GLA ECONOMICS

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Retail and the Labour Market

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GLA Economics provides expert advice and analysis on London's economy and the economic issues facing the capital. Data and analysis from GLA Economics form a basis for the policy and investment decisions facing the Mayor of London and the GLA group. The unit is funded by the Greater London Authority, Transport for London and the London Development Agency.

Contents

Executive summary

This paper, focussing on the labour market in London's retail sector, forms one part of GLA Economics' wider study of the retail sector in London.

The retail sector is an important part of London's economy with distinct labour market characteristics. In 2003, there were more than 400,000 people working in retail in London (including employees and self-employed), making retail one of the biggest sectors in the London economy with around nine per cent of the capital's total employment[1] and seven per cent of total self-employment. Employers in the sector face the challenge of attracting and retaining people with the right skills. One problem the retail sector faces in attracting and keeping the higher skilled workers and reducing employment turnover in general, is that the sector is often perceived as a relatively low-pay sector. This can be a particular problem in London with its high cost of living. Doubtless, part of the problem is perception rather than reality; young people may not be aware of the full range of relatively highly skilled and well-paid careers within the sector. Skillsmart, the Sector Skills Council (SSC) is attempting to address the problem of perceptions among young people. However, despite the full range of careers, the evidence does generally suggest that the retail sector is characterised by relatively low levels of pay.

The retail sector has traditionally been viewed as a gateway sector, that is facilitating entry into the labour market for people with low skills or from different cultures and backgrounds. This working paper confirms this picture, but also develops it further. Retail provides a route into work for people with few credentials, or who for other reasons find it difficult to compete in the labour market. It also provides flexible employment opportunities for those who cannot or who do not want to work full-time. The retail sector provides skills and training to workers that are in demand in the rest of the economy. Retail contributes to the government's social policies such as flexible, family-friendly working patterns. A large proportion of the retail workforce is part time. Women in particular combine working part time with taking care of children. However, part-time work is less viable in London than in the rest of the country and this is particularly true in retail because of its relatively low levels of pay.

Thus the retail sector's contribution to the economy and to society is, in some instances, larger than what the numbers themselves suggest. While it performs a vital gateway role, both acting as a gateway to other sectors and occupations and into the labour market (particularly for many disadvantaged sections of society), it also plays other important roles. There are plenty of rewarding positions at senior levels in the retail sector and arguably there is more potential to work your way to the top in the retail sector when compared to other parts of the economy.

[1] Total employment = employee jobs + self-employment

1. Introduction

GLA Economics' wider study of the retail sector in London examines the retail sector from several different angles including the uniqueness of the West End, issues faced by smaller retailers, and servicing and delivery issues among others.

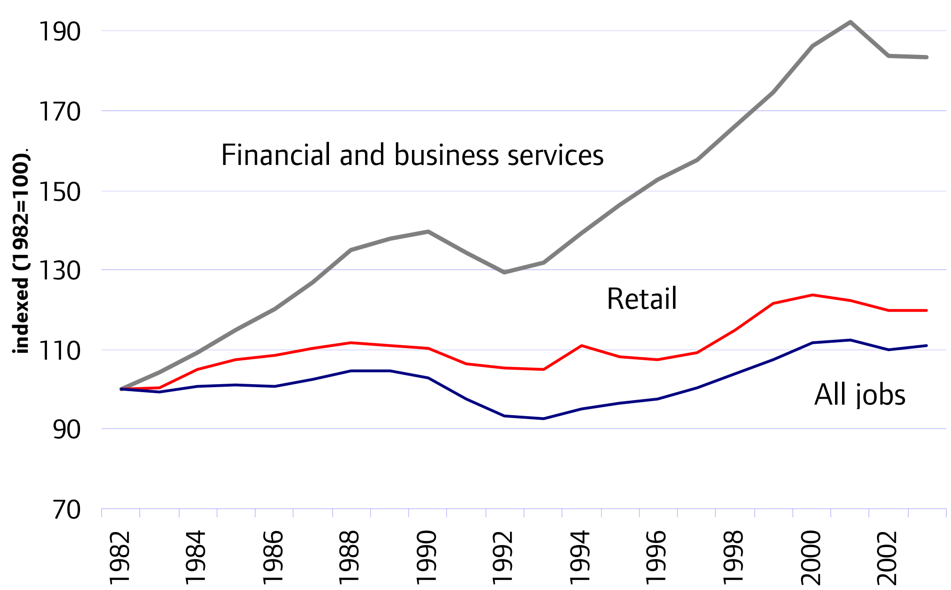
This analysis of the retail labour market begins by examining the trends in retail employment in London over the last two decades and the geographical concentration of employment across London. The paper then turns to providing a profile of the retail workforce in London compared to the London workforce in general and the retail workforce in the rest of Great Britain. Finally, important issues such as the skill levels of workers in the retail sector and training provision are examined. The paper concludes by drawing out the main findings from this analysis.

2. Trends in retail employment

Strong growth

Over the last two decades, retail employment in London has grown by around 20 per cent (an average annual growth rate of around one per cent a year), adding over 65,000 jobs since 1982. This was almost double the rate of growth for the London economy as a whole, which grew by around 11 per cent between 1982-2003. Despite a rapid growth rate, as a proportion of total jobs, retail has increased only slightly, rising from almost eight per cent of total employment in 1982 to almost nine per cent in 2003. The picture at the UK level is similar. Retail employment accounts for around ten per cent of all employment and this proportion has remained fairly stable over the last 20 years. The number of retail workforce jobs at the UK level has grown at around 33 per cent between 1982-2003, almost twice the rate of all jobs.

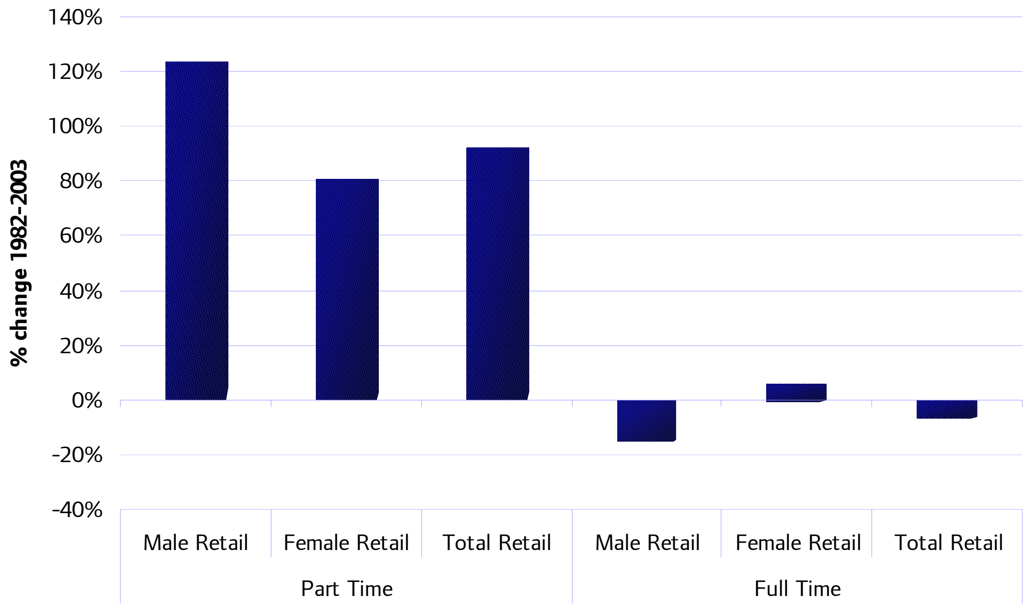
Figure 2.1: Trends in jobs growth in London



Source: The GLA's London Workforce Employment Series

Most of the growth in employment between 1982-2003 has been in employee jobs. Self-employment in retail fell during this period by over 3,000 jobs (see Figure 2.7). Employee jobs however, grew by over 68,000 (or 24 per cent) between 1982-2003. The growth came mainly from part-time jobs (Figure 2.2). In fact, there were around 12,000 fewer full-time jobs in retail in London in 2003 than in 1982. Figure 2.2 also shows that both men and women have seen increases in part-time jobs in retail in London.

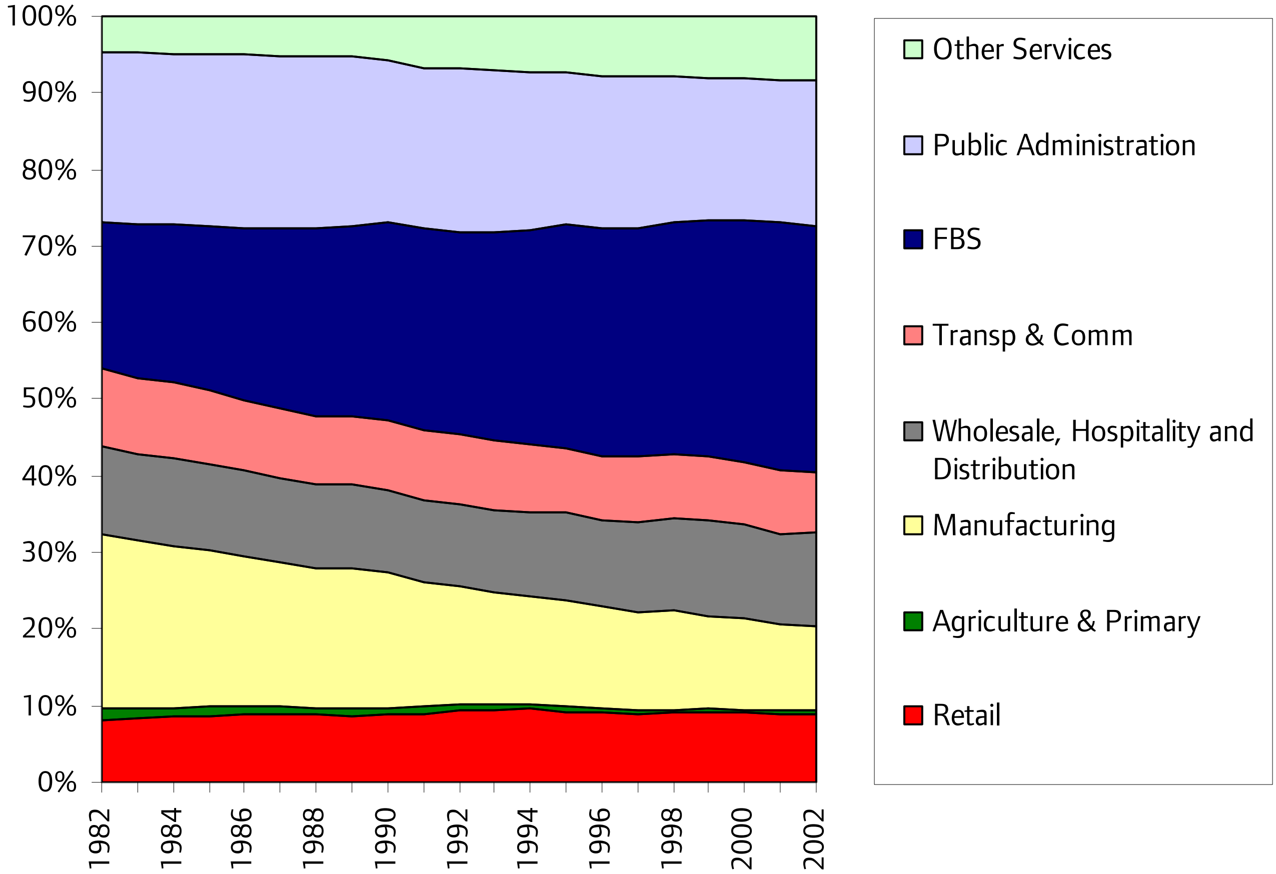
Figure 2.2: Change in retail employee jobs in London, 1982 – 2003



Source: The GLA's London Workforce Employment Series

Retail does not seem to have been markedly affected by the major structural transformations of the London economy in the last 20 years or so – namely the decline of manufacturing and the rise of the service economy, in particular business services. Figure 2.3 shows how retail has remained fairly constant as a share of total employment at around eight to nine per cent. All this evidence points to retail employment as a fairly constant proportion of the workforce (although as Figure 2.2 shows, there have been changes to its composition in terms of full- and part-time jobs). As shown in Table 2.1, retail employment accounts for a similar proportion of total employment across the English regions, Scotland and Wales.

