

Compendium

# London Retail in detail – its workforce, pay and business activity in 2015

An analysis of the workforce and business activity in the Retail industry sector in London. This article starts by reviewing rates and distributions of pay in Retail, with reference to the National Minimum Wage and London Living Wage, then investigates Retail's workforce looking at breakdowns by age group, ethnicity, occupations and qualifications. The article then investigates where business activity is located across the capital, and reviews what those businesses think of operating in London, and finally gives comment about the uncertainty of the future of Retail.



Contact:  
James P Harris  
[james.p.harris@ons.gsi.gov.uk](mailto:james.p.harris@ons.gsi.gov.uk)

Release date:  
11 October 2016

Next release:  
To be announced

## Table of contents

1. [Main points](#)
2. [Introduction](#)
3. [Falling real wages and the National Minimum Wage](#)
4. [Who is earning these wages?](#)
5. [Breaking down the workforce](#)
6. [Where are these retailers, and why London?](#)
7. [The uncertain future of retail](#)

# 1 . Main points

In 2015, 53% of Retail employees were earning below the London Living Wage, which was £9.15 at the time of the survey. This made Retail the second-lowest paid industrial sector, after Accommodation and Food Service Activities.

Real average (median) hourly earnings (excluding overtime) of employees in Retail in London fell from £9.44 to £9.18 between 2008 and 2015, in 2015 prices, but in that time the distribution of earnings did not change. This was calculated using national Consumer Prices Index (CPI) figures, as data are not available at the London level.

Retail has a young workforce, with more than half (54%) of Retail jobs in London being held by workers aged 34 or younger, and only 11% aged 55 or over, according to the 2015 Annual Population Survey.

With 49% of jobs held by people of White ethnicity, 27% of Asian background, and 14% of Black ethnicity, the Retail industry in London in 2015 is more ethnically diverse than London's resident population.

Most London retailers felt very positively about locating in London, according to the 2014 London Business Survey, with approximately two-thirds of workplaces stating that they chose London as a place to do business for: access to skilled staff, the international or diverse environment, proximity to customers and other businesses, and the transport, digital and communications infrastructure.

## 2 . Introduction

London's retail areas are famous around the world. Locations such as Oxford Street, Carnaby Street, Brick Lane and Covent Garden, markets such as Spitalfields and Petticoat Lane, and famous names such as Harrods and Selfridges are well known.

Retail is important for London. It provides employment, trade and revenues, it links producers with consumers, it makes London more attractive to tourism, and it supports other industrial sectors by demanding and consuming their outputs. In August 2016, the average amount spent each week in the Retail industry across Great Britain was £7.1 billion, according to the [Retail Sales Inquiry](#), and of course a good proportion of this will have been happening in London.

The numbers of jobs in Retail have been growing in London, and retailers who are spread all across the capital state that they are happy to have chosen London as a location for their business. The people holding the jobs are quite diverse, and generally younger than most other sectors, but wages in the sector remain persistently low.

This article starts by reviewing wages received by employees in Retail, and how they have changed over time, with reference to the National Minimum Wage and London Living Wage, followed by an analysis of the numbers of jobs in London and how those jobs break down by age, ethnicity, occupation and educational qualifications. It then goes on to investigate where retailers are located across the capital, and why they chose to locate in London, before closing with a comment about the future of retail in London.

The industrial sectors analysed in this article are based upon the [UK Standard Industrial Classification \(SIC\) 2007](#), but because of the structure of London's economy we group industrial sections A, B, D and E to create the group "Primary and Utilities", and split section G into two parts: "Wholesale and motor trades", which is the combination of industrial divisions 45 and 46, and "Retail", which is division 47. We typically exclude sections T and U from the analysis as they are too small in London to analyse effectively. When this article refers to the term "Retail" it means industrial SIC division 47, and it is large enough in London to be compared to the other industry sections.

