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# Getting the Right Change – A Retail Strategy for Scotland



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## ■ Foreword by the Minister for Public Finance, Planning and Community Wealth



A strong, prosperous and vibrant retail sector is essential to the vision of a wellbeing economy described in Scotland's new ten-year National Strategy for Economic Transformation. Shops and retailers support local communities; attract people into our towns and cities; utilise local supply chains; offer fulfilling employment and support other economic sectors such as tourism and hospitality. Retail is part of our everyday experience – whether we're getting our weekly food shopping, making an online purchase or a social activity with friends.

With more than 240,000 people working in retail across Scotland, it is the largest private sector employer in Scotland, employing a high proportion of women and young people and a diverse representation of minority ethnic workers. With opportunities for entry into the workforce, career progression and flexible working, a job in retail is a career choice for many. In addition to direct employment, retail is a necessary and vital component in the wider supply chain such as manufacturers, hauliers and wholesalers.

The critical nature of retail as a foundation of our economy and society has been particularly evident throughout the coronavirus pandemic. Many retailers were able to pivot their operations so that the delivery of lifeline products and services to their customers could continue – including those who were vulnerable or shielding. Their co-operation and the dedication and flexibility of their staff has been crucial in meeting these unprecedented challenges, and I wish to record my gratitude to all involved.

The retail sector is diverse and dynamic, and undergoing a significant transformation, with changes in consumer behaviour, technological advances and accelerated growth in online shopping. Retailers have a proven record of entrepreneurial and innovative approaches to meet customers' needs and provide the best possible shopping experience. This will stand the sector in good stead as it evolves to meet the challenges and opportunities of the future, not least the global climate emergency which will require new business models with greener jobs and services.

At the outset of developing this retail strategy, a vision for a retail sector in Scotland was agreed; one that would see Scotland's retail sector thrive through a process of positive change and innovation, offering quality goods, experiences and services. Achieving it would be through the sector embracing business development opportunities that foster sustainable growth; protect the environment; cultivate entrepreneurship; strengthen supply chains; support wellbeing; and ensure that retail offers secure, well-paid and rewarding employment.

Through focussing on Sector, People and Place, the strategy contains both current initiatives and future actions that will help to fulfil that vision in a fair and sustainable way. It sets out why putting Fair Work and skills front and centre of this strategy can bring tangible benefits to both businesses and employees through helping them to become more attractive to workers, more resilient, productive and profitable. It also sets out why a Just Transition approach is needed to achieve a net zero and climate resilient economy and a profitable and prosperous retail sector.

Developing this strategy has been a collaborative effort with trade unions, business and industry experts working together with the public sector to identify interventions that will make a real difference to retail businesses and those who work for them. I would like to thank each person who contributed their insights, ideas, constructive challenge and commitment throughout the process.

This strategy does not sit in isolation but is one component in a wider economic and social framework. It is a key element in our place-based approach to supporting the recovery and development of our cities, towns and neighbourhoods, enabling communities to make the most of local economic assets.

Through delivering on the actions set out in this strategy, our aim is for retail businesses to be successful, profitable and to create new and better jobs, becoming an exemplar for inclusive growth. Together, we can build a fairer, greener and stronger Scotland.



**Tom Arthur MSP**

Minister for Public Finance, Planning and Community Wealth

## ■ Executive Summary

We have a clear vision for retail in Scotland; a sector that is successful, resilient, sustainable and profitable. Retail already possesses many of these qualities but we can and must do more to fulfil its potential. The Covid-19 pandemic has revealed the sector's strengths – such as its crucial role in supporting individuals and communities during lockdown – and tested its resilience. Having weathered the storm of the pandemic, looking ahead, there are new and exciting opportunities for retail businesses.

Publishing this retail strategy now is important as we move into a different phase of the Covid-19 pandemic. [Scotland's Strategic Framework Update](#) sets out a less restrictive approach to effectively and sustainably managing the virus, one that will support recovery and give us the best possible chance of returning to a much more normal way of life.

Coupled with this is the recent publication of our National Strategy for Economic Transformation (NSET), which sets out actions that will be taken to support Scotland's economic growth over the next ten years including through creating new entrepreneurs, developing resilient supply chains, and contributing to a strong, wellbeing economy. A wellbeing economy, based on the principles of prosperity, equality, sustainability, and resilience, is at the heart of the NSET vision for the economy in 2032. Our [Covid Recovery Strategy](#) highlights the impact that the pandemic has had on our people and society and how we will address the systemic inequalities made worse by Covid through building a wellbeing economy and inclusive person-centred public services.

These three key documents underpin this retail strategy, which sets out what actions businesses, government and trade unions can take to seize those opportunities – to improve productivity, support the creation of new businesses and deliver stronger business growth that will benefit us all. A wealthier economy and a fairer economy go hand-in-hand, with the most productive economies in the world also scoring highly on wellbeing indicators.

The strategy document is grouped around the themes of Sector, People and Place, identified by industry representatives as areas of existing opportunities with potential for change. Given the significant role for the sector in helping Scotland achieve its net zero ambitions, the additional theme of Just Transition has been included.



**Sector** sets out ways in which retail businesses can grow, boost productivity, take advantage of new technological or marketing opportunities and support entrepreneurship.



**People** focusses on embedding a fair work approach and supporting skills development and career progression that will help retailers retain staff and attract new talent.



**Place** sets out how retailers can build on the vital contribution they already make to the economic and social success of their locale and surrounding businesses.



**Just Transition** focusses on actions to progress towards our ambitious climate change target of achieving net zero by 2045.

How we view and measure success and achieve our aims for the sector is set out in the **Defining Success** section, which also sets out the crucial role for the **new Retail Industry Leadership Group** which will be responsible for oversight and delivery of a number of priority objectives.

# Chapter 1

## ■ Setting the Way Forward



### 1.1 Our Vision for Retail in Scotland

Retail matters. It matters because we all, at some time, want to buy the things that retailers sell. It matters because the retail sector is a major contributor to economic prosperity in Scotland. It is the largest private sector employer, with over 240,000 people working in Scotland in 2020<sup>1</sup> and annual turnover £23.1 billion in 2019.<sup>2</sup>

With almost 14,000 retail businesses, Scotland has more stores per head than the rest of the UK,<sup>3</sup> making the market a very competitive one. Retail provides vital jobs in all parts of Scotland – city centres, high streets and small and island communities where the local shop is often the provider of lifeline products. It plays an integral role in our society, providing customers an opportunity to interact and engage with others in their communities and in actively supporting local and national good causes. Retail can take many forms, such as smaller boutique outlets, big name chain stores, inclusive enterprises, pop-up shops and online marketplaces.

Those are all compelling reasons why a successful and profitable retail sector is important – for our people, our communities, our towns and cities and our national economy.

The retail sector has an essential part to play in addressing our macroeconomic challenges and helping to build a strong economy. Our vision for retail is one that was agreed by industry, trade unions and government in developing this strategy:

*That Scotland's retail sector will thrive through a process of positive change and innovation, offering people and communities the quality goods, experiences and services that they want.*

*That the retail sector will embrace business development opportunities to foster sustainable growth; protect the environment; cultivate entrepreneurship; strengthen supply chains; support wellbeing; and ensure that retail offers secure, well-paid and rewarding employment.*

*That the Scottish Government will work in partnership with the sector, trade unions and employees, whose experiences are crucial, to help the retail sector in Scotland become an exemplar for inclusive economic growth and play its part in creating a fairer, greener and stronger Scotland.*

In developing this vision, our shared ambitions for a prosperous retail sector have translated into a suite of actions under the themes of Sector, People, Place and Just Transition.

1 Business Register Employment Survey (BRES) 2020

2 Scottish Annual Business Statistics (SABS) 2019

3 [Scottish Retail Consortium Report: What Next – The Future of Scottish Retail](#)



## 1.2 Building on Our Strengths

The retail sector is extraordinarily resilient. As we have seen in recent years it is adaptable and willing to refocus and restructure in order to succeed. It has responded to the growing demand for online retailing and other changing consumer demands with sectoral GDP back to pre-pandemic levels.<sup>4</sup>

Retail plays a fundamental role in our communities by providing employment, supporting local supply chains and delivering significant economic benefit to the Scottish economy which in turn benefits all people. Retailers want to succeed and grow and create customer confidence and loyalty through providing a quality service.

A successful retail sector is a vital component to achieving our vision for Scotland's economy. Through its suite of five policy programmes, with a separate Delivery Programme at the core, the [National Strategy for Economic Transformation](#) (NSET) highlights the opportunities that lie ahead for our people and our economy if bold action is taken now. It sets out both the aim and programmes through which, by 2032, Scotland's economy will outperform the last decade, both in terms of economic performance and tackling structural economic inequalities.

In publishing [Scotland's Strategic Framework refresh](#) the intent is to provide that longer-term certainty for businesses as they look to rebuild after Covid-19. Enterprises are able to plan with more confidence in an economy where there is stability and growth.

4 [Scottish Government economy statistics - Estimates of Monthly GDP](#)



Our [Covid Recovery Strategy](#) outcomes are: financial security for low income households; the wellbeing of children and young people and good, green jobs and fair work. In this retail strategy, we have set out an ambitious vision and plan for retail as it recovers and rebuilds from the pandemic that is forward-looking and is focused on bringing about a fairer future for all.

Alongside these national strategies sits our ambitious programme for [Community Wealth Building](#), a people-centred approach to local economic development which seeks to ensure more wealth is less extracted, but rather more redirected back into the local economy: increasing general income by giving people a greater stake in the wealth they produce and thus reduce inequality.

