

BETTER JOBS

MAINTAINING THE MOMENTUM

May 2018

REPORT 4



THE BRC IS THE GO-TO
TRADE ASSOCIATION
FOR ALL UK RETAILERS,
DELIGHTING OUR
MEMBERS, PROMOTING
THE STORY OF RETAIL,
SHAPING DEBATES AND
INFLUENCING THE ISSUES
AND OPPORTUNITIES
THAT MATTER TO
THE INDUSTRY.

CONTENTS

| | |
|---|----|
| THE TRANSFORMATION OF RETAIL IS ONGOING | 06 |
| PROGRESS: A MIXED PICTURE | 10 |
| THE BETTER JOBS VISION REMAINS AS IMPORTANT AS EVER | 17 |
| FOCUS AREAS FOR THE FUTURE | 18 |

FOREWORD



Retail is a dynamic and diverse industry and as the UK's largest private sector employer, is a driving force in our economy. But the industry is in the midst of a period of profound change, something we've outlined in our series of Retail 2020 reports.

We have an opportunity to shape the future of retail by delivering our vision for better jobs – jobs that are more productive, higher-paid, fit for the future and more rewarding for employees.

As we described in our first report, *Retail 2020: Fewer But Better Jobs*, the retail industry of the future will have fewer physical stores and fewer but more productive and higher earning jobs, a transformation which has started to take place over the past two years. Our second report, *Retail 2020: What Our People Think*, considered attitudes and motivation among lower paid retail employees, with an emphasis on pay, progression and productivity; while our third report mapped out a shared industry vision: *The Journey To Better Jobs*.

This fourth and final publication in the BRC's Retail 2020 series revisits that vision and examines how we can maintain the momentum we have created so far. The report that follows explores how the industry is responding to structural changes and provides analysis of the encouraging progress being made on issues like pay growth, productivity, career progression and the engagement and motivation of people in retail.

There is much work for us to do together if we are to continue to shape our future as an industry. We have made progress but we must maintain our focus if we are to deliver our vision of better jobs for the future.

HELEN DICKINSON OBE
Chief Executive
BRITISH RETAIL CONSORTIUM



Retailing in the UK is transforming at a rapid pace, presenting opportunities as well as challenges for retailers of all sizes. Our industry is one of the most competitive in the world and we are already seeing retailers respond to change in very different ways.

I have been involved in the BRC's Better Jobs campaign since its inception and have been delighted to Chair BRC's HR Directors' Group for the last year. The Better Jobs campaign provides retailers with a unique opportunity to collaborate, learn and better understand how we can support our colleagues in a positive vision for the future.

The Co-op, like others in the industry has seen significant change over the last two years as we respond to shifting consumer demand and adopt new technologies available to us. By putting our colleagues at the heart of transformational work we can understand what drives colleagues to thrive in their job roles and what attracts new talent to the industry. The success of Retailers in the UK depends on passionate, hardworking colleagues who give excellent customer service.

We've made good progress over the last two years and I look forward to continuing this critical work.

A handwritten signature in black ink that reads "Helen Webb".

HELEN WEBB
Chief People Officer
Co-op

THE TRANSFORMATION OF RETAIL IS ONGOING

Retail is undergoing a significant period of transformation that is reshaping the industry. Structural and technological change combined with financial and social pressures are fundamentally changing retail in the UK.

Consumers are demanding a more personalised service and technology is changing the way in which retailers interact with customers. Costs are rising faster than the market is growing and new competitors are emerging from both within and outside the industry while the ability to shop is no longer reliant on physical stores.

In 2016 we anticipated this transformation would result in a net reduction in the number of jobs in the industry, and fundamentally reshape the workforce. Over the past two years we have seen this transformation begin to take shape as competition intensifies, online retail continues to grow, store numbers decline and retailers begin to rethink how they deploy their workforce.

