



BRC submission to the Taylor Review of Modern Workplaces
May 2017

The British Retail Consortium (BRC) welcomes the opportunity to engage with the Taylor Review and was pleased to contribute to the London event earlier this year. The BRC is the lead trade association for the entire retail industry. Our industry spans large multiples, independents, high streets and out of town, from online to bricks and mortar, selling goods across all industries from clothing, footwear, food and homeware to electronics, health & beauty, jewellery and everything in between, to increasingly discerning consumers.

The retail industry is going through a period of transformation more radical and far-reaching than any that has gone before. Social, financial and technological pressures are creating a revolution that is inspiring retailers to transform what they do. In the last year the BRC has brought retailers together behind our Retail 2020 campaign to deliver better jobs. As part of that campaign we set out a vision for the future retail workforce – to ensure employment opportunities in retail are as attractive, accessible and well remunerated as possible.¹

A number of the themes being considered within this review feature within our campaign. As the retail industry continues on their journey to better jobs this submission sets out the retail perspective on employment in modern workplaces. Retailers believe that:

- Better jobs must deliver for both the retailer and the individual;
- The current legal framework underpinning rights and responsibilities is fit for purpose;
- Retailers take their statutory responsibilities seriously and are working hard to increase pay across the industry;
- Government must support retail to continue to provide entry routes and progression routes.

Better jobs must deliver for both the retailer and the individual

The retail industry is currently going through a period of transformation in response to technological innovation, customer demand and growing cost pressures. The modern retail workplace is becoming more dynamic as multi-channel retailing continues to grow, requiring the skills profile of the workforce to adapt. The skills requirements across the workforce are diversifying, with growing demand for specific, technical requirements alongside the core customer service skills.

BRC analysis of the future retail workforce indicates a more net reduction of jobs across the industry as retailers strive to boost workplace productivity against a backdrop of a rising cost of employment and falling costs of technology.² But while a net reduction is likely, new jobs are emerging and roles are diversifying – since 2011, 100,000 people have been employed across the industry in roles that previously did not exist.³ The opportunities presented by the development of technology are transforming thousands of roles and tasks in retail and we expect this change to accelerate.

It is the industry's aspiration to ensure that the future jobs in retail are as attractive, accessible and well remunerated as possible. The growth of low paid individuals working in retail must be countered to ensure that modern retail workplaces deliver for those in work. Over the last two years the BRC has undertaken some survey work of the retail workforce to better understand what employees in retail value about the industry and their needs and aspirations in work.

¹ BRC, *Retail 2020: Solutions, the journey to better jobs*, 2016.

² BRC, *Retail 2020: Fewer but better jobs*, 2016.

³ BRC, *Retail 2020 fewer but better jobs*, 2016.



Encouragingly, more than half (55%) reported they were satisfied with their job and a clear majority (69%) are motivated to give their best in work. The flexibility offered in retail, location of work and colleagues were ranked as the most valued reasons for working in the industry. Just under half agreed that their employer was aware of their ambitions and aspirations, while a third (34%) disagreed.

When broken down by age it became clear that the different groups within the retail workforce were aspiring for different things. Overall, one fifth of the workforce applied for a promotion in the last year, but that group was overwhelming comprised of younger individuals working full-time, suggesting less opportunity or greater barriers for the part-time workforce. Just 9% of those working part-time applied for a promotion and 16% of those over the age of 35.

As the industry continues to evolve, modern workplaces will have to work harder to attract, engage and retain their people. There is already great work being done by many retailers, including initiatives to provide greater opportunities and support for those looking to progress but continue to work part-time or flexibly, but there is more to be done.

To support this work the BRC launched a series of metrics earlier this year, the Retail 2020 Dashboard. The Dashboard will track the industry's progress towards better jobs, measuring productivity, pay rates and engagement levels across the industry.

The current legal framework underpinning rights and responsibilities is fit for purpose

BRC members believe the current employment status framework is fit for purpose and would not support substantive change in this area. At a time of record employment and historically low unemployment there is growing competition for workers in the retail industry as there is across the labour market.

Retail is the largest private sector employer accounting for around 3 million jobs across the UK. The vast majority (93%) of individuals in the retail workforce are employed as employees, with 54% of jobs part-time and 7% of jobs self-employed.⁴ In addition to the statutory employment rights afforded to employees, many retailers go above and beyond the law to provide a range of additional benefits such as extra holiday entitlement.

