

Identifying and Addressing Workforce Challenges in America's Retail Industry

Executive Summary

RETAIL



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Introduction

A major priority of the U.S. Department of Labor's Employment and Training Administration (ETA) is to expand the capacity of the local workforce system to be market-driven, responsive to local economic needs, and a contributor to the regional economic competitiveness of communities. Fields like health care, retail trade, and financial services offer jobs and solid career pathways which go unfilled due to a general lack of qualified workers. Through targeted investment of workforce development resources and support for private and public sector partnerships, ETA ensures the development of workers' skills in growing occupations and industries.

America's labor market is facing a serious challenge arising from an insufficient supply of people with necessary skills and the "leveling off" of the number of American-born workers available for jobs. In recent decades, the U.S. has experienced a marked increase in both the size and educational level of its labor force, and as a result, the country has experienced strong economic growth. The depth and breadth of the labor pool has been expanded by large numbers of baby boomers, women, and immigrants entering the workforce, as well as large increases in the number of college-educated workers. However, growth in numbers of new and educated American-born workers is ending. In the next 30 years, the number of native-born workers age 35-44 will decrease, while more than 60 million employees are likely to retire.¹ It seems probable that growth in the labor force will be sought from youth, older workers, immigrants, and other underutilized labor pools.² The changing demographics of the workforce create new challenges and opportunities for employers.

The economy of the United States, similar to that of other developed nations, is fueled by innovation. In the face of a global economy, employers are using new productivity-enhancing technologies to remain competitive. Two-thirds of America's economic growth in the 1990s resulted from the introduction of new technologies. This continual process of innovation and technological change has resulted in jobs that demand ever-higher skill levels. For example, 60 percent of the new jobs of the 21st century require some post-secondary education. However, currently only one-third of America's workforce has this level of education.³

The mission of ETA is to contribute to the more efficient and effective functioning of the U.S. labor market by providing high quality job training, employment assistance, labor market information, and income maintenance. These services are provided primarily through the state and local workforce investment system. While the federal government invests \$15 billion annually in workforce development programs, private sector

¹ Facts on Immigration, National Immigration Law Center, March 2003, p. 1.

² The Aspen Institute Domestic Strategy Group. Grow Faster Together. Or Grow Slowly Apart. How will America Work in the 21st Century. p 11.

³ United States, The White House, Better Training for Better Jobs (Washington, DC: 5 April 2004).

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employers and individuals invest far more. ETA is responsible for ensuring that federal funding is utilized and leveraged in the most effective manner possible.

Two of ETA's primary goals are complementary: 1) to provide America's businesses with the highest-quality workers possible, and; 2) to link skilled workers to jobs in high-growth, high-demand industries. This relationship enables workers to live more productive and prosperous lives and businesses to be more competitive in the global economy, ensuring no worker is left behind. Recognizing the inextricable link between workforce development and economic development, ETA promotes partnerships among community colleges and other educational institutions, private industry, and workforce and economic development entities.

Capitalizing on the power of partnerships is helping ETA to create a demand-driven approach to workforce development, which focuses the workforce investment system on providing workers with readily useable skills, knowledge, and information that are most needed by employers, particularly in high-growth occupations with career potential, like retail trade. In the past, the U.S. workforce investment system has often focused more on the supply of workers than on the demands of the labor market. As a result, workers sometimes received training for jobs that did not exist. Without aligning training programs with the demands of the labor market, the workforce system was not helping American businesses to remain competitive in the global economy. In addition, workers often did not receive the benefits of possessing those skills that were of value and high demand in the marketplace, including higher wages and improved job security.

In seeking to align the workforce investment system more closely with the demands of industry, ETA has focused on the following goals. First, to meet the demands of businesses by providing adults and youth from traditional and non-traditional labor pools with the educational, occupational, and skills training needed for high demand occupations. Second, to bring together resources devoted to employment, education, and economic development, and use them strategically to create opportunities for workers. A demand-driven workforce investment system will help the U.S. economy meet the increasing challenges of globalization, changing demographics, and the rapid pace of technological innovation.

The High Growth Job Training Initiative

The High Growth Job Training Initiative seeks to provide national leadership for a demand-driven workforce system. It is a strategic effort to prepare workers for new and increasing job opportunities in high growth, high demand and economically vital industries of the American economy. This initiative is part of a series of actions that ETA has taken to engage business, education and the workforce investment system to work together to develop solutions to the workforce challenges facing high growth industries. By expanding the local workforce system's capacity to be market-driven, responsive to local economic needs, and a contributor to the economic well-being of the community, ETA is promoting workforce quality, enhanced productivity, and economic competitiveness.

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Through the High Growth Job Training Initiative, ETA works with industry leaders to identify their critical workforce challenges, and invests in demonstration projects that help individuals gain the skills they need for successful careers in these expanding or transforming industries. The Initiative targets education and skills development resources toward helping workers gain the skills they need to build successful careers in these and other growing industries. The foundation of this initiative is partnerships between the publicly funded workforce investment system, business and industry representatives, economic development entities, and education and training providers. The purpose of these partnerships is to develop innovative solutions or replicate effective models that address a targeted industry's workforce challenges.

Retail Industry Background

The retail trade sector is the nation's largest employer, with 15.0 million jobs in 2004. The sector is expected to add 1.6 million new jobs, reaching 16.7 million by 2014, and will continue to be the dominant source of employment and the largest source of employment growth.⁴

Along with other service sectors such as the hospitality industry, retail is a critical point of entry, or "gateway," into the labor force and provides workers with foundational skills in customer service, punctuality, and responsibility. The retail industry offers substantial employment opportunities. Part-time and temporary work is plentiful across a range of employers, from small, independent retailers to national and multinational retail chains. Solid store experience can lead to an array of retail management and store support career ladders. A college degree can afford direct entry into management training programs and regional/corporate level career paths⁵.

