



## **Skillsmart Retail Analysis**

### **The Age of Retail**

**July 2010**

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## **About Skillsmart Retail's Analysis Series**

How we shop and where we shop is the source of countless headlines. Those who are employed in the sector and how they serve us also feature frequently in the UK press.

This series of reports, developed by Skillsmart Retail provides the reader with an in-depth analysis of the main business, employment and skills trends within the retail sector.

Skillsmart Retail is the Sector Skills Council for Retail. Part-funded by the Government and led by retailers, it aims to be the recognised authority on retailers' skills needs and priorities. One of its core remits is to develop high quality labour market intelligence for the sector and evidence this work with insights into specific aspects of skills in the retail workforce.

If you would like to comment on any of the issues raised in this report, please contact Phil Mosley, Research Manager at [phil.mosley@skillsmartretail.com](mailto:phil.mosley@skillsmartretail.com), or telephone 020 7462 5070.

# Contents

<i>About Skillsmart Retail's Analysis Series.....</i>	<i>2</i>
<b>1. Introduction.....</b>	<b>4</b>
<b>2. Background.....</b>	<b>5</b>
2.1 Retail employee Profile .....	6
<b>3. Key Issues .....</b>	<b>14</b>
3.1 16-24 age group .....	14
3.2 50+ age group.....	15
<b>4. Conclusion .....</b>	<b>17</b>
<b>5. Appendix 1.....</b>	<b>18</b>

## **1. Introduction**

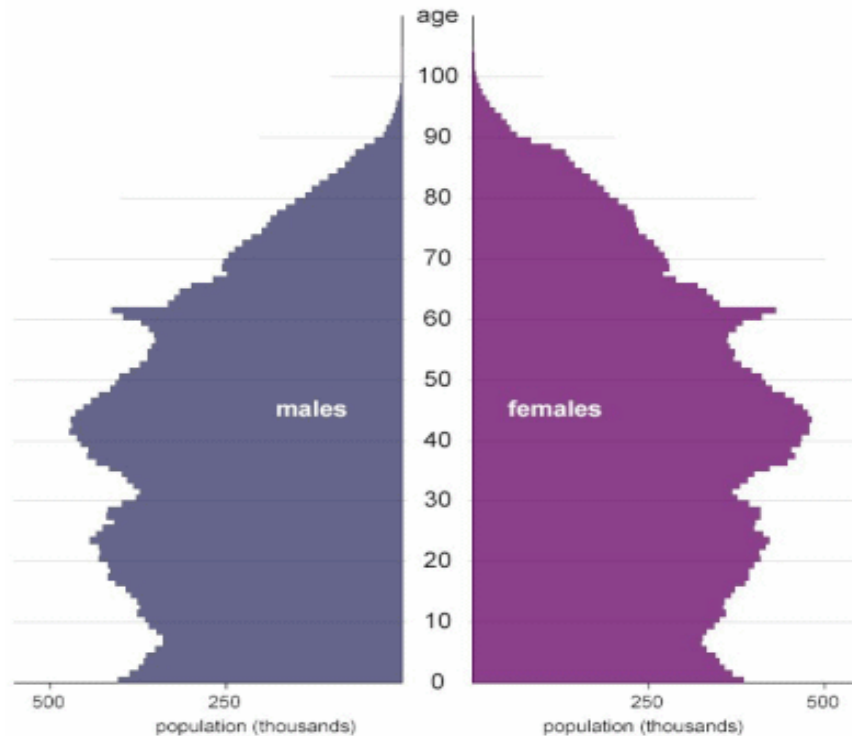
The impact of the 2008 economic downturn continues to be challenging for retailers. Therefore, the retail industry needs to employ people with the right skills and leadership to take it through the difficult times so it can capitalise on the markets eventual upturn.

As part of its role to maximise skills utilisation amongst the retail workforce, Skillsmart Retail has analysed the age profile of the retail sector. To assist in highlighting the key drivers and issues within retail, clear demarcation is made between young employees (16-24 years old), middle-aged employees (25-49 years old) and older workers (50+ years old).

## 2. Background

Before looking at the retail employee profile it is important to highlight the current UK demographic profile.

Figure 1 UK population demographics 2010



Source: Office of National Statistics Population Profile March 2010

The current UK population profile indicates:

- A narrowing of the pyramid appears between the ages of 7 and 20, reflecting the low fertility rates from the late 1980s to early 2000s
- For, approximately, the next ten years the numbers of 16-24 year olds will decline, but then steadily increase again
- A sharp tapering of the pyramid for people aged 31 to 37 reflecting the low fertility in the 1970s
- In the middle of the pyramid, people of working age (aged 16 to 64 for males and 16 to 59 for females) represent 62 per cent of the total 2010 population
- The pyramid shows the 'bulge' of the 'baby boomers' born in the 1960s moving into the middle/older ages
- This growth in middle/older ages is not overly evident in this demographic pyramid, but there is a gradual growth in the number of people living to older ages in the UK

