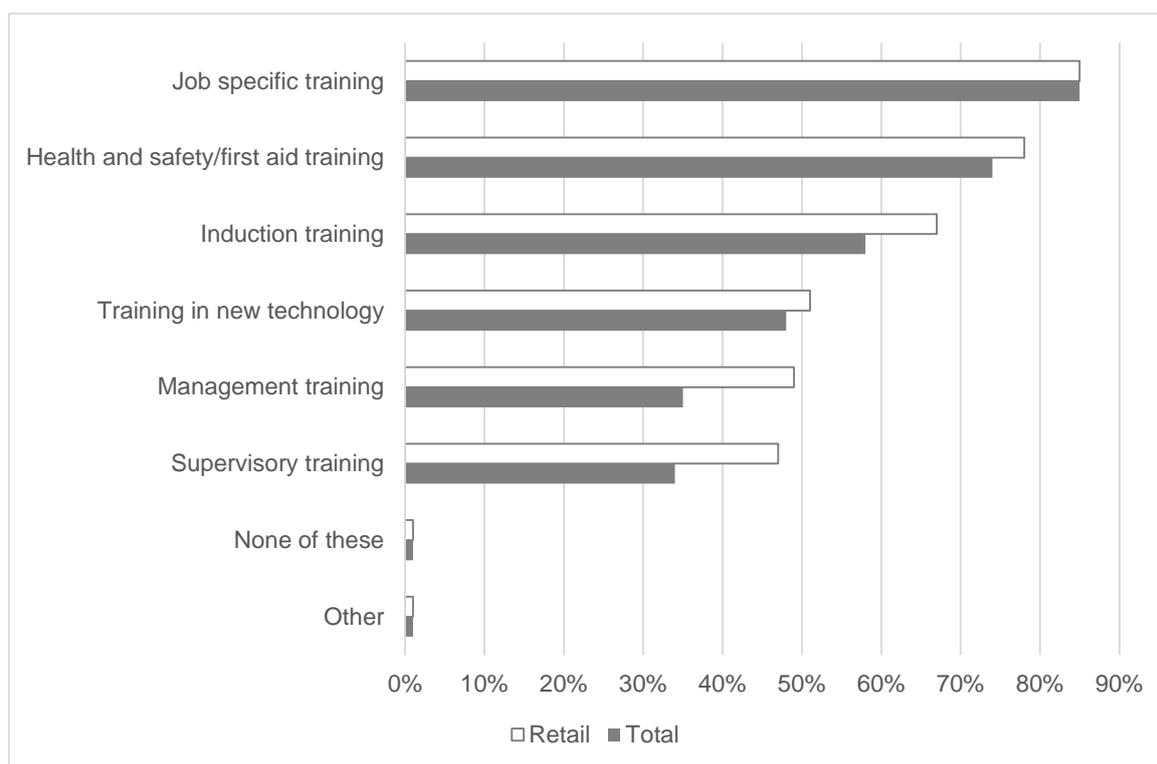
Employers argue that the supply of relevant, quality vocational training is limited, especially in the supply of further education college training, and this therefore acts as a barrier to providing external training for their employees (UKCES, 2014a). A report by CAVTL, and the UKCES, suggests that there is also the potential to improve the notion of a 'two-way street' which would see greater collaboration between schools, colleges and employers on qualification and training development and career advice (UKCES, 2013b).

4.4 Uptake of training

Almost 60 per cent of retailers offer some type of training (UKCES, 2014a). On-the-job training is the most common form of training - offered by 52 per cent of all retailers. These figures are similar to the average across all UK employers. However, within the retail sector, less than half (46 per cent) of retailers have a training plan, and even fewer (25 per cent) have a specific budget for training.

Of the retail establishments which do offer training, the most common type is job specific training (offered by 85 per cent of those which offer training), followed by statutory training such as health and safety and first aid (78 per cent). Training in new technology was provided by approximately half of retailers in the 12 months prior to the UKESS survey. The results are broadly similar to the all industry average although induction, management and supervisory training is more prevalent amongst retailers which provide training than the all industry average (see Figure 4.1).

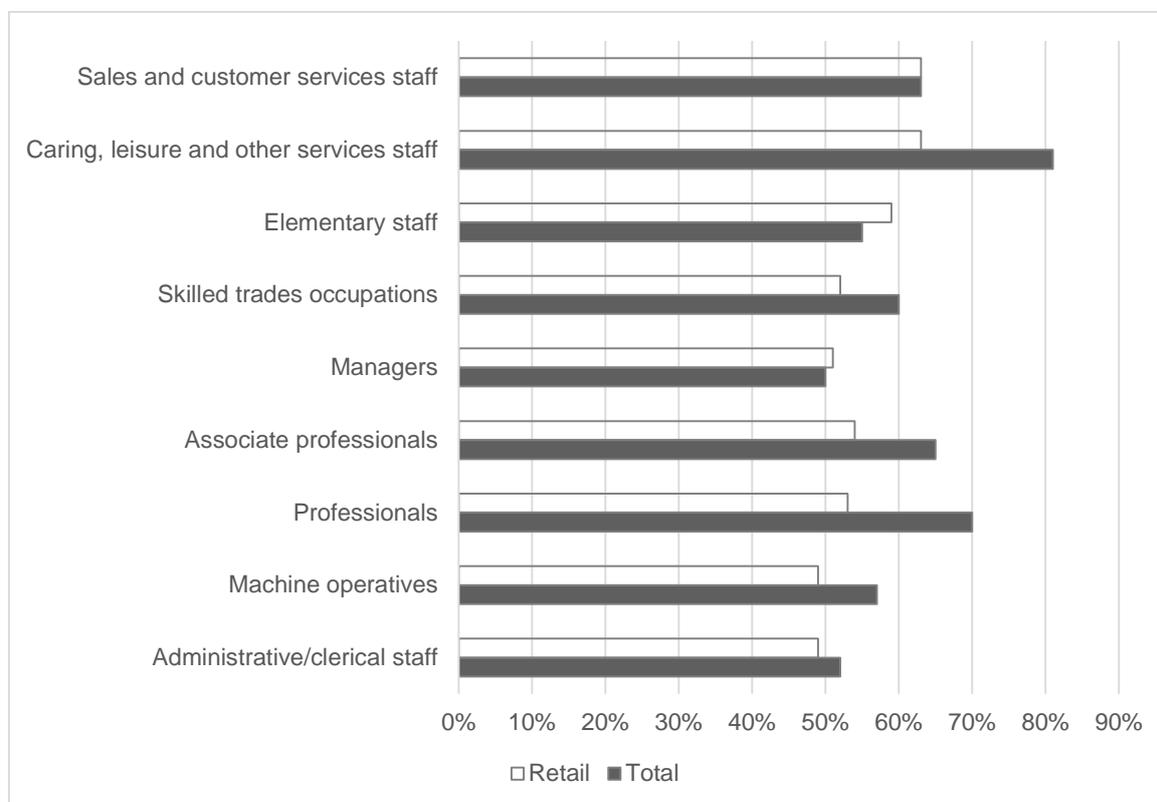
Figure 4.1: Types of training funded or arranged for employees (%)



Source: UK Commission's Employer Skills Survey 2013 (Base: all establishments providing training)

Where training is offered by retail employers, a larger proportion of sales and customer service staff (63 per cent) receive training compared to managers (51 per cent). This is also evident in the all industry average data (see Figure 4.2).

Figure 4.2: Profile of training by occupation (%)



Source: UK Commission's Employer Skills Survey 2013 (Base: all establishments providing training, excluding establishments that don't know the occupational spread of training)

However, almost half of retailers identify managers as being most affected by needing to acquire new skills, compared to the UK average of 42 per cent. Meanwhile, 30 per cent of retail employers identify sales and customer service staff as being most in need of training, higher than the 11 per cent average for this occupation (UKCES, 2014a).

Whether retailers offer training or not, the vast majority (88 per cent) have taken steps to improve the proficiency of their staff. The most typical ways of doing this are to increase staff training (69 per cent), increase staff supervision (62 per cent) and increase the number of appraisals/performance reviews (58 per cent) (UKCES, 2014a).

4.5 Hard-to-fill vacancies and skills gaps

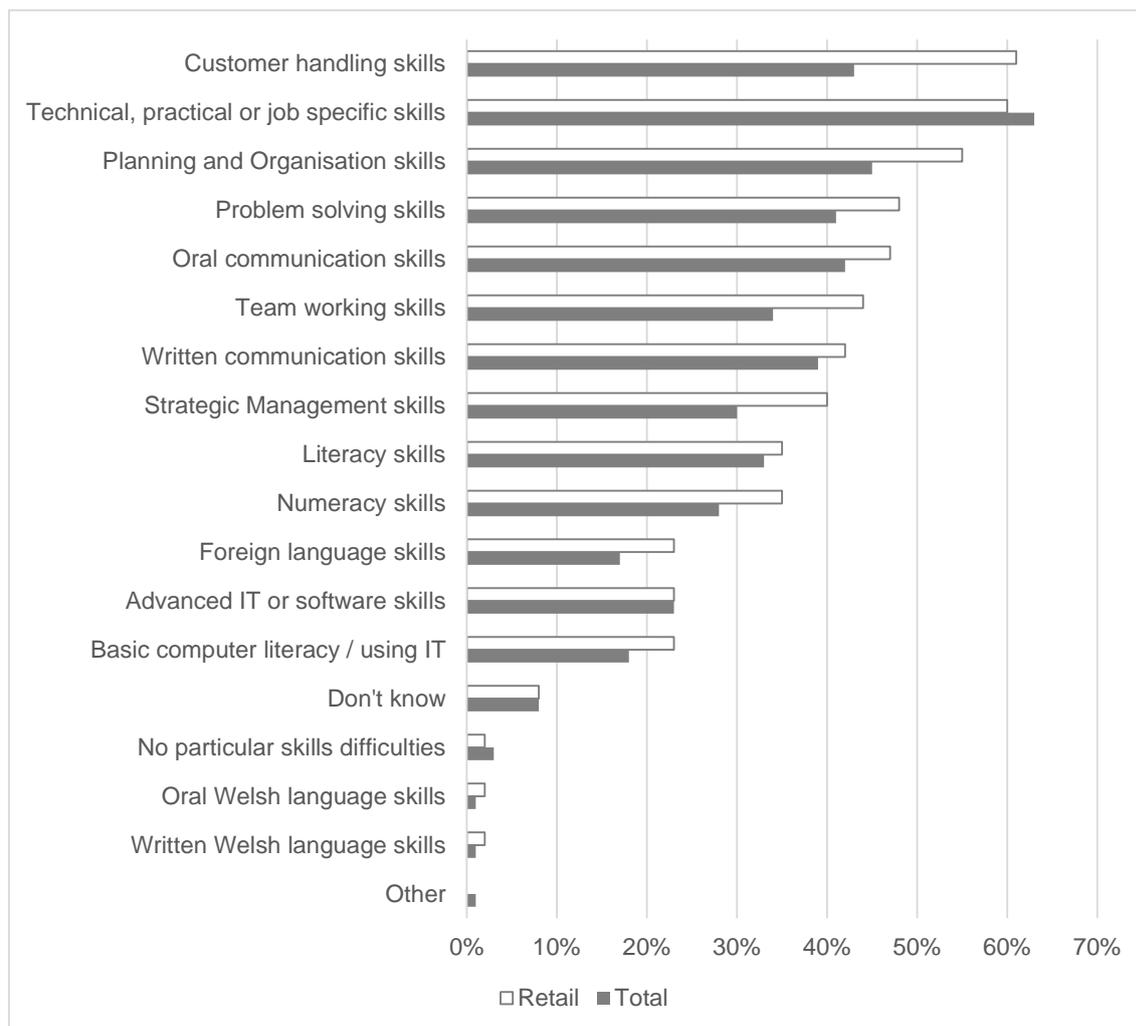
The retail sector has a fairly average skills profile in terms of rates of hard-to-fill vacancies, and slightly higher than average rates of skills gaps compared to employers across all other sectors combined. Of all of the three sub-sectors of the wholesale and retail sector²⁰, retail experiences the lowest rate of hard to fill vacancies (21 per cent of all vacancies were hard to fill compared to a UK average of 29 per cent). The most prominent cause of hard to fill vacancies in the retail sector is a low number of applicants with the required skills (32 per cent). This is also the most prominent cause across the economy, as 40 per cent of all UK employers cite a low number of applicants with the required skills as the main cause of hard-to-fill vacancies. The next most frequently cited cause by retail employers for hard to fill vacancies is a low number of applicants with the required attitude, motivation or personality (at 27 per cent, this is higher than the UK average of 18 per cent).