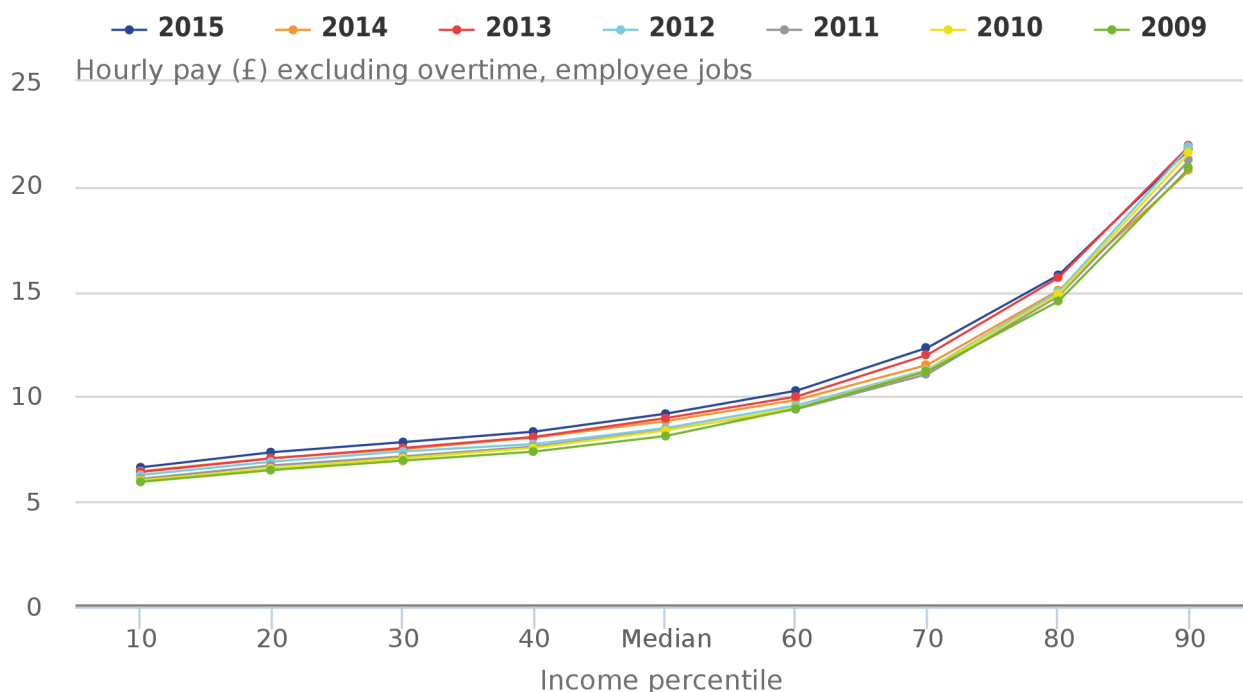
This analysis is part of a series of articles entitled [Earning, Learning and Business Churning: revealing London's industrial economy](#), which analyse patterns of activity in industries in London. Data used in this analysis has been used to create the [Economic Evidence Base](#) by the Greater London Authority, which forms the economic basis of the Mayor of London's [London Plan](#). This article gives detail about a particular industrial sector, whereas the Economic Evidence Base provides a more comprehensive understanding of London's economy.

### 3 . Falling real wages and the National Minimum Wage

Between 2008 and 2015, average (median) hourly earnings (excluding overtime) did not substantially change in the Retail industry in London, according to results from the [Annual Survey of Hours and Earnings \(ASHE\)](#). Although nominal median hourly earnings rose from £8.12 in 2008 to £9.18 in 2015, for employees in London's Retail sector, in fact if we take inflation into account then, in real terms using 2015 prices, median hourly earnings actually fell from £9.44 to £9.18. National Consumer Prices Index figures have been used to adjust for inflation, as data are not available at the London level, although the impact of inflation may differ in the London region compared to national figures. For an employee working the same hours in Retail in London and experiencing standard rates of inflation, this meant their take-home pay effectively fell between 2008 and 2015.

If we look at the distribution of earnings in Retail over time, we see no discernible change. As illustrated in Figure 1, in nominal terms, the distribution of wages in the Retail sector has remained essentially the same in London since 2009. The lowest earners in Retail have been consistently receiving hourly rates around the National Minimum Wage, and highest earners consistently receiving approximately £21 per hour (excluding overtime). The distribution at UK level has behaved similarly, suggesting it is an industrial standard across the country as a whole.

**Figure 1: Hourly pay (excluding overtime), for employee jobs in Retail in London, current prices, 2009 to 2015**



Source: Annual Survey of Hours and Earnings (2009 to 2014 revised, 2015 provisional)

**Notes:**

1. To aid in interpretation of the above, the 50th percentile is the point below which 50% of workers in the income distribution lie, and represents average (median) earnings. The 90th percentile represents the top 10% earners, and the 10th percentile represents the lowest 10%.