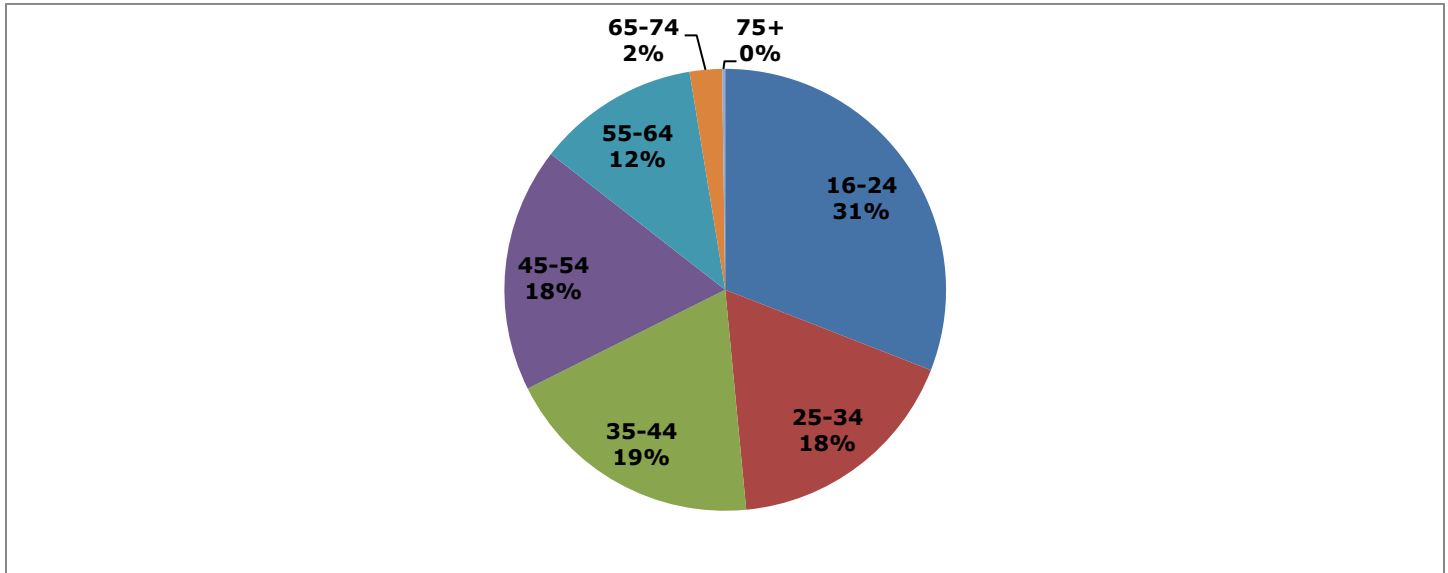
To put the UK's demography into context of the age profile of retail employees, data since 2002 has been analysed from the Labour Force Survey, published by the Office for National Statistics.

## 2.1 Retail employee Profile

### 2.1.1 The age profile of retail employees

Traditionally, the retail sector has employed a high proportion of people aged 16-24 years old. This age group contributes nearly a third of the retail workforce (Figure 2).

Figure 2 Percentage breakdown of retail employment by age



Source: Labour Force Survey (Annualised) 2009

When looking at this trend over time, 16-24 year olds have consistently accounted for more than three in ten retail employees (Table 2.1).

Table 2.1 Retail age profile 2002 - 2009

Age	2002 Number of employees	2002 %	2004 Number of employees	2004 %	2009 Number of employees	2009 %	Number of employee change 2002-2009	% change 2002-2009
16-24	867,458	30	972,963	32	865,722	31	-1,736	-0.2
25-34	587,487	20	562,751	18	491,400	18	-96,087	-16.4
35-44	611,181	21	631,999	21	535,690	19	-75,491	-12.4
45-54	478,655	17	499,410	16	501,624	18	22,969	4.8
55-64	303,627	11	343,999	11	332,425	12	28,798	9.5
65-74	43,804	2	53,642	2	66,202	2	22,398	51.1
75+	5,185	0	7,848	0	6,247	0	1,062	20.5
<b>Totals</b>	<b>2,897,398</b>		<b>3,072,611</b>		<b>2,799,310</b>		<b>-98,088</b>	<b>-3.4</b>

Source: Labour Force Survey (Annualised) 2002, 2004 and 2009

Although 16-24 year old employee numbers dominate the retail profile, the timeline of the data in Table 2.1 highlights subtle changes.

- A numerical and percentage decline appears in the employee age groups 16-24, 25-34 and 35-44.
- At the same time, there has been growth in the number of older members of staff working in retail, especially in the 55-64 and 65-74 age groups.
- In comparison with 2002, there were 50,000 more people aged 55+ working in retail in 2009. Workers aged 55+ accounted for one-in-seven of the workforce.

The breakdown of retail employees, as highlighted in Table 2.1, indicates that although retail employees aged 16-24 years old still make up just under a third of all employees, this age group has shown a small decline in numbers since 2002.

By amalgamating age groups into the key categories of young workers (16-24), middle-aged workers (25-49) and older workers (50+) the patterns, highlighted above, are consolidated (Table 2.2).