In line with the UK employer average, retailers most typically intend to increase advertising/recruitment spend (34 per cent) and use a new recruitment method or channel (33 per cent) to address the issue (UKCES, 2014a). Some retailers are however beginning to address this challenge by prioritising attitude and motivation above qualifications and experience at the recruitment stage (as described in later Chapters).

Findings from UKCESS emphasise the challenges facing the sector in terms of ensuring that staff are sufficiently skilled in the area of customer service. For example, 55 per cent of retail establishments with skills gaps identify gaps in the customer handling skills of their existing staff. Retailers report that these skills will become more critical as they focus on the customer experience and sophisticated methods of securing customer loyalty. However, they also report that individuals with good customer service skills are difficult to find. Nearly two thirds of sector employers with skills shortage vacancies have difficulty recruiting employees with these skills, compared to a UK average of 43 per cent (see Figure 4.3).

²⁰ The three sub-sectors are: wholesale and retail trade and repair of motor vehicles and motorcycles; wholesale trade, except of motor vehicles and motorcycles; retail trade, except of motor vehicles and motorcycles

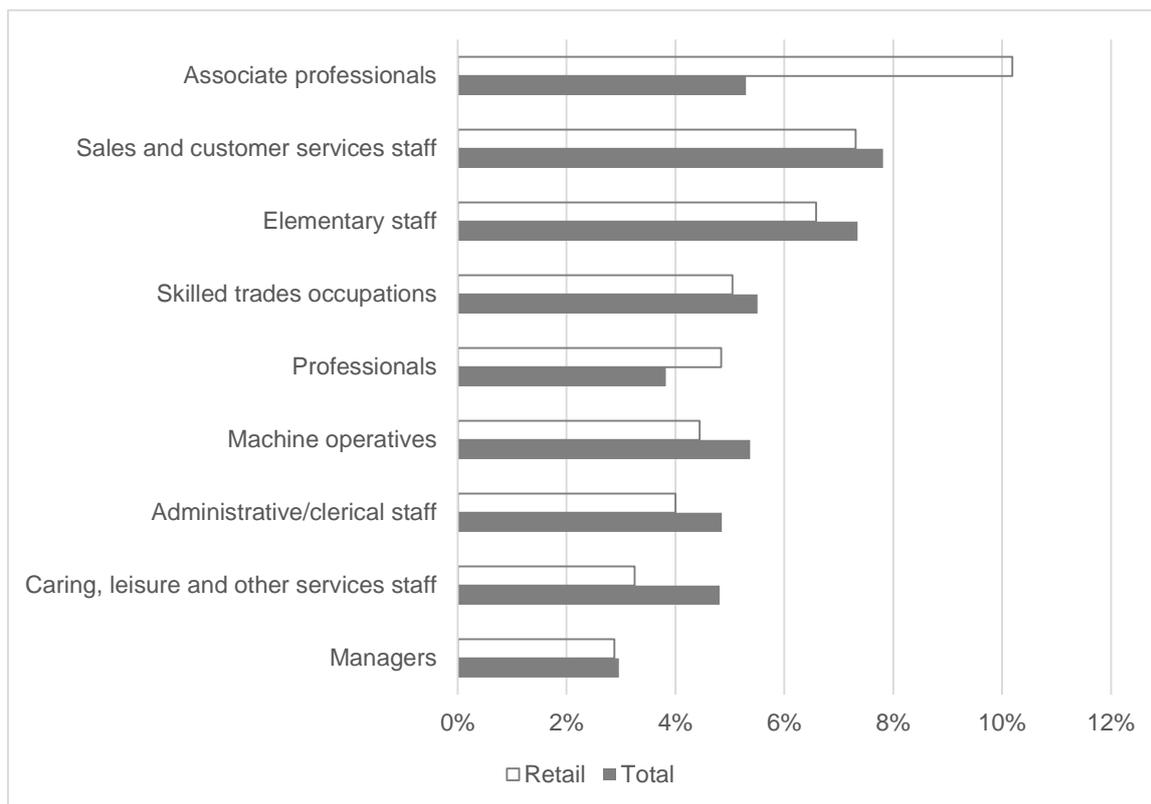
Figure 4.3: Skills found difficult to obtain from applicants (%)



Source: UK Commission's Employer Skills Survey 2013 (all establishments with skills shortage vacancies)

Although retailers report that customer service skills are difficult to find, UKCESS data suggests that only seven per cent of sales and customer service staff are reported as having skills gaps (see Figure 4.4). This suggests that retailers are generally able to upskill workers to a satisfactory skill level. Figures reported in the previous section identify sales and customer service staff among the occupational groups most likely to receive training. As the number of workers in this role is predicted to grow, this suggests retailers will need to expand their capacity to provide appropriate training to increasing numbers of staff in future. Interview respondents also draw attention to insufficient 'functional' skills in English, maths and ICT.

Figure 4.4: Percentage of employees who are not fully proficient, by occupation (%)



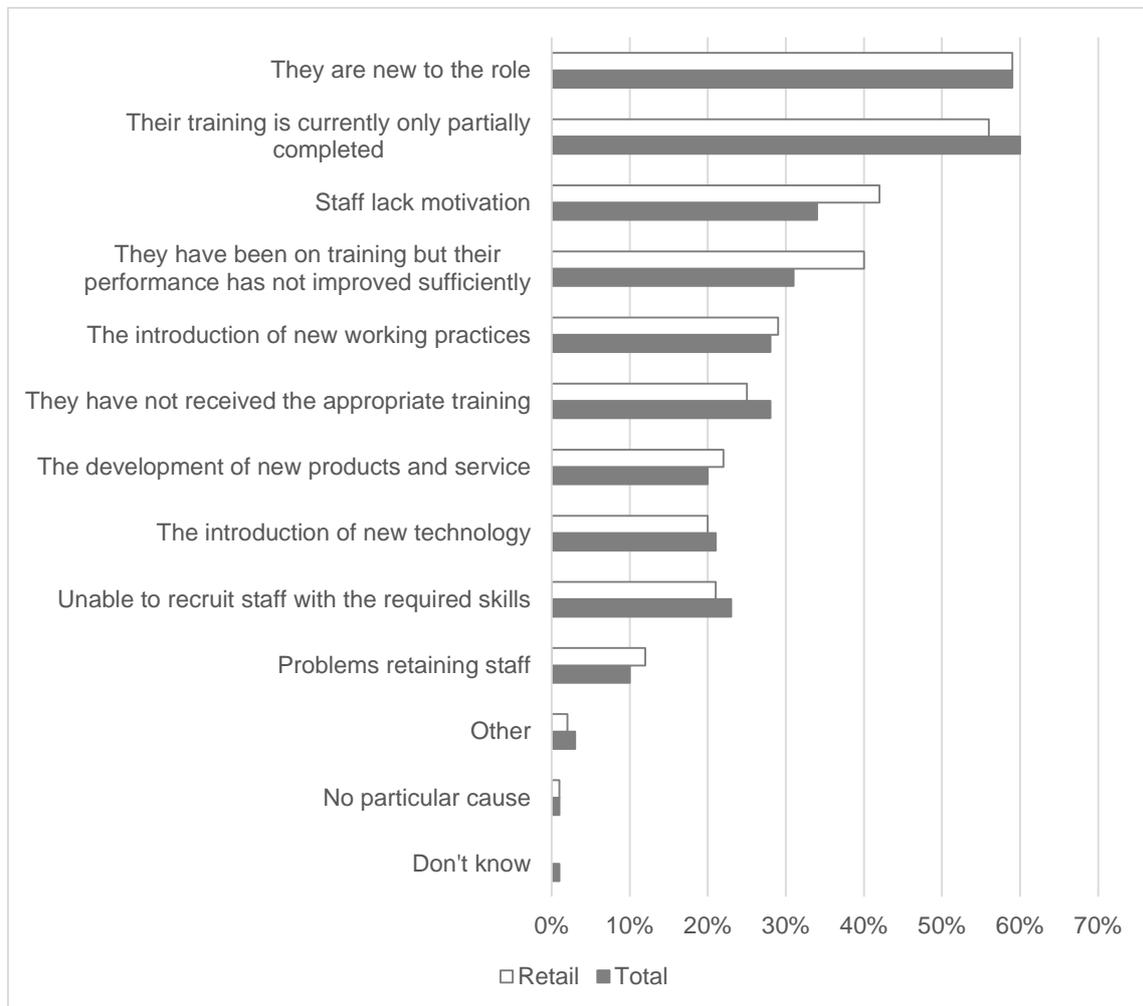
Source: UK Commission's Employer Skills Survey 2013 (Base: All in employment)

Just over ten per cent of associate professionals (the category within which marketing associate professionals sit) are considered to not be fully proficient in their role, compared to five per cent across all occupations. Research respondents underlined the future importance of this role and the fact that many retailers do not fully recognise its value. Given the role is already considered to suffer from skills issues there is a risk that the problem becomes compounded. As one respondent noted *“Retailers are not doing well with understanding their data needs and recruiting those with the skills to manage data”*.