The Workforce Challenges Facing the Retail Industry and Proposed Solutions

ETA has been working with the high-growth retail industry to help address critical workforce issues, including attracting, training, and retaining employees. In January 2003, ETA met with executives from 15 retail companies, as well as representatives from the National Retail Federation and the National Association of Chain Restaurants.

The information collected over the course of the High Growth Initiative in retail trade provides insight into what industry executives identify as their key workforce development concerns. Below are the four critical areas that were identified.

- *Pipeline—Career Ladders and Lattices:* The retail trade industry is a dynamic field with diverse career ladders, a wide range of employee benefits, and on-the-job training that is increasingly driven by high-end technology that requires advanced

⁴ U.S. Bureau of Labor Statistics

⁵ U.S. Bureau of Labor Statistics and National Retail Federation Foundation

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skills. Employers should better utilize community colleges and universities to recruit job candidates and train incumbent workers to upgrade their skills for career advancement.

- *Pipeline—Recruitment and Retention:* Retail trade employers struggle to attract and retain the best and brightest employees because of the misperception that jobs are low-wage and lack growth potential. In reality, today's retail trade careers are more than just cashier and sales associate positions; they encompass information technology, marketing, communications, loss prevention, finance, and merchandise sourcing.
- *Pipeline—Diversity:* In an increasingly diverse society, multilingual employees are desirable. Retailers are customer service-driven and need workers to speak the languages of their customer base. Limited English proficiency (LEP) is a problem as workers may speak the language of customers, but lack basic English language and literacy skills to perform all job functions.
- *Competency Models:* Though the retail industry has started work on initial training models and skills certifications, they are not yet used consistently across the industry to build skills competency requirements for positions at all levels and to encourage career growth. Retailers are struggling to attract, retain and upgrade the skills of qualified individuals to support advancement in their careers.

ETA Investments in the Retail Trade Industry

Since May 2003, the Department of Labor has announced the award of three investments totaling over \$5 million to address the workforce needs of the retail industry. Through multiple forums, ETA has listened to employers, industry associations, and others in the retail industry regarding their efforts to identify challenges and implement effective workforce strategies. ETA has worked with the retail industry to identify its hiring, training, and retention challenges. For additional information on the retail investments, please visit www.doleta.gov/business.

National Retail Federation Foundation (national)

Extreme Makeover: Retail Careers in the Spotlight

A \$99,900 grant to the NRF Foundation to inform development of a broader, multi-faceted marketing and public relations campaign aimed at dispelling the myths and changing the image of retail careers. Career awareness materials, which include a career awareness video and relevant messaging for three key audiences, including youth, parents and career changers will be developed.

National Retail Federation Foundation (national)

NRF Foundation Retail Demonstration

A \$2,815,000 grant to the NRF Foundation to develop Retail Skills Centers, co-located with One-Stop Career Centers where possible, to help retail employers recruit, retain, and advance workers through a range of training options, from

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language and employability skills classes to customized seminars. Training models and tools that extend services to many more retail employers and employees will also be created for dissemination and replication.

National Retail Federation Foundation (national)

Retail Learning Leadership Initiative

A \$2,250,000 grant to the NRF Foundation to work with retail employers led by Toys “R” Us, Saks Incorporated, CVS, and The Home Depot to develop and distribute a core competency and training curricula model for each level in the career ladder throughout the industry and the public workforce system.

ETA in Action and Next Steps

ETA supports comprehensive public-private partnerships to develop innovative approaches and replicate models that effectively serve the workforce needs of business while helping workers find good jobs with good pay and promising careers.

Based on the challenges identified by the retail trade industry sector and highlighted in this report, ETA has made a series of investments totaling over \$5 million to address the workforce needs in the areas of skills and competency training, and developing a pipeline of prospective workers for the various sectors of the industry.

The next steps in this process include the broad dissemination and implementation of the results and products from these demonstration projects to share successful models with the public workforce investment system and other partners to support job growth for this key sector of the American economy. Accomplishments under the investments to the NRF Foundation include rollout of retail skills centers, identification of eight Retail Skills Center Hubs across the country, development of training curricula and competencies from entry level through management, and career awareness materials to provide information about the variety of career pathways in the retail industry.

Throughout 2006, ETA worked with industry leaders to develop a framework for foundation and technical competencies in the retail industry as a whole. Industry partners, including NRFF, Toys “R” Us, Saks, The Home Depot, and CVS, were convened to shape and develop the model. This effort built upon existing national and state skills standards, curriculum and certifications. The final product is a framework for a competency model and is intended to reduce duplication of effort, and free up resources, time, and energy for innovative development that can keep up with the pace of changing requirements of specific regions or employers. The framework was launched in 2007, and is available via the Competency Model Clearinghouse and the Workforce3one Web sites.

At the time of this report, ETA is investing more than \$325 million in 39 different regions across the United States in support of the WIRED (Workforce Innovation in Regional Economic Development) Initiative. Through WIRED, local leaders design and implement strategic approaches to regional economic development and job growth.

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WIRED focuses on catalyzing the creation of high-skill, high-wage opportunities for American workers through an integrated approach to economic and talent development. ETA will pursue opportunities to link existing retail grantees and grant products to Workforce Innovation in Regional Economic Development (WIRED) regions to support their growth strategies.