Supporting all retailers to align with a Community Wealth Building approach is important. This includes local ownership and hiring of staff, adoption of Fair Work practices, engaging with community organisations and considering local enterprises within the supply chain are important elements. This helps to ensure that local people and businesses have a genuine stake in producing, owning and enjoying the wealth they create, moving us closer to the more just, equitable and sustainable society we want as we rebuild our post-Covid-19 economy in Scotland.

In addition, reinforcing consumer trust is integral if retail businesses are to succeed. The Scottish Government has begun action to advocate on behalf of Scottish consumers, especially those who use online deliveries, through the launch of [fairdeliveries.scot](#). The passage of the Consumer Scotland Act 2020 through the Scottish Parliament will ensure that the new consumer body, Consumer Scotland, represents the views of consumers and takes an evidence-based approach to tackling the most serious issues of consumer harm in Scotland.

### 1.3 Facing the Challenges

There are of course tensions to resolve. We want to stimulate economic activity, increase productivity and grow GDP within the sector in a fair way, without adding to carbon emissions or impacting negatively on the global ecology.

The last two years have been challenging for retailers and their employees. Lockdowns and public health protection measures, increased demand for home deliveries, changing footfall patterns, EU exit, stretched supply lines, labour market shortages, and the rising cost of living have all created a marked difference in how retailers have been able to operate. Despite the retail sector in Scotland being highly competitive, offering a wide variety of goods, prices and services, these factors have had a combined knock on consumer confidence. We acknowledge these challenges, while also recognising that the sector has shown incredible resilience to adapt to these circumstances and show signs of recovery.

During these exceptional and trying times, government support provided lifeline funding for many – particularly small businesses. Since the start of the pandemic, over £4.5 billion has been provided by the Scottish Government to help businesses come through this difficult trading period. As we enter into a more steady state, the actions in this strategy are intended to support retailers as they reassess, re-evaluate and regenerate their businesses as we rebuild after Covid-19.

## 1.4 Collaboration

The challenge is to foster conditions for a vibrant and enticing retail proposition that aligns to the way people live their lives post-Covid – but to do so in a way that positively contributes to our net zero ambitions and which promotes good quality, secure employment. Government cannot deliver this alone; neither can the sector in isolation. Our vision can only be achieved by national and local government, the sector, our agencies and trade unions working together.

Through collaboration with the sector and trades unions – which commenced in developing this strategy – we will together be able to meet these challenges and deliver our vision of a successful retail sector in Scotland.

This retail strategy has been co-developed by a Steering Group of industry representatives, trade unions, academic and public sector delivery professionals, chaired by the Minister for Public Finance, Planning and Community Wealth. The steering group met throughout 2021 and identified the following priority areas:



**Sector** – successful and profitable, by being more productive and innovative, and encouraging, promoting and celebrating entrepreneurial activity and business growth.



**People** – are at the heart of the retail sector, with the right skills to have rewarding and secure careers and grow businesses as we reorient our economy towards wellbeing and Fair Work to significantly reduce poverty.



**Place** – strengthening the vital contribution that retailers make to the economic and social success of our local communities.

These three workstreams are the foundations upon which this retail strategy has been built. Separate sub-groups were established to delve deeper into each priority workstream of Sector, People and Place, chaired by industry, trade unions, and academic leads respectively. Each workstream submitted proposals which have been distilled into actions.



Throughout each of the workstreams was woven the common thread of sustainability, acknowledging the scale of work required to meet our ambitious climate change targets. To this end a **Just Transition** plan will be developed and a suite of supporting actions is set out alongside the actions relating to Sector, People and Place.

In developing this strategy, the importance of adaptability and resilience needed to meet future challenges in a changing world was a recurring view. That is why this strategy is a living document – while we highlight key actions and priorities, these are not the limits of our ambition. This strategy must be able to flex and refocus as needed. Neither government nor the sector alone can address all the challenges ahead; that requires a collaborative approach, along with trade unions, to determine and agree the right way forward.

This collaboration will take place through the establishment of a sector-led **Industry Leadership Group** (ILG). The group will be co-chaired between Scottish Ministers and the sector, with industry representatives taking an active role in delivering the vision of this strategy. The commitment to an ILG underlines the importance of businesses, industry representatives and employees working together to tackle the challenges and grasp new opportunities.

## Steering Group Membership

<b>David Lonsdale</b>	Director, Scottish Retail Consortium
<b>Dr John Lee</b>	Head of Policy & Public Affairs, Scottish Grocers' Federation (SGF)
<b>Tracy Gilbert</b>	Regional Secretary, Union of Shop, Distributive and Allied Workers (USDAW)
<b>Robert Deavy</b>	GMB Scotland Organiser, GMB
<b>Professor Leigh Sparks</b>	Deputy Principal and Professor of Retail Studies, University of Stirling
<b>Andrew McRae</b>	Policy Chair, Federation of Small Business (FSB)
<b>Hugh Lightbody</b>	Chief Officer, Business Gateway
<b>Katie Hutton</b>	Director of National Training Programmes, Skills Development Scotland
<b>Fiona Richardson</b>	Chief Officer, Trading Standards Scotland COSLA
<b>Colin Smith</b>	Chief Executive, Scottish Wholesale Association (SWA)
<b>Lucinda Bruce-Gardyne</b>	Founder, Scotland Food and Drink and Founder of Genius Foods
<b>John Brodie</b>	Chief Executive, Scotmid Co-operative
<b>Kathy Murdoch</b>	Centre Manager, Buchanan Galleries
<b>Andrew Murphy</b>	Chief Operating Officer, John Lewis PLC
<b>Emma Parton</b>	Director, The Highland Soap Company
<b>Reuben Chesters</b>	Project Manager, Locavore Community Interest Company
<b>Andy McGeoch</b>	Chief Executive, M&Co
<b>Keith Irving</b>	Chairman, Castle Douglas Food Town Initiative and Owner of Irvings Homestyle Bakery Ltd
<b>Lindsay Methven</b>	Senior Manager, Scottish Enterprise
<b>Neema Rathod</b>	Policy Adviser, Scotland Office
<b>Carron Smith</b>	Principal Officer, Falkirk Council, SLAED
<b>Jack Evans</b>	Scotland Policy and Partnerships Manager, Joseph Rowntree Foundation

## Chapter 2

### ■ Sector



#### 2.1 Our Aim

A successful and profitable sector, by being more productive and innovative, and encouraging, promoting and celebrating entrepreneurial activity and business growth.

#### 2.2 Opportunity for Change

Ensuring we have a successful retail sector is at the core of this strategy. Our aim is to strengthen the sector's economic performance while, at the same time, tackling structural economic inequalities in line with the ambitions of NSET. To be successful the sector must drive productivity and innovation and play a full part in making Scotland one of the best countries in the world to start, scale and change a business.

Retail is a sector undergoing transformation, with changes in customer behaviour and market conditions accelerated by a multitude of economy-wide factors. The impact of the pandemic, leaving the EU single market, global supply pressures, growing cyber threats to businesses of all sizes worldwide, rising inflation and increasing costs are adding to what was for many a challenging trading position pre-Covid. Supporting existing and new retail businesses as they negotiate through these challenging times and transform will be key to unlocking the full economic potential of the retail sector.

Entrepreneurs will play an important role in this transformation. As the industry flexes and changes, new opportunities will emerge for those with an entrepreneurial mindset. Retail businesses led by talented entrepreneurs, whether start-ups, existing businesses or those with the ability and desire to scale, can create skilled jobs, deliver fair work conditions, boost productivity and inspire creativity across retail. NSET provides more on enhancing Scotland's entrepreneurial capacity and thinking, including for those entering the retail sector for the first time or those looking to grow their existing business.

Rapid advances in technology are disrupting traditional customer behaviour but offer opportunities for both businesses and consumers. Consumers are looking for a seamless service between in-store and online, immersive experiences and more choice and competitive pricing. The wider availability of choice on offer through online shopping means that retailers cannot depend on consumer loyalty or habit, with many now offering multiple omni-channels where consumers can engage with a retailer both in-store and online. This underscores the importance of customer service skills, which are so fundamental to the face-to-face interaction we value on our high streets.

Incorporating these new channels and practices into business models is a considerable challenge, but one that many retailers have already successfully implemented across their business model.

With the internet widening the marketplace and offering new digital opportunities, the most popular online retail brands are global players such as Amazon, M&S, Wickes and Sports Direct.<sup>5</sup> These companies have taken advantage of existing brand recognition, purchasing power and, in some cases, disrupting the supply chain, to create profitable online retail operations. While there have been notable successes, not all Scottish retailers have fully realised the opportunities of online. Improving the digital capability of Scottish retailers will be key to ensure that they can grow to scale, increase their global presence and enshrine their long-lasting success.

While the increased use of automation in retail creates challenges for the sector – such as, improvements in productivity being offset by job losses – there are significant opportunities here, too. For example, automation can improve the standards of products so they last longer and contribute to reducing waste. Importantly, new technology has considerable potential to augment retail jobs which are likely to require new, different and higher sets of skills. It is therefore vital that this strategy has actions to support workers to continue to develop the skills they need for jobs of the future while at the same time supporting short-term economic recovery and safeguarding jobs.