UKCESS shows that 18 per cent of retail establishments report skills gaps and within this group 40 per cent of employers reported that workers had been on training but their performance had not improved sufficiently. This compares to a UK average of 15 per cent of all establishments reporting skills gaps, and 31 per cent of these reporting ineffective training as a cause of the skills gaps they are experiencing.

The reasons for a lack of improvement amongst staff who have received training is unclear, but this could point to a failure to correctly diagnose skills needs, inappropriate training being delivered, the quality of that training being inadequate, and/or delivery methods not being tailored to individuals' needs. Figure 4.5 also shows that a lack of motivation is cited as a cause of skills gaps by 42 per cent of employers with skills gaps.

Figure 4.5: Causes of lack of proficiency (%)



Source: UK Commission's Employer Skills Survey 2013 (Base: all establishments with skills gaps)

Only a fifth of retailers recognise new technology as being a cause of skills gaps, in line with the UK average (see Figure 4.5). Stakeholders predict this deficiency to increase over time in response to three factors:

- the pace of advances in technology;
- the changing skills profile of entrants combined with labour market changes, and the failure of some retailers to accurately match these changes to their own skills needs;
- an aging workforce, which requires upskilling in new technology.

4.6 Attracting talent

Young people with expertise in areas such as IT and web-related areas, analytics and 'big data' management are becoming sought after by retailers who recognise the future importance of these functions (predominantly larger companies). However, they are often attracted to other industries ahead of retail. Information on the sectors in which graduates from these subjects go onto work is limited but the most popular roles for individuals who studied IT, mathematics and computing disciplines are in business, HR and finance professions (HECSU *et al.*, 2013).

Although traditional recruitment channels (e.g. job adverts in newspapers, jobs boards and within shops themselves) are successful at recruiting to lower-level roles such as customer service/sales assistants, stakeholders suggest the sector will need to review its recruitment strategies to compete with other sectors for high level roles, such as marketing associate professionals. The situation is likely to become more pronounced as the nature of job roles change. The need to review recruitment strategies was anticipated a number of years ago, with the number of jobs requiring high-level skills predicted to increase (Edge Foundation, 2008).

As the sector changes and requirements for skilled individuals increase, companies are needing to become more agile to compete for the workforce of the future. This means planning ahead to predict their skills needs and workforce profiles within an ever-changing environment (pertinent for HR managers and SME owner/managers). As the Government's Strategy for UK Retail highlighted, the main impetus for changing workforce requirements is driven by the changing nature of the retail market, evolving business models and a consequential need for new and different retail jobs (UK Government, 2013a).

But the job market is changing – my students want to work with technology and social media, and while retailers demand these types of skills they aren't creating the opportunities to utilise these skills i.e. provide the types of jobs that graduates want to do. (Stakeholder respondent – HEI)

There is some evidence to suggest that retail employers have started to recognise the importance and benefits afforded by employing individuals with higher-level vocational qualifications. When interviewed, 71 per cent of wholesale and retail employers agreed or strongly agreed that vocational qualifications equip their staff with all of the skills needed by their company (UKCES, 2014a).

4.7 Work experience

Work experience is vitally important for young people seeking to enter work and for career progression when in employment. The majority of employers in the UK consider relevant work experience a critical success factor for applicants (66 per cent) (UKCES, 2014b), valuing the knowledge and experience that individuals gain as a result. There are also numerous studies which credit work experience with the development of valuable attitudes and characteristics (Wolf, 2011; Mann, 2012). However, the result is that some young people can find themselves entering into “extended entry tournaments” (Skills Commission, 2014) to secure internships and voluntary work in order to gain valuable experience.

Industry experts advocate the involvement of employers in school careers advice (CBI, 2014) by providing work experience opportunities and employability training activities such as mock interviews. However, few employers currently provide work placement opportunities or activities such as mock interviews and site visits; the latest Employer Perspectives Survey revealed that just over a third of retailers²¹ had offered any type of work placement over the past 12 months (UKCES, 2014b).

4.8 The image of the retail sector

As is the case with other sectors characterised by a high proportion of relatively low-skilled and low paid employment opportunities, retail has, for many years, suffered from a negative image. Indeed, over half of the UK’s low-paid workers are found in the retail sector, as well as in catering and care where temporary and zero-hours contracts are common (Schmuecker, 2014).

²¹ The figures include wholesale and retail.

However, the industry is acting to combat the negative stereotypes, with some large retailers employing innovative human resources strategies to attract new talent and improve retention rates amongst existing staff (The Retail Bulletin, 2014; HR Magazine, 2011). This also includes taking actions to attract future managers and leaders through graduate schemes, some of which have long been a feature of the sector. For lower level staff, such as those in customer service and sales roles, retailers employ various strategies to improve both recruitment and retention strategies. For example, providing managers with clear recruitment guidance; training in competency-based interviewing; promoting the company ethos and brand; and analysing data produced by the recruitment process (Retail Gazette, 2014).

The issue is also reported by stakeholders contributing to this research, highlighting the difficulties faced by retailers in attracting suitably skilled and motivated individuals. Retailers do not only experience difficulties attracting graduates, however. One college attributed this difficulty in part to the absence of adequate information advice and guidance available to young people:

It's very hard when looking for retail [apprentices] because there is a lack of interest in perusing retail as a career. There is a lot about apprenticeships in the media but applicants don't know where to look...Careers advice in schools is important- it doesn't seem to be available anymore...(Stakeholder respondent – FE College)

The negative image of retail can also be attributed to a lack of visible job roles, other than those at the lowest levels. As in many other sectors, the 'back-office' and head office roles, employing managers and associate professionals (such as marketing associate professionals and HR managers) are largely hidden from the public and are therefore not always at the forefront of people's minds when thinking about retail careers. There is very little therefore to counteract the view of retail as only offering low-paid and low-skilled work. Indeed, other evidence supports this point, suggesting that the low pay and low qualifications required to work in some retail occupations can dissuade able candidates from working in retail (Mosley *et al.*, 2012).

Awareness programmes are being used to promote the sector to school-leavers, such as through the Retail Ambassador Programme operated by the National Skills Academy for Retail. The 2014 UKCES Employer Perspectives Survey suggests that retail employers are satisfied with the performance of these school leavers. Approximately three quarters (71 per cent) of wholesale and retail employers who had recruited 17-18 year old school leavers said they were well prepared to enter the world of work (UKCES, 2014a).

The Government's Strategy for Retail underlines the need to attract talented individuals, with its focus on the importance of future job creation not only in front-line roles (which account for the majority of the retail workforce²²) such as customer service/sales assistants but also in management, IT, marketing and supply chain roles at higher levels (UK Government, 2013a).

Much of the ability to attract talented individuals will depend on the provision of good careers advice, relying on advisors being able to "*link multiple occupations within a single firm or across a labour market, based on the similarity of the skills developed in each occupation on the ladder*" (Devins *et al.*, 2014). However, recent research on the subject has consistently reported shortfalls in the quality and impartial nature of careers advice delivered, particularly in schools – with the importance of employer involvement stressed as key to improving the situation (Ofsted, 2012; Gatsby, 2014). The National Careers Council has strengthened the call, arguing for greater employer involvement in the provision and oversight of careers advice, with its recommendation that an Employer-led Advisory Board is established to guide the work of the National Careers Service (National Careers Council, 2014). The issue of a negative image of retail was also raised in evidence submitted to the Business, Innovation and Skills Committee in 2014:

Mike Davidson, Head of Retail Operations at Land Securities spoke up for career opportunities in the retail sector: "If one of the things that comes out of this is that retail is put on the map as a career choice with future potential, that would be hugely advantageous in the process". (House of Commons 2014)

4.9 Employee retention and progression

Retention of skilled and motivated employees is a key challenge in roles where the market is competitive, and where employees move between companies for relatively small differences in wages (such as customer service/sales staff). The situation is particularly pronounced amongst small and medium sized enterprises, and part-time employees, who constitute a large proportion of the retail workforce (Devins *et al.*, 2014).

A stakeholder reported that this is also occurring further up the occupational hierarchy with store managers also moving between brands (regularly progressing sideways, rather than upwards) because they are not always aware of progression pathways available to them.

²² See Chapter 3 for further detail on the profile of the retail workforce.

In response to recruitment difficulties some businesses report finding it easier to promote their own workers, rather than attract talent from outside the business. However, a lack of training can mean that once in management positions these individuals, particularly customer service managers, can find themselves lacking necessary skills (Vokes *et al.*, 2014).

A lack of training compounds the issue in small and micro businesses, with only around 55 per cent of the latter offering any form of training compared to 98 per cent of large businesses (UKCES, 2014a). This suggests that when ineffective internal promotions take place the individual may struggle to access the training they need to improve.

The demise of the job for life

The notion of the lifelong job has all but disappeared and individuals are now encouraged to embark on a 'portfolio career' (Skills Commission, 2014). As 'portfolio careers' are characterised by individual determination, risk and personal development, workers are expected to play a large part in managing their own development and learning; a factor that is increasingly important in the face of rapidly evolving technology and corresponding business management strategies. It is not surprising, therefore, that employers are increasingly seeking graduates and school leavers with employability traits such as tenacity, resilience and 'grit' (CBI, 2014).

4.10 Key occupations

This section brings together and summarises the skills challenges currently facing each of the five occupations.

4.11 Customer service/sales assistant

Better product knowledge

Interviews and data analysis consistently identify a need for customer service/sales assistants to have better product knowledge.

The ROBO phenomenon can extend this requirement to include knowledge of competitors' products; customers who have researched products online are likely to be armed with this knowledge and will expect customer service/sales assistants to be able to offer them sound and informed advice. Meeting this skills challenge is likely to not only improve the customer experience but also generate other positive effects.

This results in pressure to make the most out of each and every interaction with a customer in order to improve loyalty. However, this is not all bad because it can be a positive, motivating pressure for the employees. (Stakeholder respondent – retail trade association).

A changing skills profile

The lack of understanding amongst the public of what a customer service/sales assistant role entails continues to challenge the sector. Over half of the employers interviewed suggested that, when recruiting, the quality of applicants can often fall far short of what is required, a situation that is blamed on some applicants believing that skills requirements for this role are minimal or, in some cases, non-existent. Employers described their experience of applicants failing to meet their requirement. One employer described applicants as “*unsuitable either because of misunderstanding or arrogance*” whilst another reflected that “*Younger applicants are applying for positions where older, more mature people are needed*”. The response from another employer demonstrates a recognition that retailers may need more support to improve recruitment practices and to attract suitable applicants.