Figure 2.3: Sectoral changes in London's economy 1982 – 2003



Source: The GLA's London Workforce Employment Series
Notes: FBS = Financial and business services

Seasonality

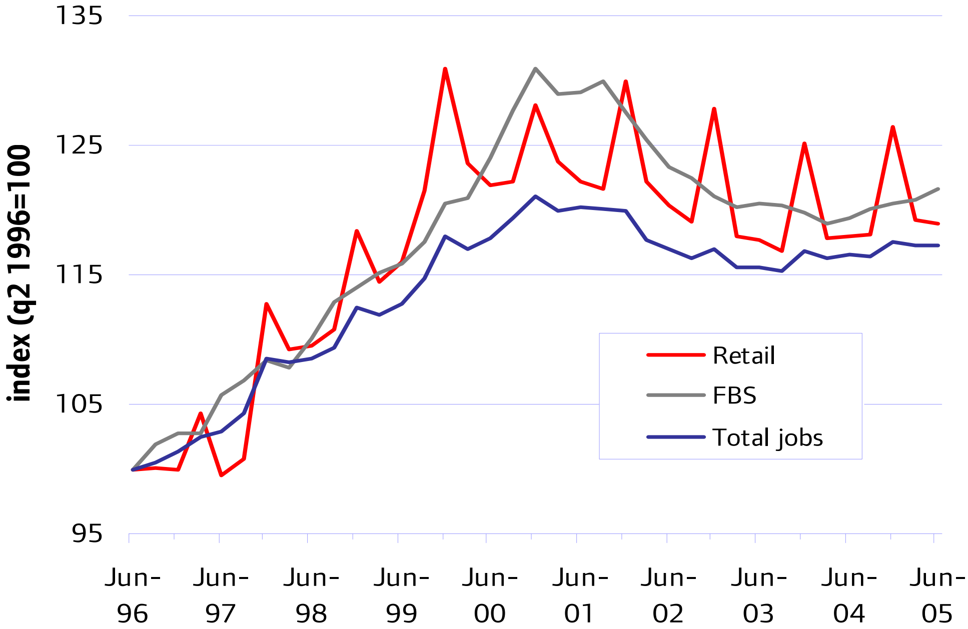
Retail employment has a very strong seasonal component which is shown in Figure 2.4. The retail sector in London adds on average 25,000 employee jobs in the fourth quarter run-up to Christmas each year, which are subsequently shed in the first quarter of the next year. This is important to bear in mind when considering issues such as turnover. However, after accounting for the strong seasonal fluctuations, it does not seem to be a sector with much volatility in employment. Clearly, as Figure 2.4 also shows, retail employment is affected by the business cycle, but in this it seems to follow the trend of the economy as a whole.

Table 2.1. Retail employee jobs by region, 2003

Government Office Region	Retail	Total Jobs	Retail/Total
North East	112,227	1,012,104	11.1%
North West	351,466	2,991,306	11.7%
Yorkshire and The Humber	257,342	2,185,890	11.8%
East Midlands	203,519	1,768,556	11.5%
West Midlands	245,311	2,323,877	10.6%
Eastern	298,244	2,328,071	12.8%
London	373,246	3,907,045	9.6%
South East	437,513	3,632,856	12.0%
South West	278,307	2,152,393	12.9%
Wales	139,603	1,115,256	12.5%
Scotland	256,933	2,298,892	11.2%
Total	2,953,712	25,716,248	11.5%

Source: Annual Business Inquiry 2003

Figure 2.4: Recent trends in London's retail sector
(employee jobs indexed, Q2 1996 (April-June) = 100)

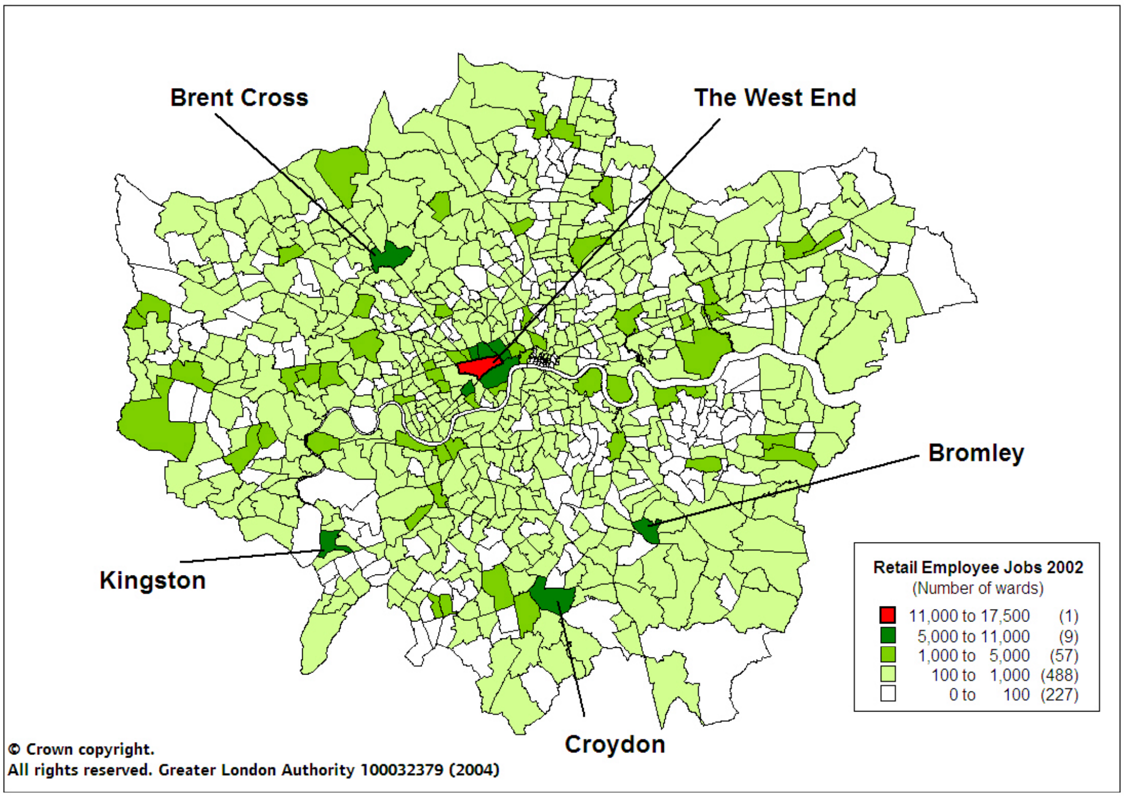


Source: Short Term Employer Survey, Office for National Statistics
Notes: FBS = Financial and business services

Geography of retail

Although retail jobs are spread over the whole of London in order to service the retail needs of the population, which is similarly spread across London, there are clearly some areas that are more important centres of retail activity than others. Figure 2.5 shows retail employee jobs by ward in London in 2002. The map brings out two important points. First, it shows how retail activity is concentrated in the West End of central London and in other centres such as Croydon, Bromley, Brent Cross and Kingston. Second, it also shows the wide spread of retail activity across London. More on the geography of retail and how this has changed over time can be found in GLA Economics' forthcoming *A comparison of the retail sector in London: 1971 to 2000*.

Figure 2.5: The geography of retail employees in London, 2002

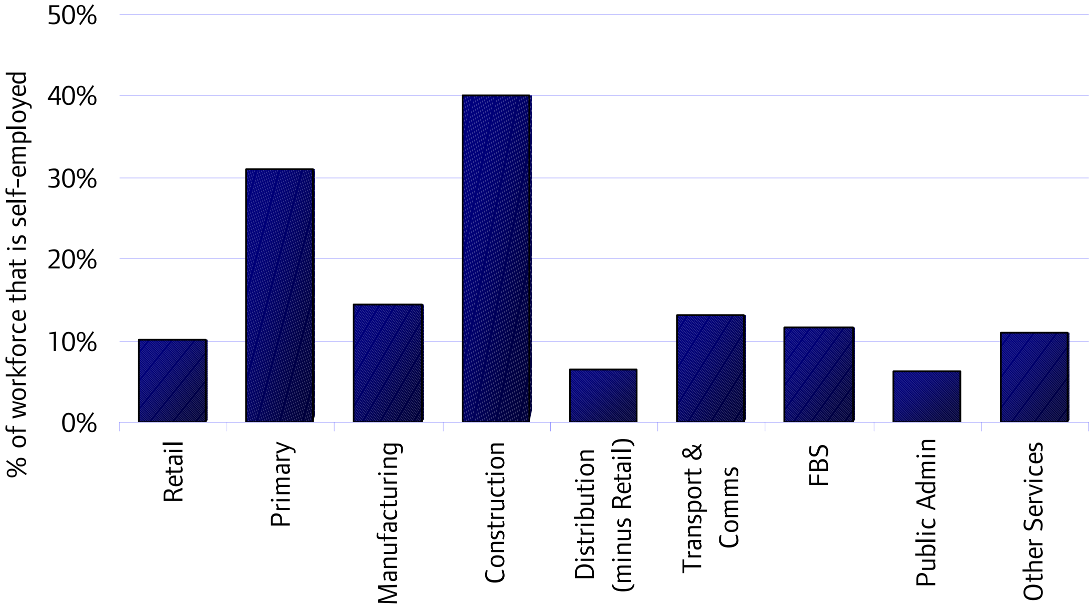


Source: Annual Business Inquiry 2002

Self-employment

Self-employment accounts for approximately ten per cent of the workforce in the retail sector in London. This is not a particularly high proportion compared to other industries. As shown in Figure 2.6, construction is the industry with the most self-employment (at over 40 per cent), followed by primary industries with self-employment at around 31 per cent of the workforce. The rest of the sectors have a similar level of self-employment to the retail sector.

Figure 2.6: Self-employment in London by industry, 2003

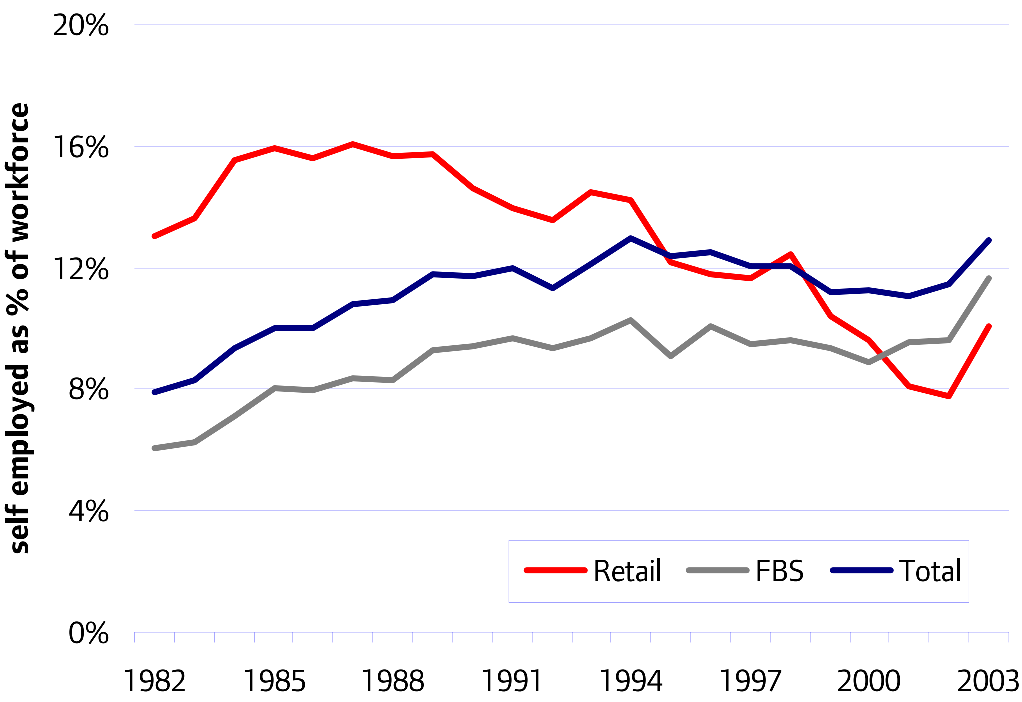


Source: The GLA's London Workforce Employment Series

So although self-employment is an important part of the retail sector, it is not a dominant part. The vast majority of those working in the sector are employees and not small, self-employed corner shop-owners. There has been a significant shift over time away from self-employment (although there has been some recovery in 2003). Figure 2.7 shows how contrary to the average for the London economy, the retail sector has reduced the proportion of self-employment over the last two decades. The number of people self-employed in the retail sector in London actually fell by 3,200 to 39,000, or from around 13 per cent of the workforce to just ten per cent between 1982-2003. In contrast, the proportion for the economy as a whole has increased from eight per cent to 13 per cent over the same period. There was an increase of more than 259,000 self-employed people in London's economy in 2003 than in 1982. This effect could partly be the result of either a reduction in the number of small, independent retailers or as a result of a large number of small retailers growing and establishing themselves as businesses rather than being self-employed. Data from alternative sources, for instance Yell[2], suggests that the former explanation is more likely to be the case than the latter (see GLA Economics' forthcoming *Small retailers in London*). This issue is discussed further under 'Size of firms' in Section 4.