The flexibility of the UK labour market enables retailers to respond swiftly to periods of additional demand. The BRC's Retail Employment Monitor shows annual upticks in employment numbers in Q4 in line with the busiest shopping period. Flexibility is also valued by the retail workforce. When asked what individuals value about working in retail, flexibility in hours is cited as one of the top three reasons.⁵ Any changes that undermine this flexibility would have a negative impact on retailers and their workforce.

It is important that both employers and individuals understand their rights and responsibilities when entering into an employment relationship. With the emergence of new business models across the economy it has become clear that in some instances this understanding is lacking.

Recommendations:

⁴ ONS, *Employee jobs by industry*, 2016.

⁵ BRC/Tookey Street, *What our people think – 2016 survey*, 2016.



- The flexibility afforded to both employers and individuals through the current legal framework for employment status should be upheld.
- The BRC would encourage the development of greater guidance regarding employment status and the rights that follow rather than fundamentally change the employment status framework.

Retailers take their statutory responsibilities seriously and are working hard to increase pay across the industry.

Retailers take their statutory responsibilities as employers very seriously. As noted above over 90% of people employed in the retail industry are employed as employees. The law sets a reasonable baseline for employment rights and pay rates to create a level playing field in which employers can operate. Retaining this level playing field is critical to retailers who are operating in an increasingly competitive environment.

The UK's current system of individual enforcement of employment rights through the tribunal system works well for civil breaches of employment rights. Retailers support strong enforcement action where there is clear evidence individuals' employment rights have been intentionally undermined. It is a positive step that labour market enforcement is being coordinated through the Director of Labour Market Enforcement and the BRC looks forward to engaging with the forthcoming strategy.

Retailers have worked hard to introduce the National Living Wage (NLW) and support the policy objective to raise the wage floor across the UK. Members have responded differently to the introduction of the NLW. Some retailers have taken the business decision to raise minimum pay rates above the statutory minimums while others have applied the NLW to all staff regardless of age.

The policy is not without its challenges to the industry, BRC analysis estimates it will cost between £1.5bn and £3bn to 2020.⁶ When we surveyed members ahead of the introduction of the NLW in 2016, the majority of respondents reported they would look to make making cost savings across the business including; reducing pay differentials, investing in technology to increase automation and amending legacy contracts. Despite taking these steps members are clear that the cost of the policy cannot be met through cost savings alone and will lead to reduced profits.

Recommendations:

- The role of the Low Pay Commission should be strengthened to ensure it can make fully independent recommendations on minimum wage rates, taking current and future economic conditions into consideration.
- The next government should consider the outcome of the Taylor Review in conjunction with the forthcoming Labour Market Enforcement Strategy to ensure a coherent approach to labour market enforcement across the UK.

Government must support retail to provide entry routes and progression routes

The industry is an important source of employment in the UK; providing jobs for groups who experience high levels of economic exclusion and who need flexibility around hours and location for work. Through our Retail 2020 research it is clear that while many progress, some remain in low pay.

⁶ BRC, *Retail 2020: fewer but better jobs*, 2016.



The retail industry has a strong track record in skills development for its people and spend in excess of £5bn per year on training.⁷ When we surveyed retail employees, more than six in ten reported their employer had provided training in the previous 12 months, but only 29% reported that training had enabled them to progress to higher pay.⁸ Our survey also indicated that in some cases individuals do not see the trade-offs that come with progression as worth it. Strengthening the link between high quality training and the ability to progress in work will be the key to unlocking the creation of better jobs.

It should be remembered however that the retail workforce is not a homogenous group. When we asked why individuals did not apply for a promotion, around half reported they are content in their current role. Personalising the employment offer to differing life needs is also a key consideration for retailers.

The introduction of the Apprenticeship Levy this year is estimated to cost the industry an additional £140-160m p/a.⁹ As a significant net contributor to the apprenticeship levy, it is important that retailers play a central role in the development of future standards to ensure they meet the industry's needs. This is particularly important as the skills needs of the industry diversify in response to technological advancement.

Recommendations:

- The BRC would like to see greater flexibility in the way in which employers can use the apprenticeship levy funds going forward.
- Retailers would like to see the process for developing new standards streamlined to ensure standards development can keep pace with emerging skills needs of the economy.

⁷ UKCES, *Employer Skills Survey*, 2015.

⁸ BRC/Tooley Street, *What our people think*, 2016.

⁹ BRC, *Retail 2020: fewer but better jobs*, 2016.