SINCE 2015



16.4%
OF ALL SALES
IN 2017
WERE
ONLINE,
UP FROM 12.5% IN
2015¹



THERE ARE
2,485
FEWER RETAIL
STORES THAN
IN 2015²



INDUSTRY
PROFITABILITY
HAS FALLEN TO
6-8%
OF RETAIL
SALES³



3,265
RETAIL COMPANY
INSOLVENCIES IN
GB SINCE 2015⁴

1. KPMG - BRC Sales Monitor.

2. ONS, NOMIS.

3. Thomson Reuters, BRC analysis

4. The Insolvency Service, Insolvency Statistics 2015-17, April 2018.

OVER 2016 AND 2017



c.8%
**INCREASE
IN BUSINESS
RATES⁵**



8.8%
**GROWTH IN
THE NLW⁶**



2.7%
**TOTAL RETAIL
SALES⁷**



NON-FOOD SALES
STORE -3.1%
ONLINE 18%⁸

THERE WILL BE FEWER STORES AND THE ROLE OF STORES WILL CHANGE

The number of stores has fallen by 2,485 over 2015-2017. Latest BRC data for Q1 2018 shows a continuation of this trend with store numbers down 2.3% on the previous year. This downward trend in store numbers is likely to continue as sales fall and costs increase. The stores that remain will adapt and offer new experiences.

THERE WILL BE FEWER JOBS IN RETAIL

Our analysis suggests there could be up to 900,000 fewer jobs in retail by 2025. But, with the transformation changing roles we are seeing new roles emerge. There were 100,000 roles in retail in 2016 that did not exist in 2011.⁹

ONLINE WILL CONTINUE TO GROW

There remains significant growth potential in the online market. The online share of general merchandise could increase to nearly half (48%) by 2030 if barriers to online shopping are removed.¹⁰ Stores must adapt to this new way of retailing to provide customers with a multichannel shopping experience.

6 and 7. BRC analysis.

8. KPMG - BRC sales monitor.

9. BRC, Retail 2020: Fewer but Better Jobs, 2016.

10. Oliver Wyman, Digital Shopping Model, 2017.

SINCE 2016 THE ECONOMIC AND POLITICAL LANDSCAPE HAVE CHANGED

DESPITE INFLATION EASING, ECONOMIC CONDITIONS REMAIN CHALLENGING

The squeeze on real earnings is relenting, but the drag on consumer spending is expected to continue as real wage growth remains weak by historical standards.



UK GDP
GREW BY
1.7%
IN 2017¹¹



HOUSEHOLD
SPENDING
GREW BY
1.8%
IN 2017¹²



INFLATION
IS EXPECTED
TO HIT
2.1%
BY THE END OF 2018¹³

QUALITY, NOT JUST QUANTITY, OF WORK HAS BEEN RECOGNISED AS A MEASURE OF LABOUR MARKET SUCCESS

The government's Good Work Plan confirms the ambition to put quality of work on an equal footing with quantity of work when measuring labour market success. The review of modern working practices considered a number of different areas that retailers have been looking at as part of the Better Jobs campaign, including pay, progression and productivity.

Now, with better jobs on the national agenda, the retail industry can take a leading role in demonstrating how industries can come together to deliver better outcomes for business and for their workforce.

11. ONS.

12. ONS.

13. Bank of England.

RETAILERS MUST PREPARE FOR A POST-BREXIT LABOUR MARKET

In addition to rising prices, the end of freedom of movement from the EU poses potential problems for the retail industry and its workforce. BRC data shows that EU nationals work across the industry accounting for 6% of the direct retail workforce. It is anticipated that certain geographies and retail functions will feel the impacts of the end of freedom of movement more strongly than others.



170,000

EU NATIONALS
WORK ACROSS THE
RETAIL INDUSTRY.¹⁴



26%

OF RETAIL EMPLOYEES
WORKING IN
DISTRIBUTION IN THE
MIDLANDS ARE FROM
THE EU.¹⁵



4%

OF HEAD OFFICE
STAFF ARE EU
NATIONALS.¹⁶



244,000

NET MIGRATION
FALLING.¹⁷

With tighter immigration controls following the UK's exit from the EU likely the importance of making retail an attractive career of choice, has increased.