What is perhaps more telling is the difference between part-time and full-time employees, where in fact there is a differential of almost £4 in 2015, with median full-time hourly pay being £11.73, and part-time being £7.74, in Retail in London. Male and female employees in Retail in London earn very similar rates of pay, but because proportionately more women work part-time than full-time (64% of women work part-time, compared to 45% of men according to ASHE) then the differential means that women in Retail in London overall earn less than men.

The lower end of the pay scale seems to be bound by the National Minimum Wage (NMW). The lowest 10% of earners in Retail in London, known as the tenth percentile, have been receiving hourly pay (excluding overtime) of approximately the same value as the NMW rate in nominal terms each year 2009 to 2015. For example, in 2015 the hourly pay of 10% of employees in Retail in London was £6.63 or lower, and the National Minimum Wage (for people aged 21 or over) was £6.70. If we allow for the proportions of employees on the lower NMW rates (those aged 20 or below, and apprentices), and some employees being ineligible to receive the NMW (for example, employees receiving free accommodation), then we can assume that many employees in Retail in London are receiving the NMW rate.

This value is far below the [London Living Wage](#), which was £9.15 at the time ASHE was collected in 2015. The London Living Wage (LLW) is an hourly rate of pay calculated by the Greater London Authority which “gives the wage rate needed to give a worker in London enough to provide their family with the essentials of life, including a cushion against unforeseen events”<sup>1</sup>. About half (53%) of employees in Retail were earning less than the LLW in 2015<sup>2</sup>.

In comparison with other industrial sectors in London, Retail has the second-lowest median hourly pay (of the 17 industrial groups analysed<sup>2</sup>), behind only Accommodation and Food Service Activities which had a median of £7.90. Indeed only Accommodation and Food Service Activities had a higher percentage of employees (67.5%) paid below the LLW than Retail in 2015. Median pay in Retail was only 58% of median pay of all employees in London (which was £15.74) in 2015.

## Notes for Falling real wages and the National Minimum Wage

1. Quote from [London living wage](#).
2. Estimates of proportions of employees earning below minimum wage rates are calculated using the [methodology recommended calculating estimates of low pay](#).
3. As explained in the introduction, industrial sections A, B, D and E are combined into one industrial grouping, section G is split into two sectors, and sections T and U are excluded, meaning we typically analyse 17 industrial sectors of London's economy.

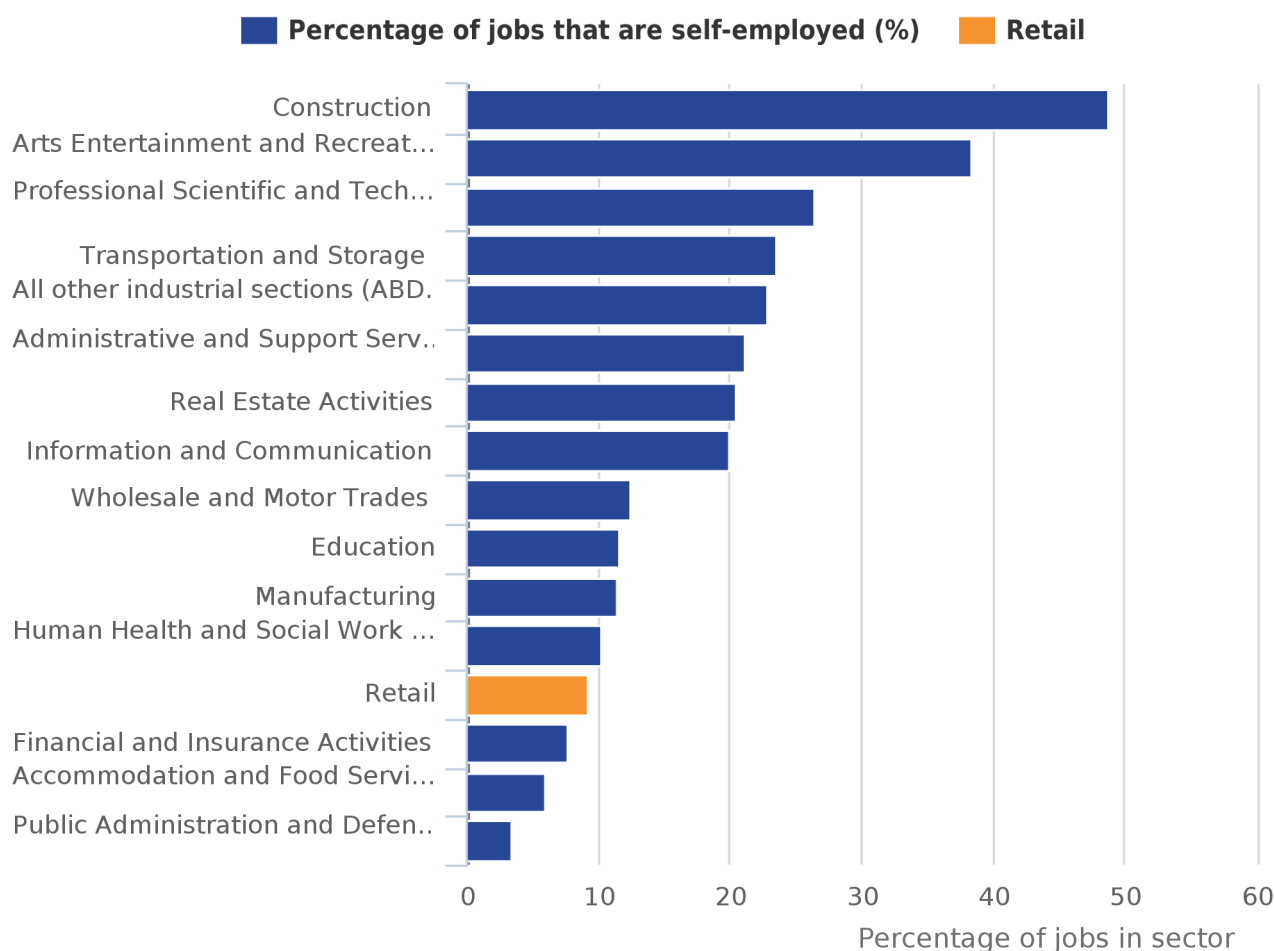
## 4 . Who is earning these wages?