We would like to look at ways to streamline recruitment. We would like to reduce the time spent on recruitment and perhaps tighten job specs. Perhaps government advice could help with this process. Possibly people need to be better informed on which jobs to apply for. (Retail employer)

Retaining a skilled workforce

Improving staff retention rates amongst lower-level and lower-skilled workers such as customer service/sales assistants has long been a challenge for the retail sector (Vokes *et al.*, 2014). Part of the solution will lie in a better understanding of the skills needed by staff in these roles, in order to match individuals at the recruitment process with the job requirements.

Other issues relate to the provision of training, which can help to motivate staff but is mostly the preserve of larger companies. UKCESS data suggest that in the retail sector there may be a mismatch between the skills needed and the training delivered, leading to ineffective training. This in itself can lead to problems with retention, exacerbated by uncertain career paths. This of particular concern for customer service/sales roles who are the second largest group (after managers) to receive training and are by far the largest occupational group in the sector, accounting for 38 per cent of the workforce.

4.12 Customer service manager

Developing management skills

Stakeholders highlighted skills deficiencies amongst some customer service managers, particularly those who have progressed from a shop floor sales role. The issue, which has also been raised in the literature, leads to skills gaps in basic management skills, such as people management, budgeting and planning.

One stakeholder criticised the current funding regime for vocational education provision (in England), which makes those over 24 ineligible for funded programmes at level 3. Whilst larger employers are more likely to have in-house, tailored provision the issue is more pertinent to small and medium sized employers.

As pressure increases on customer service/sales staff to possess a broader and deeper understanding of products, this exerts an associated onus on their managers to ensure teams are regularly updated on new and/or improved products and offers.

Consumer product knowledge – if you get customers who are interested in the source of the products this puts a pressure onto the sales and customer service staff to answer these questions. The result is that there will be more pressure on owners to more formally brief their staff on the products they're selling. (Stakeholder respondent – Trade association)

One stakeholder noted that giving staff responsibility for sections or particular specialisms can help to encourage those staff to develop pride and commitment, and relieve pressure on managers. The compromise however is that managers require skills in managing those diverse teams, which may necessitate a certain degree of upskilling.

Omni-channel retailing

Customer service managers are responsible for ensuring a consistent and seamless approach to customer service, whether in-store or online. This means developing a thorough grasp of the company's offer on all channels and promoting a homogenous customer experience. Customer service managers must therefore possess the skills to look across the company to deliver customer service consistency, and to have a thorough understanding of the company's customer experience ethos.

4.13 Human resources manager

Recruiting to a changing sector

A key challenge described by stakeholders is for retailers to keep track of their skills and recruitment needs as the sector continues to change in response to the drivers described in Chapter 2. HR managers need to understand the whole operation of the business, how to diagnose skills needs, ensure individuals are correctly matched to competence profiles, targeting the right people, and ensure training is matched appropriately to existing staff, where skills needs are identified.

If employers want someone to build algorithms this will not be a retail graduate but a computer engineer graduate - but they will then not have the retail management skills. We need to educate employers about the skills they actually want and map this to a graduate profile. Retailers are not targeting the right people. (Stakeholder respondent – HEI)

There is a need for retailers to be able to respond more flexibly to the changing market place and this needs to be reflected in how they structure themselves and take on and manage staff. (Stakeholder respondent – Overarching industry body)

Stakeholder respondents have confirmed that many retailers (of all sizes) can lack the ability to accurately predict skills needs and accept that higher level skills will be needed to compete in the retail sector of the future. According to one stakeholder, mapping skills needs to the graduate profile will be an important activity for HR managers. Another suggested:

Our focus should be on the millennials (born since 2000) – they're going to be a transient workforce and are growing up using technology and using it to multitask. (Stakeholder – HEI)

Changing job profiles

Keeping up to date with the impact of drivers and how these will change individual jobs is a challenge for the sector. As skills requirements for many levels of staff are predicted to increase, HR managers need to keep abreast of how this impacts on the requirements of the business. For example, recognising the higher order communication skills required in customer-facing roles, along with a fuller understanding of products.

Making the retail sector attractive

Many of the recruitment and retention issues experienced by the retail sector can be addressed by communicating accurate and targeted messages about the opportunities a retail career can offer. The way in which changes to the sector are creating new and altered roles, which increasingly integrate digital skills for example, is an opportunity for the sector. These features should be promoted to the workforce of the future by appealing to many young people's interests in tech-orientated areas.

4.14 Marketing associate professionals

Changing job roles

Marketing associate professionals have to manage and add value to data generated from a variety of sources such as reward cards, online traffic, in-store POS devices and innovative technologies such as beacons and information hubs. Diversification is starting to result in a greater emphasis on data management and statistical expertise, along with critical analysis skills, to use these product and consumer data effectively.

Competition from other sectors

Individuals with these skills can be challenging for retailers to recruit as they have not traditionally been targeted by the sector, nor is retail often associated with offering tech-orientated opportunities.

Managing and analysing complex datasets requires highly skilled individuals, possessing STEM knowledge and expertise, usually found amongst graduates. Vokes *et al.* (2014) also found the retail sector faces competition from many other areas of the economy that also demand these skills. Stakeholder respondents confirmed this challenge is likely to grow in significance.

4.15 SME owner/manager

Mastering the basics

Many shop owners come into the industry later in life – it's a lifestyle choice if they've been made redundant for example. This has advantages but you also have people who run businesses without being exposed to retail before. There is a real temptation to go to the high level without setting up the basic concepts in terms of space utilisation, range of products rather than lots of different products. Very basics are very important – you don't need an advanced qualification – it's the basics. (Stakeholder respondent – trade association)

Many larger companies are already taking advantage of new technologies and they are benefitting from exposure to larger markets as a result. Adopting new technologies also allows retailers to operate more efficiently and therefore become more competitive on price. SME owner/managers therefore need to be equipped with the appropriate business skills to run their companies efficiently and compete with larger retailers. Conversely, small business owners may need to be encouraged to recognise and take advantage of mutually beneficial relationships between themselves and larger corporate retailers in their locale (e.g. high street) in terms of attracting customers ahead of competing towns or out-of-town centres (Wrigley & Lambiri, 2014).

Multi-channel/omni-channel retailing

Understanding the theory and benefits of multi-channel retailing and adopting an omni-channel approach to the customer experience is a key knowledge gap described by stakeholders. Developing this understanding through awareness raising is considered by these respondents to be a priority for addressing current knowledge gaps. At present, stakeholders do not consider multi-channel retailing to be well covered in qualifications at levels 3 and 4 in terms of accredited vocational provision aimed at the owner manager.

5 Future skills

Net employment growth to 2022 of almost four per cent has the potential to present future skills challenges to the retail sector.

In the short term, retailers predict technical, practical and job specific skills to be in most need of improvement over the next 12 months, along with planning, organisation and customer handling skills.

The development of new products is the most powerful driver leading to a need for upskilling, with the impact of new technology also a factor. Pressure to upskill is most pronounced for managers (including HR, customer service and SME owners/managers) and for customer services staff.

Future skills needs for customer service staff include adapting to new technology; communication, general literacy and numeracy; English language; product knowledge and softer, employability skills. Faced with better informed customers, sales skills (negotiation and persuasion) are also likely to become more critical.

Customer service managers will need a sound understanding of the retailer's different channels (marketing and e-commerce); excellent interpersonal skills to respond to increasing customer demands; and well-developed general retail management skills. Keeping the skills and knowledge of customer service/sales assistants up to date will also be a key challenge.

Marketing associate professionals will require more advanced and broader skills in data-handling and analysis to effectively use customer data. Other skills include: exploring information and generating findings; and understanding current, and identifying future, trends.

Strategic management skills are to become key for human resources managers, however competition from other sectors for these professionals may impact how well the retail sector can manage the major challenges predicted over the next decade.

Training in financial management is identified as a pressing need for SME owner/managers to respond to price sensitivity and competition, along with a need to invest in their own training. Behaviour change and confidence-building is also recognised as a skills need to encourage individuals in these roles to think more strategically.

According to Working Futures projections, the retail sector is expected to experience net employment growth of almost four per cent over the ten years from 2012 to 2022. This will create a replacement demand of over two million people by 2022, most notably in customer service and managerial occupations (Wilson *et al.*, 2014). Separate figures also predict associate professionals and technical occupations to grow by 14 per cent between 2010 and 2020 (Mosley *et al.*, 2010).

This requirement is coupled with a predicted increase in the demand for qualified workers at QCF levels 4-6 (SCQF levels 8-12) in particular (Vokes *et al.*, 2014).

Across all skills level there is a demand – the sector is planning to recruit at higher levels than in the past. [We] predict difficulty here – there will not be enough applicants and not enough skills but mostly those who do not have the combination of the technical knowledge and the attributes. (Stakeholder respondent – Overarching industry body)

5.1 The hourglass economy

As traditionally middle-level job roles become ever-more highly-skilled, the structure of the UK workforce is changing, which introduces skills challenges. There is greater polarisation between the top and bottom of the labour market (Skills Commission, 2014) thereby making it more difficult for some individuals with lower skills to exit this level and progress into mid-level occupations.

Interview respondents generally supported the view that retail is not immune to this demand for higher levels of qualification, with a general upskilling predicted to be required in most retail occupations, starting on the shop floor (as discussed in Chapter 4).

Competition from older workers has led to high rates of reported 'over-qualification', felt particularly strongly by younger (20 – 24 year olds) and part time employees in the retail sector. The UK is experiencing above average over-qualification rates in comparison to other OECD nations (Skills Commission, 2014). Failing to fully utilise workforce skills and knowledge has the potential to slow industry development and limit the UK's ability to compete in the global marketplace.