14. BRC, A Fair Brexit for Consumers: The People Roadmap, 2017.

15. BRC, A Fair Brexit for Consumers: The People Roadmap, 2017.

16. BRC, A Fair Brexit for Consumers: The People Roadmap, 2017.

17. ONS, net migration statistics quarterly, February 2018.

PROGRESS: A MIXED PICTURE

In the face of technological development and structural change, the retail industry came together under the leadership of the BRC and set out a vision for better jobs. For all employment opportunities in retail to be as attractive, accessible and well remunerated as possible. Achieving this vision requires companies both to respond individually and to collaborate. It requires leadership around people within businesses and the willingness to innovate and to build and develop new skills and capabilities.

FROM

REPUTATION



- Not widely viewed as a career of choice
- Often stop gap or first job
- Locality and flexibility most valued by workforce



SKILLS



- Not a lot of stretch, limited decision making power for front line employees
- A lot of new roles emerging, but these are not forming a part of development plans and career paths yet



LEADERSHIP



- Some pockets of excellence, but lack of consistency in quality



REWARD



- Some people are “stuck”, while others do not want to take more responsibility
- Flatter hierarchy
- Median wages above NLW, but pressure on other benefits
- High variability across the industry on pay and benefits



We have seen progress over the last few years at both the company and industry level. But the progress that has been made has not come without some disruption. Individual companies have managed change within their businesses to attain the best possible outcomes, which are in turn reflected in our industry wide metrics.

| TO | PROGRESS |
|--|---|
|  <ul style="list-style-type: none"> • Diversity and inclusion leader • Best route to social mobility (“get in, get on” in life) • Rich, rewarding career while maintaining flexibility • Community hub, positive role in society | <p>2017 JOBS CAMPAIGN</p> <ul style="list-style-type: none"> • BRC worked with retailers and the DWP to promote the range of careers available across the industry in the first Retail Jobs campaign. |
|  <ul style="list-style-type: none"> • Some tasks are automated to enable higher value added roles – better use of “human touch” • Wide variety in roles • Varied career progression routes for those who want them | <p>BRC & TIMEWISE PARTNERSHIP</p> <ul style="list-style-type: none"> • Working in partnership we are supporting the industry to unlock part-time and flexible progression. Five Retail Pioneers have analysed the cultural and operational barriers to flexibility and identified ways to break down those barriers and support flexible progression. |
|  <ul style="list-style-type: none"> • High calibre leaders – widely recognised training ground for general management, highly sought after jobs • Leadership in local community | <p>RETAIL SECTOR COUNCIL</p> <ul style="list-style-type: none"> • Leaders from across the industry have come together in partnership with government to form an industry-led Council. The Council, co-chaired by Richard Pennycook and the Retail Minister, seeks to encourage growth and positive change in the industry as it continues to transform. |
|  <ul style="list-style-type: none"> • Opportunities for progression regardless of academic background • Training ground for core employability skills • Most jobs above NLW, attractive rewards and benefits package • More entrepreneurship in the industry • Higher job satisfaction • Lower turnover – and more accepted practice of people leaving and returning | <p>ATTRACTIVE REWARD AND BENEFITS</p> <ul style="list-style-type: none"> • As base pay rises due to the NLW retailers have worked hard to maintain wider benefits. Over 90% of retailers offer additional paid holidays, general staff discounts and pensions contributions above the statutory minimum. |

PROGRESS: A MIXED PICTURE

Alongside our shared industry vision of what better jobs look like our work has shown that it is imperative to improve industry productivity, to harness and develop new skills for the future as well as deliver on the things that people who work in the industry say are most important to them. The Better Jobs Dashboard has been tracking progress on these key issues - productivity, pay, engagement and employment. The Dashboard provides a baseline measurement of progress towards more productive, more rewarding and better jobs. While the latest data show positive progress on pay and productivity, engagement has fallen for the first year as transformation directly impacts the workforce.

