

Diversity and inclusion in UK retail: where are we now and what comes next?

In-depth research and analysis from BRC, The MBS Group and PwC

The employee voice

On the right track or falling short? What do retail employees think about progress on diversity and inclusion?

It is clear that diversity and inclusion has been moving up the corporate agenda in the UK retail industry. But are employees feeling the benefit? Can everyone bring their true selves to work, or is advancement still confined to representation at the top levels?

To find out, PwC surveyed more than 1,000 people working at all levels of the retail industry below senior leadership. In a picture that combines important strides in some areas and frustration with the slow pace of change in others, we explore what diversity and inclusion looks like from the employee's point of view.

On behalf of PwC, Opinium surveyed 1,002 retail employees from 19 to 30 November 2020 – 33% from grocery stores, 20% from general merchants, 14% from fashion, apparel and footwear, 13% from department stores, 5% from digital-only retailers and 15% other types of retail business. The split between women and men was 50:50. 7% of participants identified as being from an ethnic minority. The participants came from all regions of the UK and included a cross section of workers across all job types and pay grades.

Retail employee voice survey snapshot

- Less than half of retail workers (49%) in our employee voice survey agree that diversity and inclusion are sufficiently high up their employers' agenda and only 18% strongly agree.
- More than two-thirds (68%) believe that their organisation's products/services cater to a diverse customer base, though only 26% strongly agree.
- Only around a half (51%) believe that their brand (for example, products) promotes inclusion and only 17% strongly agree.
- Only 35% of participants from ethnic minorities believe that their employer has taken all the steps necessary to protect their safety compared to 49% of white colleagues.
- 23% of participants from ethnic minorities have experienced or witnessed racism in their current workplace.
- 13% of women in our employee voice survey have experienced or witnessed sexual harassment and 14% gender discrimination in their current workplace.
- Only 34% of retail workers believe their organisation has responded well to the Black Lives Matter movement.

Treating diversity and inclusion as strategic priorities

Our employee voice survey raises questions about whether strategies have gained sufficient awareness or made a meaningful impact.

More than three-quarters of the retailers surveyed by MBS for this report (76%) have an diversity and inclusion strategy, while an additional 13% have one in the pipeline for 2021. This of course leaves 11% who don't.

However, less than half of the workers (49%) in our employee voice survey agree that diversity and inclusion are sufficiently high up their employers' agenda and only 18% strongly agree. Less than half (47%) agree that their business leaders communicate about diversity and inclusion and only 16% strongly agree. A further 34% neither agree nor disagree, suggesting that the message isn't getting across.

Retailers' abilities to deliver their diversity and inclusion strategy is undermined by the lack of available data highlighted in our employee voice survey. Only 20% of participants report that their employer collects information on workers' disabilities and 24% on their ethnicity. In relation to sexual orientation, this is even lower at 16%. When participants were asked whether their employer collects data in any of the areas of ethnicity, disability, sexual orientation or social mobility, only 30% said yes, though 40% didn't know. If diversity and inclusion were strategic imperatives on a par with sales or customer satisfaction, there would be regularly collected and visible data to support this.

In our view, there are significant benefits for retailers that do collect, track and analyse data on diversity and inclusion. This includes helping to gauge the diversity of the talent pipeline or inclusivity of products. This in turn improves their ability to identify issues in need of attention, pinpoint commercial opportunities and drive progress. With the impact of the pandemic still all around us, this data could be especially

important in gauging whether some sections of the workforce are facing disproportionate rates of redundancy, reduced hours or other negative impacts.

Inclusion as a commercial imperative

As the responses from the companies surveyed by MBS for this report highlighted, retailers are increasingly focusing on creating a diverse leadership and inclusive workplace. But what about their customers?

As we explored in our 2019 report, *Are you missing millions?*, the commercial lens on inclusion is much less of a focus and businesses are paying the price. It's notable that less than half (44%) of the companies surveyed by MBS for this report use the customer/product lens as a way to improve diversity and inclusion. More than two-thirds of the participants in our employee voice survey (68%) believe that their organisation's products/services cater to a diverse customer base, though only 26% strongly agree. Moreover, the younger the employee, the less likely they are to agree.