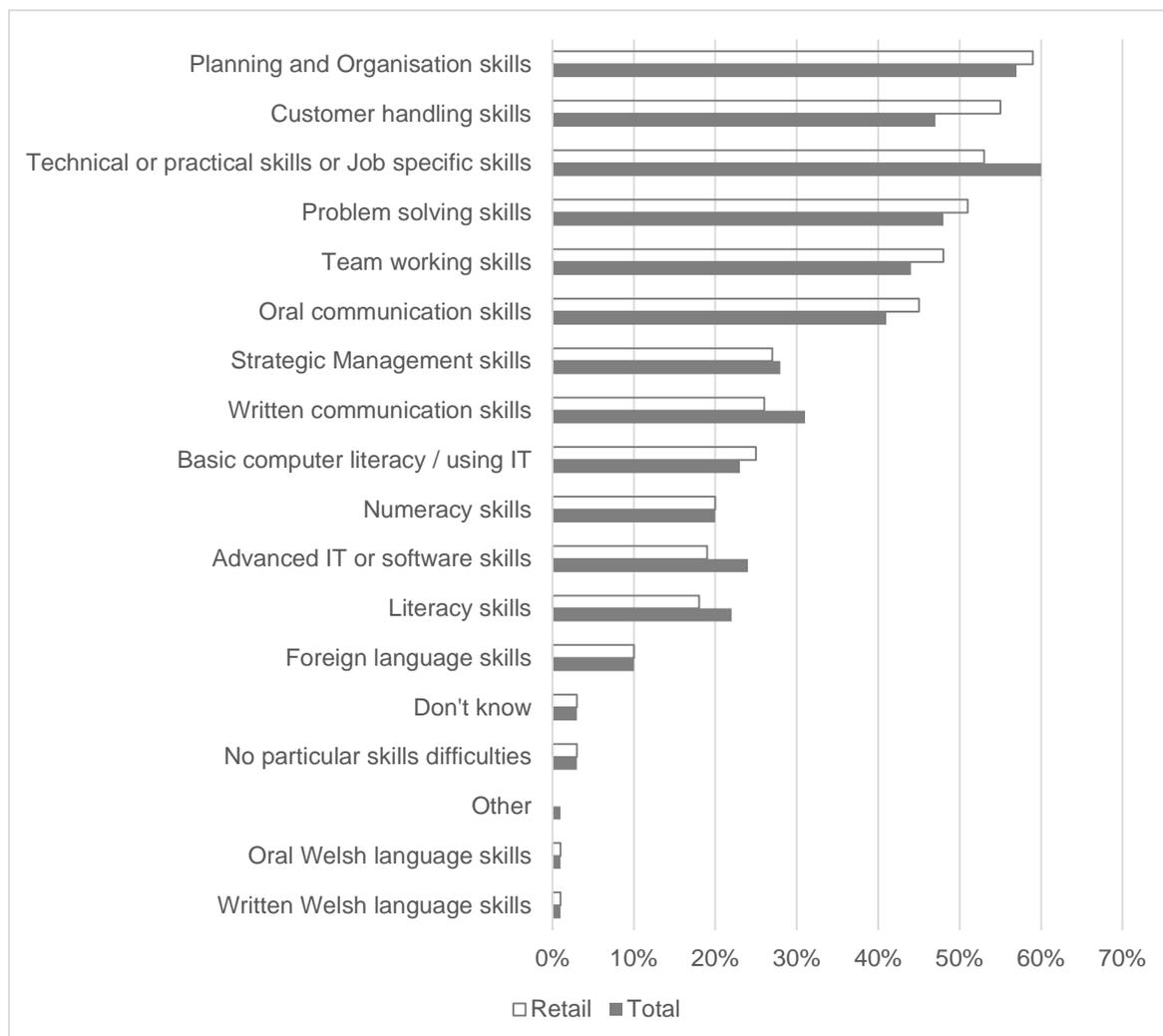
Nearly half of UK wholesale and retail employers surveyed in the latest UKCESS indicated that at least some of their staff were under used for the job role in which they were employed (17 per cent of staff were described as over-qualified and over-skilled). Both figures are comparable to the UK average and suggest relatively widespread underutilisation of skills (UKCES, 2014a). Evidence from the Higher Education Careers Service Unit (HECSU) found that across all regions of England retail assistants are amongst the top ten jobs for graduates, along with nurses and medical practitioners (HECSU *et al.*, 2013). This suggests that the true level of over-qualification in the retail workforce may be much higher than is being reported by retailers.

A key challenge for the sector faced with a changing job market is to accurately identify its future skills needs to prevent a potential skills mismatch.

5.2 Upskilling

Data from the 2013 UKCESS suggests that amongst employers with skills gaps, 59 per cent are seeking improvements in planning and organisation skills; technical, practical and job specific skills; customer handling skills and problem solving skills (Figure 5.1). Customer handling skills were also highlighted by retailers as difficult to obtain from current applicants (as discussed in Chapter 4).

Figure 5.1: Skills that need improving



Source: UK Commission's Employer Skills Survey 2013 (Base: employers with skills gaps)

Soft skills such as leadership, decision making, teamwork, communication and presentation have also been identified in the UKCESS as key areas of skills needs among retailers.

There is a greater need for flexibility on the part of employers to recognise workers' soft-skills and attitude traits so as to ensure job roles match employees' abilities, instead of placing individuals in job roles for which they do not possess the necessary skills (and are therefore not well suited). There is evidence from the employer interviews that some retailers are starting to focus more on these personal attributes: one respondent representing a large, national fashion retailer commented that the business is now prioritising personal attributes and attitudes over qualifications and experience.

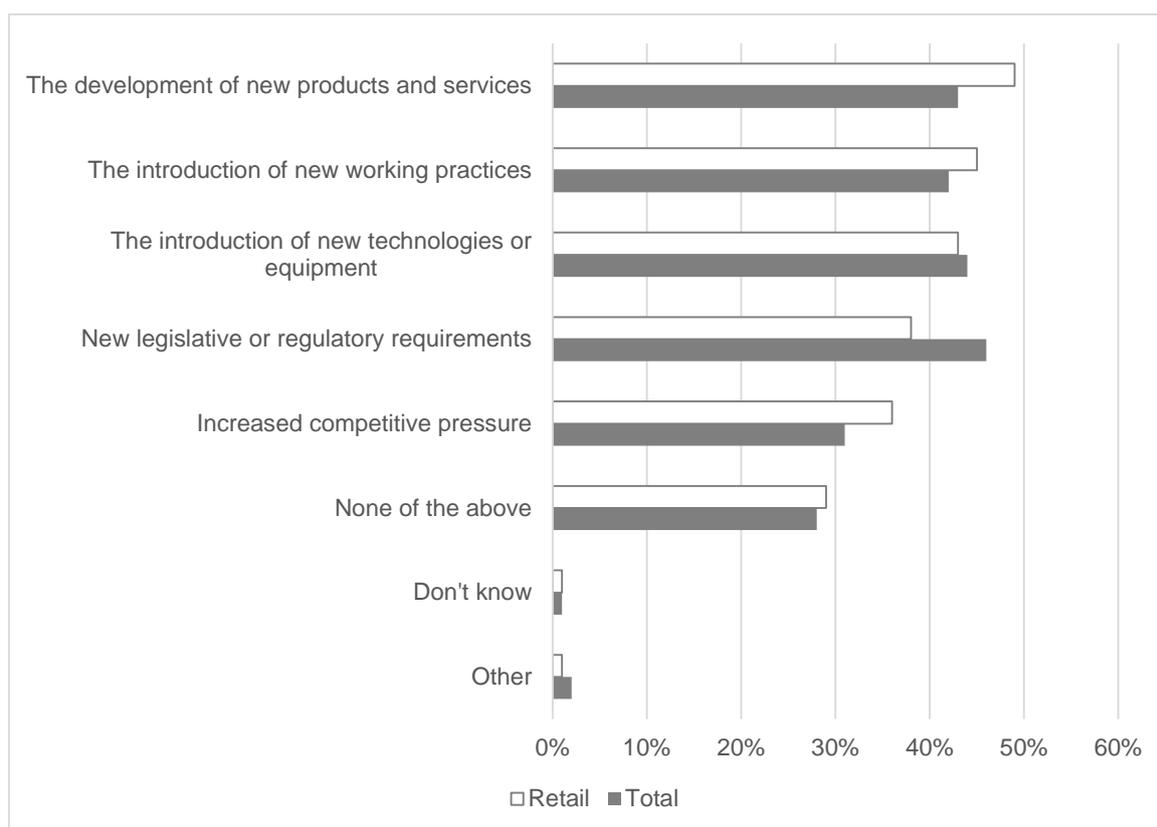
Research by the Skills Commission earlier this year supports this finding, suggesting that employers are now recognising the value of "adaptability and fusion skills", particularly in the current competitive job market (Skills Commission, 2014).

In terms of factors driving a need for better skills, the development of new products and services is the most powerful factor leading to a need for upskilling, with technology also impacting on the sector’s skills requirements.

Examples include the potential for greater integration of new, beacon technologies, with which a small number of large retailers are already beginning to experiment. In autumn 2014, it was reported in the press that House of Fraser was to install beacons²³ into mannequins “to provide customers with a more engaging retail experience” – both within and outside the retail store. The article goes on to state that “The technology also has the potential to let a retailer know when its most profitable online customers are present so staff can recognise and treat them accordingly” (Skinner, 2014).

Employers report that the development of new products and services, the introduction of new technologies or equipment, and the introduction of new working practices are expected to drive the need for new skills (Figure 5.2).

Figure 5.2: Expectation of the need for new skills in the next 12 months



Source: UK Commission’s Employer Skills Survey 2013 (Base all establishments)

²³ When a smartphone (with the appropriate app) is within a certain radius of a beacon it will send a signal containing product details

Pressure to upskill is most pronounced for retail managers. Nearly half of retailers reported that this is the occupation most affected by the need for upskilling, which is notably higher than the all industry average of 42 per cent. Approximately one third of retailers who employed sales and customer services staff reported that this occupation was most in need of upskilling, which is consistent with an all industry benchmark (UKCES, 2014a).

The retail sector is however recognised as already providing some management training; just under half of retail employers surveyed in the UKCESS who provided training in 2013 had invested in management training (UKCES, 2014a). The research found that three specific areas of management may require attention in future and will therefore likely require training:

- customer service management;
- managing innovation and technology;
- business development, sales and marketing.

5.3 Customer service management

Customer experience remains important irrespective of the purchase channel used (UK Government, 2013a).

There is a big shift in retail becoming more like entertainment and focussed on the consumer's experience in-store. Retail is also moving away from out-of-town shopping centre towards convenience and this is driving e-commerce and commerce – consumers want instant gratification. There is a growing need for omni-channel retailing to retain customers and meet their changing needs. (Stakeholder respondent – HEI)

As consumers become more wedded to online shopping and as technology continues to evolve, the skills of the retail workforce must keep up to date. Aside from the use of basic IT, staff need to hold the necessary IT skills to operate digital channels in-store and act as trouble-shooters, as well as keep up to date with the company's online presence and how this fits with the overall business offer. Research respondents noted the impact that a better informed customer base has on their approach to the in-store offer, making product knowledge a vital component of the skills profile of customer-facing staff.