THE BETTER JOBS DASHBOARD



PRODUCTIVITY

For the fourth consecutive year, productivity growth in retail continued to outperform the rest of the UK economy. Over the year to Q3 2017, retail productivity grew by 4.0%, in contrast to productivity growth in the UK (1.2%). In comparison, overall manufacturing productivity grew by close to 2%. Higher productivity growth has resulted from investment in innovation - in 2016 retailers invested £3.9bn in intellectual property products (including software and research and development) and a further £867m in ICT.

The reshaping of the retail workforce has a significant part to play in driving productivity. On the one hand, that means retailers are rethinking roles within their businesses, with 25% already having reduced layers of management and more intending to do so in future. On the other hand, it means that retailers are looking to upskill and better engage their staff, to realise their full potential.

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**RETAIL'S
PRODUCTIVITY
PERFORMANCE
CONTINUES TO
SURPASS THE
UK ECONOMY
AVERAGE**

PAY

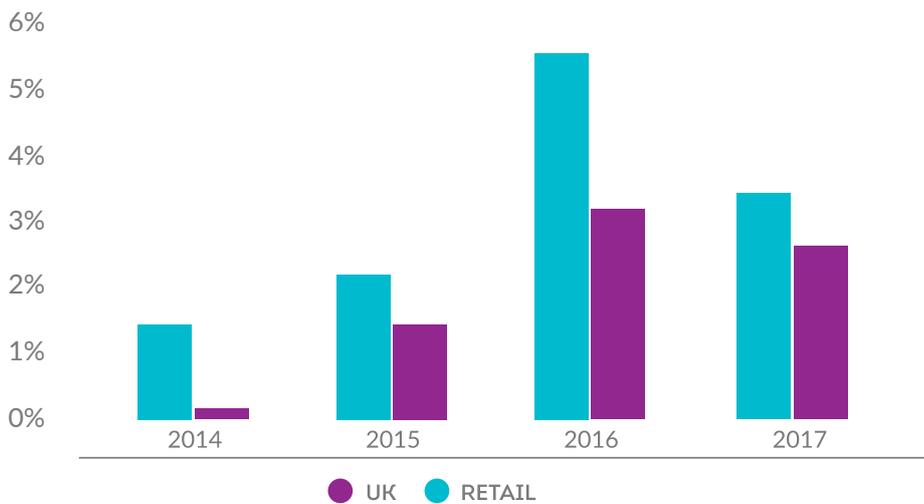
Productivity growth has enabled pay rises across the industry and the retail industry is making faster progress in raising pay than the economy as a whole. Average hourly pay in retail was up 4.6% in 2017, compared to 2.9% growth for the UK economy as a whole. This means the pay gap between retail and the wider economy is closing. Average pay was 69% of the UK median in 2017, up from 66% in 2015.

The National Living Wage, introduced in 2016, has helped drive up pay in retail but our analysis shows average pay growth in retail was already outstripping the UK average before the National Living Wage came into play.