Approaches to disability highlight the costs of failing to recognise inclusion's commercial as well as moral implications. Half of the companies surveyed for this report include physical disability within their diversity and inclusion strategy. Yet research indicates that three-quarters of disabled people and their families have left a shop because of poor customer service. With one in five working age adults in the UK having a disability, can retail businesses afford to lose this custom?

In our view, looking at diversity and inclusion through a commercial lens can help retail business to get closer to customers, tap into underserved markets and create offerings that are innovative and unique. Moreover, if diversity and inclusion are seen as a competitive differentiator within the organisation, they're more likely to be embedded into business strategy and the pace of progress will be stepped up.

From a brand and reputational perspective, diversity and inclusion are coming to be recognised as key influencers of consumer choice. In the same way that workers and consumers are gravitating towards sustainable businesses, they also favour inclusive companies. Yet only around a half of the participants in our employee voice survey (51%) believe that their brand (for example, products) promotes inclusion and only 17% strongly agree.

Reflecting customers and employees

Retail workforces are exceptionally diverse. But is this diversity reflected in the leadership team? How inclusive is the workplace?

There are some encouraging signs. At 32%, the proportion of women on executive committees in retail is above the 26.5% FTSE 350 cross-industry average reported by the 2020 Hampton-Alexander review, and fast approaching its 33% target.

However, people from ethnic minority backgrounds make up less than 6% of executive committees, compared to 13% of the UK population as a whole.

As we've already outlined, data is crucial in determining whether talent development and progression are sufficiently inclusive and, if not, what barriers need to be eliminated. Employees also need to believe that opportunities are open to all and that their potential can be fulfilled. Yet 46% of participants in our employee voice survey believe that they're overqualified for the work they do. In turn, 41% report that there's not much support or encouragement available for them to go for promotion. This rises to 47% among ethnic minority workers. In turn, 46% of workers with a child/children under 16 and 37% of 18-34-year-olds would be worried about a promotion because of family commitments, indicating the need for more family-friendly policies.

The impact of the pandemic has accelerated sector disruption. Several leading chains have closed for good. Many others are cutting staff and scaling back their bricks and mortar presence. Yet the training and development needed to come through this period of disruption appear to be lagging. Only 46% of participants in our employee voice survey believe they've had sufficient training in the last 12 months and only 13% strongly agree. The proportion who agrees falls to 39% among ethnic minority workers.

Related concerns centre on social mobility. Retail used to be one of the few sectors where many Board members had been able to work their way up from the shop floor. Yet many of the companies surveyed by MBS for this report acknowledge that these opportunities are diminishing as more and more Board members come with degrees from elite universities or are recruited from consultancies. The lack of priority afforded to social mobility is reflected in the fact that only 12% of participants in our employee voice survey report that their organisation collects data on it.

Treated fairly or unfairly

The Covid-19 pandemic has created significant upheaval and anxiety within many retail businesses. Many workers have spent long periods away from work as a result of the lockdowns. Many also fear losing their jobs as revenues within many businesses dip. Further challenges include the need to protect employees and customers from the risk of infection.

Why my experience of working during Covid-19 has been positive

"We've been lucky to have plenty of customers and are able to carry on, albeit a bit differently, but it's working well. We take orders over the phone and by email and do contactless deliveries."

Employee voice survey participant

While the impact of this upheaval has been felt across the workforce, studies show that in the economy as a whole, the pandemic has had a disproportionate impact on women, carers, workers with disabilities and workers from ethnic minorities. Contributing factors include the high proportion of such workers who are employed on insecure contract terms (e.g. 'zero hours') or in jobs at potentially heightened risk of exposure to the virus (e.g. cleaning or working on tills).

Why my experience of working during Covid-19 has been negative.

"I lost my job due to the pandemic. As a parent to two children, I couldn't be as flexible as my employer wanted."

Employee voice survey participant

Given the scale of the upheaval within retail, we wanted to find out whether Covid-19 has had a disproportionate impact on particular sections of the workforce. For example, are women more likely to lose out on working hours and pay than men? Do workers from ethnic minorities feel less protected than colleagues? If so, the sense that "we're all in this together" and the workforce cohesion that comes with this will soon slip away. And while decisions that disadvantage certain workers may not be the result of conscious discrimination, they could still stem from unconscious biases that have become ingrained within the organisation and its management.

Why my experience of working during Covid-19 has been positive.

"Being able to help others."