Key to this is anchoring the customer service strategy at the top of the company. Consequently, those responsible for customer service – including customer service managers and SME owners/managers - must have an overall vision for the customer experience, coupled with the skills needed to engage and motivate the workforce, as well as provide up-skilling.

For the SME owner/manager, the challenge is to offer a more personalised and expert service to remain competitive with businesses able to provide products through other channels (such as online) for lower costs.

5.4 Managing innovation and technology

For the larger businesses, the prevalence of 'big data', generated through loyalty schemes and online profiles, for example, creates an opportunity to intelligently market products to consumers based on their shopping habits. Advanced IT skills are also in demand for managing stock, merchandising and supply chains.

The challenge for small businesses is to adapt to and adopt new ways of working and new business models that embrace new technologies; primarily internet-based sales. This requires new ICT-related skills to take advantage of new business opportunities facilitated by social media for advertising and marketing.

As predicted by sector commentators, "*there is no doubt that shoppers in 2015 will move more fluidly between their laptops, mobile devices, and stores...*" as traditional omni-channel retailers in Europe will continue to innovate (Forrester Research, 2014).

Findings from the primary research confirm that in-store technologies are also requiring diversification and a higher-level skills base on the shop-floor. For example, staff are increasingly required to not only use more advanced technologies, but to interact with customers face to face and to guide them through the retailer's online presence using mobiles and tablets.

In the face of rapid technological change, the retail sector is at risk of experiencing recurring misalignment of digital and ICT skills with business needs. The latest findings from the UK Commission's Employer Skills Survey (UKCESS) indicate that 15 per cent of UK businesses across all sectors are already suffering with staff who have insufficient skills to undertake their daily work (UKCES, 2014a).

Senior management level occupations also have been found to possess an overall low-level of computer literacy which limits business innovation and developments in areas such as digital communication with consumers, and multi-channel retailing (Oxford Institute of Retail Management, 2010). However, according to the CBI, the UK retail sector remains at the forefront of multi-channel retailing, using 'big data' to reduce business costs by improving the efficiency of the supply chain, and generate sales through targeting marketing and consumer engagement (CBI, 2014). This investment in ICT helped the retail sector to weather the 2009 recession more favourably than other most other industry sectors, and support its recovery and growth in recent years.

5.5 Business development, sales and marketing

Approaches to marketing have advanced significantly since the advent of online retailing, providing many new and innovative opportunities, including consumer endorsements with many retailers' websites offering customer review facilities. This creates demand for skills in data management, web creation and design and is pertinent to businesses of all sizes.

For smaller companies in particular, online forums and symbol groups²⁴ are a growing means by which businesses can access business support and exchange information. A number of trade associations also offer support to small, independent retailers²⁵.

The data sets generated by tracking sales are becoming more precise and transparent, enabling businesses to target sales to meet performance goals. However, stakeholder respondents propose that a large proportion of retailers are failing to recognise the skills needed in order to use this data to its full potential.

A lot of retailers do not know how to manage all of this Big Data and many are not doing well with understanding and recruiting people with the skill to manage these data... A lot of retailers undervalue these skills – the ability to critically analyse research data, and don't necessarily understand it. (Stakeholder respondent – HEI)

Whilst the volume of customer data generated through apps and other technologies (as well as the now widespread reward card) is enabling retailers to better understand and segment the customer base, the store itself is also a source of intelligence. As one stakeholder noted, sales assistants carrying tablets to assist customers (e.g. stock checking, ordering products) can also be tracked and the data used not only for understanding and improving the customer experience, but also for staff management.

As well as technical ability, sophisticated management skills are likely to become increasingly important for SME owner/managers and others in management positions to plan and link complex functions of business development, marketing and recruitment. According to a small number of respondents, customer demand for quality, price and speed of delivery is being met with revisions to the structure of businesses and their operations. This resulted in a shift from the bricks-and-mortar store being the primary channel for achieving sales, towards its acting as a show-room for presenting products to customers.

²⁴ These are independent retailers that are members of larger organisations. In the UK well-known examples include SPAR and Londis.

²⁵ Such as ActSmart which offers business support to specialist retailers, their supply partners and trade associations. Support offered includes business mentoring, legal advice, business advice on e-commerce, online marketing etc.

Additionally, tighter restrictions brought into being by the Government and the European Union are suggested by one stakeholder as being likely to increase the number of products subject to restrictions. The respondent suggested that these restrictions are particularly being placed on products blamed for unhealthy lifestyles linked to smoking and obesity. There are already many banned or restricted products, including seafood from certain regions, confectionery, milk and soya (Food Standards Agency, 2015).

Customer expectations are a powerful driver prompting the need for more agile and dynamic business models. Economic and social factors also have their part to play, resulting in recent competition on price between retailers; according to one stakeholder the phenomenon is particularly pronounced in the grocery sector, but the need to update offers and pricing to remain competitive affects all retailers.

The key to business success has been described by stakeholders as being contingent on three factors:

- investing in multi-channel infrastructure;
- training staff in how to guide people through the infrastructure; and
- creating a welcoming environment encouraging customers to return.

5.6 Customer service/sales assistant

Employer interviews gathered most information on the sales and customer service assistant role. Generally, respondents felt that these members of staff were fairly well equipped in terms of skills, however they routinely pointed to softer skills as being the main pre-requisite for staff selection at the recruitment stage, with one large employer stating that these transferable, employability skills are likely to become more sought after in future. Where skills gaps were identified, and considered important for future skills, these were described by employers as:

- adaptation to new technologies;
- communication skills, general literacy and numeracy;
- English language skills, reasonable level of IT skills;
- flexibility, smart appearance, common sense;
- product knowledge.

The identification of product knowledge supports the findings from the UKCESS which found the development of new products to be the main factor leading to a need for upskilling. For example, employers reported a technical dimension to product knowledge within an online retail environment: *“the online side of things needs a lot of technical and IT ability”*. Large employers also report increasing demands relating to online retailing arguing that they are required to be:

More online-user friendly. More technology, more online commerce in order to compete. Customers expect us to know more about all products – including lines and products we don’t stock. Better understanding of products... being able to explain online sales and offer online opportunities to buy. (Large employer, health and beauty)

According to stakeholders, there may also be a greater need for an understanding of government controls and regulations, notably in terms of consumer health considerations (e.g. food labelling, tobacco and tobacco replacements, alcohol) for staff in relevant companies. One stakeholder found it difficult to predict the level of impact, but foresaw a potential need for customer service/sales assistants to have extended knowledge of legislation; the requirement being most pressing amongst young, part time workers.

Additional skills and knowledge, such as cash handling and finance, product knowledge, and merchandising have also been identified as areas in which sales and customer service staff require upskilling (Northern Ireland Assembly Committee for Employment and Learning, 2011). Basic ‘functional’ skills of English, maths and ICT were also identified by stakeholders as being of critical importance. Whilst these respondents identified an issue with the current workforce, the importance of possessing these skills is predicted to increase in future as the role demands more sophisticated communication with customers, and competence in using ever more powerful technology.

As one stakeholder stated, learning how to adapt to technological change is key. In their view this should underpin future training for customer service/sales assistants, to develop transferable skills to manage change in the future.

The retail sector is likely to become more service based with staff needing more knowledge, customer service skills and ability to build relationships. Customers are more knowledgeable now due to the internet. Also, because [we] offer our own brand products, knowledge of this is important. (Large employer, DIY)

The latest UKCESS reveals customer handling to be the most commonplace skills gap amongst sales and customer service occupations; 71 per cent of businesses identified this core skill area as one in which their staff experience skills gaps (UKCES, 2014a).

As retail changes and the storeonline experience become more seamless and integrated, staff within the retail sector will need to have the skills to operate across multiple platforms whilst still engaging with customers in a face to face conversation (House of Commons, 2014)

Although there is a strong focus on skills related to the use of technology, there is a risk that the focus on IT skills and product knowledge can overshadow the importance of sales skills. Very few employers highlighted sales skills as a longer-term priority. However, faced with better informed customers armed with product and price comparison information, selling skills (negotiation and persuasion) are likely to become even more crucial.

5.7 Customer service manager

The skills and competence requirements of customer service managers are predicted to change dramatically over time in some businesses, in particular those which operate through multiple channels.

The priority skills areas for the future are described by respondents as:

- knowing the retailer's different channels (marketing and e-commerce channels);
- excellent interpersonal skills; and
- general retail management skills.

One trade association respondent highlighted the need for long term skill development to be in place for customer service managers. A key requirement is likely to be in delivering training and upskilling their staff, especially given the need for customer service/sales assistants to have current knowledge of the retailer's online and offline offer, and those of its competitors. This will also require well-developed people management skills.

Once they're on board, it is down to managers to develop their own staff – it's in their own interest. We offer ongoing development and training all the time, regular reviews, grading of performance. There's not too much competition in the field, we don't need to be offering any particular incentives. (Employer)

5.8 Marketing associate professional

The main areas in which occupations at this level suffer from skills gaps are job specific and practical skills, and planning and organisation. Over half of employers surveyed in the UKECSS perceived their staff in associate profession positions as requiring training to resolve skills gaps in these areas (UKCES, 2014a). As already discussed there is demand among employers for digital and ICT skills, and retail businesses now are beginning to value individuals with web based specialisms, graphic design and visual merchandising skills, and data/system analysis experience.

Data-handling will continue to be vital for marketing professionals – particularly those in data analysis roles – and the Government has set out in the Retail Strategy how it intends to address the skills and qualification needs of this element of the retail workforce by working in partnership with BIS, retail sector bodies, retailers, the SSC and research councils (UK Government, 2013a). The Government’s Information Economy strategy also presented actions to improve the digital skills of the UK’s workforce, which will have wide-reaching benefits for many other sectors benefiting from these transferable skills – including retail (UK Government, 2013b).

Interview respondents predicted that marketing associate professionals will need:

- analytical skills, to be able to think critically;
- to be able to explore information and generate key findings;
- to understand the difference between opinion and fact;
- to understand trends and spot trends that will happen in the future;
- to have a deeper skill set in terms of mathematical skill (understand how to process data and algorithms); and
- to be able to corroborate quantitative and qualitative data.

One stakeholder suggested that a large part of the current workforce have the skills but they may need to refresh them, and recruiters should probably look for these specific skills among recruits and aim to develop these people further upon recruitment.

5.9 Human resources manager

Strategic management is the main area in which high-level occupations are recognised to possess skills gaps; over half of businesses surveyed by UKCESS cited this as a skills gap among their senior staff. The sector recognises that improvements are needed in the supply of leadership and managerial skills at level 3 and above, such as conflict management and people management, business planning and organisation, and customer handling, to ensure business success and growth (UKCES, 2014a).