Table 2.2 Retail age profile 2002 - 2009

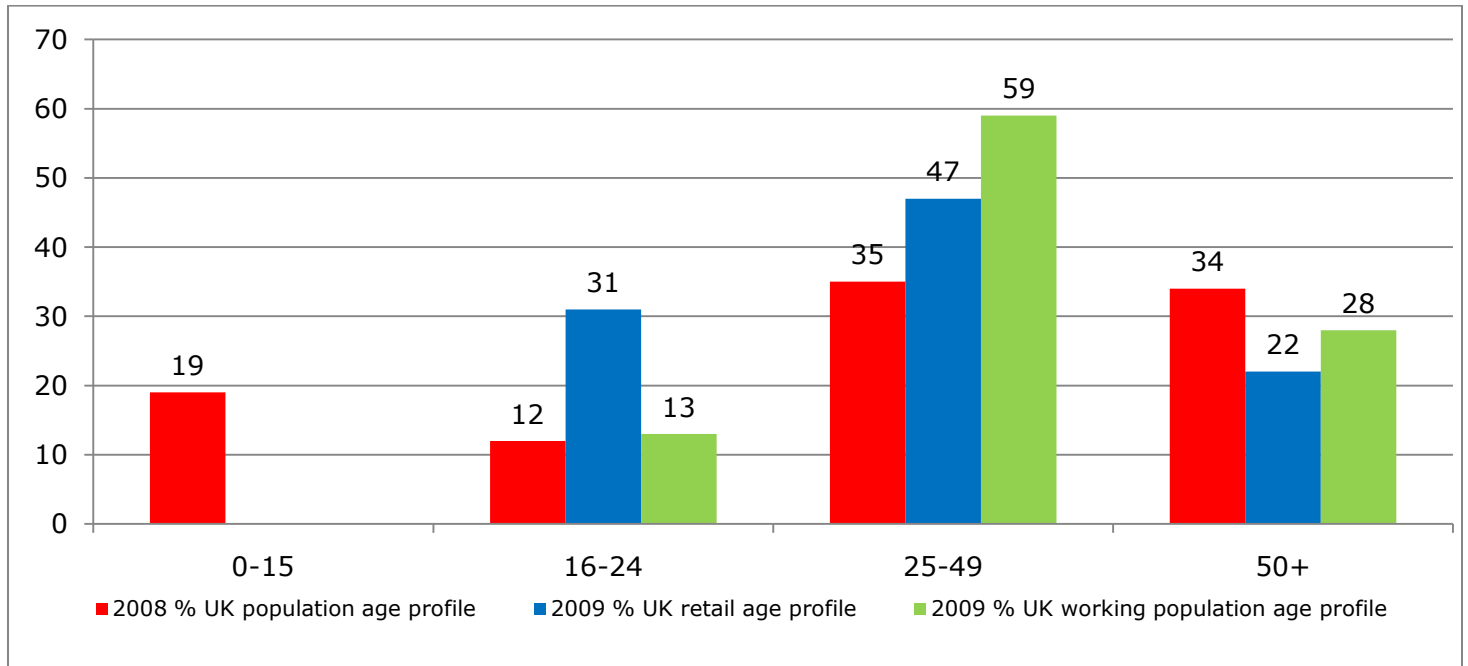
Age	2002 Number of employees	2002 %	2004 Number of employees	2004 %	2009 Number of employees	2009 %	Number of employee change 2002- 2009	% change 2002- 2009
16-24	867,458	30	972,963	32	865,722	31	-1,736	-0.2
25-49	1,436,112	50	1,452,734	47	1,307,131	47	-128,981	-9.0
50+	593,828	20	646,914	21	626,457	22	32,629	5.5
<b>Totals</b>	<b>2,897,398</b>		<b>3,072,611</b>		<b>2,799,310</b>		<b>-98,088</b>	<b>-3.4</b>

Source: Labour Force Survey (Annualised) 2002, 2004 and 2009

The decline in the numbers of 16-24 year olds implies a potential need for a rebalancing of the age profile of the retail workforce. The 25-49 age group has seen the largest decline in numbers of retail employees (-128,981), whilst the age-group 50+ has shown the largest percentage growth, albeit from a low base.

The traditional reliance that retail places on the 16-24 age group can be seen in Figure 3.

Figure 3 Percentage comparison of 2008 UK population with the 2009 retail profile



Source: Labour Force Survey (Annualised) 2009 and Office of National Statistics Population Profile March 2010

The graph shows that:

- The proportion of 16-24 year olds employed in retail is more than double the all-industry average for UK (31% vs. 13%)
- That although 31% of the retail workforce is aged 16-24, only 12% of the UK population fall into this age group
- The proportion of the retail workforce aged 25-49 years old is smaller than the all-industry average for UK (47% vs. 59%)
- The 50+ age group is under represented in retail workforce, compared with the total number of people in this age group who currently work
- Apart for the 25-49 age group, the 50+ age group are second largest total UK population group and are the second biggest group of the working population.

### 2.2.2 The age profile of retail employee by gender

Retail employment is traditionally dominated by female employees. However, when gender is analysed by the age profile of retail employees (Table 2.3) there are subtle differences in the main age groups.

