

Written evidence submitted by British Retail Consortium

About the British Retail Consortium

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

Retail is an exciting, dynamic, and diverse industry that is going through a period of profound change, accelerated by the pandemic. Consumer expectations continue to evolve, and technology is enabling retailers to respond, changing how people shop. Costs are increasing, and growth in consumer spending is slowing.

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, including physical retailers, online only and multichannel retailers operating across both channels, delivering £180bn of retail sales and employing over one and half million employees.

The UK retail industry generated £430bn (excluding fuel sales, and current prices) in sales in 2021, contributing 5% to the UK's output in the same year. Retail is the largest UK private employer: through nearly 315,000 separate enterprises, it provides about 3 million jobs amounting to 9.3% of the total number of jobs in the UK.

Retail is the largest employer in the UK, often providing the first step into the world of work. As an industry, retail welcomes those who may experience high levels of economic exclusion or who need flexibility in hours and location of their work.

Developing Workforce Skills for a Strong Economy

According to the latest [BRC Retail Jobs Report](#), in August 2022, there were 74% more job adverts in wholesale and retail compared to the pre-pandemic February 2020 period. In the UK as a whole, there were 13.8% more job adverts in August 2022 compared to February 2020.

Unsurprisingly, retailers have been reporting difficulties in recruitment for some time now. These shortages have been felt in a wide variety of roles, from shop floor staff to newly required digital skills to warehousing and distribution roles. In addition, retail has a less geographically mobile workforce as well as fewer employees highly skilled in digital and analytical skills.

The challenges retail faces in finding and retaining workers with the necessary skills result from a constricted labour market and a lack of necessary skills within that market.

Constricted labour market

In the retail industry, attrition is very high, and, in some cases, members mentioned areas where it is double the typical rates. Anecdotally, the main reasons appear to be people moving out of the retail sector to office-based roles and changing jobs to enable more sociable hours with no weekend shifts. It is also understood that some older workers have reassessed their lives post-Covid and have left the business and the labour market entirely.

Members reported having had difficulty recruiting for temporary and part-time retail roles in the run-up to peak (October to December) last year, and we anticipate this year will also be challenging. With diminishing numbers of applications and increasing numbers of vacancies, there is a significant challenge for all retailers in attracting and recruiting enough candidates for their needs. Members have taken a range of steps to encourage candidates and fill labour gaps: from increasing base pay, offering bonuses, covering the cost of training and qualifications, introducing even more flexible working, and highlighting the wide range of career opportunities and potential

for progression within retail. However, challenges still remain, and most members report that the total size of the current labour market is the biggest factor.

As we move into the peak commercial period, a large member mentioned needing extra resource requirement of as much as 10,000 retail workers. Another member informed us that over the next 8-10 weeks they need to recruit 3,000 permanent workers to fill vacancies in their stores, plus another 11,000 temporary workers for peak trading.

Given the ongoing tightening in the labour market, there is concern they simply won't fill these gaps despite offering good pay and conditions, and that could put at risk their ability to trade well through the all-important Christmas trading period.

In supply chain operations, there is a shortage of labour in warehouse and logistics roles. Members have seen a significant reduction in workers from the EEA working in supply chain operations over the past two years, with EU Exit and lifestyle changes (with candidates unwilling to undertake some roles/shifts) both having an impact on candidate availability.

Last year, the available labour pool for peak was insufficient, resulting in a loss of supply chain capacity. This year, despite substantial investment in technology and automation, and forward planning, members are expecting the challenge to be just as significant.

Where the industry previously relied on EEA candidates in the past, such as for temporary/agency roles in warehouses and transport, there are now more noticeable gaps during peak, when demand and competition are higher.

Another concern identified is driver availability, primarily drivers of HGVs, but also some lighter vehicles as well. Transport providers have increased pay rates to attract and retain drivers, whether that is subcontractors or agency staff. Last year, filling the gaps in the number of available drivers was a costly effort for retailers, with one member reporting an additional cost of £2.3m.

Due to the nature of their operations, some members have also raised concerns with the availability of professional occupations, especially pharmacists and pharmacy staff, as well as optometrists. Pharmacy workforce challenges have become so critical in the past few months that it is understood to have affected some companies' capacity to serve the public and trade in pharmacies, despite major investments, innovation, focus, and planning.

In terms of head office/support functions, there are key labour shortages in areas such as IT and Digital where there is strong competition across different industries, with some businesses willing to offer very high salaries to attract skilled people.

Of broader concern are the rising cost of living and the impact on the workforce in terms of what trends it will drive as inflation and energy costs increase into the autumn and winter. In particular, the impact on sickness absence and other considerations such as travel to and from work are not yet fully understood but are likely to add extra pressure.

More detail is available in the BRC's submission to the House of Lords Economic Affairs Committee inquiry on UK labour supply - <https://brc.org.uk/media/680757/brc-submission-to-hol-economic-affairs-inquiry-september-2022.pdf>

Lack of necessary skills

Apprenticeships are a key part of businesses' skills investment and since 2017 the majority of our members have been subject to Apprenticeship Levy. Members use those funds to support thousands of apprenticeships each year, both in their own businesses and in their supply chain, but because apprenticeships are only one part of the wider skills picture it is seen by many businesses as just a tax on jobs. The retail industry's levy contribution is significant - we estimate it to be at least £160m per year – but according to a survey on BRC members earlier this year¹ a majority of them report being unable to use 40% or more of their Levy funds due to a lack of suitable courses.

We continue to advocate for key reforms which would enable much more effective utilisation of existing funds and the creation of many more valuable positions.

The Apprenticeship Levy system as it currently stands cannot support the development of higher skilled, more productive retail jobs without significant reform.

- Retail is a fast-paced and dynamic sector, and the skills agenda should complement this. By allowing Levy funds to be spent on a defined list of high-quality shorter courses, including functional skills, where a full 12-month apprenticeship is not necessary, can relatively quickly upskill learners – both existing and new members of the workforce. These courses could be provided from a definitive list of quality training providers – similar to apprenticeships - designed to support future business needs in the changing employment landscape, to address skills gaps, including digital skills, and to help with cross-sector transitions where there are recruitment challenges.

The Labour Party recently announced their intention to transform the Apprenticeship Levy into a Growth and Skills Levy which would allow up to 50% of funds to be spent on non-apprenticeship training, with the other 50% ringfenced for apprenticeships. We support this move, believe it will allow businesses to invest in much needed skills and training for colleagues, boosting productivity across the industry, and would encourage the government to consider a similar shift in policy.

- Hiring an apprentice, especially in a store-based setting, comes with additional costs for businesses, such as paying the wages of staff called in to cover the time apprentices are away their core role. Retailers would welcome increased flexibility to use funds to cover some of these costs, as well as a move to more blended learning options, removing a hurdle to the creation of more apprenticeship places.
- Many young people are not in a position to take on an apprenticeship owing to a lack of maths and English qualifications. We would support a move to extend the use of Levy funds to cover pre-apprenticeship and pre-employment programmes, for employees who may be able to undertake an apprenticeship at a later date. This is particularly important as research from the Education and Employers Taskforce shows that a young person who has four or more encounters with an employer is 86% less likely to be unemployed or not in education or training and can earn up to 22% more during their career.

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¹ *Apprenticeship Levy – 5th Anniversary Survey*, British Retail Consortium - https://brc.org.uk/media/679880/apprentice-levy-5th-anniversary-survey_final.pdf