Employee voice survey participant

Encouragingly, our employee voice survey reveals that 69% of participants were still working at their companies when the research was carried out during November's second national lockdown. However, proportion still working drops among women (62%) and workers from ethnic minorities (59%).

Why my experience of working during Covid-19 has been negative.

"Customers will not abide by the rules of distancing or mask wearing."

Employee voice survey participant

"I don't feel that the staff's wellbeing is a top priority. The customer is being put first as they are spending the money."

Employee voice survey participant

Also encouraging is the fact that nearly two-thirds (64%) of participants in our employee voice survey have felt supported by their employer during Covid-19 (completely or somewhat), though only 31% feel completely supported. However, less than half of participants (46%) report that their working experience during the pandemic has been positive. Our employee voice survey also reveals a wide disparity between office workers (62% positive) and colleagues working in the store (37% positive).

Only 38% of participants in our employee voice survey report that their employer has put in place new working from home practices/policies since the start of the pandemic. However, most of these believe these practices/policies have taken their personal circumstances into account (76%).

"Insufficient provision for working from home. Insufficient provision for on-site safety. Increased workload in reduced hours. Increased work pressures detrimental to mental health."

Employee voice survey participant

Why my experience of working during Covid-19 has been positive.

"All procedures put in place regarding not only my safety, but the rest of the workforce as well as customers."

Employee voice survey participant

One of the most troubling findings in our employee voice survey is the fact that only 35% of participants from ethnic minorities believe that their employer has taken all the steps necessary to protect their safety compared to 49% of white colleagues. The need for appropriate protection and support is underlined by the fact that the risk of exposure at work is one of the possible reasons why ethnic minority communities have suffered worse health outcomes from Covid-19 than the population as a whole.

Calling out racism, harassment and discrimination

Racism, sexual harassment and other forms of abuse and discrimination continue to blight the lives of a significant proportion of Britain's workers.

We therefore wanted to find out how prevalent retail employees feel these problems are within their organisations and whether enough is being done to tackle them. With the Black Lives Matter movement having intensified the spotlight on inequality and discrimination, we also wanted to find out how retail organisations have responded.

The findings from our employee voice survey are worrying. Nearly one in four participants from ethnic minorities (23%) have experienced or witnessed racism in their current workplace.

Equally troubling are the 13% of women in our employee voice survey who've experienced or witnessed sexual harassment and 14% gender discrimination. Of the women who've experienced or witnessed discrimination or harassment, 60% report that this has come from management, followed by 45% from colleagues and 35% from customers. One in ten of all participants have experienced or witnessed disability discrimination. Among workers aged 18-34, 32% have experienced or witnessed sexual harassment, 33% gender discrimination, 30% racism, 31% age discrimination and 26% disability discrimination.

90% of the retailers surveyed by MBS for this report with a diversity and inclusion strategy have ethnicity/race as an area of focus. Over 60% (62%) report that they've increased internal discussions around ethnicity following the Black Lives Matter protests. However, this has made little or no difference to employees. Nearly a third of the participant in our employee voice survey (32%) report that their organisation had conversations about racism in the workplace before the protests. But this hasn't increased since. Only 15% report that their organisation has introduced training courses in response to the Black Lives Matter movement. Only 34% believe their organisation has responded well to the Black Lives Matter movement.

The way forward

As retail businesses strive to get through this difficult period, diversity and inclusion might appear like second order priorities, In fact, they're critical.

Diversity and inclusion can help to strengthen product appeal by improving the organisation's ability to understand and connect with customers. They can also help businesses to engage more closely with their workforces at a time when they need all their employees' insight and support in areas such as managing social distancing.

These are the five priorities our work with clients highlights as critical in driving progress and harnessing the commercial potential of diversity and inclusion:

1/ **Align with business strategy**

Treating diversity and inclusion as business critical is the starting point for progress. Organisations can then build them into the fundamentals of strategic management, not just talent selection and progression, but also business planning, marketing and operational management.

Priorities include ensuring that diversity and inclusion are on the business planning agenda from the outset. This would be supported by

diverse customer data and key performance indicators (KPIs) to inform decision making, track performance and drive improvement and innovation. For example, how much data does the business have on what disabled people want from them and does this highlight any gaps in service this highlights? How are they responding to this data? Do they have the people who can relate to these customer experiences and develop strategies around them?