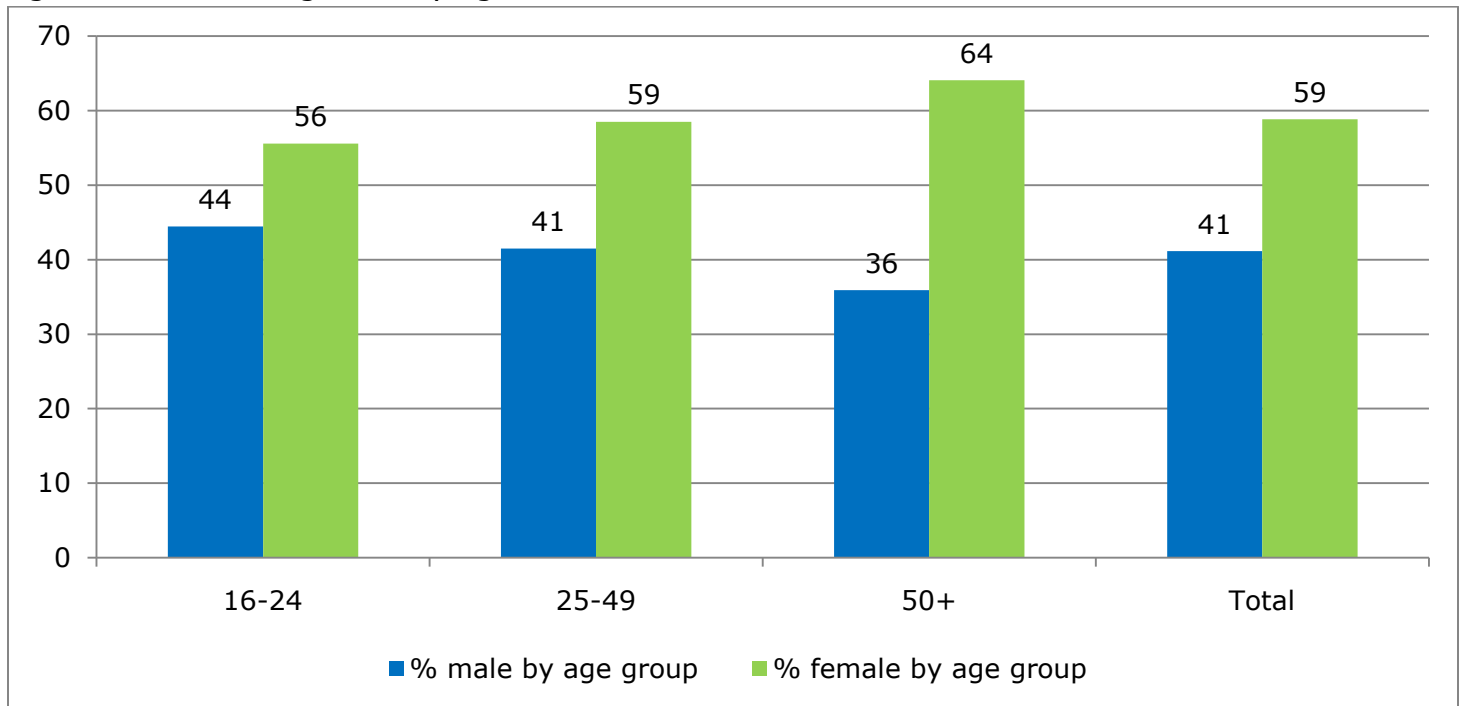
Table 2.3 Retail gender by age 2009

	Male	% gender	% age	Female	% gender	% age	Total	%
16-24	380,662	33	44	475,995	29	56	856,657	31
25-49	533,957	47	41	753,192	46	59	1,287,149	47
50+	221,913	20	36	395,874	24	64	617,787	22
<b>Total</b>	<b>1,136,532</b>	<b>100</b>	<b>41</b>	<b>1,625,061</b>	<b>100</b>	<b>59</b>	<b>2,761,593</b>	<b>100</b>

Source: Labour Force Survey (Annualised) 2009

The 16-24 age group has, proportionally, more females working than males. However, more males of this age group are working in the retail sector compared to the national average (44% vrs 41%). In the 50+ age group, nearly twice as many females work in retail compared to men.

Figure 4 Retail gender by age 2009



Source: Labour Force Survey (Annualised) 2009

### 2.2.3 The age profile of retail by ethnicity

The majority of people working in retail are white (89%). However, the retail sector employs 11% of its workforce from minority ethnic backgrounds compared to the UK all-industry average of 8%.