[2] View: www.yell.com

Figure 2.7: Trends in self-employment in London



Source: London Workforce Series, GLA Economics

The Government has a Public Service Agreement (PSA) target to create 'more enterprise in deprived areas' (DTI PSA 6iii[3]), the delivery of which is the responsibility of the Department of Trade and Industry (DTI) and a core objective of the Small Business Service (SBS)[4]. In this context the reduction in the number of self-employed in retail might be viewed as negative. It may signal an increasingly competitive marketplace where the small independent trader finds it harder to compete against larger competitors. However, it should be remembered that to the extent that the structural change away from self-employed retailers is a shift to more efficient retail businesses, this will be a benefit to consumers. This issue is considered in a little more detail in GLA Economics' forthcoming *Small Retailers in London* working paper.

Summary

Workforce jobs in the retail sector in London have grown fairly strongly between 1982 and 2003, but retail has not increased its proportion of employment in the economy. The growth has been almost solely in part-time rather than full-time jobs (for both men and women).

Employment in retail follows a clear seasonal pattern and whilst retail tends to be well spread geographically, there is a certain amount of concentration in a small number of retail centres in London and a retail core in the West End. Nonetheless, most parts of London have some

[3] View: www.dti.gov.uk/about/psa/

[4] Social Exclusion Unit, 2004, *Jobs and Enterprise in Deprived Areas*, Office of the Deputy Prime Minister

retail jobs and the local character of jobs in this sector is an important attribute in terms of its role as a gateway into employment. The proportion of self-employed in the London retail sector decreased from around 13 to around ten per cent between 1982 and 2003. The fall in self-employment is likely to be a result of growth in larger retail companies but may also result from independent retailers establishing themselves as businesses with employees.

3. Characteristics of the workforce

Age

The workforce in London's retail sector is comparatively young. Figure 3.1 shows that the average age of retail workers in London is more than five years lower than the average age of workers in the rest of the London economy, and even two years lower than retail workers in the rest of the UK (which itself is young when compared to the rest of the UK economy).

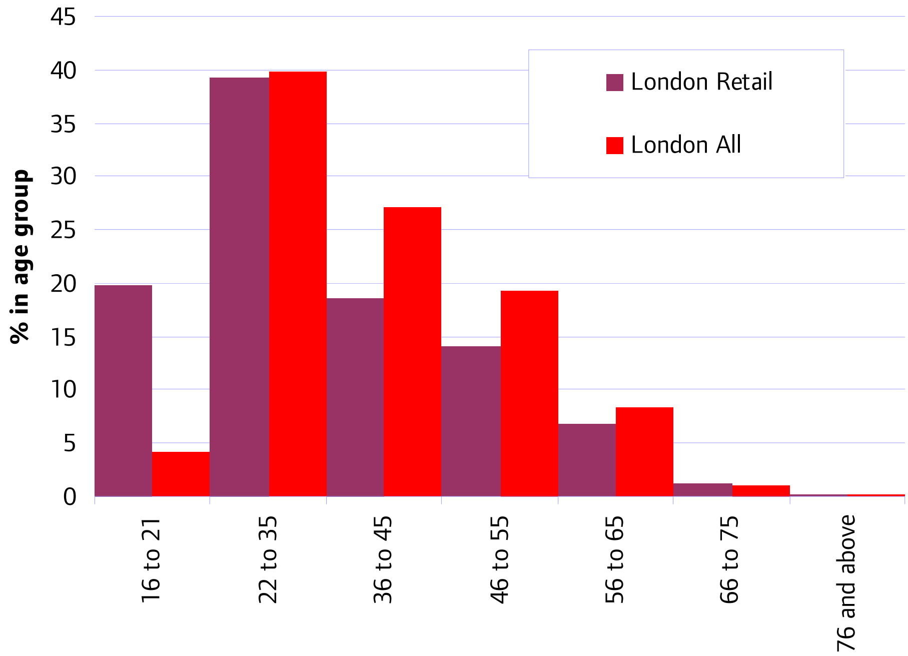
Figure 3.1: A young workforce

Source: Labour Force Survey Annual 2002/03

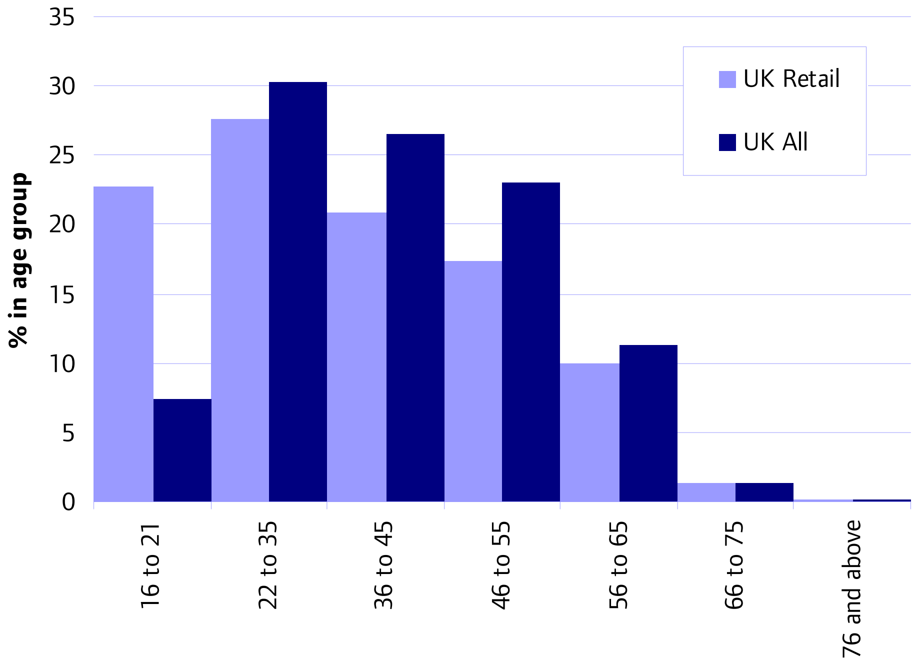
Looking at the age distribution of workers in the retail sector compared to other sectors shows that the age distribution in retail is skewed to the younger age groups. The young are overrepresented in the retail sector when compared to other sectors while the middle age groups are underrepresented. The older age groups (66 and above) are neither over nor underrepresented. Twenty per cent of people working in retail in London for example are in the 16-21 age group, compared to only four per cent in the London economy generally. At the national level the same pattern emerges. This underlines the importance of retail as a route into work and a first job for many people.

Figure 3.2: Age distribution of workers in the retail sector

London



UK

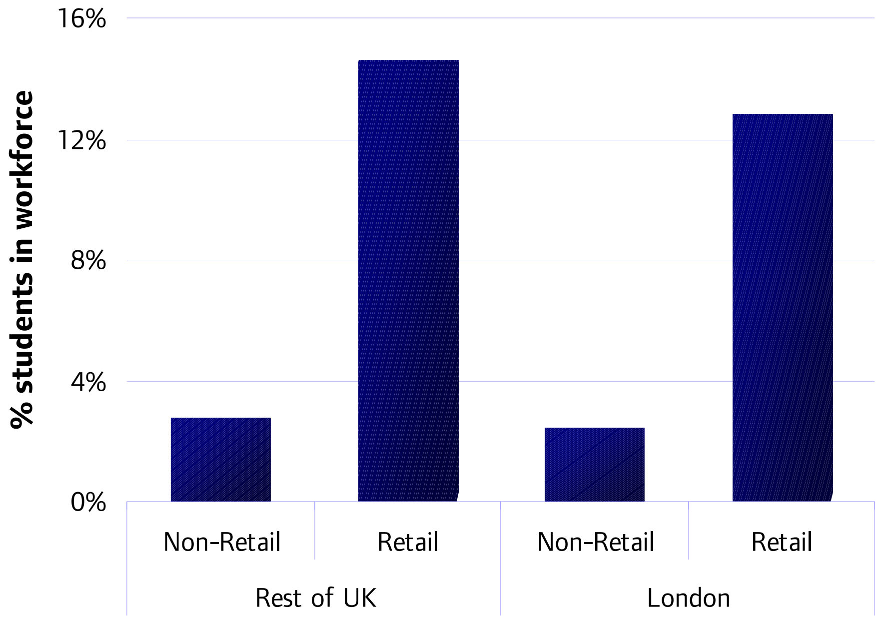


Source: Labour Force Survey Annual 2002/03

Students

The retail workforce is also made up to a greater extent by students than the rest of the economy. Students make up around 15 per cent of the retail sector workforce in the UK, compared to three per cent for the rest of the economy. The proportion of students in the workforce is smaller in London, but the difference between the retail sector and the rest of the economy remains marked. This is not surprising given that the retail sector provides a high number of entry level jobs that can be worked part-time, making them ideally suited for students.

Figure 3.3: The proportion of students in the workforce



Source: Labour Force Survey Annual 2002/03

Women

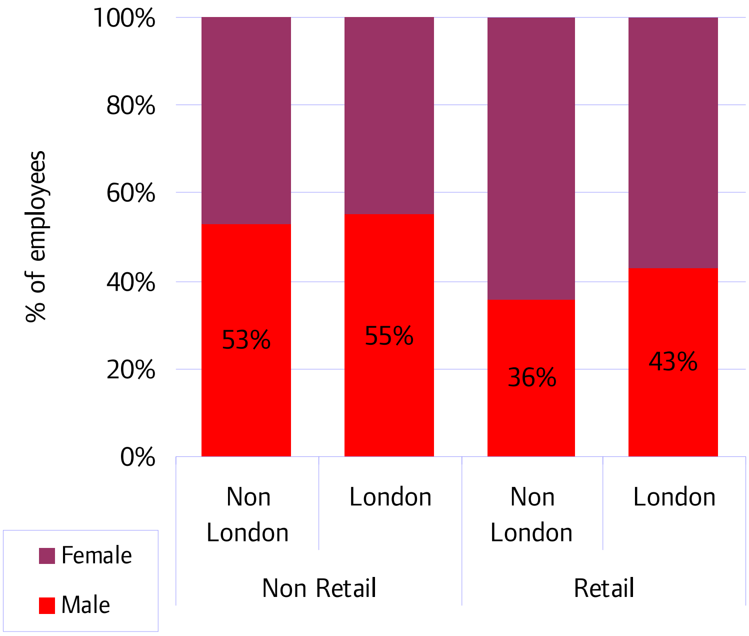
Women make up around 57 per cent of retail employees in London. This proportion is higher than the average for all industries which is around 45 per cent. The overrepresentation of women in the retail sector is less pronounced in London compared with the rest of the UK. In the rest of the economy (both at the London and rest of the UK level) women form a minority of the employees. However, the rough split of 60:40 between women and men in the retail sector is fairly consistent across the UK and indeed throughout most of Europe[5].

Among the self-employed, women are a minority both in retail and in the economy as a whole, both in London and in the rest of the UK. In the London retail sector, women make up only 34 per cent of the self-employed. This is slightly lower than the 36 per cent of self-employed that are women in the retail sector in the rest of the UK. But it is higher than the 29 per cent of the self-employed that are women in the rest of the London economy.