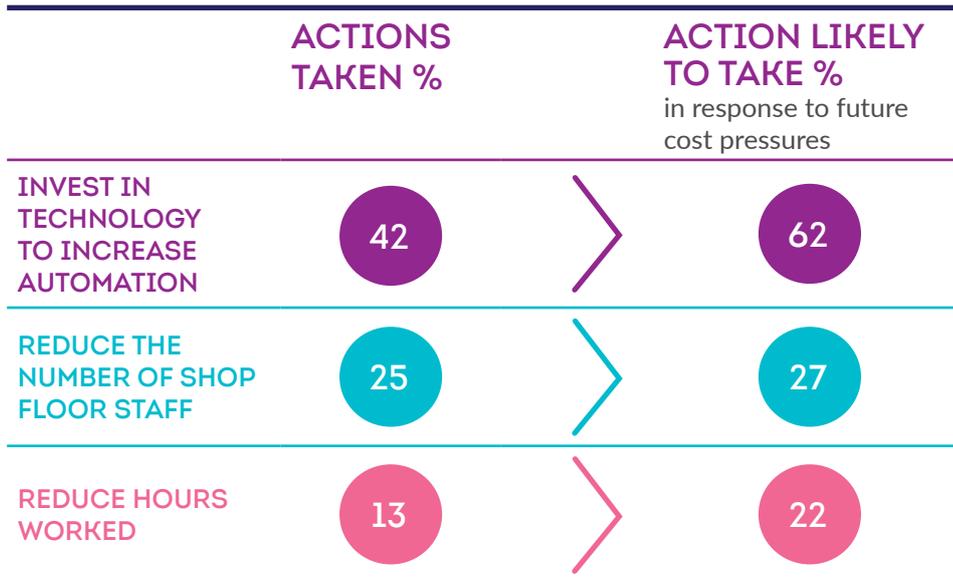
**PAY IS RISING
IN THE
INDUSTRY AT
A FASTER RATE
THAN ACROSS
THE UK**

Annual growth in hourly pay (%), retail vs UK



The National Living Wage is widely supported by the industry and many retailers offer the rate to all staff regardless of age rather than simply applying it to those aged 25+. In order to pay for the higher base rate, retailers have had to make some tough decisions, including reducing layers of management and, for some within the industry, raising prices. Managing future increases to the National Living Wage will see the industry face further tough decisions about their workforce.

**Actions taken in response to the National Living Wage vs
Likely actions retailers will take in response to future cost pressures.**



ENGAGEMENT

In the face of industry transformation, it is important to understand how the rapid pace of change is affecting those working in the industry. As part of the Better Jobs vision we want retail to be seen as a career of choice, where there are opportunities for progression and development and employees are satisfied with their jobs. Our engagement metric, drawn from our annual survey of lower paid retail workers, has been tracking satisfaction of those working in the industry.¹⁸

Now, with three years of data we can begin to identify some common themes and emerging trends about how the workforce are experiencing and responding to structural change.

Against a backdrop of tougher market conditions and a weaker economy we saw the engagement metric drop from 57% in 2017 to 52% this year. Falling consumer confidence and broader awareness about fair pay may have contributed to this year's fall in engagement. However, with six of the nine engagement scores falling it demonstrates retail colleagues are feeling the impact of industry transformation.



**TRANSFORMATION
HAS BROUGHT
DISRUPTION TO
THE WORKFORCE**

18. The engagement metric is based on responses to a consumer survey of retail workers earning less than £9 per hour. Respondents are asked to indicate how far they agree with a number of statements including "I feel motivated to give my best as work" and "I'm proud to work in retail".

Shifting the perception of retail as a career of choice is something we acknowledge will take time and the latest survey results indicate there is still further to go in achieving this. In comparison to the previous year, the 2017 survey results show fewer retail colleagues reported they were proud to work in retail and there was a drop from 69% to 61% reporting they were motivated to give their best at work. These results come despite significant pay increases across the industry. This confirms our view that pay is not the driving factor in engagement and satisfaction for retail workers. For the third year running flexibility in hours and locality to home topped the reasons why people chose to work in retail. Pay was ranked sixth.

Top drivers for working in retail



Creating opportunities for progression and development is key to moving people out of low paid roles and enabling individuals to achieve their potential. Our survey results indicate that the steps taken to manage National Living Wage increases such as reducing layers of management and the squeeze on differentials have been felt by the workforce. Over half (55%) of retail colleagues agree with the statement that there are fewer promotion opportunities available to them. More than two fifths (43%) agree that getting promoted is not worth the trade-off between the additional work required and the pay offered.