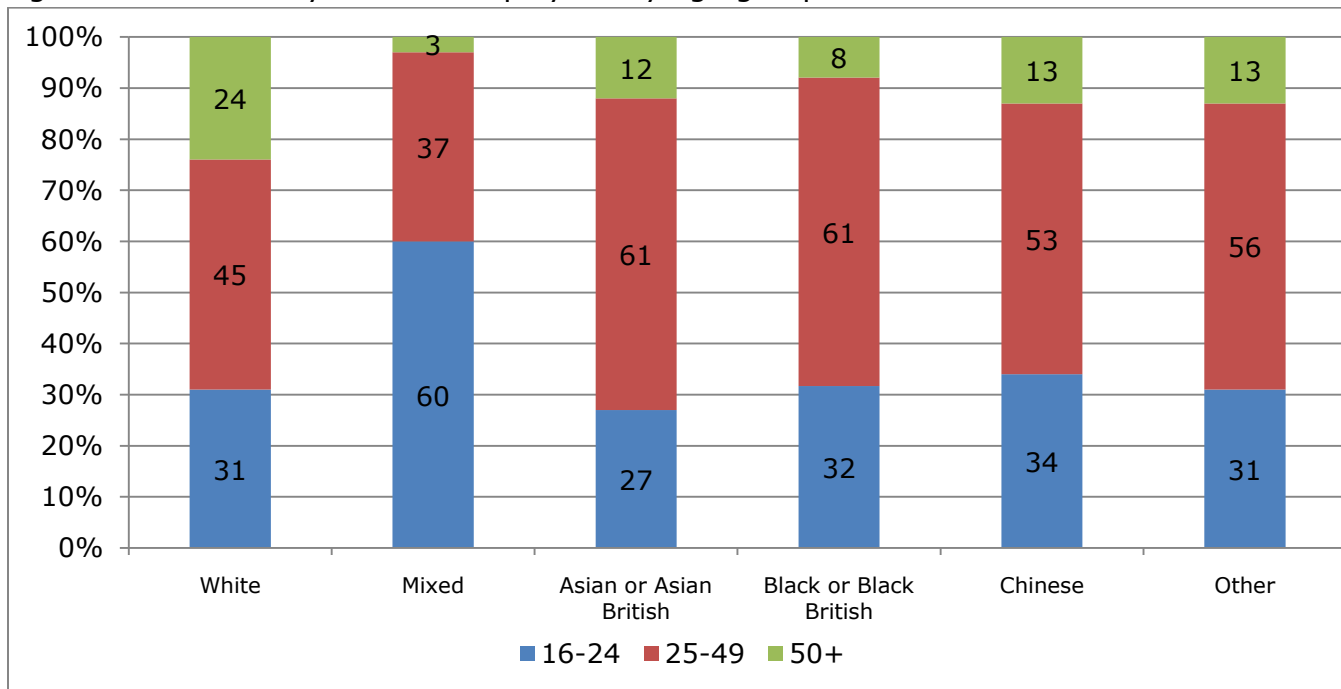
Table 2.4 Retail ethnicity by age 2009

	White	% age group	Mixed	% age group	Asian or Asian British	% age group	Black or Black British	% age group	Chinese	% age group	Other	% age group	Total
16-24	766,081	89	15,334	2	50,611	6	18,618	2	3,509	0	9,415	1	863,771
25-49	1,120,653	86	9,387	1	113,915	9	35,580	3	5,505	0	17,365	1	1,303,096
50+	591,478	95	877	0	21,836	3	4,422	1	1,296	0	4,068	1	624,105
<b>Total</b>	<b>2,478,213</b>	<b>89</b>	<b>25,598</b>	<b>1</b>	<b>186,362</b>	<b>7</b>	<b>58,620</b>	<b>2</b>	<b>10,310</b>	<b>0</b>	<b>30,847</b>	<b>1</b>	<b>2,790,972</b>

Source: Labour Force Survey (Annualised) 2009

In terms of age groups, more than half (58%) of employees from minority ethnic groups are aged 25-49. Large concentrations of this age group are from Asian/Asian British and Black/Black British backgrounds (Figure 5).

Figure 5 Ethnicity of retail employees by age group



Source: Labour Force Survey (Annualised) 2009

## 2.2.4 The age profile of retail by occupation

Table 2.5 highlights the age profile of the occupations present within the retail sector.

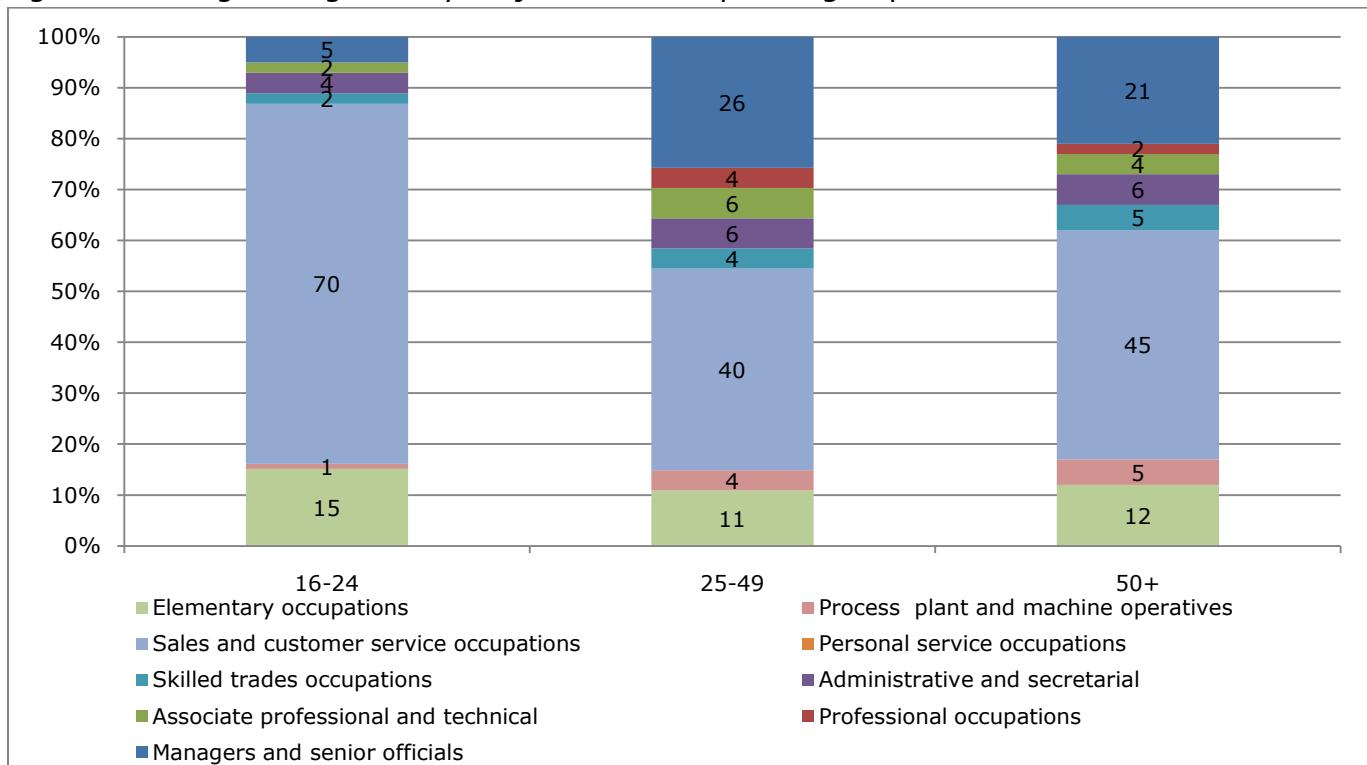
Table 2.5 Retail occupations by age 2009