Similar to the sales and customer service assistant and customer service manager roles, the demand for experienced human resources managers in all sections of the economy has afforded these individuals the flexibility to move between sectors, and this is a major selling point of the occupation. Consequently, retail businesses must compete not only against one another for these skills, but with employers outside of their sector. Vokes *et al.* (2014) revealed that the retail sector often struggles to recruit graduates into its management positions as a result of poor perceptions of the sector. This shortage of skills and experience has the potential to affect how the sector will manage the major demographic and skills supply challenges forecast for the next decade.

[Human resources managers] need to be aware of and be knowledgeable about new ways of recruiting, and new ways of training staff. They need to be aware of more things than was necessary in the past. (Stakeholder respondent – retail trade association)

Stakeholders participating in this research held mixed views on the impact of demographic change on the retail workforce of the future. Whilst one respondent suggested that this will not result in a skills shortage, they pointed to the importance of employers developing appropriate roles and focusing on targeted recruitment. This position pre-supposes that retailers will be agile enough in future to respond by employing appropriate recruitment methods. However, many other stakeholders suggested retailers can often fail to fully understand changing recruitment needs in response to drivers of change, creating the potential for a future skills challenge.

Higher order skills to build relationships with others outside of the organisation will also be needed in future. These will include working with universities and colleges to plan appropriate training programmes, for those already in the business and for the workforce of the future; and engaging with schools to inform young people about the opportunities in the sector.

[Retailers] need to engage more with schools and colleges – at school level to demonstrate what is available in retail. Making the employers work with WBL and demonstrate what students can do – e.g. managerial positions. (Stakeholder respondent – FE College)

Human resources managers will also need to tackle the challenge of workers being able to progress from lower level roles, which may be solved by creating development plans and focusing on identifying and mapping progression routes. As one stakeholder stated:

There is talent on the shop floor, but [retailers are] unsure how to nurture that. This is a problem moving from customer service to a managerial role. (Stakeholder respondent)

5.10 SME owner/manager

There is considered to be a lack of appropriate training aimed at the owner/manager, specifically with limited provision of retail-specific training aimed at this group.

Independent retailers often enter the profession after a career elsewhere. The barriers to entry into the retail industry are fairly low and it is possible to run a shop with very few retail skills. There is a massive need for specialist consultancy and training support for small independent retailers. (House of Commons, 2014)

The most pressing need identified by stakeholders is for training in financial management in order to run a more efficient and profitable business. This will become more important over the medium to long term due to numerous factors, but which can be distilled into:

- increasing competition and price sensitivity
- the ability to release money for investment in further training and multi-channel technology.

Suitable training needs to be highly targeted and specific to particular skills or business problems.

Personalisation is important – branding of training by specialist area so it doesn't look like a catch-all – this is a dumb down (Stakeholder respondent – retail trade association)

Confidence building and changing behaviour is a longer-term consideration, to encourage SME owner/managers look more strategically, particularly when it comes to using data, to understand the market and keep abreast of changes.

Individuals at this level will need to have a full understanding of multi-channel retailing. This should be a short term priority for targeted support.

6 National Occupational Standards

NOS describe the skills, knowledge and understanding that someone needs in order to be competent in a particular occupation. They can be used to develop qualifications and apprenticeships.

Approximately a third of employers in the wholesale and retail sector are aware of NOS, compared to 39 per cent across all industries.

Where NOS are used, this is generally for purposes such as ensuring quality, external staff recruitment and help with writing job descriptions.

Just over half of the employers participating in the research expressed an interest in inputting into their future development.

6.1 What are National Occupational Standards (NOS)?

National Occupational Standards (NOS) describe the knowledge, skills and understanding an individual needs to be competent at a job. They are UK-wide, demand-led, evidence-based benchmarks of competent performance which underpin vocational learning and development, apprenticeships and qualifications across all sectors, occupations and parts of the UK.

NOS can be used in many different ways. For example:

- Awarding bodies can use NOS to create qualifications to train individuals for a job.
- Employers can use them create a job description to recruit new staff or a training plan to develop their skills.
- Individuals can research and identify different types of jobs which match their skills and experience.

The vision for NOS is to ensure they are employer demand driven and based on informed analysis of current and future labour market need. UKCES is working with networks of employers (including through professional bodies, sector skills organisations and industrial partnerships) to ensure that NOS articulate the ambition and aspiration of their workforces clearly and effectively.

6.2 Retail sector NOS

NOS are developed at occupational level. However, some NOS have also been developed for occupations within specific sectors. There are a number of standards which relate to occupations covered in this report. People 1st²⁶ also work with employers to develop professional standards for those working in the retail sector.

Table 6.1: Examples of NOS of particular relevance to the retail sector

Developer	Title of NOS suite
Skillsmart Retail	Retail
Skillsmart Retail	Independent retailers
Skillsmart Retail	Multi-channel retailing
Skillsmart Retail	Retail buying
Skillsmart Retail	Retail; retail buying
Skillsmart Retail	Retail merchandising
Skillsmart Retail	Retail buying; advanced wood occupations
Skillsmart Retail	Independent retailers; advanced wood occupations
Skillsmart Retail	Retail merchandising; advanced wood occupations
Skillsmart Retail	Retail; cultural & heritage venue operations
Skillsmart Retail	Retail; retail buying; advanced wood occupations
Skillsmart Retail	Retail; ticketing
People 1 st	Multi-channel retailing
Lantra	Floristry business management
Lantra	Production horticulture
Skills for Health	Optical retailing

Employer interviews explored views of NOS and employers' familiarity with the standards as a tool for recruitment, staff development, and quality assurance. Employers were first asked to indicate their level of awareness of NOS and, if they were familiar with the standards, how their business currently used them. Finally, employers were asked how NOS could be improved and whether they would be interested in contributing to the development of NOS in the future.

6.3 Employer familiarity with NOS

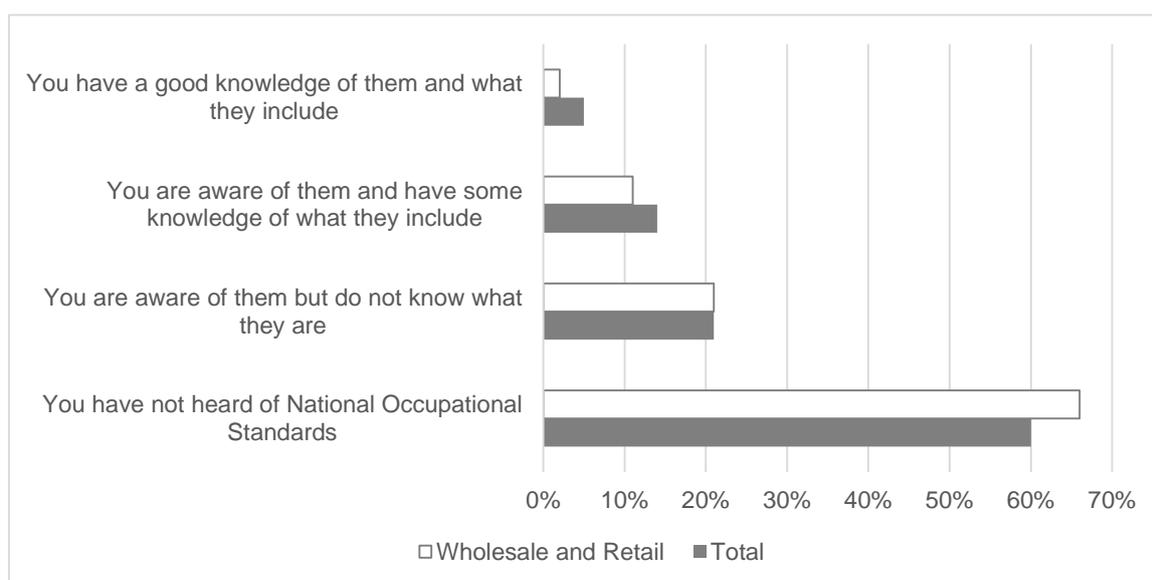
The majority of retail employers interviewed were unfamiliar with NOS. Previous research into NOS awareness suggests that small businesses are less likely to be aware of and use NOS than businesses of other sizes (UKCES, 2014b). Stakeholder respondents confirmed this position.

²⁶ People 1st is a workforce development charity for employers in the hospitality, tourism, leisure, travel, passenger transport and retail industries.

The employers interviewed who were aware of NOS had fairly limited knowledge of the purpose of NOS and their use within their company (although they were aware that NOS were employed in the wider business they were not familiar with their specific uses). One employer commented that the NOS were very similar to their business' in-house competence framework and quality standards.

The UK Commission's Employer Perspectives Survey 2014 found that two fifths of employers were aware of NOS, but just five per cent felt that they had a good knowledge of what they include. Employers in the overall wholesale and retail sector are less aware of NOS than all other sectors, on average (Figure 6.1), with 66 per cent having not heard of them before. National Occupational Standards are however used indirectly by retailers as they are used in the development of vocational qualifications and apprenticeships. Other figures from the Employer Perspectives Survey 2014 showed that 12 per cent of retailers²⁷ had or offered formal apprenticeships (which were based on NOS). This suggests that NOS are often 'hidden' in other products and so end users are not aware of their use.

Figure 6.1: Awareness of NOS



Source: UK Commission's Employer Perspectives Survey, 2014

6.4 Current use of NOS

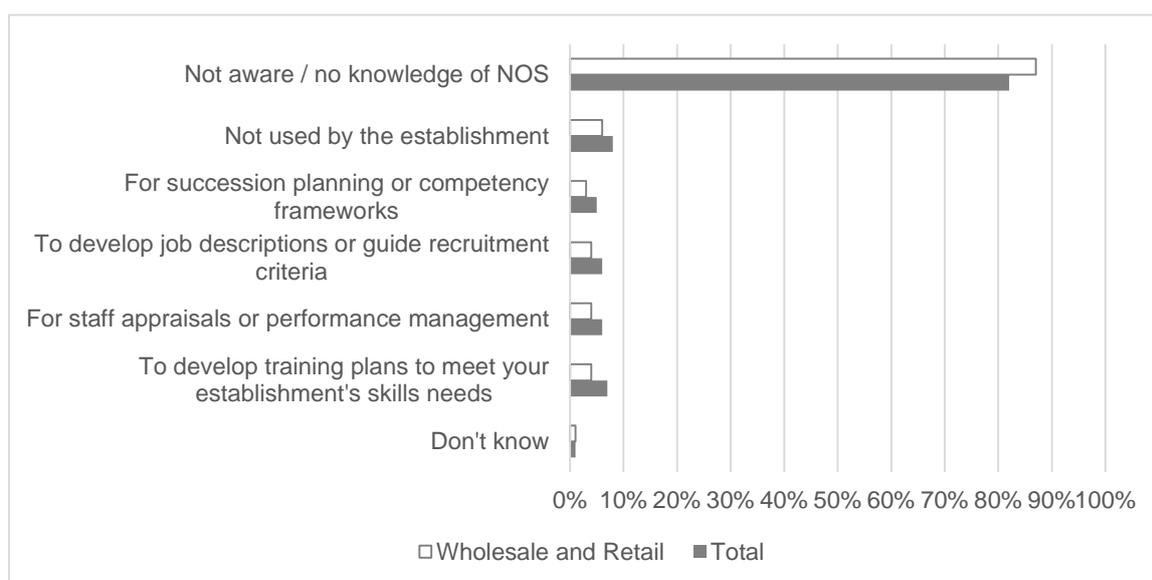
Of the employer respondents aware of NOS, none were familiar with how they were employed by their business. One employer believed their company used NOS as part of their external staff recruitment system, such as assisting with writing job descriptions.