There were 448,000 jobs in Retail in London according to 2015 [Workforce Jobs](#) estimates. The Retail sector experienced reasonable but slightly uneven growth since 1996, starting at 347,000 jobs, showing growth of 29% over 20 years. This is nowhere near the fastest growth of 92% seen in Professional, Scientific and Technical Activities, but far above the decline in Manufacturing where numbers of jobs reduced by 51%, and Retail ranks approximately in the middle of growth rates of all industrial sectors in London.

This modest rate of growth stands to reason, when we consider that in the [2014 London Business Survey](#) 76% of Retail workplaces in London responded that their number of employees had remained the same over the previous 12 months, and that 78% were not planning to grow over the next 12 months. However, 44% of Retail workplaces said that they had recruited staff over the last 12 months, well above the 29% average across all industries, showing that there had at least been turnover in staff.

Retail in London has a very low proportion of self-employment, with only 9% of jobs being self-employed, according to the [Annual Population Survey](#) in 2015. This was half the self-employment rate of all industries in London. As we can see in Figure 2, this compares with heavily self-employed industries like Construction, where 49% of jobs are self-employed, or Arts, Entertainment and Recreation at 38%, although Retail is still higher than Accommodation and Food Service Activities with 6% self-employment, and Financial and Insurance activities at 8%.