	16-24	25-49	50+	Total
Managers and senior officials	42,858	336,255	129,693	508,806
Professional occupations	4,008	45,858	10,022	59,887
Associate professional and technical	20,653	78,525	26,017	125,195
Administrative and secretarial	35,666	76,620	38,837	151,123
Skilled trades occupations	15,425	54,330	28,460	98,215
Personal service occupations	775	3,045	723	4,543
Sales and customer service occupations	604,076	523,186	281,167	1,408,429
Process plant and machine operatives	11,778	50,607	34,343	96,728
Elementary occupations	130,327	138,259	77,196	345,781
N/A	158	446	0	603
<b>Total</b>	<b>865,722</b>	<b>1,307,131</b>	<b>626,457</b>	<b>2,799,309</b>

Source: Labour Force Survey (Annualised) 2009

The majority of 16-24 year olds work in retail as Sales and Customer Service roles. The age profile of retail occupations is similar between 25-49 and 50+ year olds with nearly a quarter being employed in managerial roles, approximately two in five people being employed in sales and customer service roles and approximately a tenth working in elementary roles. These differences in the age group occupations are shown in Figure 6.

Figure 6 Age categories by major retail occupation group



Source: Labour Force Survey (Annualised) 2009

## 2.2.5 The age profile of retail by qualification

Table 2.6 highlights the age profile of the occupations present within the retail sector.

Table 2.6 Retail qualification level by age 2009

	16-24	% age	% qual	25-49	% age	% qual	50+	% age	% qual	Total
NVQ Level 4 and above	109,389	13	23	287,610	22	61	71,881	11	15	468,880
NVQ Level 3	286,509	33	56	177,018	14	34	49,920	8	10	513,447
Trade Apprenticeships	6,584	1	9	32,215	2	43	35,639	6	48	74,439
NVQ Level 2	268,723	31	44	262,278	20	43	84,289	13	14	615,289
Below NVQ Level 2	132,358	15	26	270,048	21	52	112,228	18	22	514,633
Other qualifications	25,684	3	10	132,151	10	51	101,174	16	39	259,008
No qualifications	36,475	4	10	145,812	11	41	171,201	27	48	353,488
N/A	0	0	0	0	0	0	126	0	100	126
<b>Total</b>	<b>865,722</b>		<b>31</b>	<b>1,307,131</b>		<b>47</b>	<b>626,457</b>		<b>22</b>	<b>2,799,309</b>

Source: Labour Force Survey annualised data 2009

A polarisation of age groups working in retail occurs when looking at qualification levels.

- The youngest workers in retail have the highest numbers of Level three qualifications (46%) and also have the fewest people without a qualification (4%)

- The oldest workers have the lowest qualification levels; less than a fifth have a Level 3 qualification (19%) and more than a quarter do not have a qualification (27%).

## 2.2.6 The age profile of training recently undertaken

Within the retail industry there is a history of in-house training methods being utilised to teach staff essential skills for working in the industry. Table 2.7 shows the age categories of retail employees analysed by whether they have recently received any work-related training.

Table 2.7 Training undertaken in the past 13 week by UK age profile 2009

	Training undertaken in the past 13 weeks	%	% age	No training undertaken in the past 13 weeks	%	% age	Other	%	% age	Total	%
16-24	185,341	39	22	587,790	27	68	85,708	95	10	858,839	31
25-49	218,941	46	17	1,071,007	48	83	3,378	4	0	1,293,325	47
50+	68,469	14	11	550,259	25	89	832	1	0	619,560	22
<b>Total</b>	<b>472,750</b>		<b>17</b>	<b>2,209,056</b>		<b>80</b>	<b>89,918</b>		<b>3</b>	<b>2,771,724</b>	

Source: Labour Force Survey annualised data 2009

The data highlights that just under a fifth of retail sector employees have received some form of training in the past 13 weeks. A similarity in training patterns occurs between 16-24 and 25-49 years old retail workers. Approximately 20% of each group have received training in the past 13 weeks, compared to just over a tenth (11%) of the 50+ age group.