²⁷ Figures are for the Wholesale and Retail sector

Several of the employers referenced their company's own in-house training and quality standard framework, stating that these systems assured all staff had the skills their businesses required. This was a comment made by a range of employers, including both those who were and were not familiar with NOS. A number of these employers were from branches of large national retailers, and commented that they were uncertain as to whether these systems used NOS in any way. This, therefore, makes it challenging to determine the full extent of employers using NOS as many regional branches or smaller organisations, may be unaware that internal processes and frameworks may actually be NOS products. A similar point was raised by a number of the stakeholders.

Findings from UKCEPS do confirm however that developing “*training plans to meet the establishment's training needs*” is the most common use of NOS across all sectors (seven per cent), with the most common uses in the wholesale and retail sector jointly being developing job descriptions, for staff appraisals, developing training plans (four per cent each) (Figure 6.2).

Figure 6.2: Ways in which employers use NOS



Source: UK Commission's Employer Perspectives Survey, 2014

When asked how NOS could be improved, one employer commented that different levels of ability need to be reflected in the NOS, while another wanted to see greater promotion of NOS to make more employers aware of what they are and how they can be used.

6.5 Future interest in NOS

There was a mixed response from employers about their interest in inputting to the development of NOS in the future. Just over half of the interviewees were interested in participating and, although most of this group were the larger businesses interviewed, four small businesses expressed an interest.

Satisfaction with current in-house recruitment and development systems was the most common explanation given for not wanting to become involved in developing future NOS. Reasons given by these employers were that their internal frameworks were best suited for their businesses' needs. Two employers did not feel external organisations and national bodies should determine quality standards that they would then have to follow; one employer commented that they were more familiar with what their business required. Other respondents were more positive, stating that all their required tasks were already covered by existing NOS, for example, speaking to customers and working tills.

7 Conclusions

7.1 Sector outlook

Over the medium term (the next 10 years), demand for labour in the retail sector, both in terms of the number of workers and the level of qualifications they hold, is set to rise. This is particularly pronounced in the largest occupational group (customer service/sales assistants), with the number of management level positions also predicted to increase.

Multiple drivers of change have combined to create labour demand and to alter the future skills profile of some occupations within the sector, and their associated entry and progression routes, notably customer service/sales assistants and marketing associate professionals. The most significant driver of these changes is the increasingly widespread integration of technology into retail businesses and, critically, the pace at which that technology is developing.

Larger retailers are leading the uptake of new, innovative technologies which are creating shifts in the way that customer service is delivered and managed, changing the profile of the marketing function to incorporate an increased focus on data. This leads to a pressing need to attract and retain appropriately skilled workers in order to respond to these changes. Smaller retailers are at risk of being left behind unless they recognise the impact of these changes and respond by investing appropriately in their own skills and knowledge, to think more strategically about their business, and embrace appropriate new technologies.

7.2 Current workforce and skills challenges

Challenges currently recognised by retailers and stakeholders relate to both technical and 'soft' skills. However, there is evidence to suggest that retailers may have difficulty recognising the true skills profile of their workforce. Although there are a high number of graduates in sales and customer service assistant roles, less than 20% per cent of retailers identify any staff as being over-qualified and over-skilled for their role (compared to a UK average of 16 per cent). Although the sector is predicted to experience a need for new skills in lower lever roles, including detailed product knowledge, excellent customer-facing skills and ability to deal with in-store technology.

Survey data show some retailers have difficulty in obtaining customer handling skills and technical, practical and job specific skills from job applicants. Softer skills such as planning, organisation and problem solving skills are also highlighted as being difficult to find, and are critical for those in management positions.

The English, maths and ICT ability of customer service/sales assistants is a concern for the sector and these skills are predicted to become more important as the overall skills levels required in this role increase. As the skills profile of the role changes, employers will need to focus on better promotion of the sector and developing clear role profiles which accurately describe current and future skills requirements.

The negative image of the retail sector is a persistent challenge when attracting appropriately skilled applicants and those with suitable behavioural attributes, meaning that communicating accurate messages about potential career opportunities is crucial. Staff retention is hampered by actual and perceived limits on progression routes and competition from other employers (both within the sector and in other areas of the economy). This is particularly true for those in HR manager and marketing associate professional roles, who may be attracted to other sectors ahead of retail. If ways are not found of attracting skilled individuals into these roles, there is a potential for skills gaps at higher levels. The predicted demand for a growing proportion of staff qualified at level 4 and above (Wilson *et al.*, 2014) is likely to compound this situation.

Employers may look for individuals already possessing these skills, or they may look to recruit and upskill their existing workers internally, meaning a need to either invest in training externally, or to increase capacity internally. The need to upskill is also identified for SME/owner managers, many of whom are described as lacking financial and strategic management skills. There are however considered to be limited numbers of appropriate, accredited qualifications at QCF levels 4 and 5/SCQF levels 7 and 8 for managers, and covering multi-channel retailing.

7.3 Future workforce and skills challenges

Future challenges stem from a number of factors many relating to innovation and technology and existing at both ends of the skills spectrum:

- Basic skills in maths, English and ICT for lower level staff customer service/sales staff and management skills for SME manager/owners.
- Advanced skills in data management, critical analysis, web and other tech-related subjects, as well as strategic planning are under-developed or missing in roles such as marketing associate professionals and SME owner/managers.

The necessity of ensuring a quality customer experience is a key area of focus and challenge for all retailers. For those operating in multiple channels it means adopting an omni-presence and consistency in the retail offer, which will require more highly developed skills amongst customer service managers, who will also need to ensure staff product knowledge is up to date.

HR managers and SME owner/managers face challenges in understanding and planning for the current and future skills profile of the workforce in a dynamic and fast moving sector. A key priority is for the sector to engage and work together with colleges and universities to ensure that new talent is equipped with the future skills that retailers need, particularly at higher levels. As most training carried out in the sector is delivered internally, capacity building will also become a critical need. There is also a case for engaging with schools to educate careers professionals and the workforce of the future as to the full range of rewarding careers that the sector has to offer.

7.4 Use of and interest in NOS

Although awareness and use of NOS is relatively limited within the sector, there is some evidence to suggest that retailers are using NOS indirectly through NOS-based products such as qualifications (albeit that most training is delivered in-house) and internal company frameworks. Amongst small employers however, awareness and use of NOS is limited. Encouraging future employer involvement will depend on publicising to companies, particularly SMEs, the uses and benefits of NOS. These smaller companies are likely however to need particular support to engage, with clear messages as to how investing their time in this way will benefit their business.

7.5 Conclusions

To attract the skilled professionals of the future the sector will need to address negative perceptions, such as offering limited progression pathways and not investing in training.

Retailers will need to continue to upskill existing staff to respond to the growing use and sophistication of technology. This will require prioritising engagement with older workers and the self-employed who are less likely to participate in training. The use of intergenerational mentoring may be appropriate in some instances. For example, some older workers may lead on customer service training and where appropriate younger workers can lead on training or confidence building in the areas of technology and social media (Altmann, 2015).

For those retailers looking to upskill existing staff, attention needs to be given to ensuring existing level 4 provision is tailored to their needs, or new qualifications are developed, which focus on future skill areas of multi-channel retailing, data analytics and a more strategic approach to business. This will require the sector to work with awarding organisations and training providers to ensure these needs are met.

In order to ensure training and upskilling is effective and targeted appropriately, retailers will need to review their methods of diagnosing skills gaps and better match these with suitable training programmes. Retailers also need to provide pathways to facilitate the potential progression of workers within the sector, particularly those within lower paying roles. The UK Futures Programme is addressing productivity and pay within the retail and hospitality sectors (UKCES, 2015a).

For SMEs, accessible, flexible programmes that combine management skills, business strategy and multi-channel retailing should be marketed more widely. Initiatives that have proven successful in recent years (e.g. the Digital High Street programme) should be rolled out more widely. For SMEs, this may require support from sector bodies, such as through the retail Skills Shops developed by the National Skills Academy for Retail (part of People 1st). There are 50 Skills Shops throughout the UK, which are run individually by local stakeholders such as training providers. They provide retail training across a variety of areas including: pre-employment training, retail apprenticeships, customer service training and business growth for SMEs (People 1st, 2015).

There is a greater need for flexibility on the part of employers to incorporate workers' soft-skills and attitude traits into recruitment and training so as to ensure job roles match employees' abilities. Where retailers have started to do this, good practice should be recorded and applied more widely to other parts of the sector.

The sector will need to do more to improve its image in order to attract the workforce of the future. This means presenting retail as an attractive and promising career to those who may be overlooking it in favour of other options. To continue to attract younger workers, the opportunity to use and develop technology-based skills and knowledge within a retail career should be promoted. The range of potential career options at higher levels and in management roles should also be promoted to undergraduates and graduates through Universities and careers intermediaries.

Given the desire to attract new recruits with higher level skills it is important to ensure that individuals who already have these skills are fully utilised. Almost one in five retailers employs individuals who they consider to be overqualified. Whilst this is slightly lower than the all economy average, this highlights inefficiencies in skills utilisation. Retailers should improve mechanisms for capitalising on the skills of employees, such as flagging those with high potential for progression and improving internal skills-matching to improve internal recruitment processes.

Appendix 1 Economic activity

Year	Number of enterprises	Total turnover	Approximate gross value added at basic prices (GVA)	Total employment - point in time ¹
2008	194,677	311,745	65,123	3,054
2009	187,890	319,318	69,924	3,073
2010	187,230	332,131	71,500	3,016
2011	189,119	342,147	70,871	3,032
2012	187,606	348,556	73,187	3,029
2013	189,849	358,792	78,549	3,052

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