**Figure 2: Percentage of self-employed jobs in each industrial sector, London, 2015**



**Source:** Annual Population Survey

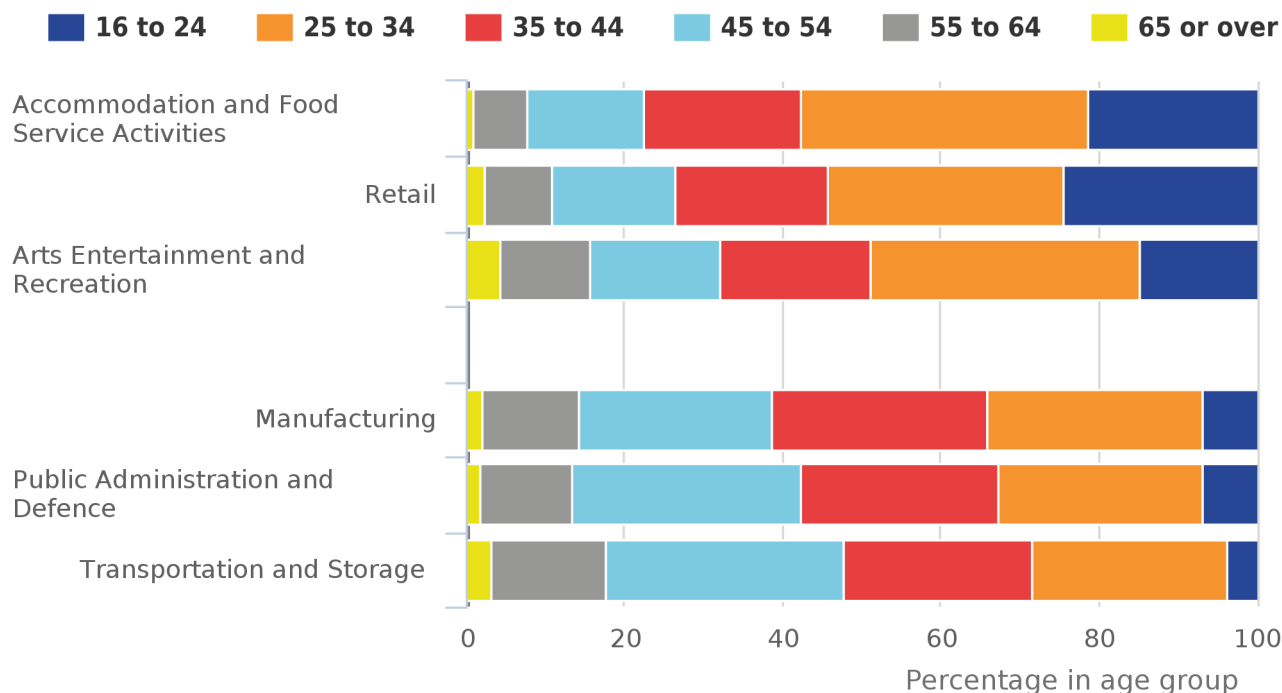
**Notes:**

1. The industrial sectors presented are based upon the [UK Standard Industrial Classification \(SIC\) 2007](#), except sections A, B, D, E, S, T and U have been combined into "All other industrial sections (A,B,D,E,S,T, U)".

## 5 . Breaking down the workforce

Retail has a relatively young workforce, with more than half (54%) of Retail jobs in London being held by workers aged 34 or younger, and only 11% aged 55 or over, according to the Annual Population Survey in 2015. As illustrated in Figure 3, it is the sector in London with the second-youngest age structure (of the 17 industrial groups analysed<sup>1</sup>), only after Accommodation and Food Service Activities with 58% aged 16 to 34. Retail has a far younger structure than the sector with the lowest proportion of jobs held by people aged 16 to 34, only 29%, which was Transportation and Storage.