## 2.3 What We're Doing

Work is already being undertaken that will bolster the actions of the retail strategy. To help retailers weather the storms of Covid-19, over £4.5 billion has been provided to support businesses in Scotland, including 100% rates relief for Retail, Hospitality, Leisure and Aviation businesses in both 2020-21 and 2021-22. In 2022-23, rates relief will continue for retail businesses for the first quarter of the financial year, capped at £27,500 per ratepayer. The Scottish Budget also maintains the Small Business Bonus Scheme, which lifts over 111,000 properties out of rates altogether.

Non-Domestic Rates (NDR) was a concern to the Steering Group with some members requesting a review of the current system as part of this strategy. While appreciating that trading conditions have been difficult for some, the implementation of the [Barclay Review](#) recommendations must conclude and be evaluated before new reforms are considered. Consequently, this strategy will not look at NDR specifically, but would encourage stakeholders to provide their views through existing consultative structures such as the Scottish Ratepayers' Forum.

The Scottish Government is committed to ensuring that businesses can get the right information, advice and support at the right time. Having access to a business support system that puts the needs of users at its heart and makes it easier for them to navigate is essential for new and growing businesses. [FindBusinessSupport](#) aims to do just that.

The recently published National Strategy for Economic Transformation (NSET) sets out five bold policy programmes of action to tackle the long-term structural challenges, build on our economic strengths, and position Scotland to maximise the greatest economic opportunities of the next ten years in a way that will transform the very fundamentals of how our economy works. It is imperative that retail fully contributes to and capitalises on the opportunities to build an economy that

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5 [myUKmailbox blog – The top 50 online shops in the UK](#)

celebrates success in terms of economic growth, quality of life and equality of opportunity and reward.

NSET aims to establish Scotland as a world-class entrepreneurial nation, encouraging, promoting and celebrating entrepreneurial activity in every sector of our economy, including retail. It also focuses on digital technologies – particularly crucial for retailers – acknowledging that they are fundamental to productivity and underpin business growth across every sector of the economy by supporting innovation, enabling more efficient business processes, opening new markets, and helping tackle climate change.

Actions are underway to tackle the entrepreneurial gender gap which has particular bearing in retail, where over 60% of the workforce but just 17% of business leaders are women.<sup>6</sup> The Scottish Government has committed £50 million over the lifetime of this Parliament to support more women into entrepreneurship.

### **National Strategy for Economic Transformation Programmes for Action**

- establish Scotland as a world-class entrepreneurial nation founded on a culture that encourages, promotes and celebrates entrepreneurial activity in every sector of our economy
- strengthen Scotland's position in new markets and industries, generating new, well-paid jobs from a just transition to net zero
- make Scotland's businesses, industries, regions, communities and public services more productive and innovative
- ensure that people have the skills they need at every stage of life to have rewarding careers and meet the demands of an ever-changing economy and society, and that employers have invested in the skilled employees they need to grow their businesses
- reorient our economy towards wellbeing and fair work, to deliver higher rates of employment and wage growth, to significantly reduce structural poverty, particularly child poverty, and improve health, cultural and social outcomes for disadvantaged families and communities

To support retailers and supply chains, we have:

- collaborated with the Scotland Food & Drink Partnership on the development of an [industry-led food and drink recovery plan](#)
- committed to exploring the introduction of a new national digital sales tax in Scotland, and to consider whether this could help make the tax burden more equal between bricks and mortar and online retailers
- delivered the Scottish Government's refreshed digital strategy [A Changing Nation: How Scotland will Thrive in a Digital World](#) which identifies digital technology as a source of incredible opportunity to open new markets, work in new ways, personalise services, innovate and scale rapidly, tackle climate change and make links across the globe

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6 [Scottish Government Small Business Survey Scotland: 2019](#)



- supported SMEs to improve their digital skills, cyber resilience and online presence via the [DigitalBoost programme, delivered through Business Gateway](#)
- accepted the majority of recommendations of the independent Barclay Review of Non-Domestic Rates and considered how the non-domestic rates system could better support business growth, long-term investment and reflect changing marketplaces. This includes moving five-to-three-yearly non-domestic rates revaluations based on rental values one year prior instead of two. These changes will ensure that rateable values better reflect market conditions in the future. This change will take place from the next revaluation in 2023
- introduced the Business Growth Accelerator relief, which offers 100% relief for up to 12 months until after first occupation for new builds, and 12 months on eligible rateable value increases when properties are improved and/or expanded
- maintained the [Small Business Bonus Scheme](#) which takes over 111,000 properties out of rates altogether, including over 50% of shops
- expanded [Fresh Start non-domestic rates relief](#) for newly reoccupied long-term empty properties with a rateable value up to £95,000
- implemented the recommendations of the [Logan Review](#) to support the next generation of Scottish start-ups through a national network of ‘Tech Scalars’ and develop a skills development hub
- delivered future-proofed mobile and broadband connectivity in remote, rural and island communities the length and breadth of Scotland through our £28.75 million [Scottish 4G infill](#) (S4GI) and £579 million [Reaching 100%](#) (R100) programmes

### DigitalBoost – Clothing brand revamps its online ordering

After launching in 2014, FINDRA, a Scottish-based company offering sustainable and versatile outdoor clothing, has made the most of funding access through DigitalBoost, Business Gateway’s national upskilling programme. This grant has enabled them to re-platform their website as well as review their ordering processing, CRM and stock management systems, ensuring a more efficient and smoother customer experience for every order. The funding through DigitalBoost has allowed their customers to order something with ease, allowing FINDRA the confidence to deliver to them quickly and efficiently.

*“We knew that our website looked good, and showcased our range of products in a stylish way, but we were aware that we needed to improve what was going on behind the scenes. We are serious about being an effective, efficient e-commerce business and want our customers to have the best experience when ordering from us, so we looked for funding that would let us invest in our platforms.”*

**Alec Feechan, Founder of FINDRA**



## 2.4 What We Will Do

To ensure future success, retail businesses need to commit to:

- investing in training and equipment for staff, including to allow them to transition into tech roles where required
- ensuring that businesses have in place robust and appropriate data management and cyber security policies and processes, including within their supply chains and from service providers
- considering the impact of increased automation on employees and consumers
- reviewing their digital capabilities to ensure they capitalise on online marketing and trade opportunities

**We will:**

- **through the ILG, focus on the delivery of the actions in the National Strategy for Economic Transformation that will directly support the retail sector**
- **investigate “virtual high street” online platforms, for example through Scotland Loves Local, enabling consumers to spend money in local shops without losing the convenience of online shopping**
- **promote the DigitalBoost programme across the sector to provide Digital Support and advice**
- **maximise opportunities for retail to benefit from the Scotland Loves Local Programme by collaborating on cross-sectoral marketing, platform support for local economies and the SLL fund**
- **promote cyber security standards such as Cyber Essentials and resources such as the British Retail Consortium’s Cyber Resilience Toolkit for Retail so that retailers are more protected against the most common cyber-attacks and that consumers can be confident that their local online retail experience is safe and secure**
- **maximise the promotion of Scottish goods and examine the potential for branding for Scottish retail and ensure alignment where possible with other sectors (i.e. Scottish produce)**

## Chapter 3

### ■ People



#### 3.1 Our Aim

A sector of people with the right skills to have rewarding and secure careers and grow businesses as we reorient our economy towards wellbeing and Fair Work to significantly reduce poverty.

#### 3.2. Fair Work

##### 3.2.1 Opportunity for Change

Scotland's workforce is a key asset: we have an abundance of talented workers and entrepreneurs. This is evident in retail and it is vital for the health and growth of our economy that the sector continues to attract the best people which, in a competitive labour market, is achieved through providing good and secure employment.



Scotland is committed to fair work practices. Fair work balances the rights and responsibilities of employers and workers, benefiting people, organisations and society.

The five dimensions of fair work are: opportunity, respect, security, fulfilment and effective voice. Fair work is not rigid but flexible and versatile – workplaces can adopt fair work practices that work for them and adapt them to suit the business and its employees.

We want to see for all workers, regardless of sector, an end to low pay and in-work poverty; an end to the practice of workers being fired and rehired with lower terms and conditions; we want better protections for personal time off for workers; and an end to the inappropriate use of zero hour contracts.

Economic analysis shows that the retail sector can lag behind other sectors when it comes to fair pay and benefits. The 2020 report from the Fair Work Convention highlighted retail as one of the sectors not performing well across multiple dimensions of Fair Work<sup>7</sup> – with wages, trade union membership and job-related training all showing comparatively low scores.

Embedding Fair Work is an important contributor in addressing inclusion and diversity in the workplace and bolstering equalities. Whilst there have been positive steps taken by the industry in supporting greater inclusion<sup>8</sup> amongst businesses, the adoption of better fair work practices across all of retail will improve equality and opportunities and support our national goal to reduce the effects of child poverty: employers adopting the real Living Wage, for example, would lift an estimated 20,000 children out of poverty.<sup>9</sup>

7 [Fair Work Convention report – Fair Work in Scotland \(December 2020\)](#)

8 An example is The British Retail Consortium's [Diversity and Inclusion Charter](#)

9 [Joseph Rowntree Foundation report – Laying the foundations for a Scotland without poverty](#)

Employment law is a reserved matter. Were employment powers devolved, Scotland could offer more scope to protect and enhance workers' rights, tackle poverty and increase fairness through legislation. In the absence of these powers we are committed to promoting Fair Work through the agreement produced in collaboration with the sector and trade unions.