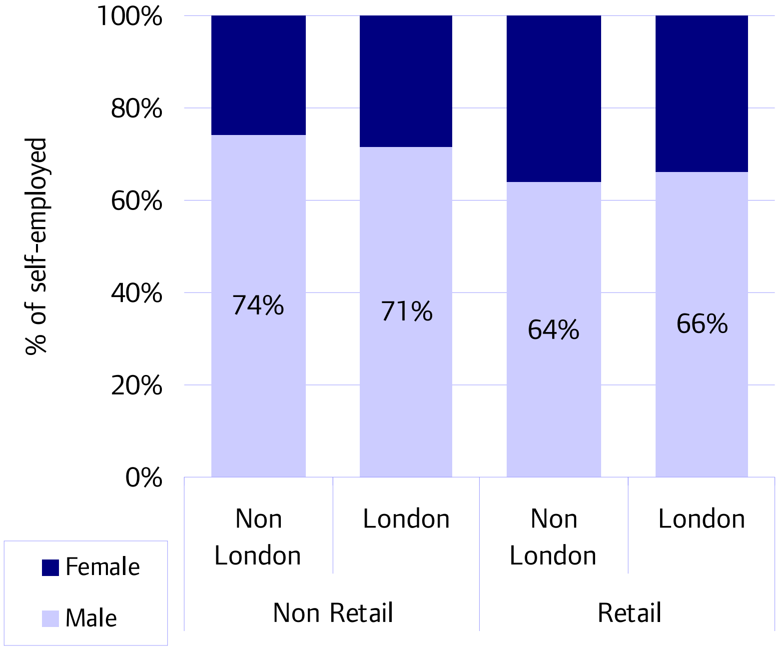
5 Skillsmart, 2003, *Market Assessment for the UK Retail Sector*

Figure 3.4: Women in the retail sector, London and the rest of the UK

Employees



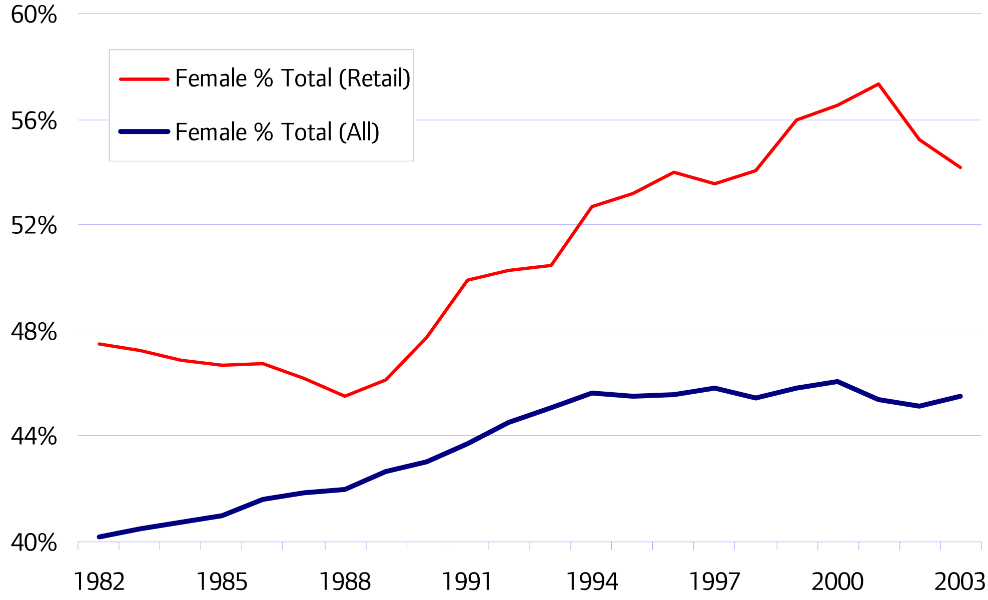
Self-employed



Source: Labour Force Survey Annual 2002/03

Retail has long been a sector with a large proportion of women and over the last two decades this has increased so that now women are overrepresented in the sector in London. The proportion of women in retail jobs fell in the 1980s, but it has been rising since the 1990s (see Figure 3.5). The number of women working in retail increased by over 57,000 between 1982-2003. Most of these jobs (80 per cent) were part time reflecting the high proportion of women that work part time (see 'Full-time and part-time' work in Section 4, and GLA Economics' report *Women in the London Economy*[6]).

Figure 3.5: The increasing proportion of women in retail in London



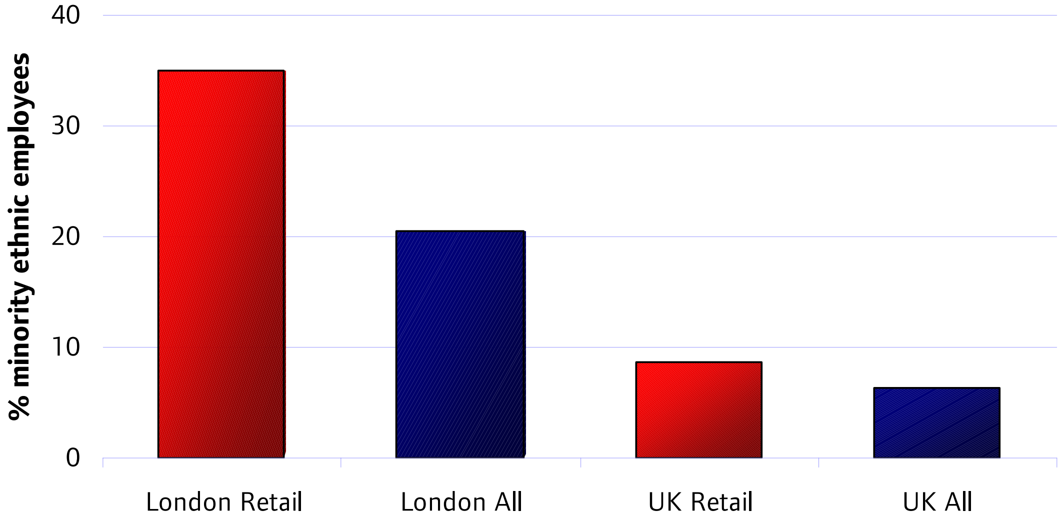
Source: The GLA's London Workforce Employment Series

Ethnicity

The retail sector in London also employs more ethnic minorities than the average for all industries in London. As Figure 3.6 shows, the retail workforce (employees) at a national level is also made up of a higher proportion of ethnic minorities than the average for all sectors. In London however, the difference is much greater with ethnic minorities making up around 35 per cent of the workforce compared to 20 per cent in the rest of the London economy (and 27 per cent of the population in London). At the national level, ethnic minorities make up nine per cent of the workforce in retail and seven per cent for the rest of the economy. This partly reflects the greater ethnic diversity of London in general, but people from ethnic minorities seem more likely to work in the retail sector both in London and the UK as a whole.

[6] Greater London Authority, 2005, *Women in London's Economy 2005*

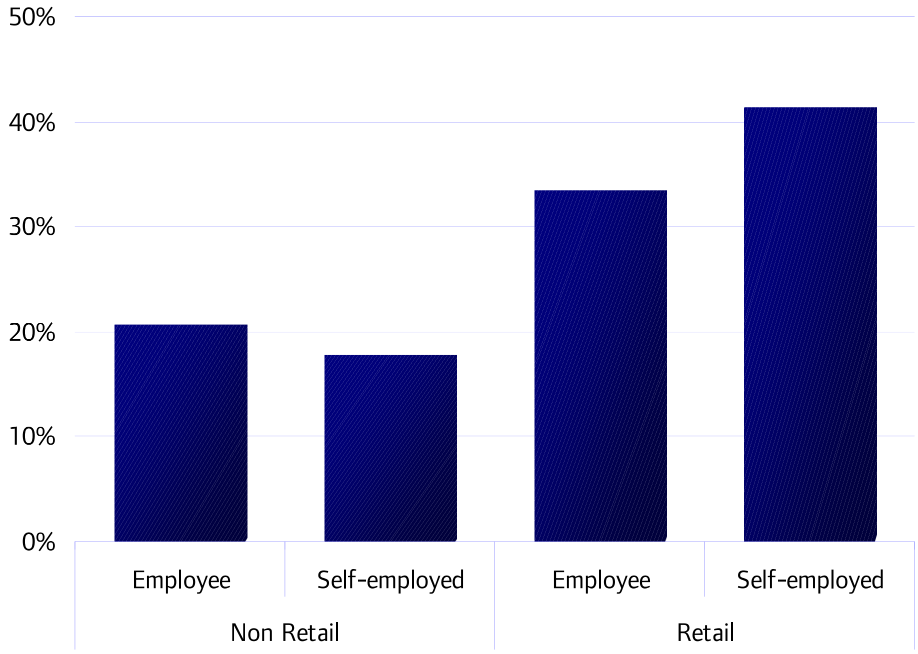
Figure 3.6: Ethnic minorities in the workforce



Source: Labour Force Survey Annual 2002/03

If ethnicity is looked at against self-employment, this provides a different perspective. Not only are ethnic minorities overrepresented in the retail sector as employees, but they make up around 42 per cent of the self-employed in retail. This is far higher than the share of population (27 per cent). This contrasts with the situation in the rest of the economy where ethnic minorities are underrepresented – particularly so amongst the self employed.

Figure 3.7: Ethnicity and self-employment in London



Source: Labour Force Survey Annual 2002/03

Summary

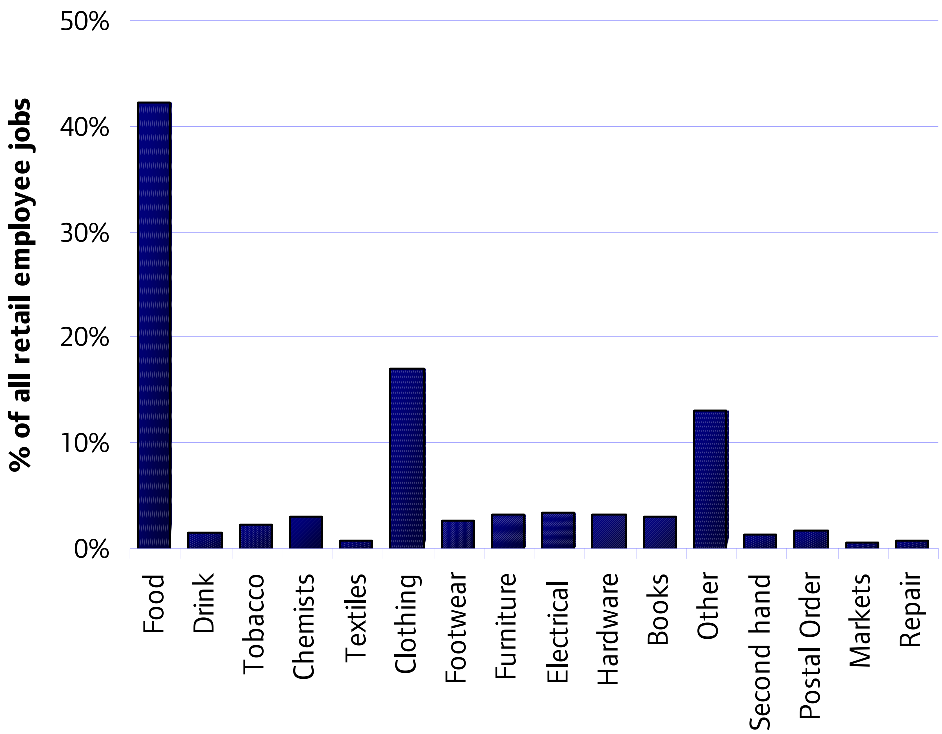
The retail sector is a particularly effective sector in terms of offering a wide range of workers a route into the labour market. This includes groups that otherwise are disadvantaged in the labour market such as the young, women (including those with dependent children), and ethnic minorities. This means that the retail sector can play a very important role in addressing some of London's most pressing problems of worklessness and the regeneration of deprived areas.

4. Industry characteristics

Sub-sectors

There are many different kinds of retailing – often broadly split into convenience and comparison retailing (where convenience retailing is broadly speaking grocery retailing and comparison is all other forms of retail). Most people who work in retail work in food and drink which accounts for almost 50 per cent of all retail jobs. Figure 4.1 shows that compared to food and drink, or grocery, retailing, most other forms of retailing (with the exception of clothing) account for relatively small proportions of retail jobs.