**Figure 3: Percentage of jobs in each age group in selected industrial sectors, London, 2015**



**Source: Annual Population Survey**

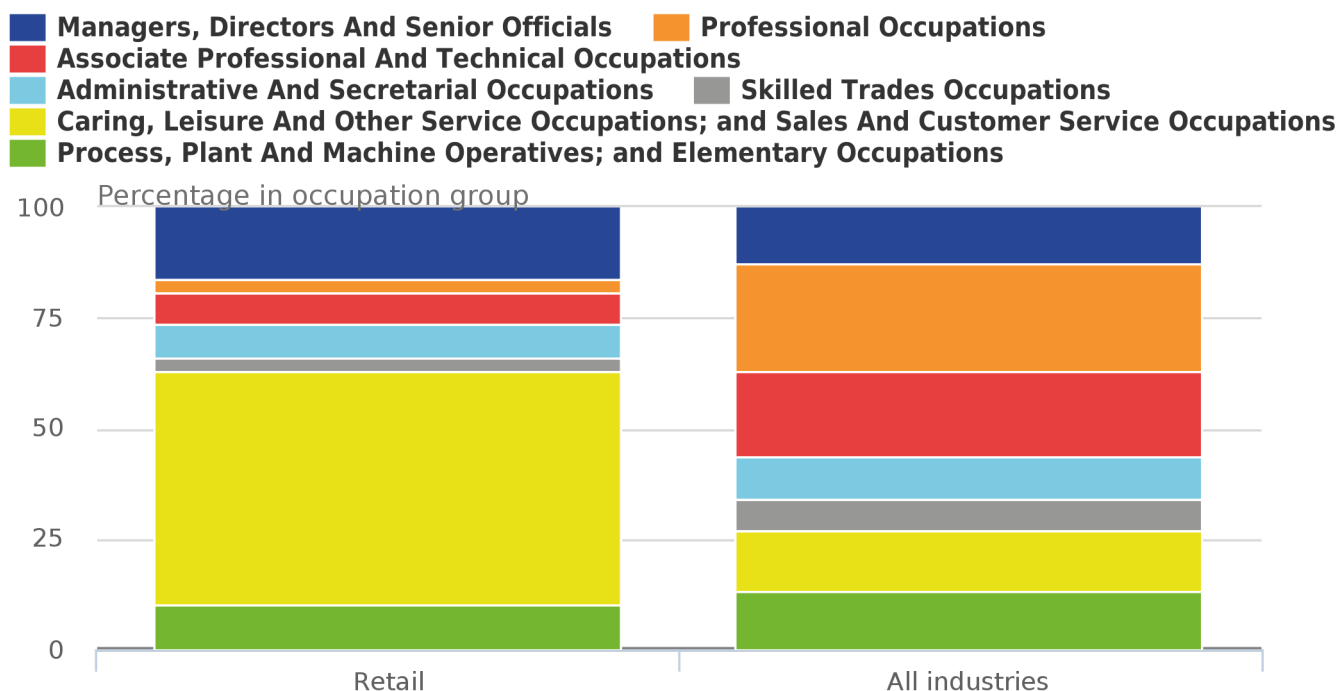
**Notes:**

1. The industrial sectors presented are the three with the greatest proportion, and three with the lowest proportion, of jobs held by people aged 16 to 34. All other sectors have been excluded.
2. Industrial sections A, B, D, E, T and U have been excluded from this analysis.

Retail is comparable to the average in London regarding numbers of people born overseas, where 59% of Retail jobs were held by people born in the UK and British Overseas Territories<sup>2</sup>, compared to London as a whole at 61%. However, there is an unusual ethnic structure to the job-holders. Whereas London as a whole has 69% of jobs held by people of White ethnicities, 15% of all Asian backgrounds and 10% of Black ethnicities, the Retail sector had far higher proportions of non-white workers, with 49% White, 27% Asian and 14% Black. London has an ethnically diverse population, which according to the 2011 Census was 60% White, 18% Asian and 13% Black, so in fact the ethnic diversity of jobs in Retail is even more pronounced than that of London's population.

While jobs in London were fairly evenly split across all occupations, as might be expected occupations in Retail were concentrated in the combined occupations: Caring, Leisure and Other Service Occupations, and Sales and Customer Service Occupations. These occupations were grouped for the purposes of wider analysis in London. We find that 53% of jobs in Retail in London fit into this category, compared to 14% in London overall, and also a slightly higher proportion of Managers, Directors And Senior Officials with 16% in Retail and 13% overall. Although we had to group these two occupational categories, we also know that 64% of all Sales and Customer Service Occupations jobs in London were held in Retail, so we can reasonably expect that Retail jobs generally fall into the specific category Sales and Customer Service Occupations.

**Figure 4: Breakdown of occupations of jobs in London, 2015**



Source: Annual Population Survey

**Notes:**

1. These occupations are based upon the [Standard Occupational Classification \(SOC\) 2010](#), but the lower categories have been grouped. The occupations "Caring, Leisure And Other Service Occupations" and "Sales And Customer Service Occupations" have been amalgamated, and the occupations "Process, Plant And Machine Operatives" and "Elementary Occupations" have been amalgamated.

As the Retail industry has generally lower skill requirements than other sectors, one might expect Retail jobs to be held by people with lower educational qualifications. To some extent this is true, as 31% of Retail job-holders have a degree-level qualification compared to 51% in London as a whole, and 7.5% of Retail job-holders have no educational qualifications compared to 4.1% in London as a whole. However, there is still a reasonable spread of qualification levels in Retail. Considering the age structure of the Retail workforce, it is logical to assume that some of those with higher qualifications may be working in Retail to support themselves while achieving their qualifications (and shortly thereafter), or may be taking short-term jobs in Retail while they organise the first steps of their chosen career. However, there are numerous other factors that could lead to this spread of qualifications, and it would require wide-reaching analysis to investigate the topic.