### 3.2.2 What We're Doing

We are taking action to **reduce inequality** in Scotland, as evidenced by the [Our Fairer Scotland for Women: Gender Pay Gap Action Plan](#), [A Fairer Scotland for Disabled People: Employment Action Plan](#), and the [Minority Ethnic Recruitment toolkit](#), with an ethnicity pay gap strategy due to be published in 2022. Guidance will also be published on the inclusive design of town centres and busy streets. The actions in this strategy will also contribute to [Scottish Government's legally binding Child Poverty reduction targets](#), which include continued funding of the [Parental Employability Support Fund](#).

Fair Work can positively impact on organisational reputation and recruitment, reduce staff turnover and lead to diverse workplaces with talent which are all critical to a sector in transformation such as retail. Employers have access to a [Fair Work Employer Support Tool](#) to help them adopt Fair Work practices.

As large<sup>10</sup> employers provide 69.6% of employment in the Scottish retail sector, it is important that those jobs are secure and of good quality. Paying employees the [real Living Wage](#) and Living Hours (specifically the number and frequency of hours) are two ways that retail employers can demonstrate their commitment to staff.

As a government we have already committed to helping business adopt Fair Work through:

- a [Fair Work Employer Support Tool](#) to help employers self-assess their current practices and signpost them to support to help them make their workplaces fairer
- refreshing the [Scottish Business Pledge](#) to build scale, impact and capability
- extending the [Workplace Equality Fund](#) to align with the Fair Work First commitment
- applying Fair Work First criteria to more than £2.4 billion in public sector spending, including £619.8 million in procured contracts
- expanding Fair Work First criteria to support flexible and family-friendly working and oppose fire and rehire practices
- introducing a [Living Hours Accreditation Scheme for Scotland](#), and continue to support the real Living Wage in Scotland
- legislation – the [Protection of Workers \(Retail and Age-restricted Goods and Services\) \(Scotland\) Act 2021](#) – brought in to increase the protection of workers in the retail sector, particularly those applying or enforcing an age-restriction in relation to the sale or supply of goods or services
- our landmark agreement with the Scottish Green Party, through which we will introduce a requirement on public sector grant recipients to pay at least the real Living Wage and provide appropriate channels for effective workers' voice, such as trade union recognition, by summer 2022 and within the limits of devolved competence

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10 Defined as enterprises with 250 or more employees

## Scotmid



Scotmid is Scotland's largest independent co-operative and has been at the heart of Scottish communities since 1859.

Recognising the impact of the pandemic on its colleagues, Scotmid renewed its focus on colleague health and wellbeing as a key business priority – ensuring that colleagues were informed on key government measures, guidance and matters of operational significance. Wellbeing packs were developed containing information on all staff support and services that Scotmid offers, including its employee assistance programme, mental health and wellness and financial assistance. The packs contained a voucher to allow colleagues to get a lunch or relaxing treat and encouraged them to prioritise their wellbeing. A designated Employee Wellbeing Hub was created so that colleagues could access information and support and a Wellbeing Hub also set up to provide training, support and resources for managers.

Employees have access to an internal e-learning system, supporting the development of a range of skills and knowledge. Many have undertaken SVQ (Scottish Vocational Qualification) and up to degree level qualifications as well as specific skills-based training including in health and safety, leadership and project management training.

Scotmid develops future store managers through its Grow Management training programme. A dedicated training academy offers comprehensive learning of six-to-nine months' duration where future managers develop the key skills required to lead in a modern retail environment. This programme plays an integral part in succession planning within the company's food stores and helps maintain a continuous improvement ethos to ensure future needs are met. Scotmid also offers a graduate scheme that provides mentoring and support to develop individuals.

Scotmid has an agreement in place with Usdaw, the recognised trade union for retail workers, that facilitates close collaboration on issues affecting its employees. Through the forum of a Joint Consultative Committee, Usdaw and Scotmid management meet regularly to discuss matters of importance, including annual pay negotiations. This gives staff an independent voice in the workplace and Usdaw an active role in helping to resolve workplace issues at the earliest opportunity. Scotmid also works collaboratively with Usdaw in the campaign to tackle violence and abuse against retail workers.

### 3.2.3 The Fair Work Agreement

The Industry Leadership Group will develop a Fair Work agreement for retail, encouraging employers to sign up and therefore demonstrate their commitment to Fair Work principles. In doing so, employers will be taking action to improve fair work conditions across the sector, contributing to the reduction of in-work poverty and continuing to shrink the gender pay gap in the retail sector (of which 60.7% of the workforce are women).

Good quality secure employment and providing employees with an effective voice are crucial to the adoption of Fair Work principles. By being exemplar Fair Work employers, retailers can attract the best workers – and in greater numbers. It can also influence consumers. In a recent report<sup>11</sup> on the increasing role of ethics and sustainability in retail, two of the top three business practices of concern to consumers, were reported as fair wages (51%) and fair working hours (48%) for staff.

**Through the ILG, we will deliver a Fair Work Agreement that retailers can sign up to, demonstrating their commitment to Fair Work principles. In developing the Agreement the ILG should consider:**

- **appropriate channels for effective worker voice, such as trade union recognition**
- **investment in workforce development**
- **no inappropriate use of zero hours contracts**
- **action to tackle the gender, ethnicity and disability pay gaps, reduce child poverty by enhancing support for parents and carers with children, and create a more diverse and inclusive workplace**
- **payment of the real Living Wage**
- **the offer of flexible and family-friendly working to all workers from day one of employment**
- **commitment not to use fire and rehire practices**
- **the need for retail employers to undertake Equal Pay Reviews**
- **offering support which helps disabled, ethnic or marginalised workers to have rewarding careers in retail**

## 3.3 Skills

### 3.3.1 Opportunity for Change

We know that the retail sector requires a broad wealth of meta-skills at every level of the business, including problem-solving, critical thinking, communication, creativity and leadership. These uniquely human skills can add value to retail businesses through driving innovation, supporting adaptive resilience and encouraging the entrepreneurial behaviour required to sustain a thriving retail sector and ensure its future success.

Having a skilled workforce is essential for the success of any sector. For retail in particular it is vital that workers are supported to upskill and reskill to deliver the transformational change which is underway within the sector. The increased role of

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<sup>11</sup> [Reshaping Retail – How ethics and sustainability are changing retail's ecosystem](#) by Barclays Corporate, Feb 2022.



automation has already changed the face of retail, with technology such as self-scan checkouts now a familiar sight in stores. The adaption and adoption of technology may mean there are fewer physical stores, with different shopping experiences on offer in retail's future.

Retailers may need new and different skills to address the transformation to an omni-channel experience, in addition to the strong customer service skills that drive retail profits and success. Effective management skills form a core pillar of building the skills base in the sector, allowing managers to create an inclusive and productive culture of working that disseminates knowledge effectively throughout their teams. Future skills requirements may include programming, web development, events management, and data analysis, in addition to more traditional requirements such as organisational, managerial, logistics and customer management skills.

Our focus on supporting retail staff will be two-fold – **upskilling** those who remain in the sector – to build on their existing experience and capabilities and to assist them to transition into new or different roles; and **reskilling** for those who move to work to work in different sectors as a result of declining or changing retail opportunities.

### 3.3.2 What We're Doing

The National Strategy for Economic Transformation sets out what is needed for our Education and Skills System to be more agile and responsive to our economic needs and ambitions, including through working with skills and enterprise agencies to deliver a varied portfolio of skills development opportunities. These include the Flexible Workforce Development Fund, Individual Training Accounts and our programme of Modern Apprenticeships, all of which support the skilling and re-skilling of retail workers.

The 2021-22 Programme for Government<sup>12</sup> commits to investing an additional £500 million across this Parliament – with future plans set through future budgets – to support the new, good and green jobs of the future, including upskilling and reskilling people to access them. As part of this, £200 million will be invested in adult upskilling and retraining opportunities over the next five years.

As a government we have already:

- created the **Flexible Workforce Development Fund** providing employers with flexible workforce development training opportunities tailored to their needs to support inclusive economic growth through upskilling or reskilling of employees
- undertaken an evaluation of the Flexible Workforce Development Fund, and ensured that contacts across industry and trade unions were able to contribute their views
- continued to invest in the **Individual Training Accounts** programme, providing people who are unemployed or in low-paid work with training opportunities to help them retrain and upskill in order to enter the workforce or progress in work
- in collaboration with Skills Development Scotland delivered **Scottish Apprenticeships**, which incorporates Foundation Apprenticeships, Modern Apprenticeships and Graduate Apprenticeships

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12 [Scottish Government – Programme for Government](#)

- continued to provide support to individuals facing redundancy through our **Partnership Action for Continuing Employment** (PACE) initiative. Through providing skills development and employability support, PACE aims to minimise the time individuals affected by redundancy are out of work

### 3.3.3 What We Will Do

Having the right people with the right skills is crucial for retail to thrive. Skills Development Scotland, with support from partners and oversight from the ILG, will develop a Skills Audit and Action Plan that will highlight which roles and demographics are most likely to be affected by changes in retail over the medium-to-long term and identify growth areas for staff to move into. This will involve in-depth analysis of the workforce, identifying trends and pinpointing skills gaps to influence and inform future training.