Figure 4.1: Different kinds of retail in London, 2003
Employee jobs in different retail sub-sectors



Source: Annual Business Inquiry 2003

Size of firms

Retail is a sector dominated by large firms to a much greater extent than other industries. Large firms (with 500 or more employees) account for 64 per cent of employment and 66 per cent of turnover in the UK retail sector, compared with 37 per cent of employment and 40 per cent of turnover in the rest of the UK economy. Further, the dominance of large firms has increased over time. In 1995, SBS statistics show that large retail firms accounted for only 53 per cent of employment and 59 per cent of turnover.

Table 4.1: Size of UK firms: Retail and all industries, 2003

	Per cent					
	Retail			All industries		
	Enterprises	Employment	Turnover	Enterprises	Employment	Turnover
All enterprises	100	100	100	100	100	100
With no employees	51.6	6.1	4.3	71.3	14.6	7.9
All employers	48.4	93.9	95.7	28.7	85.4	92.1
1-4	34.9	10.8	10.3	18.9	10.3	9.3
5-9	8.7	6.1	5.9	5.0	6.6	6.3
10-19	3.3	4.4	4.1	2.6	6.8	6.9
20-49	1.0	3.0	2.9	1.4	7.8	8.0
50-99	0.2	1.7	1.7	0.4	5.2	5.9
100-199	0.1	1.7	1.6	0.2	5.2	6.2
200-249	0.0	0.6	0.6	0.0	1.6	1.9
250-499	0.1	1.8	2.0	0.1	4.9	7.4
500 or more	0.1	63.8	66.6	0.1	36.9	40.2

Source: Small Business Service, 2003
Notes: 1. Total turnover for All Industries does not include Financial Intermediation because turnover for this sector cannot be calculated on an equivalent basis.
2. 'With no employees' comprises sole proprietorships and partnerships comprising only the self-employed owner-manager(s), and companies comprising only an employee director.

There is not much data at a London level which will allow analysis by size of business. However, the Annual Business Inquiry (ABI) can be analysed by size of data unit, approximately corresponding to business site. This data can be used to show how many people work in a business site of a certain size (a shop or an office). More employees in the London retail sector work in smaller units compared with the average for the London economy as a whole. In fact, around 29 per cent of retail employees work in sites with ten or fewer employees, compared to only 21 per cent of the employees in London's economy as a whole. This difference is exactly the same at the national level. Around 29 per cent of retail employees work in firms with ten employees or fewer compared to 21 per cent of all Great

Britain employees. Therefore, there is little difference in the average size of a retail unit (as measured by number of employees) between London and Great Britain.

Figure 4.2: Employees in big or small sites in London, 2003

Source: Annual Business Inquiry 2003

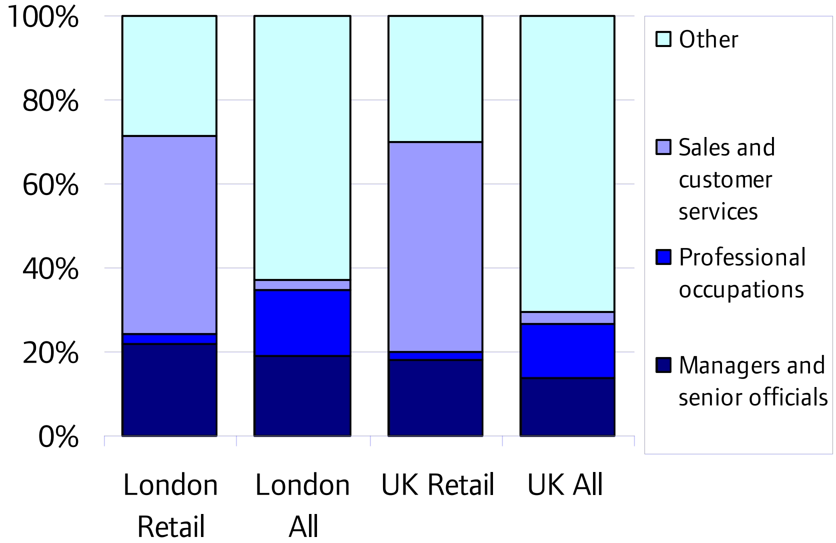
The retail sector also seems more weighted towards very small sites, with over 16 per cent of employees working in sites with four employees or fewer, compared to 12 per cent for all London industries. At the top end of very big sites, the retail sector has a smaller proportion of employees (five per cent) working in sites with 1,000 employees or more, compared to all London industries (12 per cent). At the Great Britain level, most retail employees also work in very small sites – around 15 per cent work in sites with four employees or fewer (about the same as in London). And an even smaller proportion of retail employees (2.6 per cent) work in sites with more than 1,000 staff. So the very big retail sites are responsible for a greater proportion of employee jobs in London than in Great Britain as a whole.

Occupations

In terms of the occupational profile of the retail sector, the structure in London is very similar to the structure nationally. The only difference between retail in London and retail at the UK level is that there is a slightly higher proportion of managers and senior officials in London, possibly due to London being a headquarter location for many businesses, including retail businesses.

Both at the London and the UK level, the biggest occupational group is sales and customer services. This is not surprising as such a large part of retail activity consists of serving customers. However, both in London and at the UK level, the proportion of managers is slightly higher in the retail sector than in the rest of the economy. Thus, the potential to develop managerial skills and to get managerial experience within retail is perhaps something that could be better communicated to young people in order to raise its perceived attractiveness as a sector.

Figure 4.3: Occupational profile of the retail sector



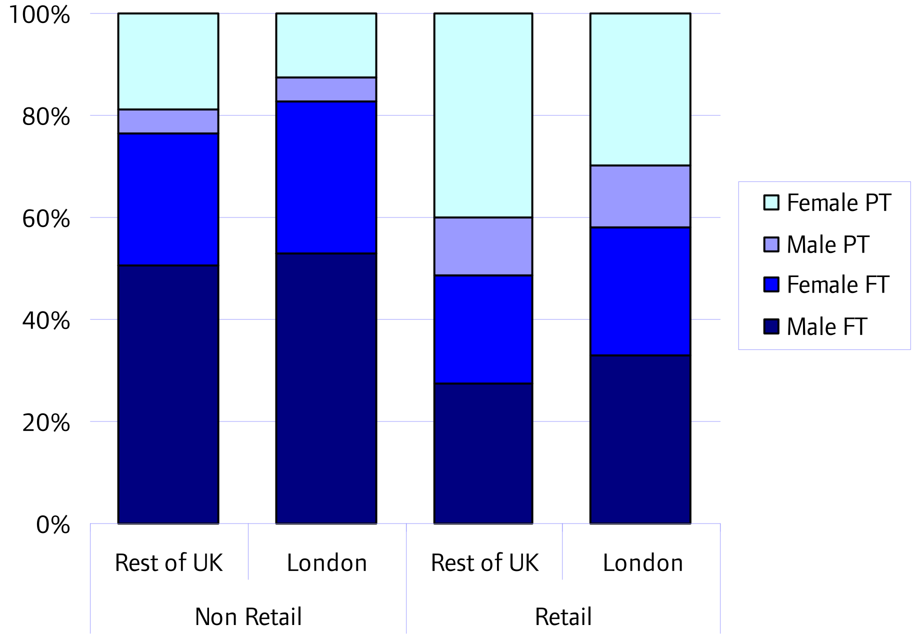
Source: Labour Force Survey Annual 2002/03

Full-time and part-time

Part-time workers form a much bigger part of the retail workforce than in other industries. Figure 4.4 illustrates the extent to which the retail sector depends on part-time workers. In London the proportion is over 40 per cent, compared to around 18 per cent for the rest of the economy. In the UK, the retail sector depends even more on part-time workers than in London. Almost 50 per cent of the workforce is part-time compared to around 20 per cent in other industries. Note however, that London in general has a lower proportion of part-time workers than Great Britain. This is because with a substantially higher cost of living in London, it is harder to subsist on a part-time wage[7]. Also, London has a lower proportion of women part-time workers compared with the UK retail sector although more women work part time in retail than in other London sectors.

[7] see Greater London Authority, 2004, *The Case for London*, Chapter 4: Poverty and Worklessness

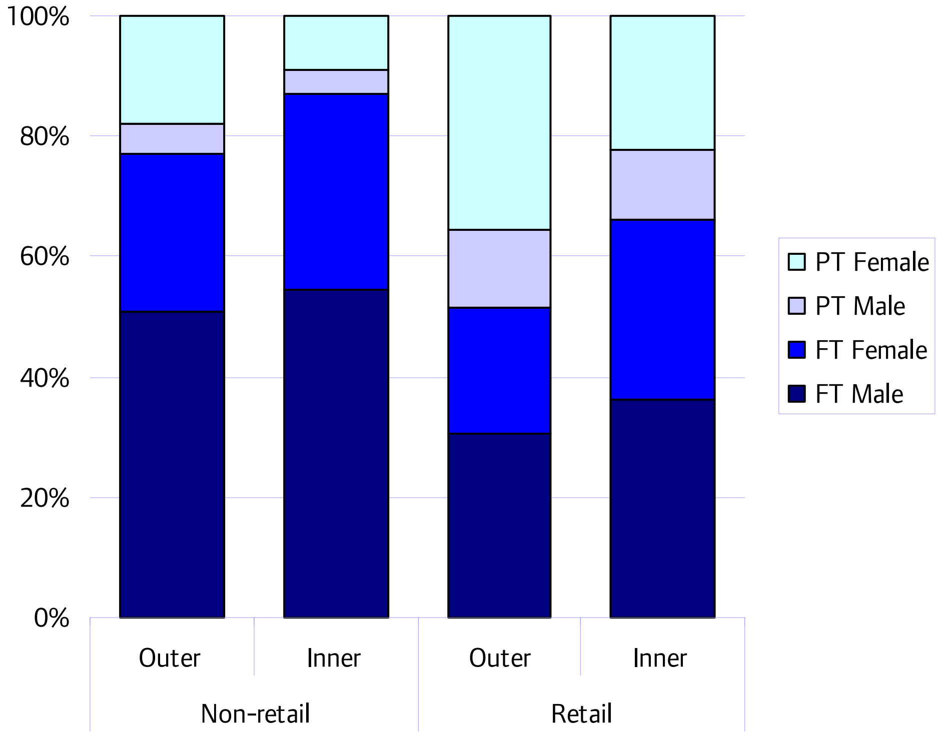
Figure 4.4: A dependence on part-time workers



Source: Labour Force Survey Annual 2002/03
Notes: FT = full-time, PT = part-time

Not only does the prevalence of part-time work vary between London and the rest of the UK, but there are substantial differences between Inner and Outer London too. Figure 4.5 shows that the retail sector in Outer London has a greater proportion of part-time workers, and in particular a far higher share of female part-time workers compared with Inner London. In Inner London, even in the retail sector, the share of part-time workers is only 36 per cent, compared to almost 50 per cent in Outer London.

Figure 4.5: Full-time and part-time work by Inner and Outer London



Source: Labour Force Survey Annual 2002/03

The data suggests that part-time work is less viable in London than elsewhere, and particularly so in Inner London. One reason for this might be the relatively high costs of living and working in London – meaning that part-time work, in particular low-paid part-time work in sectors such as retail is not viable. If so, this has implications for those groups that prefer to work part-time. In particular parents who want to work part-time in order to spend time with their children (still mainly mothers[8]), are unable to do so because a part-time wage may not cover the high childcare costs. Average childcare costs in London are around £8,000 a year[9]. This is around £2,000 more than the average for England, due to the higher cost base in London. For a retail worker earning the median wage – £6.50/hour (higher than the national minimum wage of £5.05/hour) – it would not be possible to pay the average London costs for childcare while working part-time (part-time work at 19 hours per week, 48 weeks a year would only pay around £6,000). This is without considering the other costs of taking up a job such as transport costs, but it also does not consider the tax credits available to working parents.