More positively, fewer colleagues reported they felt overqualified to do the job and the proportion reporting it was the job they wanted remained stable. This points to some positive developments in creating more fulfilling jobs with a majority of the workforce positively engaged in their work.

EMPLOYMENT

Over the last two years, taxes on physical stores have grown by an estimated 8% and employee wages by 10%. At the same time as overall sales have grown by less than 3%, money spent on non-food products in physical stores has fallen by 5%. These market conditions, combined with the technological transformation occurring across industry, we anticipate will lead to a net reduction in jobs across the retail industry.

As the retail workforce changes size, the nature of jobs in retail is also changing. The distribution function is growing, new skills are required throughout the workforce and there are brand new jobs being created. As we progress on this journey we continue to monitor the number of jobs in the industry.



**TRANSFORMATION
IS DRIVING A NET
REDUCTION IN
JOBS ACROSS
THE INDUSTRY**



**RETAIL JOBS
FALLEN
BY 73,000
DEC 15-17**



**WAREHOUSING
JOBS INCREASED
BY 88,000
DEC 15-17**

Achieving this vision is a long-term goal, one that we are only part-way through. We will continue to monitor industry progress via the Dashboard and capture steps taken by individual retailers as they manage change in their businesses.

THE BETTER JOBS VISION REMAINS AS IMPORTANT AS EVER

The ongoing transformation combined with new economic and political realities make the focus on better jobs even more important. Retail is an exciting, dynamic and diverse industry. It is a driving force in our economy and has the ability to improve communities and people's lives. We are committed to ensuring the industry thrives through this change and it is a positive reinvention.

Over the last three years we have made good progress towards the industry vision of better jobs with individual companies pressing ahead with what works for them as well as collaborating as an industry. In the last year we have worked collaboratively across a range of areas including; digital skills, diversity and inclusion, apprenticeships as well as continuing to develop our understanding of what drives job satisfaction in the industry in order to respond effectively.

As we reflect on the progress made we must continue to move forward with the Better Jobs vision at the forefront of our minds and the commitment of the industry. The companies named below have agreed that:

As an industry we collectively share the responsibility for the dramatic changes currently underway.

Whilst we will all plot our own journey focused on the needs of our customers, our people and our businesses, we also recognise the value of working together to share knowledge, learning, and best practice in order to build momentum and alignment for the greater good of the industry. So we will:

- 1. Support our leaders to be part of driving forward the steering group and/or participate in forums to enhance shared knowledge and understanding.*
- 2. Collaborate in effective partnership with the Government and related agencies on pay, progression and productivity.*
- 3. Provide (pre-agreed) data to support the BRC's measurement assessment to enable us to know whether the industry is making progress."*

-
- AURUM HOLDINGS
 - ASDA
 - ALDI
 - BOOTS
 - BRIGHTHOUSE
 - CARPETRIGHT
 - CELESIO
 - CLARKS
 - COSTA COFFEE
 - COSTCUTTER
 - CRABTREE & EVELYN
 - DEBENHAMS
 - DEICHMANN SHOES
 - DFS
 - DREAMS
 - FINDEL
 - GREGGS
 - HOLLAND & BARRETT
 - HOUSE OF BRUAR
 - HOUSE OF FRASER
 - ICELAND
 - IKEA
 - ISABELLA OLIVER
 - SAINSBURY'S ARGOS
 - JLP
 - KFC
 - KINGFISHER
 - MARKS & SPENCER
 - MCDONALDS
 - MORRISONS
 - N BROWN
 - NEW LOOK
 - SCOTTISH MIDLAND CO-OPERATIVE
 - SHOP DIRECT
 - SIGNET
 - SPAR
 - STEINHOFF
 - SUPERDRUG
 - TESCO
 - THE BODY SHOP
 - THE CO-OP
 - WHITTARD OF CHELSEA
 - WH SMITH
 - WILKO

REPRESENTING
1.2^M
RETAIL
EMPLOYEES

FOCUS AREAS FOR THE FUTURE

Productivity improvements will enable sustained pay rises, while clear progression routes will create routes to higher skilled jobs that support current and future retail colleagues to reach their full potential.