There will continue to be difficult decisions ahead, including the possibility of further redundancies and reduced hours. Clear data in areas such as the impact of these measures on different groups within the workforce can help to ensure that everyone is being treated fairly. Data can also help to inform a proactive approach to redeployment and reskilling that reduces job losses and maintains a diverse talent pipeline within the organisation.

2/ **Get closer to customers**

Retail is an industry that touches almost everyone's lives and in which success is all about understanding customers' tastes and delivering a compelling experience. This is also a market where customer expectations are shifting and becoming more complex all the time. Examples range from the demand for omnichannel service to the growing focus on sustainability and ethical sourcing.

Boosting diversity and inclusion helps businesses to truly connect with customers by creating a workforce, leadership and culture that reflects and better understands the people they serve in all their diversity. Inclusion can also help bring in people with fresh ideas and experiences and foster a culture that enables creativity and innovation to thrive.

It's therefore important to consider what more the business could do to create the leadership pipelines and role models that can boost diversity within senior management. And a key part of this is having the strategic impetus and associated data and executive accountability needed to drive real movement.

3/ **Build inclusion into the brand**

Clarify brand priorities from an inclusion perspective. This includes articulating what is and isn't acceptable – for example in how women are portrayed in the business' advertising. It's critical to live by these brand values, from expectations for suppliers and agencies through to the performance objectives and incentives for sales and marketing teams. It's also important to collect data on how the organisation is perceived, whether this aligns with its values and the impact on its brand and customer advocacy.

4/ **Get it out in the open**

Encouraging people to speak out is essential in raising awareness about discrimination and tackling issues within the organisation. Both Covid-19 and Black Lives Matter can be catalysts for greater openness. Clearly, some people may not feel comfortable about raising concerns. When people are worried about their jobs, they may be even more wary about speaking out. Networks for disabled workers, workers from ethnic minorities and other potentially marginalised or vulnerable groups can therefore help to provide a forum for sharing experiences and give people collective confidence in putting forward their views and concerns. In turn, role models and allies within management can promote understanding, solidarity and advocacy.

5/ **Recognise that some workers may need extra support**

Many employees may be facing additional challenges in areas such as juggling work and caring responsibilities. They may also face multiple risks, with higher vulnerability to sickness, childcare issues and possible loss of work. Talk to staff regularly, including all the people on furlough or working from home. Check on their welfare and what support they need.

Further reading

Diversity is the solution, not a problem to solve

<https://www.pwc.co.uk/industries/financial-services/insights/diversity-is-the-solution-not-a-problem-to-solve.html>

Comeback to HTL by WiHTL

www.comebacktohtl.com

Are you missing millions?

<https://www.pwc.co.uk/human-resource-services/assets/pdfs/are-you-missing-millions.pdf>

Hampton-Alexander Review: FTSE women leaders (2021)

<https://ftsewomenleaders.com/>

Why diversity matters (2015)

<https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

Delivering through diversity (2018)

<https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity>

Diversity wins: How inclusion Matters

<https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

From Intention to Action: Diversity in Hospitality, Travel & Leisure – An in-depth report from WiHTL, The MBS Group and PwC

<https://www.thembgroup.co.uk/wp-content/uploads/2020/02/WiHTL-Annual-Report-From-Intention-to-Action-2020-Edition.pdf>

Diversity in Food and Grocery: an in-depth report from The MBS Group, IGD and in association with PwC

<https://www.thembgroup.co.uk/wp-content/uploads/2019/11/397402-MBS-Group-%E2%80%93-Diversity-in-Grocery-Brochure.pdf>

Neurodiversity at Work – CIPD in collaboration with Uptimize

https://www.cipd.co.uk/Images/neurodiversity-at-work_2018_tcm18-37852.pdf

About us

About the British Retail Consortium

The BRC's purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future.

Retail is an exciting, dynamic and diverse industry which is going through a period of profound change. The BRC is committed to ensuring the industry thrives through this period of transformation. We tell the story of retail, work with our members to drive positive change and use our expertise and influence to create an economic and policy environment that enables retail businesses to thrive and consumers to benefit. Our membership comprises over 5,000 businesses delivering £180bn of retail sales and employing over one and half million employees. For more information, visit: www.brc.org.uk
Twitter: @the_brc

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