Staff retention

Turnover of staff is perceived as a significant problem for the retail industry – both in London and nationally. Recruitment is costly, as is inducting and training new staff. In addition, high

[8] Equal Opportunities Commission, 2003, *Facts about women and men in Great Britain 2003*
[9] Sloan, J 2004, 'Nappies and power suits', supplement in *London's Economy Today,* November 2004, Issue 27, GLA Economics

turnover means that the business loses institutional memory and continuity in customer relationships which might ultimately impact on sales. According to research by the Department for Education and Skills (DfES), the average cost of each leaver to a business for all sectors is £2,500 for sales staff, around £840 for unskilled workers and £4,300 for managers[10].

Figure 4.6 shows one measure of turnover – the proportion of staff that have been with the employer for more than a year. Of course, it is difficult to measure staff turnover in a sector that has such a strong seasonal employment fluctuation. For this reason, the analysis and Figure 4.6 uses the quarterly Labour Force Survey (LFS) dataset for the spring quarter 2003/04 (March-May) when the extra workers hired for the Christmas period should already have been laid off. On this measure, over 25 per cent of retail staff have been with their employer for less than a year. This is higher than for the London economy in general, where less than 18 per cent of staff have joined in the last year. At the national level, the situation is similar. More than 26 per cent of staff have joined within the last year in the retail sector, compared to less than 19 per cent for other industries. However, the extent to which staff turnover is a significant problem is not clear. There are several reasons why it might be expected to see a higher rate of turnover, e.g. seasonal employment already mentioned and the high proportion of the workforce that are students. It is not clear that these features of the sector are a problem that could or should be changed.

Figure 4.6: Turnover of staff – a significant problem?
Proportion of employees who have been with employer for more than 12 months

Source: Labour Force Survey Quarterly 2003 March-May

[10] Department for Education and Skills, 2002, *An Assessment of Skill Needs in the Retail and Related Industries*

Another way of looking at recruitment difficulties is to examine the levels of vacancies advertised by the sector. Figure 4.7 shows that the number of vacancies advertised per 1000 jobs in the retail sector is higher than in the economy as a whole. In London there were 97 vacancies per 1000 jobs in retail but only 78 vacancies per 1000 jobs in the economy as a whole. That means that the level of vacancies advertised during a year in the retail sector in London was 25 per cent higher than in the economy generally. In all of Great Britain, there were 139 vacancies per 1000 jobs in the retail sector and 123 vacancies per 1000 jobs in the economy as a whole. So at the national level, vacancies in the retail sector were around 13 per cent higher. Some of these differences may however be explained by the fact that the figures are annual averages which will include the seasonal recruitment drives in the retail sector.

Figure 4.7: Higher than average levels of vacancies

Source: NOMIS, Job Centre Vacancies, 2002/03 data

Productivity

Several recent studies have found that the labour productivity of the UK retail sector lags behind that in other countries like France and the US[11]. One study, by the National Institute for Economic and Social Research (NIESR)[12], finds that labour productivity in the US and France is some 60 per cent higher than in the UK. However, a comprehensive review of the evidence carried out by the Oxford Institute of Retail Management for the DTI finds that there are many reasons to be wary of such results[13].

There are substantial definitional and measurement problems in international comparison of productivity that have not yet been satisfactorily addressed. Differences between countries in

[11] see McKinsey Global Institute, 1998, *Driving Productivity and Growth in the UK Economy*; Van Ark, B, Inklaar, R, & McGuckin, RH, 2002, *Changing Gear: Productivity, ICT and Service Industries: Europe and the United States*, The Conference Board: Washington

[12] O'Mahony, M & de Boer, W, 2002, *Britain's relative productivity performance: Updates to 1999*

[13] OXIRM, 2004, *Assessing the Productivity of the UK Retail Sector*, Department of Trade and Industry

how labour and output are measured mean that it is extremely difficult to be sure that the measure of productivity (output per worker or output per hour) is similar enough for meaningful comparison. Measuring productivity is particularly complex in the retail sector.

Because of the different formats, offers, resource costs, legal framework and ways of working in different countries using total factor productivity (TFP) rather than labour productivity might provide a more accurate measure of international differences. There is some evidence that UK retailers are particularly good at utilising space productively. However, the statistical and data requirements for TFP are even higher than for labour productivity. The attempts that have been made to estimate TFP suggest that the UK is no less productive than its nearest G7 comparators[14]. More detail on productivity in retail is contained in GLA Economics' forthcoming *The impact of planning on competition and productivity*.

Summary

Grocery or convenience retail is the source of almost half of all retail jobs in London. Other sub-sectors account for smaller proportions, each accounting for around five to ten per cent of retail sector jobs in London. When compared to other sectors, a high proportion of total sales are accounted for by large firms in the retail sector; that is, there is a relatively high level of concentration in the retail sector. Businesses with 500 or more employees account for a larger proportion of jobs and turnover in the retail sector than in the rest of the economy. Furthermore, the concentration has been increasing over the last ten years.

The occupational profile of the London retail sector is dominated by sales occupations, but there are proportionately slightly more managers in the London retail sector than in the UK as a whole. Sales positions are often viewed as entry-level positions and the large proportion of these occupations in the retail sector are part of the reason why it is able to provide employment for a wide range of groups including groups who typically find it difficult to get into employment. The sector also provides a large number of flexible part-time jobs especially for women, though less in Inner than in Outer London. Part-time work in general is less common in London and one reason suggested for this is the high costs of childcare and travel in London. Staff turnover is often raised as a significant problem for the retail sector. The evidence examined in this study shows that turnover appears to be higher in the retail sector, but it is not clear to what extent this is a problem rather than just a feature of the sector's labour market needs.

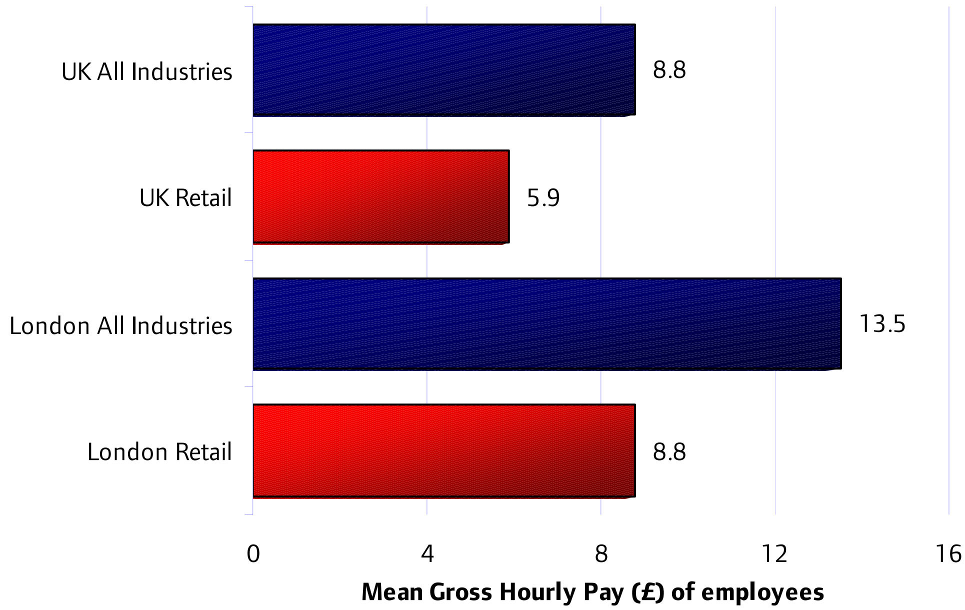
[14] OXIRM, 2004, *Assessing the Productivity of the UK Retail Sector*, Department of Trade and Industry

5. Conditions of work

Pay

One of the reasons for difficulty in retaining employees is likely to be the levels of pay. In the retail sector in London as a whole, the average rates of pay are relatively low. Figure 5.1 shows that while the average hourly wage in retail in London is around £8.80, it is around £13.50 in the rest of the economy. At the national level, retail employees earn on average £5.90 an hour, compared to £8.80 for other industries. In percentage terms, the gap between wages in retail and the rest of the economy is similar as in between London and the UK as a whole. In London, retail employees earn on average 65 per cent of the wage of workers in other parts of the economy, whilst at the UK level, retail workers earn on average 67 per cent of the hourly wage of employees in other sectors.

Figure 5.1: A relatively low-paid sector



Source: Labour Force Survey Annual 2002/03

Mean values can sometimes be distorted by a few very extreme values. The median wage may be a better measure of the 'average'. The median wage in retail in London was £6.50/hour compared with £11.10/hour for the economy as a whole and in the UK the median wage in the retail sector was £5.00/hour compared to £7.30 for the economy as a whole.

The gap between the retail sector average wages and the rest of the economy in London is actually bigger when looking at the median measure of average wages. The median retail wage in London is around 59 per cent of the median wage in the economy as a whole, whereas median retail wages in the UK are 68 per cent of the median wage in the economy as a whole. The gap between average wages in the retail sector and in the rest of the economy is bigger in London than in the UK as a whole.

Moreover, the data suggests that in London retail sector wages are more skewed than wages in the economy as a whole. As shown in Figure 5.2, the distribution of wages in the economy as a whole in London is flatter than the distribution for retail which is more skewed towards lower values.

Figure 5.2 shows the distribution of the gross hourly wage in London and the UK, comparing the retail sector with the rest of the economy. In London around 80 per cent of employees in the retail sector earn £10 or less an hour, compared to around 45 per cent for the London economy as a whole.

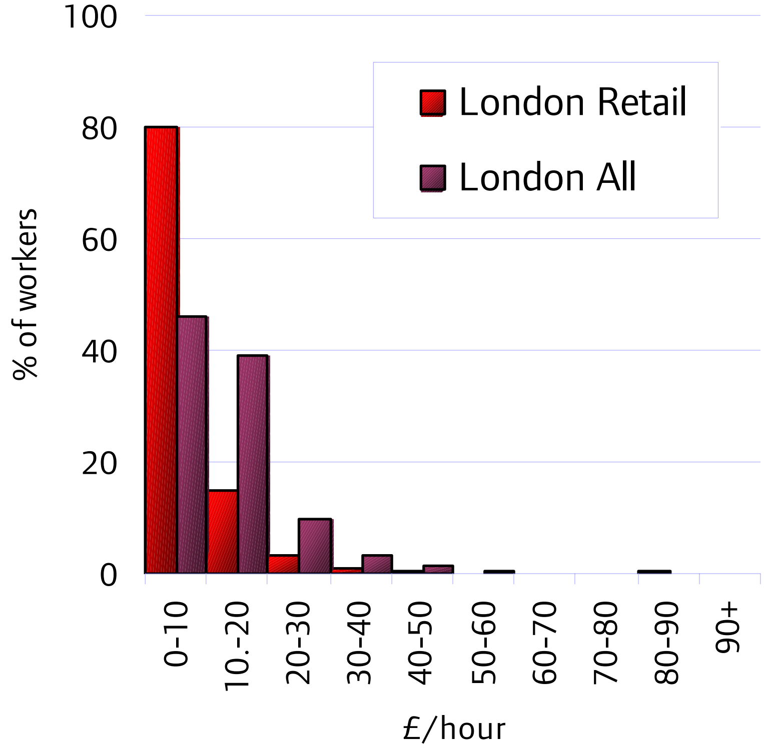
Compared to London, at the UK level an even greater proportion of retail employees earn £10 or less an hour (over 90 per cent for the UK). This compares to only 70 per cent of employees in the economy as a whole. This data is supported by national data on low pay. A study on low pay by the New Policy Institute[15], found that more than 25 per cent of the low paid (defined as less than £6/hour for part-time and less than £250/week for full-time workers) worked in the retail sector. The report finds that the retail sector contains the highest proportion of the low paid in the UK (around 26 per cent).

Hourly wages do not of course provide the whole story. Many retailers offer their employees non-wage benefits, such as staff discounts, generous holiday entitlements or non-payment related bonus schemes. Furthermore, some research suggests that while starting salaries within retail are low, the longer-term salary prospects for those developing a career within retail can be excellent. According to a survey of retail salaries, department store managers can earn in excess of £50,000, area managers in excess of £60,000 and store managers in the food multiples[16] can earn in excess of £70,000[17]. However, data from the LFS suggests that there exists a significant gap between the average wages of managers and senior executives in the UK retail sector and in the rest of the UK economy. Table 4.1 shows the average hourly wages of different occupational groups in the retail sector compared with the rest of the UK economy. This analysis would not be as reliable at the London level because of small sample sizes.