Achieving the vision at an industry level requires individual companies to continue to progress and develop what works for them as well collaborate with us, Government and other stakeholders to share individual successes so others can learn from them. At the outset of this work we set out four criteria that are critical for success:

- **EFFECTIVE GOVERNANCE FROM THE INDUSTRY**
- **DIVERSE EXTERNAL ENGAGEMENT WITH KEY PARTNERS**
- **MEASUREMENT THROUGH THE DASHBOARD AND**
- **WORKING IN PARTNERSHIP WITH GOVERNMENT**

THESE FOUR CRITERIA STILL STAND.

In the coming year we will focus on 3 key areas as we continue to make progress towards better jobs:

1. CONTINUED FOCUS ON CREATING MORE PRODUCTIVE, HIGHER PAID JOBS IN RETAIL

We will work collaboratively as an industry and with key partners to drive productivity growth. We will engage with the Retail Sector Council as they look at the evidence base for retail productivity growth.

We will engage constructively with the LPC to inform the annual evidence base for setting the National Minimum and National Living Wage. Maintaining an independent, evidence based approach to setting the minimum wage is critical for retailers as we strive to raise pay sustainably.

2. TO SUPPORT INDIVIDUALS FROM ALL BACKGROUND ENTER AND PROGRESS IN RETAIL

The retail industry recognises the value of transparency on this issue. As part of Better Retail Better World¹⁹ retailers from across the industry have agreed to publicly disclose how they are reducing inequalities in both their workforce and their supply chains by 2020.



**OUR VISION IS
AMBITIOUS BUT
ACHIEVABLE**

19. Better Retail Better World, a new campaign from the BRC, is mobilising the retail industry to meet some of the biggest global challenges of the coming decades highlighted by the UN's Sustainable Development Goals.

As the Government continues their work to close the gender pay gap the industry commits to report data annually and take relevant action to reduce the gender pay gap including reducing barriers to part-time and flexible progression. Going forward, the retail industry calls on the government to work with the industry to address the societal drivers of the pay gap including education and careers, childcare costs and parental leave policy.

3. THE INDUSTRY WILL DEVELOP CLEAR CAREER PATHWAYS TO SUPPORT PROGRESSION AND ESTABLISH RETAIL AS A CAREER OF CHOICE.

Mapping retail career frameworks is an important step to establishing retail as a career of choice. We will develop a careers portal for those looking to move into and move within the retail industry.

The Apprenticeship Levy remains an opportunity to develop the skills and progression routes needed for the future. Retailers are trying hard to work with the policy and have bold ambitions – 89% of retailers plan to increase their apprenticeship offering over the next 2 years.²⁰ But more flexibility is needed for the industry to fully engage. The need to backfill roles while apprentices are off-the-job adds significant additional costs and more than a year after the Levy came into play retailers are still waiting for Standards to be approved. We will continue work to make apprenticeships work across the industry, at all levels.

As more technology enters the retail workforce and digital skills become a requirement, we will work to identify the digital skills needs across the industry and opportunities to deliver those skills to retail colleagues.

20. BRC Apprenticeship Survey, 2018.

THE BRITISH RETAIL CONSORTIUM

Retail is an exciting, diverse and dynamic industry undergoing transformational change. The BRC is at the forefront – enhancing, assisting, informing, and shaping. Our broad range of stakeholders demonstrates how retailing touches almost every aspect of our culture.

The BRC leads the industry and works with our members to tell the story of retail, shape debates and influence issues and opportunities which will help make that positive difference. We care about the careers of people who work in our industry, the communities retail touches and competitiveness as a fundamental principle of the industry's success – our 3 Cs.



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