To ensure future success, retail businesses need to commit to:

- investing in training, to upskill and reskill their workforce
- taking a holistic view of staff training, looking beyond immediate job requirements to unlock potential, both for employees and for their organisations
- working with the government, Skills Development Scotland, Scottish Funding Council, and enterprise agencies to shape training opportunities that will meet industry needs

**Through the ILG, we will work with Skills Development Scotland and other partners to undertake a Skills Audit and corresponding Skills Action Plan. Development of the Plan should take into account:**

- **the need to support reskilling or upskilling as job roles change to meet the needs of business and the careers of those employed within it**
- **alignment with and connections to NSET including actions to:**
  - adapt the education and skills system to make it more agile and responsive to our economic needs and ambitions
  - implement a lifetime upskilling and retraining offer
  - target more skills investment and support to working age people in poverty or at risk of moving into poverty
  - embed first rate entrepreneurial learning across the education and skills systems
  - upskill business leaders to drive productivity improvements

**We will also:**

- **consider the recommendations in the independent evaluation of the Flexible Workforce Development Fund which will report later this year. Those agreed for implementation will be taken forward as part of the work set out in the National Strategy for Economic Transformation to implement a lifetime upskilling and retraining offer that is more straightforward for people and business to access and benefit from**
- **continue to invest in Scottish Union Learning in 2022/23, committing £2.262 million to support workforce development through projects that must be aligned with the Fair Work Framework**

## Chapter 4

### ■ Place



#### 4.1 Our Aim

To strengthen the vital contribution that retailers make to the economic and social success of our local communities.

#### 4.2 Opportunity for Change

The Place Principle is one where people, location and resources combine to create a sense of identity and purpose, and is at the heart of addressing the needs and realising the full potential of communities.<sup>13</sup> Our place-based approach recognises that different locations have distinct needs and that retail, which is a key component of all local communities across Scotland, continues to adapt and evolve to take into account the physical, social and economic elements of places. This includes our islands and remote and rural communities, as well as in urban and suburban centres.

The way in which we planned our towns, cities and neighbourhoods of the past has impacted on retail trends and it is the way we plan for cities and towns of the future that will contribute to a successful and sustained recovery of the retail sector.

Creating communities and places people want to visit, live and shop in will be vital to our Covid recovery – not only for retail, but for culture, hospitality and tourism too. Places with a large number of vacant units can attract anti-social behaviour, making areas less attractive and diminishing the links between stores and amenities. Where there are actions to support a strong local retail and cultural destination, there will be opportunities for other businesses, such as hospitality and tourism, to capitalise on increased footfall. Attractive and flourishing places where people can come together are vibrant, social, creative, interesting and resilient. Strengthening the retail experience can therefore enrich communities while delivering economic benefits.

**20 minute neighbourhoods are places where people live within 20 minutes of walking, wheeling, cycling or using public transport to reach key amenities like shops, services and green spaces.**

As we move away from the traditional model of large retail stores attracting smaller businesses to an area or shopping centre, using anchor institutions as a way of attracting footfall can help us realise our ambitions for 20 minute neighbourhoods.

Anchor institutions can include public or third sector institutions such as colleges, health centres and arts organisations, as well as private enterprises. They are defined more by their relationship to a place than by sector – large organisations with deep roots in a community that provide support to that community by various means such as employment, use of land, skills, health and procurement.

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<sup>13</sup> [Scottish Government – Place Principle: introduction](#)



The Community Wealth Building model of economic development aims to ensure that these anchors effectively use their power as economic agents to support their local economies through strategic decisions on spending, investment, workforce and the use of land and property assets. Such decisions can result in social and community gains which may result in increasing footfall in particular locations through repurposing vacant property to support pop-up retail businesses and entrepreneurs. This can be particularly effective where anchors have large workforces, such as hospitals and universities.

Large and small retail businesses can individually and collectively exert economic influence by adopting strategies that will ensure there is wealth retention within the local area and by improving economic, social, and environmental priorities, generating what is commonly referred to as social value. Recruiting employees from lower income areas, committing to paying the real Living Wage, and procuring locally are all examples of actions that retail businesses can take to stimulate their local economy and positively impact on the prospects and incomes of local people. It is also important that we encourage new businesses, who wish to be key economic agents in localities by reducing barriers to securing their first physical outlet, with pop-up or demonstrator stores an excellent way of engaging with local places and communities.

Through developing a place-based approach, local people and businesses have a genuine stake in producing, owning and enjoying the wealth they create and in doing so, move us closer to the more just, equitable and sustainable society we want to see in all of Scotland.

### **Go Local – Helping convenience stores support local Scottish producers**

**Go Local is a project that aims to support convenience stores throughout Scotland provide dedicated, long-term display space for locally sourced Scottish products, with a bias towards fresh and healthy produce.**

**Operated by the Scottish Grocers Federation, funded by the Scottish Government and working in partnership with Scotland Food and Drink, a pilot project has been established across ten village, neighbourhood, market town and local supermarket convenience stores ranging from 1,200 sq ft to 6,000 sq ft with varying demographics. Each of the participating stores has received grant funding to maximise the range of Scottish products they offer to customers. This in turn enables the stores to support local producers and give these businesses a vital route to market to help with their recovery and regrowth from Covid-19.**

**Stores participating in the pilot have provided data that allows tracking at product level detail. The results have been impressive, with an average local multiplier increase of £221,000 per store, £157,000 of which is Go Local compliant products. The output from the pilot has seen the program extended, with a further 28 stores spread across mainland Scotland, the Outer Hebrides and Shetland joining in the second phase, which runs until June 2022. A third phase of the programme launched for applications in February 2022. This will see at least 21 more stores taking part in 2022-23.**

### 4.3 What We're Doing

Scotland has the core components required to generate the recovery of the retail sector in our communities and meet the challenges of developing sustainable practices across the sector. Retailers are active in all our places, delivering significant employment to their communities and utilising extensive supply networks that nurture local economic benefits.

Building strength in and empowering local economies and communities is key to our collective recovery and has the potential to unlock local benefits quickly. Nurturing a mix of business types, including sustainable business models, co-operatives, employee-owned businesses and smaller or independent stores, will help locations to be more vibrant and attract footfall. Making it easier for stores to source goods from local suppliers will build wealth in communities and reduce the carbon footprint of goods bought in stores.

Helping businesses set up in vacant units creates opportunities for entrepreneurship and helps to support thriving retail localities. Underpinned by the National Planning Framework (NPF), the Place Principle is key to this work, as are the Community Wealth Building, Town Centre First, and 20 minute neighbourhoods approaches.

NPF4 will provide updated planning policy on retail, recognising its role in the economy and communities, linked to 20 minute neighbourhoods. We have set out in the draft NPF4 support for development in town centres and neighbourhoods that will help us transition away from car-dependent developments and towards those that enable walking, cycling, wheeling and public transport accessibility, in line with our second National Transport Strategy Sustainable Travel Hierarchy. This recognises the need for our day-to-day retail services and facilities (including healthier food outlets, markets, pubs, restaurants, cafés and banks), to be accessed easily and affordably.

To assess how town centres would recover from the impact of Covid-19 and identify what further steps should be considered to make towns fit for all in Scotland, the Town Centre Review Group was tasked with reviewing the progress and scope of the 2013 **Town Centre Action Plan**. The resulting report, [A New Future for Scotland's Town Centres](#) was published in February 2021. The Review Group was also asked to consider how to adopt the Programme for Government's commitment for 20 minute neighbourhoods for our cities, towns, rural and island communities. One of the key recommendations arising from the report relates to the strength of the Town Centre First Principle in enabling towns to thrive, which asks that 'government, local authorities, the wider public sector, businesses and communities put the health of town centres at the heart of decision making'.

In responding to the impact of the Covid-19 pandemic on city centres, a City Centre Task Force was convened which is working to identify and support innovative actions to assist city centres through their economic recovery. As retail is a major contributor to the economies of Scotland's cities, so the Task Force's work will be crucial in supporting a thriving retail sector. In strengthening our retail offer we should see the benefits spill over to other sectors. With Covid-19 recovery plans in place for both the tourism and food and drink sectors, healthy and growing retail businesses should make a positive contribution to the recovery of both industries.

Business Improvement Districts are a partnership between local businesses, engaging with their local authority, with the aim of transforming their area by creating a better business environment and promoting economic growth. The benefits and impacts realised enable local businesses to decide and direct local improvements, contribute to the local economy, and support town centres meet the needs of businesses, residents, visitors, and other partner organisations.

Sitting alongside Business Improvement Districts is the multi-year Scotland Loves Local programme, which supports and promotes local places, businesses, partnerships, enterprises and communities. It has delivered much-welcomed support to local retailers across Scotland.

As a government, we have:

- established a City Centre Recovery Task Force in partnership with Scotland's seven cities, kick-started by a £2 million City Centre Recovery Fund which has been boosted with a further £6 million
- provided £80 million for a Covid Economic Recovery Fund, giving local authorities flexibility to target support through existing schemes, such as Scotland Loves Local, Business Improvement Districts or place-based investment programmes or through individual local authority grant schemes
- launched a £10 million Scotland Loves Local Programme including a Scotland Loves Local national marketing campaign and gift card scheme. Up to £2 million has been made available in 2021-22, supporting up to 100 organisations to bring new creative projects and activity to towns and neighbourhoods.
- launched our Place-Based Investment Programme, backed with £325 million over the next five years, to provide financial support and a focus for government, local authority and other sectors to facilitate, coordinate and deliver place-based collaboration and action
- commenced the roll-out of a new £50 million, five-year low carbon Vacant & Derelict Land Investment Programme, supporting local approaches to unblock the reuse of persistent vacant and derelict land to deliver new green infrastructure, supporting a just transition to net zero
- committed to bringing forward Community Wealth Building legislation in this Parliament

## Scotland Loves Local

Retailers across the country have benefited from the multi-media marketing campaign as well as direct financial support. In Dunbartonshire, for example, hundreds of businesses have benefited from the drive for people to 'love local'.