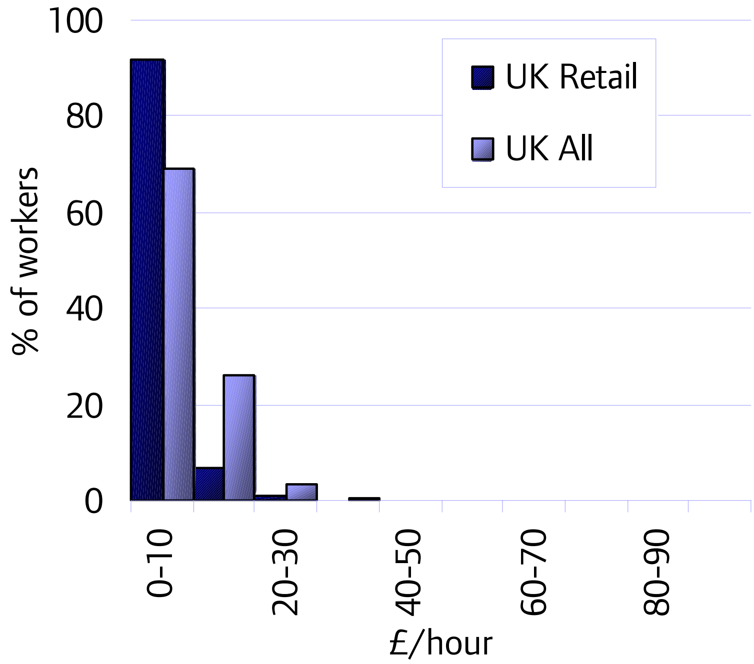
[15] New Policy Institute, 2004, *Why Worry Any More About The Low Paid?*
[16] Food multiples are food retailers with multiple outlets, often big supermarkets.
[17] Michael Page International, 2003, *Salary Survey*

Figure 5.2: Wage distributions for London and the UK

London



UK



Source: Labour Force Survey Annual 2002/03

Table 5.1: Hourly pay by occupation, retail and the rest of the economy
UK 2002/03

	Non-retail		Retail		Retail as % of Non-Retail	
	Mean	Median	Mean	Median	Mean	Median
		£ per hour		£ per hour	%	
Managers and senior officials	15.91	13.69	10.67	8.46	67%	62%
Professionals	15.14	13.90	15.64	14.42	103%	104%
Associate professionals and technical	11.43	10.43	9.87	8.10	86%	78%
Administrative and Secretarial	8.09	7.20	6.56	5.82	81%	81%
Skilled trades	8.37	7.86	6.59	5.94	79%	76%
Personal service	6.22	5.67	5.71	5.80	92%	102%
Sales and customer service	7.06	6.33	5.11	4.64	72%	73%
Process, plant and machine operatives	7.28	6.73	5.80	5.44	80%	81%
Elementary occupations	5.58	5.00	5.19	4.89	93%	98%

Source: Labour Force Survey Annual 2002/03

Hours worked
The data does not suggest the existence of a long-hours culture within the retail sector. The average contracted usual hours worked per week is the same in the retail sector as in the rest of the economy (both in London and at the national level). In London, retail employees work on average almost four hours of paid and another four hours of unpaid overtime in a week. In the rest of the London economy, employees work a bit more than four hours of paid and around six hours of unpaid overtime a week. At the Great Britain level, retail employees work more paid and less unpaid overtime than retail workers in London. They also work less unpaid overtime than workers in other industries at the Great Britain level.

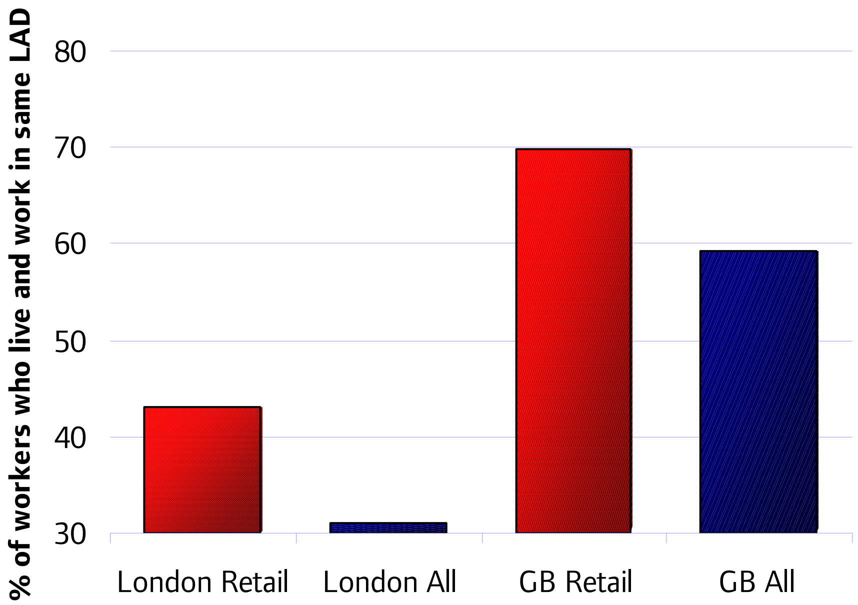
Figure 5.3: Average hours worked

Source: Labour Force Survey Annual 2002/03

Travel to work

The retail workforce is also by and large more local than the average for other industries. Both in London and at the Great Britain level, retail workers are more likely to live and work in the same Local Authority District (LAD) than other workers. In London people are more likely and more used to commuting to work. Despite this, in the retail sector around 43 per cent of workers work near their home, compared to just over 30 per cent for other sectors. At the Great Britain level, it is much more common generally to live near one's work. Nonetheless, retail workers are even more likely to live and work in the same LAD (around 70 per cent) compared to workers in other industries (59 per cent).

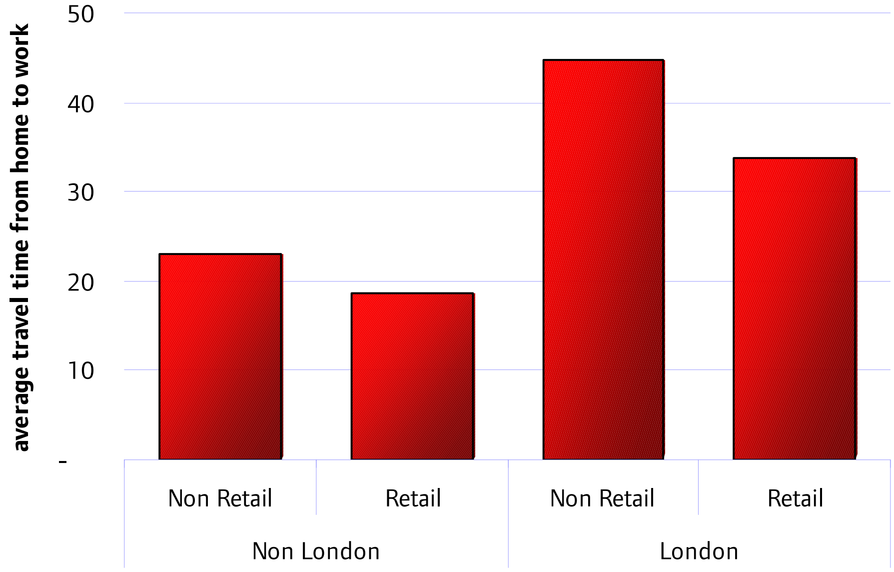
Figure 5.4: A local workforce



Source: Labour Force Survey Annual 2002/03
Note: LAD = Local Authority District

The picture of a local workforce for much of the retail sector is supported by travel to work data. Workers in the retail sector travel an average of 34 minutes to work. This is less than the average for workers in the rest of the London economy, but significantly more than retail or other sector workers in the rest of the UK.

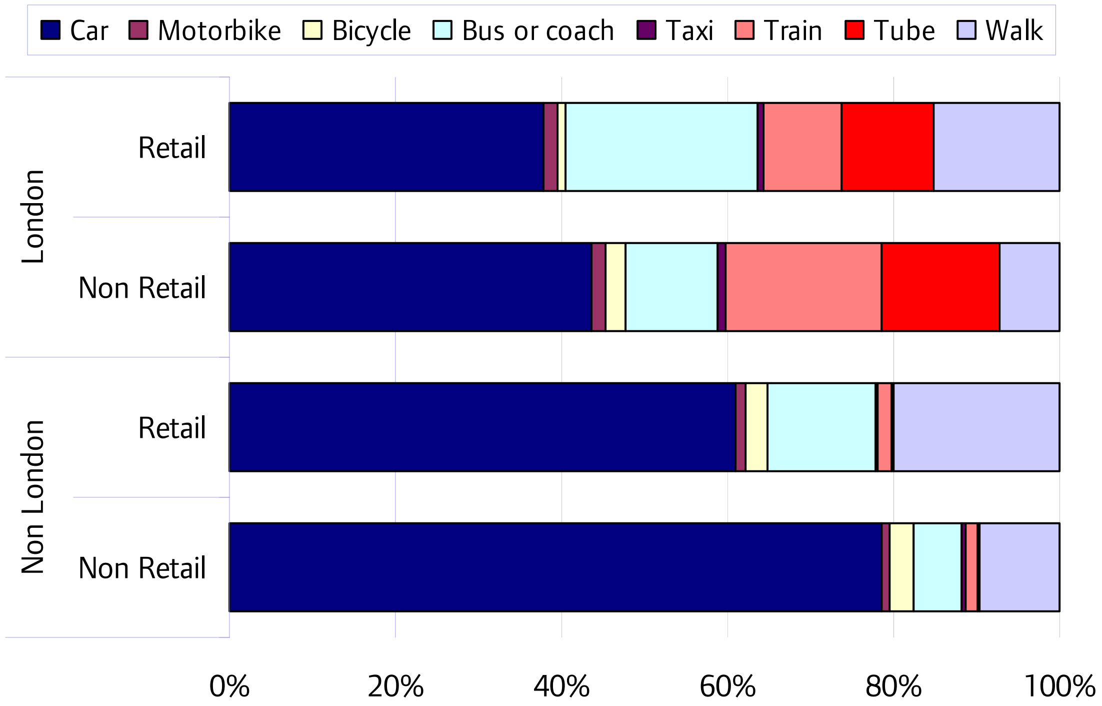
Figure 5.5: Average travel time from home to work



Source: Labour Force Survey Quarterly Autumn 2003/04

People working in retail also use different modes to travel to work than the economy as a whole. Retail workers are more likely than others to travel to work by bus. They are also less likely to travel by car (probably reflecting the high cost of owning a car and the fact that they live closer to work) and less likely than other workers to travel by train (probably reflecting the fact that they are more likely to live locally – see Figures 5.4 and 5.5).

Figure 5.6: Travel to work by mode



Source: Labour Force Survey Quarterly Autumn 2003/04

Summary

Average levels of pay in the retail sector in London are lower than the average for the rest of the economy. This is partly explained by the occupational make up of the retail sector – as shown in Section 3, it is made up to a greater extent by sales occupations than the rest of the economy and comprises a lower proportion of higher paid professional and management occupations. However, even at higher occupational levels, pay in the retail sector is not quite comparable to other sectors.

Employees in the London retail sector do not appear to work longer hours generally than the rest of the London economy. The workforce in the London retail sector is more likely to live locally than the workforce in general. Workers in the retail sector are more likely to work and live in the same borough than London workers in general. They are consequently more likely to have lower travel time to work and retail workers are also more likely to use modes such as buses and walking to get to work. This suggests that retail jobs may have a powerful effect in regenerating deprived areas in London by providing flexible jobs for local residents.

6. Skills and training

Skills shortages

Another important element in attracting and retaining high quality staff is whether an industry is seen as a high skill sector, and whether it develops those skills through training. It is very difficult to get accurate data on skill levels and so levels of qualification are normally used as a proxy. This is not perfect since skills and qualifications or credentials are not the same thing, but in this case the analysis is somewhat limited by the data available.