## 2.2.7 The age profile of retail by nation

The age profile of the retail sectors in England and Scotland shows that they share common characteristics. However, in Wales there is a smaller proportion of 16-24 year olds and a larger number of 50+ year olds working in retail. In the Northern Ireland retail sector the reverse is true – there are lower numbers of 50+ workers and greater numbers of 16-24 years old compared to the UK average (Table 2.8).

Table 2.8 Retail age profile by UK nations 2009

	England	%	Scotland	%	Wales	%	Northern Ireland	%	Total	%
16-24	725,793	30	76,975	31	37,739	26	27,217	34	867,811	30
25-49	1,200,046	49	125,121	51	72,940	51	38,460	48	1,436,718	50
50+	502,425	21	43,677	18	33,333	23	14,570	18	594,067	21
<b>Total</b>	<b>2,427,365</b>		<b>245,773</b>		<b>144,012</b>		<b>80,247</b>		<b>2,897,397</b>	

Source: Labour Force Survey annualised data 2009

\*Note total figures do not accurately represent other totals due to rounding of data

## 2.2.8 The age profile of retail by English regions

The main points summarised from Table 2.8 for the age profile of the nine English regions are:

- The greatest number of 16-24 year olds work in the South East. The fewest numbers of this group work in the Yorkshire and Humberside region
- The largest proportion of 25-49 year olds work in Merseyside, London and the North East. The smallest proportion work in the South East
- The greatest proportion of 50+ workers can be seen in South West, West Midlands and Eastern England. The smallest proportion of 50+ workers can be found in Merseyside.

Table 2.9 Retail age profile for English regions 2009

	North East	%	North West	%	Merseyside	%	Yorkshire & Humberside	%	East Midlands	%	West Midlands	%
16-24	33,033	28	86,393	31	18,836	30	67,342	27	58,161	28	74,412	30
25-49	61,525	53	132,174	48	35,924	56	130,076	53	108,615	52	117,774	47
50+	21,813	19	58,134	21	8,841	14	50,133	20	43,477	21	57,095	23
<b>Total</b>	<b>116,371</b>		<b>276,701</b>		<b>63,601</b>		<b>247,551</b>		<b>210,253</b>		<b>249,281</b>	

	Eastern	%	London	%	South East	%	South West	%	Total*	%
16-24	76,716	29	97,221	29	137,634	34	75,779	29	725,793	30
25-49	127,933	48	185,397	55	175,724	44	124,448	48	1,200,046	49
50+	62,459	23	53,055	16	85,941	22	61,300	23	502,425	21
<b>Total</b>	<b>267,108</b>		<b>335,673</b>		<b>399,299</b>		<b>261,527</b>		<b>2,427,365</b>	

Source: Labour Force Survey annualised data 2009

\*Note: total figures do not accurately represent other totals due to rounding of data

### 3. Key Issues

The following section details a number of issues, related to retailing and population demographics, which may potentially alter the retail sector profile over the coming years. The highlighted issues are:

- Anticipated population change affecting the potential employment base
- Skills base of potential recruits
- Potential changing patterns of employment for retailers

#### 3.1 16-24 age group

Traditionally, the most utilised age group for retail employment, the 16-24 year olds, tend to work in sales or customer service roles. However, for the future retail sector, this provides an interesting dilemma. The 16-24 age group is highly transient, i.e. moves job more quickly than other age groups (data shown in Table 2.12 in Appendix 1 indicates that the average length of time with a retailer is between one and two years compared to five to ten years for 50+ employees), which directly effects the 30% retail employment turnover rate. As Richard Lowe (Barclays Retail & Wholesale Sectors) commented in the 2008 KMPG Retail Think Tank article<sup>1</sup>

*"All too often the biggest challenges facing retail employers is finding and then retaining talented individuals in the labour market".*

Nevertheless, the retail sector targets their employment at this age group to enhance the customer liaison/understanding. However, in the next ten years the UK population demographics of 16-24 year olds will decline by 9% (Figure 1 and Table 2.10).

Table 3.1 UK population estimate – 16-24 years old

Age group	2008 population	2009 Retail employee numbers	% draw <sup>2</sup> of retail employment on population	2014 population estimate	2019 population estimate	% change 2008-2019
16-24	7,452,000	889,139	12	7,290,000	6,773,000	- 9%

Source: Office of National Statistics, population estimates 2008, 2014 and 21019

The retail sector currently draws<sup>2</sup> 12% of this age group for its employment base. If the retail sector continues to 'draw' approximately 12% of the 16-24 age group, by 2019 the retail sector will be looking to employ approximately 813,000 people aged 16-24. The predicted changes in demographic patterns show a 9% decline in the number of 16-24 year olds (76,000 individuals) required to work in the sector.

<sup>1</sup> KMPG Retail Think Tank. What changes are retailers making to their HR strategies and operational practices to adapt to the recession? 2008

<sup>2</sup> 'Draw' refers to the number of 16-24 year olds working in retail compared to the total 16-24 year old population figure.