Dunbartonshire Chamber of Commerce and Milngavie Improvement District have used the branding extensively. The Chamber – with projects across Alexandria and the Vale of Leven – and Milngavie Improvement District have been key drivers of the Scotland Loves Local campaign.

Dunbartonshire Chamber of Commerce Chief Executive Damon Scott said: “The Loves Local campaign has been helping hundreds of Dunbartonshire businesses by encouraging local people to shop local, think local and support our local enterprises. In practical terms each place now has a website with a business directory supported by social media, PR and advertising. A range of branded materials and 100,000 Loves Local flyers have been distributed door-to-door and in the town centres, this activity has helped to further promote some of the wonderful local businesses we have registered with us.”

The **Scotland Loves Local** gift card – the first of its kind on a national scale in Scotland – is now available to consumers with more information on both the Scotland Loves Local programme and gift card at [Scotland Loves Local](https://www.scotlandloveslocal.org.uk/).



## 4.4 What We Will Do

To ensure future success, retail businesses need to commit to:

- utilising local retailers and providers wherever possible
- promoting support for local retail business and local goods and produce where possible to reduce retail's carbon footprint and build wealth into local communities
- building new operations or stores with sustainability as a key consideration
- working with businesses and communities to help promote 'localism' as part of a Community Wealth Building approach including via the Scotland Loves Local programme and Business and Community Improvement Districts

**We will:**

- **support the matching activity (such as the GoLocal programme) that enables local vendors and suppliers to connect more easily, saving transport and financial costs**
- **support retailers to consider local sourcing and support for local businesses, including through the Scotland Loves Local programme, alongside work with Scotland Food & Drink and the Scottish Grocers' Federation**
- **encourage retail businesses through community planning partnerships to work with local communities and Local Authorities to develop and promote a retail offer appropriate to their needs, building on the wider identity, cultural heritage, skills base and anchor institutions within an area**
- **work with retail stakeholders to support delivery of our joint response with Cosla to the Town Centre Action Plan Review**
- **work with retail stakeholders to deliver work emerging from the City Centre Recovery Task Force, including promoting city centres as retail and cultural destinations, and repurposing vacant units**
- **support and promote place-based and creative responses to repurposing vacant retail units, including showcasing demonstrators**
- **ensure that retailers can participate in the consultation on whether new permitted development rights and/or changes to the use classes order could support the resilience and recovery of Scotland's retail industry**
- **consider how we can work with public and private enterprise to investigate the potential viability of the Clyde Future Fashion Park**



## Chapter 5

### ■ A Just Transition



#### 5.1 Our Aim

To ensure a Just Transition for the retail sector, one that protects jobs and benefits the environment, our people and our economy whilst addressing the challenges around sustainable retail practices that contribute to reaching net zero emissions by 2045.

**Just Transition** is the route for us to achieve a net zero and climate-resilient economy in a way that delivers fairness and tackles inequality and injustice. Both the outcome – a fairer, greener future for all – and the process must be undertaken in partnership with those impacted by the transition to net zero.

#### 5.2 Opportunity for Change

Reducing Scotland's carbon footprint is vital to achieving our climate change targets and securing a Just Transition to a net zero economy. It is also necessary for Scotland's material footprint to be reduced. At present, Scotland's annual raw materials consumption is 18.4 tonnes per person, 38% higher than the global average of 3.3 tonnes per person and more than twice the 8 tonnes per person per year many experts suggest is sustainable. Adopting more circular practices will drive down the consumption of new materials in Scotland.

Leadership is required across all of Scotland to ensure we can achieve our ambitious targets to reach net zero by 2045. Retailers have an essential role to play: building secure local supply chains, adopting circular practices, improving sustainable operations and considering how customers travel to stores, all offer the opportunity to dramatically reduce our carbon footprint and deliver significant local economic surplus to our communities. Altering the range of retail products and services on offer can also help the sector address some of the wider challenges it faces. For example, increasing repair and reuse options can attract people into physical stores and develop higher-skilled jobs within the sector.

A circular economy could reduce annual global greenhouse gas emissions from key industry materials by 40% or 3.7 billion tonnes in 2050. The key approaches include: designing out waste, reusing products and components, and recirculating materials. The global economy is presently only 8.6% circular so retail and other business sectors can and should play a key role in developing and supporting new circular business models and products that can support the delivery of international climate agreements, including the Glasgow Climate Pact agreed at COP26.

Many retailers are already working on decarbonisation of their supply chains, setting their own targets of net zero emissions and encouraging consumers to lead lower carbon lifestyles. This strategy sets out how government can work collectively through a Just Transition plan to achieve our shared net zero goals and ensure the future success of the retail sector in Scotland.

### **Locavore – Building a food system that is better for the local economy, the environment and its surrounding communities**

Established in 2011, Locavore has set out to build a better, more sustainable alternative to the current food system – one that works in favour of people and communities. The company grows and sells organic produce, using minimum packaging and paying all employees a fair wage. It also works with businesses that share its values.

Locavore has reduced its retail packaging and food waste through innovative means that address the global plastic pandemic and ensure that as little waste is generated as possible. The Locavore veg box packing and delivery system is also based around waste avoidance – admin systems avoid ordering produce the business won't be able to use and excess produce is used elsewhere in Locavore or sent to charity partners. The company is continually looking at ways to reduce avoidable waste coming in to the shop and, where it does, to find ways it can be reused or recycled. Landfill is always the last option.

The model Locavore has developed shows what is possible when building social and environmental considerations into the design of a business from the beginning. Locavore has helped to reduce CO<sub>2</sub>e embodied in packaging and food, or is released when food breaks down in landfill. It has also made itself more price competitive and efficient by taking out the cost of packaging, not paying for waste disposal, and making what it has useful and valuable. Locavore has recently launched its Bigger Plan <https://glasgowlocavore.org/bigger-plan/>, setting the course for the next two years. Plans include building a network of 10 Locavore shops; increasing capacity to deliver 22,500 veg boxes per month; and building the necessary infrastructure to enable it to work in an efficient and sustainable way whilst becoming a carbon negative business.



Reducing our reliance on private car use and promoting sustainable travel can significantly improve the places we live in and our quality of life while meeting the significant demands of reaching a net zero economy by 2045. The benefits for communities which are less dominated by cars are well known. Reducing car use can have economic benefits at a local level, with research showing that investment in public realm improvements, including those to encourage walking, wheeling and cycling, can deliver significant benefits to businesses, and strong evidence that people walking spend more than people arriving by car.<sup>14</sup>

### 5.3 What We're Doing

A Just Transition will have to encompass many different actions across all of retail, in all parts of Scotland, to meet our goal of a net zero sector. We know that action to introduce more circular ways of retailing have already begun to emerge across the sector. Alongside the traditional work of charity shops, large retailers such as IKEA have introduced schemes to return used products that can be re-sold in-store. This is an excellent example of a significant platform being used to introduce circular working to the consumer while still providing the retailer with revenue. Adopting this kind of model across large retailers will be crucial to achieving the net zero ambitions of Scotland's economy.

The Climate Change Plan update included a commitment to reduce car kilometres travelled by 20% by 2030. Our National Transport Strategy (NTS2) already outlines the need to reduce travel by unsustainable modes. Transport accounts for a quarter of Scotland's greenhouse gas emissions, with cars making up almost 40% of transport emissions. The predominance of private car use – particularly single-occupancy journeys – cannot therefore be overlooked, which is why this policy outcome is pivotal. More broadly NTS2 is also underpinned by a priority on reducing inequalities through providing fair, easy and affordable access to the services we need.

Retailers can play their part through helping employees and customers to live low carbon lifestyles. With such a large workforce, the retail sector can make a huge impact through operational practices and employee engagement as well as through encouraging a shift in customer behaviour. This strategy sets us on the path to engage critically on the function and contributions of retail in our communities, building on the work already begun to build a Scotland that is fairer and greener for all.

We have:

- increased the charge for single-use carrier bags to 10p
- announced our intention to introduce market restrictions on certain [single-use plastics](#). This is an important step forward in tackling our throwaway culture and the shift towards a circular economy in Scotland
- created legislation for the UK's first Deposit Return Scheme to be introduced in Scotland. A deposit of 20p will be charged on all drink containers between 50ml and 3l that are made of glass, metal or PET plastic. It will be implemented in full from 16 August 2023
- commenced work on a new approach to packaging, extended producer responsibility to channel funding from producers to local authorities for effective and efficient recycling services

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14 [Sustrans Scotland / Living Streets report – The Pedestrian Pound](#)



- started to review producer responsibility systems and consider what other products could have producer responsibility applied
- confirmed plans to launch a public consultation in May 2022 on a Circular Economy Bill as well as new measures to achieve Scotland's 2025 waste and recycling targets - which could include a ban on the destruction of unsold, durable goods
- announced plans for a £2 million Textile Innovation Fund, to support businesses to address issues associated with textile waste and throwaway culture
- strengthened support, in the draft NPF4, for development in town and city centres and neighbourhoods that will help us transition away from car-dependent developments and towards those that enable walking, cycling, wheeling and public transport accessibility

### **David Lonsdale, Director of the Scottish Retail Consortium – Helping the retail industry to become net zero by 2040**

“Helping customers to live lower carbon lifestyles and make more environmentally conscious choices when shopping is essential if the retail industry is to reach its goal of being net zero by 2040. Retailers are already making strides towards the net zero target, from offering food refill zones and [reusable coffee cups](#), to fashion items made from recycled or more sustainably sourced materials, to installing recycling collection facilities in stores for clothing at the end of its life. The speed of change in retail remains breakneck, but it is essential that retailers continue to respond to customer demands for more ethical and sustainable goods.