**Notes for Breaking down the workforce**

1. As explained in the introduction, industrial sections A, B, D and E are combined into one industrial grouping, section G is split into two sectors, and sections T and U are excluded, meaning we typically analyse 17 industrial sectors of London's economy.
2. The British Overseas Territories include: Anguilla, Bermuda, the British Indian Ocean Territory, the British Virgin Islands, the Cayman Islands, the Falkland Islands, South Georgia, Gibraltar, Montserrat, the Pitcairn Islands, Saint Helena, the South Sandwich Islands and the Turks and Caicos Islands.

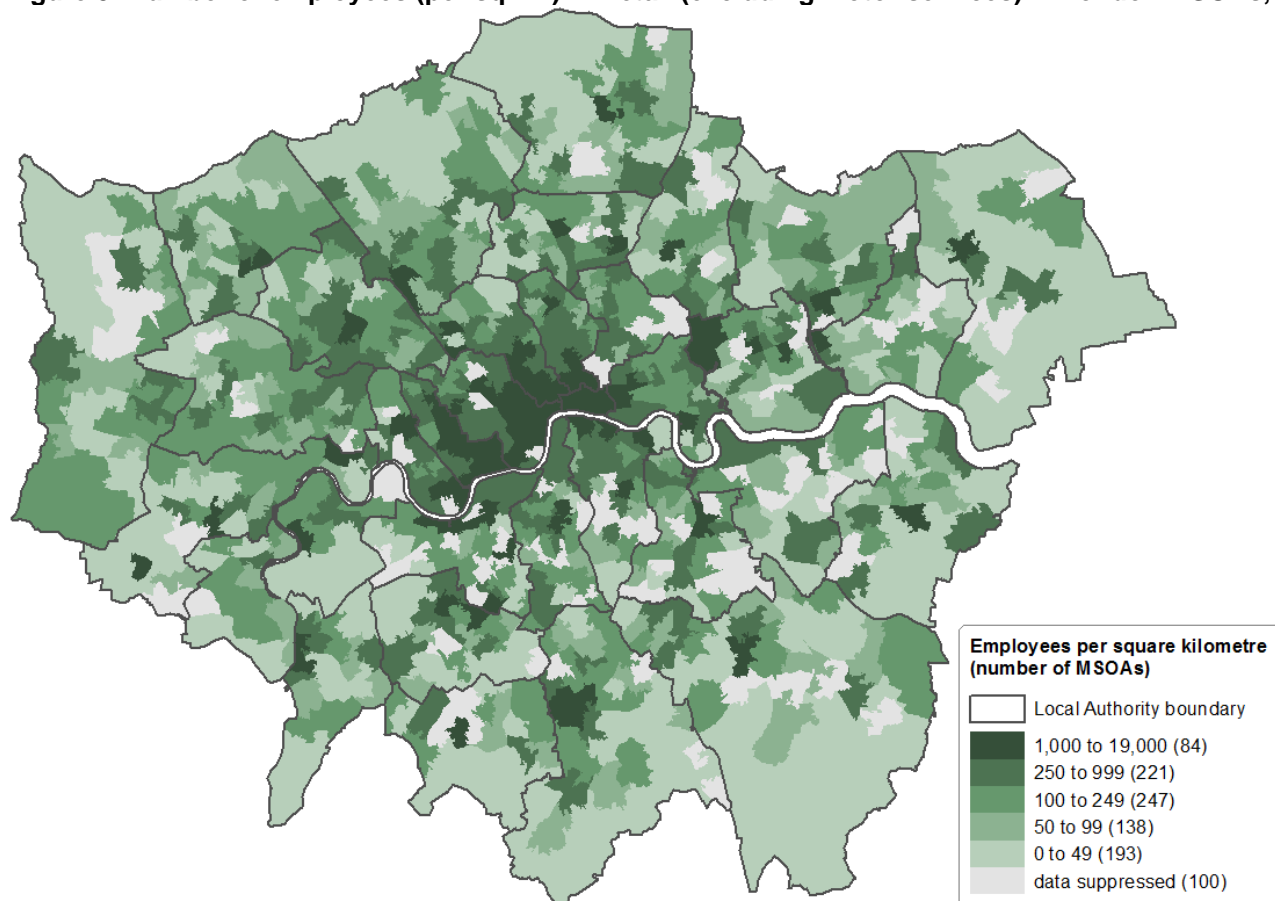


## 6 . Where are these retailers, and why London?

It may be no surprise that employees in Retail in London are spread throughout the capital, as we can see in Figure 5 using data from the [Inter-Departmental Business Register](#). London contained 43,865 Retail workplaces<sup>1</sup> in 2015, of which 68% belonged to small enterprises (businesses with between 0 and 9 employees in the UK), 12% to medium-sized enterprises (10 to 249 employees), and 20% belonged to large enterprises (250 or more employees). Even though the large enterprises only represented 20% of the Retail workplaces, they employed 65% of the employees in Retail in London.