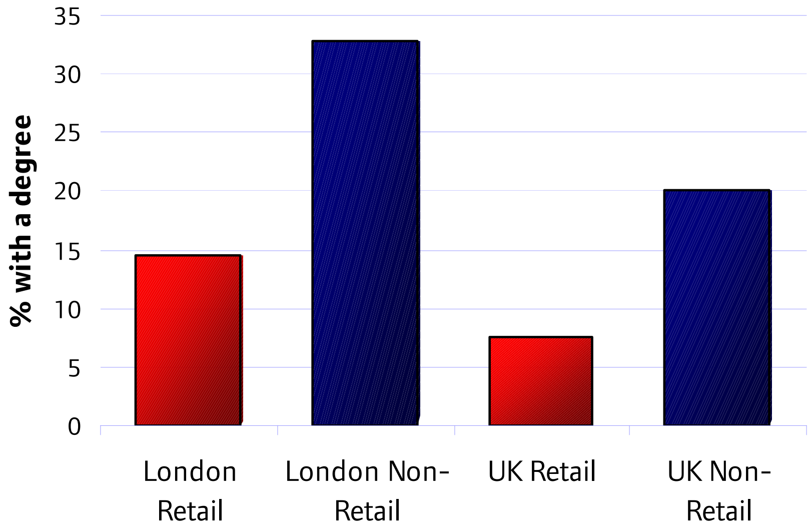
The retail sector is generally perceived to offer predominantly lower-qualified jobs. The evidence largely bears this out. Figure 5.1 shows that the retail sector both at the London and Great Britain levels exhibits lower proportions of workers with higher level qualifications compared with other sectors. In London, around 15 per cent of workers have a higher level qualification compared with an average of over twice that, 31 per cent, in other sectors. At the Great Britain level, workers are generally less likely to have a higher level qualification, but this is particularly the case in the retail sector where the proportion is only seven per cent. However, it is worth pointing out that this does not necessarily mean that employees in the retail sector do not have significant skills. Indeed, the 'softer' skills to do with customer relations and service, as well as sales that employees pick up in the retail sector are extremely important and can be of benefit to them throughout their careers. There is recent evidence that working in the retail sector provides plenty of the 'softer', customer-relations type skills that are in high demand in many other parts of the economy[18].

There is also a greater proportion of workers in the retail sector who have no formal qualifications at all. In the London retail sector around 13 per cent have no formal qualifications. This is far higher than the seven per cent which is the average for the rest of the economy. At the national level, almost 16 per cent of retail employees have no formal qualifications, significantly higher than for all sectors (ten per cent).

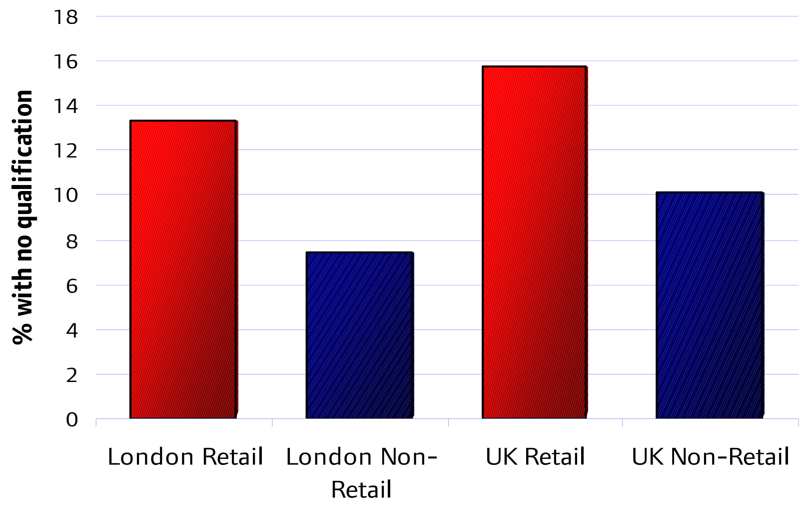
[18] Westwood, A, 2004, *Who is being served?,* The Work Foundation

Figure 6.1: Qualifications in the workforce

Low proportions with higher-level qualifications…



…and high levels of workers with no qualifications



Source: Labour Force Survey Annual 2002/03

It is difficult to find good data on skills gaps (indeed it is often not clear how the concept is defined). The National Employers Skills Survey (NESS) results presented in Table 6.1 show that the retail sector (Personal household goods is the NESS industry category that most closely corresponds to retail) is approximately average for London. Around 11 per cent of retail employers report vacancies and only around two per cent report skills shortage vacancies – both slightly lower than average. Around 19 per cent report skills gaps within their current staff (somewhat above the average) and somewhat fewer than average (32 per cent) have a training plan. This data does not suggest that there is a significant problem of recruitment or retention in the retail sector as a whole. However, it is likely that this will vary substantially between different kinds of retail business.

Table 6.1: Vacancies, skills gaps and training plans in different industries, London

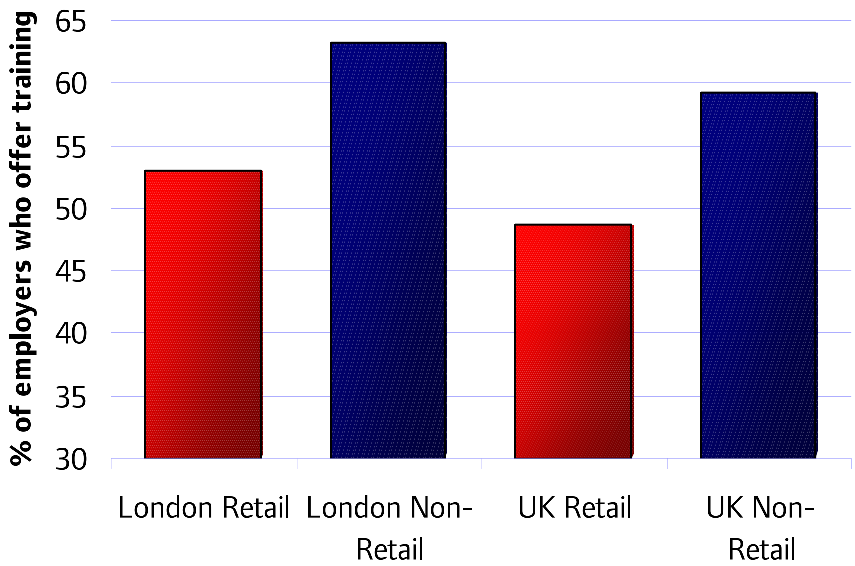
	% of firms with:			
Sector	Vacancies	Skills shortage vacancies	Skills gaps within their current staff	With training plan
Agriculture, hunting and forestry, fishing	-	-	50.0%	83.1%
Mining and quarrying	25.0%	-	21.9%	21.9%
Manufacturing	9.2%	2.9%	16.4%	26.9%
Electricity, gas and water supply	29.9%	0.0%	20.0%	49.7%
Construction	10.3%	5.0%	12.6%	30.3%
Personal household goods	10.8%	2.2%	18.5%	32.3%
Hotels and restaurants	15.5%	2.2%	24.4%	51.4%
Transport, storage and communication	9.8%	2.6%	19.5%	37.8%
Financial intermediation	14.7%	3.0%	21.4%	53.7%
Business services	11.1%	2.2%	12.6%	34.1%
Public administration	31.8%	6.7%	41.0%	85.1%
Education	27.4%	7.4%	32.4%	74.1%
Health and social work	20.9%	5.1%	23.2%	59.6%
Miscellaneous services	14.4%	3.4%	12.0%	31.9%
Total	**12.4%**	**2.8%**	**16.2%**	**36.7%**

Source: The National Employers Skills Survey, 2003

Offering training

Approaching the issue of training from the point of view of employees gives a slightly different answer. The proportion of retail workers who have been offered training by their employers is lower than for other industries. Only around 53 per cent of retail workers in London have been offered training by their employers, compared to the average for the rest of the economy which is 63 per cent. At the national level the same picture emerges. An even smaller proportion than in London, around 47 per cent of retail workers in Great Britain have been offered training by their employers compared to the average for other industries at 59 per cent.

Figure 6.2: Few retailers offer training



Source: Labour Force Survey Annual 2002/03

Summary
The retail sector in London tends to employ lower qualified workers. It is therefore a valuable sector in terms of integrating some groups in London's labour force who have no or few qualifications as well as disadvantaged groups who find it difficult to get into work. There is not much evidence of serious skills shortages in the retail sector in London. The London retail sector appears to report skills shortages for existing staff and skills shortage vacancies at approximately the same levels as the economy as a whole. This lends support to the view that staff turnover is a less pressing problem for the sector than has been feared. The retail sector in London is also somewhat less likely to offer training to its staff than the economy in general. This also does not suggest that there are severe skills shortages, though it may be related to high staff turnover.

7. Conclusion

The retail sector has exhibited strong growth over the last two decades. It continues to be a sector with excellent prospects and a sector with much to offer its workforce. While there has been strong growth in the number of absolute jobs, there has also been some changes to the composition of the labour demand from the sector. It has seen a decline in self-employment and all of the increase in employee jobs has been in part-time jobs while full-time jobs have decreased slightly. The decline in the proportion of self-employment could be an indication that the smaller 'corner store' is being replaced by larger models, franchises or chains. Indeed, Small Business Service data suggests that concentration in the retail industry at the UK level at least is high and has been increasing.

The fact that most of the increase in employee jobs over the past 20 years has been in part-time jobs suggests that there have been significant productivity increases during that time. The increase of part-time jobs is not something to be lamented. Part-time jobs provide flexible employment for people who do not want or are not able to work full-time.

The retail sector workforce has many characteristics that make it distinctive from the London workforce as a whole. Its workforce is younger than the average. It employs more women and more ethnic minorities than the rest of the London economy. It also provides jobs for those with low levels of qualifications. This means that retail is a very important sector for addressing some of London's most pressing labour market challenges.

The retail sector also has features that make it distinctive as a sector – the high levels of concentration within the industry, the high proportion of part-time jobs and the high level of seasonal employment.

The concerns of employers about the high levels of turnover are only partly supported by the data presented in this report. Levels of turnover are higher in the retail sector than in other sectors. However, there are reasons such as the high proportion of young people and students that might go some way towards explaining this. The relatively low levels of pay and training may also play a part in high turnover figures. In order to raise productivity it is essential to improve our understanding of the sources of rapid productivity growth in other countries, whether it stems from greater integration of information technology or a more highly trained workforce for example.

To conclude, the retail sector is an important source of jobs and makes a valuable positive contribution to London's economy by providing a route into work, a source of part-time jobs, high flexibility and a source of jobs for the low skilled. The fact that it is a relatively low-pay sector is less positive. However, these attributes may to some extent be two sides of the same coin. The sector has shown high growth and some quite significant changes in the composition of jobs – a decline in self-employment and full-time jobs, but a larger increase in part-time jobs than in the rest of the London economy.

Acronyms

ABI	Annual Business Inquiry
DfES	Department for Education and Skills
DTI	Department of Trade and Industry
eg	For example
FT	Full Time
GB	Great Britain
GLA	Greater London Authority
LAD	Local Authority District
LDA	London Development Agency
LFS	Labour Force Survey
NESS	National Employers Skills Survey
NIESR	National Institute for Economic and Social Research
PSA	Public Service Agreement
PT	Part time
Q2	Second quarter
SBS	Small Business Service
SSC	Sector Skills Council
TfL	Transport for London
TFP	Total factor productivity
UK	United Kingdom

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Online resources

Department of Trade and Industry, Public Service Agreement
www.dti.gov.uk/about/psa

GLA Economics
www.london.gov.uk/mayor/economic_unit

Office for National Statistics
www.statistics.gov.uk

Small Business Service
www.sbs.gov.uk

Yell www.yell.com

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यदि आप इस दस्तावेज की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नंबर पर फोन करें अथवा नीचे दिये गये पते पर संपर्क करें

Vietnamese

Nếu bạn muốn có văn bản tài liệu này bằng ngôn ngữ của mình, hãy liên hệ theo số điện thoại hoặc địa chỉ dưới đây.

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে নীচের ফোন্ নম্বরে বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

Urdu

اگر آپ اِس دستاویز کی نقل اپنی زبان میں چاھتے ھیں، تو براہ کرم نیچے دئے گئے نمبر پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

Turkish

Bu belgenin kendi dilinizde hazırlanmış bir nüshasını edinmek için, lütfen aşağıdaki telefon numarasını arayınız

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى الاتصال برقم الهاتف أو مراسلة العنوان أدناه

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

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