“Eighteen months ago, retailers came together under the banner of the retail consortium's ‘Climate Action Roadmap’ with the aim of making the industry and its supply chains carbon neutral by 2040.

“Today, 80 leading retail brands – including schuh, Scotmid and TK Maxx – have committed collectively to putting climate action at the heart of their decision-making and have started out on the journey to achieving it. As the industry's trade body, the Scottish Retail Consortium has spent the past year ensuring these firms have the tools they need to do this.

“A taskforce was set up to drive progress and benchmarking performance against the highest standards; detailed guidance was published for retailers on achieving net-zero vehicle logistics and on helping customers to live low-carbon lifestyles; and workshops were held to offer practical assistance on sustainable sourcing, green data and technology, and decarbonising store estates.

“Retail is taking its responsibilities towards net zero seriously. Even before the industry roadmap, it was active in reducing the environmental impact of its own operations and supporting improvements in the supply chain and with customers. Examples include eliminating microplastics, cutting water usage, removing packaging, refitting stores to be more energy efficient, and working to implement a deposit return system for drinks containers. In 2021, it was reported that retailers have already cut greenhouse gas emissions by 49% since 2005. Retailers see themselves as part of the solution and are determined to bring about the zero-carbon future we all need.”

## 5.4 What We Will Do

Through the Just Transition plan for retail, addressing the challenges around sustainable retail practices will be a complex task, and will have to have an all-encompassing view on the issues involved. It will be developed through the Industry Leadership Group, bringing the expertise of those already doing the relevant work in the sector to the table.

To ensure future success, retail businesses need to commit to:

- discouraging car use as much as possible, in support of our commitment to a 20% reduction in car kms travelled by 2030
- using available resources so as to reduce the environmental impact of stores, operations and products
- considering incentives for customers to return used products for repair, refurbishment or resale
- considering leasing products such as white goods, televisions and tools
- looking at options for reducing packaging, offering refills and providing packaging recycling facilities
- reducing waste within operations and throughout the supply chain
- implementing actions of the forthcoming Deposit Return Scheme and Restricting Food Promotions Bills

**We will:**

- **through the ILG, develop a Just Transition Plan for Retail to ensure a transition to an environmentally and socially sustainable sector in the economy of the future. This will include:**
  - **facilitating workshops and roundtable discussions to bring industry representatives together to develop methods of working more sustainably and meet net zero targets**
  - **encouraging retailers to sign up to the UN's Race to Zero commitments – including minimising waste in packaging, reducing carbon throughout supply chains and removing energy inefficiencies wherever possible**
  - **promoting actions that retailers and their supply chain operators can take to reduce carbon consumption and environmental impacts**
  - **working with retail businesses on projects to encourage repair, resale or refilling of goods in stores and throughout operations**
  - **working with retailers to encourage customers and staff to use accessible and inclusive active travel and public transport for journeys to retail which will support our commitment to a 20% reduction in car kms travelled by 2030**
  - **supporting the retail sector as it shifts its vehicle fleet to zero emission vehicles**
  - **taking into account relevant recommendations and commitments arising from [Scotland's Climate Assembly](#).**

## Chapter 6

# ■ Delivery and Defining Success



### 6.1 The Industry Leadership Group

The Industry Leadership Group (ILG) will drive forward the strategy recommendations, be co-chaired between Scottish Ministers and the sector, and have an overarching purpose to:

- deliver a sustainable, forward looking retail sector that is responsive and able to adapt to changing consumer behaviours while contributing to Scotland's ambitious climate change targets
- promote all aspects of Fair Work across the sector, in line with the [Fair Work Convention's Framework](#)
- help to ensure those working in retail have access to the necessary skills and developmental opportunities to be successful

We expect the ILG to focus on delivering following priority objectives:

- the **actions in the National Strategy for Economic Transformation** that will directly support the retail sector
- **a Fair Work Agreement**, which encourages retail businesses to demonstrate their commitment to Fair Work principles
- **a Skills Audit and Action Plan** for the sector, in partnership with Skills Development Scotland
- **a Just Transition Plan** for retail to ensure a transition to an environmentally and sociably sustainable sector, working with industry to guide the path to net zero
- agree, within the first six months of its establishment, **a Delivery Plan** that sets out how it will deliver its identified priorities as well as a critical review process and timelines for measuring success

The work of this group will flex and take account of changing economic circumstances and build on good practice and transformation in the sector.

The ILG will provide the strategic overview and governance for delivery of the strategy, including monitoring delivery progress – but not all actions can be delivered by the ILG. Additional partners and government support will also be necessary.

## 6.2 Measuring Success

Our goal for this strategy is to help the retail sector in Scotland adapt, innovate and thrive and become an exemplar in sustainable and inclusive prosperity – supporting robust supply chains and offering people and communities the goods and services that they want.

Scotland's **National Performance Framework** sets out the government's vision for how we create a more successful Scotland. It does so by focusing on how the wellbeing of people living in Scotland can be increased across a range of economic, social and environmental factors.

To achieve that vision, we have identified **National Outcomes** that provide the overarching framework that we will use to measure progress needed to deliver the vision. These align with this retail strategy's themes of Sector, People, Place and Just Transition, and with our priorities around an entrepreneurial, inclusive and sustainable economy, Fair Work, skills and reducing environmental impact.

### Scotland's National Performance Framework



## Economy

- The retail sector supports a globally competitive, entrepreneurial, inclusive and sustainable economy

## Communities

- Retail businesses support our communities to be inclusive, empowered, resilient and safe

## Fair Work and Business

- We have thriving and innovative businesses, with quality jobs and Fair Work for everyone across the retail sector and through supply chains

## Environment

- Consumers, staff and investors in retail value, enjoy, protect and enhance our environment

These outcomes do not sit in isolation, they are interdependent and they all have an important role to play in fulfilling our vision and, moving forward, they will be used as a guide for delivering the actions set out in this strategy.

Measuring progress is an important part of this strategy and we will work with the ILG to **establish and oversee a working group** to analyse data and trends and advise on our outcome metrics. This will develop the best-quality data and insights available at national, regional and local level to support prioritisation and monitoring our progress in delivering this strategy.

Our evidence base and level of understanding of what we are trying to achieve will continue to grow as we work together in partnership with the ILG and as we work through the outcomes from connected policy streams, particularly the National Strategy for Economic Transformation.

### Aligning with National Outcomes



#### Economy

The retail sector supports a globally competitive, entrepreneurial, inclusive and sustainable economy



#### Fair Work and Business

We have thriving and innovative businesses, with quality jobs and Fair Work for everyone across the retail sector and through supply chains



#### Communities

Retail businesses support our communities to be inclusive, empowered, resilient and safe



#### Environment

Consumers, staff and investors in retail value, enjoy, protect and enhance our environment

Through this work we will develop a more comprehensive approach to understanding the impacts of this strategy – within the context of our vision and our outcomes – and contribution to the National Performance Framework.

### 6.3 Draft Delivery Plan

Strategy Aims	Timescale	Actions
<b>Delivery</b>		
Ensure we successfully deliver the outcomes identified in this strategy	Short term – within 3-6 months of strategy publication	<p>Establish a sector-led Industry Leadership Group (ILG).</p> <p>Develop a Delivery Plan that sets out how the ILG will deliver its identified priorities and a critical review process and timelines for measuring success.</p> <p>Work with the ILG to establish and oversee a working group to analyse data and trends and advise on our outcome metrics. This will develop the best quality data and insights available at national, regional and local level to support prioritisation and monitoring our progress in delivering this strategy.</p>
<b>Sector</b>		
Supporting successful and profitable retail businesses	Medium term – year 1-2	Through the ILG, focus on the delivery of the actions in the National Strategy for Economic Transformation that will directly support the retail sector.
Helping retail harness the opportunities of digital	Medium term – year 1-2	<p>Investigate ‘virtual high street’ online platforms, for example through Scotland Loves Local, enabling consumers to spend money in local shops without losing the convenience of online shopping.</p> <p>Promote the DigitalBoost programme across the sector to provide Digital Support and advice.</p> <p>Maximise opportunities for retail to benefit from the Scotland Loves Local Programme by collaborating on cross-sectoral marketing, platform support for local economies and the SLL fund.</p> <p>Promote cyber security standards such as Cyber Essentials and resources such as the British Retail Consortium’s Cyber Resilience Toolkit for Retail so that retailers are more protected against the most common cyber-attacks and that consumers can be confident that their local online retail experience is safe and secure.</p>
Promoting a successful Scottish retail sector	Medium/long term	Maximise the promotion of Scottish goods and examine the potential for branding for Scottish retail and ensure alignment where possible with other sectors (i.e. Scottish produce).