Based on these assumption, will the retail sector still be able to 'draw' such a percentage of the 16-24 age group into a retail job? Especially, when the pool of 16-24 year olds will be decreasing and, potentially, with other job opportunities being seen to be just as attractive?

A further dynamic within the ability of the retail sector to continue to 'draw' the 16-24 age group is the traditionally high turnover rate of approximately 30% across the retail. Anecdotal evidence has suggested that in the current challenging times, retail employment turnover has reduced to below 20%. However, historical evidence indicates that the turnover rate of younger employees tends to be much greater than average turnover. This in itself increases both the demand for skilled individuals to fill these roles and the costs of both recruitment of new staff and additional training costs.

Additionally, in a recent Skillsmart Retail survey<sup>3</sup> of 616 retailers, the results highlighted that amongst young applicants for shopfloor roles, the skills and qualities most lacking were relevant job experience and the right attitude to work. This emphasises some of the issues facing retailers when recruiting young people.

The highlighted factors for 16-24 just pose more questions for the retail sector in terms of the declining young population:

- Can retail roles be made to be more attractive to 16-24 year olds to ensure that the required numbers are maintained?
- What can retailers do to lower 16-24 turnover to reduce losing skilled staff, increased recruitment and additional training costs?
- Could other age groups replace the 16-24 years old in the retail sector roles?

### 3.2 50+ age group

As shown earlier (Table 2.2) the number of 50+ years old employees working in retail is growing. Although only 22% of current retail employees are currently aged 50+ this may well increase in-line with population projections from the ONS (Table 2.11). The following table highlights the future 50+ population projections and the current 'draw' that retail has on that age group.

Table 3.2 UK population estimates – 50+ years old

Age group	2008 population	2009 Retail employee numbers	% draw of retail employment on population	2014 population estimate	2019 population estimate	% change 2008-2019
50+	20,591,000	593,828	3%	23,059,000	25,037,000	+ 22%

Source: Office of National Statistics, population estimates 2008, 2014 and 2019

The potential market for retailers to employ from within the 50+ age group is nearly three times greater than the 16-24 age group. However, the retail sector currently only 'draws' 3% of this

<sup>3</sup> Skillsmart Retail Employer Survey 2009 ORC International, November 2009

age group. With UK citizens living to an older age, this age category could potentially grow by 22% over the next ten years.

However, a cautionary note must be attached to this data. Not all of the 50+ age group will be available, or even able, to work. Calculations based on the Labour Force Survey questions suggest that there is approximately one million people in the 50+ age group that are either unemployed or inactive, but would be willing to return to work.

The ORC Employers Survey for Skillsmart Retail highlighted that the only problem that was encountered with employing older applicants in shopfloor retail roles was the lack of IT/computer literacy. This element could be improved through structured on-the-job training and would enhance the 'life' skills (communication and customer service) and flexibility that such a 50+ candidate could bring into the retail environment.

The highlighted factors relating to the potential increased availability of 50 + workers for retail employment pose a number of critical planning questions for retailers:

- Do the business benefits of employing 50 + employees in retail jobs (customer/life skills, flexibility, knowledge and, potentially, lower turnover (Appendix 1)) offset the decreasing population numbers and high turnover rates of 16-24 year olds?
- As highlighted by the recruitment practices in retailers, such as Asda and B&Q, in employing a higher proportion of older workers, is this model transferable to other areas of the retail sector?

## 4. Conclusion

This report has highlighted the age profile of the retail sector in the UK. The retail sector has traditionally been, and still is, a flexible and accessible routeway into employment especially for the 16-24 age group. However, the anticipated changes in the UK demography, with a 9% decline in the 16-24 age group and a 22% rise in 50+ age group, pose serious questions for the retail sector's employment profile and recruitment processes.

Can the retail sector maintain its ability to draw 12% of the shrinking 16-24 year old demographic numbers? If so, will this be through making the flexible roles available within retail even more attractive to this dynamic work group? Will more companies adopt alternate employment strategies, such as those advocated by Asda and B&Q aimed towards the employment of the growing population of the 50+ age group.

Different business benefits can be associated with the predominate use of the 16-24 and 50+ age groups. Thus there is no best fit for all retailers, but a slight shift in current retail sector employment practices could offset the decreasing numbers of 16-24 year olds.

The way forward

Our research has uncovered, and explored, the effect of the changing UK demographic profile on the retail sectors employment outline. Further work may be needed to refine our understanding of the impact on retail of the changing UK demographics.

## 5. Appendix 1

Table showing the percentage breakdown by age category of how long people have currently been with their retail employer.

Table 5.1 Percentage length of time with retail employer by age 2009

	<b>Less than 3 months</b>	<b>3 months but less than 6</b>	<b>6 months but less than 12</b>	<b>1 year but less than 2</b>	<b>2 years but less than 5</b>	<b>5 years but less than 10</b>	<b>10 years but less than 20</b>	<b>20 years or more</b>
16-24	9	9	17	27	30	7	0	0
25-49	3	4	6	13	27	24	18	6
50+	2	2	3	7	18	22	23	23

Source: Office of National Statistics, population estimates 2008

Average point

- 16-24 year olds one year but less than two years
- 25-49 year olds two years but less than five
- 50+ five years but less than ten