There is, like many industrial sectors, a concentration of Retail activity in central London, around Westminster and The City, which includes world renowned shopping centres Oxford Street, Bond Street and Tottenham Court Road. However, we can also see concentrations throughout Greater London, generally around town centres, such as Uxbridge to the west, Croydon and Bromley to the south and south-east, Ilford and Romford to the north-east, Enfield to the north, and Harrow and Wembley to the north-west. We can also see high concentrations in the areas where Westfield London and Westfield Stratford City shopping centres are located, in Hammersmith and Fulham and Newham respectively.

**Figure 5: Number of employees (per sq km) in Retail (excluding motor services) in London MSOAs, 2015**



According to the 2014 London Business Survey, most of these retailers felt very positively about locating in London, with approximately two-thirds of workplaces stating that they chose London as a place to do business for a number of factors: access to skilled staff, the international or diverse environment, proximity to customers and to other businesses, the transport infrastructure (both within London and into or out of London), and the digital and communications infrastructure. However, they felt London was poor or very poor as a business location in terms of its costs, both costs of housing and of living costs, which likely affects their potential to find skilled staff. The same feeling regarding costs was held by about 60% of all workplaces in London, regardless of industry or size.



Unlike other industrial sectors, almost half (46%) of Retail workplaces in London stated that their proximity to residential areas was a positive or very positive factor affecting their business, whereas only 21% of all businesses felt similarly, and only 3% of retailers felt it had a negative impact. When we consider that 95% of retailers stated that they provided goods to their customers, and that 84% supply to the public, it stands to reason that close geographic proximity between customers and retailers makes good business sense and gives customers good access to their Retail needs. Intriguingly, 37% of London's retailers supply to other businesses, and 22% to the public sector, showing that their customer base is much wider than simply the general public. London is a good location for this with its concentration of both business and governmental bodies in the capital.

## Notes for Where are these retailers, and why London?

1. Workplaces are referred to as "local units" in the Inter-Departmental Business Register.

## 7 . The uncertain future of retail

Recent developments in technology and land usage have created uncertainty for the future of traditional retail. We have seen the closure of long-lived Retail institutions including Woolworths and British Home Stores in recent history, and the rise of the internet as a viable and powerful retail tool.

According to results from the [Retail Sales Inquiry](#), average weekly spending online in August 2016 was £965.8 million across Great Britain, which was an increase of 18.5% compared to August 2015. The amount spent online accounted for 14.3% of all retail sales (excluding automotive fuel) in August 2016, compared with 12.5% in August 2015. In fact the proportion of spending online has been increasing steadily, from 4.9% of retail sales in 2008 to 12.5% in 2015.

New innovations<sup>1</sup> such as the use of virtual reality, delivery drones and the "Internet of Things" are changing the way retailers deliver to their customers, and the behaviour of marketing campaigns. Customer behaviours are also changing, with the increased usage of mobile phone technologies, the integration of the internet into home television viewing, and the rise of social media. Customers are breaking away from traditional high street shopping<sup>2</sup> and are now exposed to far more purchasing opportunities, and able to do so away from a traditional physical shop-front.

London's population, which was 8.7 million people at [mid-year 2015](#), has been growing and is projected to continue growing, providing a potentially larger base of resident customers for London's retailers. London also remains a popular destination for tourism<sup>3</sup>, which supports not only the Retail industry but also sectors including Accommodation, Food and Beverage Services, and Transportation and Storage.

It is extremely difficult to predict how all of these changes will affect the Retail industry in the longer term. In the recent past Retail has been continuing to grow in London, and we will have to wait to see how the Retail industry adapts to the current developments and changes.

## Notes for The uncertain future of retail

1. [Retail Trends 2016](#), [Retail Trends and Predictions 2016](#), and [Fashion Forward: Top 10 Retail Trends for 2016](#).
2. [Retail in London: Looking Forward](#).
3. "[Mayor of London says the city remains open for international travellers](#)", July 2016.