Strategy Aims	Timescale	Actions
<b>People</b>		
To promote all aspects of fair work across the retail sector so that it offers secure and well-paid employment	Short term – year 1	<p>Through the ILG, deliver a Fair Work Agreement that retailers can sign up to, demonstrate their commitment to Fair Work principles. In developing the Agreement the ILG should consider:</p> <ul style="list-style-type: none"> <li>• appropriate channels for effective worker voice, such as trade union recognition</li> <li>• investment in workforce development</li> <li>• no inappropriate use of zero hours contracts</li> <li>• action to tackle the gender, ethnicity and disability pay gaps, reduce child poverty by enhancing support for parents with children, and create a more diverse and inclusive workplace</li> <li>• payment of the real Living Wage</li> <li>• the offer of flexible and family-friendly working to all workers from day one of employment</li> <li>• commitment not to use fire and rehire practices</li> <li>• the need for retail employers to undertake Equal Pay Reviews</li> <li>• offering support which helps disabled, ethnic or marginalised workers to have rewarding careers in retail</li> </ul>

Strategy Aims	Timescale	Actions
Ensure those working in retail have the skills necessary to be successful	Medium term – year 1-2	<p>Through the ILG, we will work with Skills Development Scotland and other partners to undertake a Skills Audit and corresponding Skills Action Plan. Development of the Plan should take into account:</p> <ul style="list-style-type: none"> <li>• the need to support reskilling or upskilling as job roles change to meet the needs of business and the careers of those employed within it</li> <li>• alignment with and connections to NSET including actions to: <ul style="list-style-type: none"> <li>– adapt the education and skills system to make it more agile and responsive to our economic needs and ambitions</li> <li>– implement a lifetime upskilling and retraining offer</li> <li>– target more skills investment and support to working age people in poverty or at risk of moving into poverty</li> <li>– embed first rate entrepreneurial learning across the education and skills systems</li> <li>– upskill business leaders to drive productivity improvements</li> </ul> </li> </ul> <p>Consider the recommendations in the independent evaluation of the Flexible Workforce Development Fund which will report later this year. Those agreed for implementation will be taken forward as part of the work set out in the National Strategy for Economic Transformation to implement a lifetime upskilling and retraining offer that is more straightforward for people and business to access and benefit from.</p> <p>Continue to invest in Scottish Union Learning in 2022/23, committing £2.262 million to support workforce development through projects that must be aligned with the Fair Work Framework.</p>

Strategy Aims	Timescale	Actions
<b>Place</b>		
Strengthen retail's positive contribution to local economies and communities	Medium – long term year 2-5	<p>Support the matching activity (such as the GoLocal programme) that enables local vendors and suppliers to connect more easily, saving transport and financial costs.</p> <p>Support retailers to consider local sourcing and support for local businesses, including through the Scotland Loves Local programme, alongside Scotland Food and Drink and the Scottish Grocers' Federation.</p> <p>Encourage retail businesses through community planning partnerships to work with local communities and local authorities to develop and promote a retail offer appropriate to their needs, building on the wider identity, cultural heritage, skills base and anchor institutions within an area.</p> <p>Work with retail stakeholders to support delivery of our joint response with Cosla to the Town Centre Action Plan Review.</p> <p>Work with retail stakeholders to deliver work emerging from the City Centre Recovery Task Force, including promoting city centres as retail and cultural destinations, and repurposing vacant units.</p> <p>Support and promote place-based and creative responses to repurposing vacant retail units, including showcasing demonstrators.</p> <p>Ensure that retailers can participate in the consultation on whether new permitted development rights and/or changes to the use classes order could support the resilience and recovery of Scotland's retail industry.</p> <p>Consider how we can work with public and private enterprise to investigate the potential viability of the Clyde Future Fashion Park, minimising the environmental impact of production.</p>

Strategy Aims	Timescale	Actions
<b>Just Transition</b>		
Supporting retail's transition to an environmentally and socially sustainable sector	Medium/long term year 2-5	<p>Through the ILG, develop a Just Transition Plan for Retail to ensure a transition to an environmentally and socially sustainable sector in the economy of the future. This will include:</p> <ul style="list-style-type: none"> <li>• facilitating workshops and roundtable discussions to bring industry representatives together to develop methods of working more sustainably and meet net zero targets</li> <li>• encouraging retailers to sign up to the UN's Race to Zero commitments – including minimising waste in packaging, reducing carbon throughout supply chains and removing energy inefficiencies wherever possible</li> <li>• promoting actions that retailers and their supply chain operators can take to reduce carbon consumption and environmental impacts</li> <li>• working with retail businesses on projects to encourage repair, resale or refilling of goods in stores and throughout operations</li> <li>• working with retailers to encourage customers and staff to use accessible and inclusive active travel and public transport for journeys to retail, which will support our commitment to a 20% reduction in car kms travelled by 2030</li> <li>• supporting the retail sector as it shifts its vehicle fleet to zero emission vehicles</li> <li>• ensuring that the Just Transition Plan for Retail takes into account relevant recommendations and commitments arising from <a href="#">Scotland's Climate Assembly</a></li> </ul>

# Annex A

## Evidence

The annex contains statistics and the analytical context underpinning the strategy.

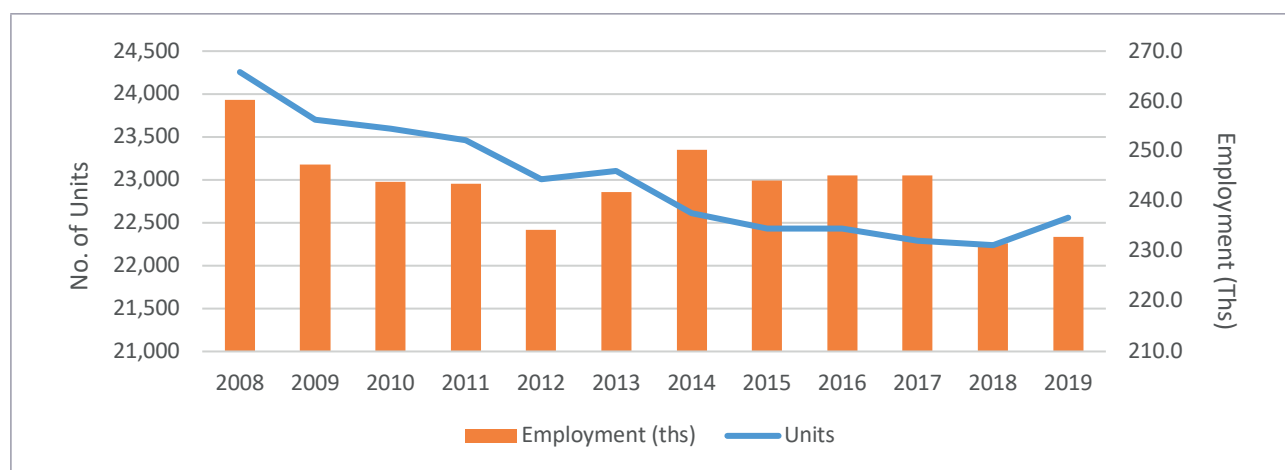
### Sector

#### Overview of the Sector and Recent Trends

##### Employment

According to the Business Register and Employment Survey (BRES) 2020, the wholesale and retail sector<sup>15</sup> employed 348,000 people – 13.7% of all employment in Scotland. Of this, 241,000 were employed in the retail sector<sup>16</sup>, 9.5% of all employment in Scotland.

Due to a change of methodology, BRES statistics are not suitable for comparison further back than 2015. However, Scottish Annual Business Statistics 2019 do allow for an analysis of employment trends going back to the financial crisis. Since the financial crash of 2008, retail has gone from a period of expansion to one of contraction, with both the number of outlets and employees falling. Between 2008 and 2012 employment fell by approximately 4% from 243,000 to 234,000, before recovering sharply over the next two years and stabilising in 2016-17 at 5% below 2008 levels. Despite the decline in retail employment since 2008, the sector remains a significant part of our labour market.<sup>17</sup>



15 Defined as Section G (Sic 45, 46, 47) BRES 2020 via Nomis

16 SIC 47 only, BRES 2020 via Nomis

17 BRES and SABS contain different estimates of employment levels by sector. SABS draws employment data from BRES, but only for the business units that are surveyed to generate SABS. Nonetheless, SABS is still considered to contain a robust estimate of trends in sector-level employment.

## Turnover & Gross Value Added

In 2019 retail turnover in Scotland stood at £23.1 billion and the sector contributed £6.1 billion in Gross Value Added (GVA), equivalent to around 6.2% of all Scottish GVA. These totals have remained largely unchanged over the last decade<sup>18</sup> so while the economy as a whole has increased in size by around 10%, retail's share of GVA has decreased. Scottish Government estimates of monthly GDP show output (GDP) growth of 2.3% growth in wholesale, retail & motor trades from November 2020 to November 2021, and a 1.1% increase from October 2021 to November 2021.<sup>19</sup>

	2008 (£bn)	2019 (£bn)	Change (£bn)
GVA Basic Prices (economy-wide)	90.7	99.5	8.8
GVA Retail (47)	6.2	6.1	-0.1
Retail As A Share	6.8%	6.2%	

[Scottish Annual Business Statistics \(June 2020\)](#)

## Enterprises

Sector	Number of Registered Businesses	Micro Registered Businesses (0-9 employees)	Small Registered Businesses (10-49 employees)	Medium-Sized Registered Businesses (50-249 employees)	Large Registered Businesses (250+ employees)
<b>Retail Trade, (Division 47)</b>	<b>15,535</b>	<b>13,715</b>	<b>1,280</b>	<b>230</b>	<b>305</b>
<b>Predominantly Food Retail (Class 47.11 &amp; Group 47.2)</b>	4,665	4,155	450	35	25
<b>Non-Food/ Other Retail</b>	10,870	9,565	830	195	280

In March 2020, 13,790 registered enterprises operated in the Scottish retail sector. This is a rise from 13,715 registered enterprises in the prior year but remains below the 2014 number of businesses which stood at 14,675.<sup>20</sup>

Two thirds (66%) of registered businesses in the retail sector were in the non-food/ other retail sub-sector while micro enterprises (0-9 employees) accounted for 87% of businesses in the sector. Large enterprises (250+ employees), which comprised around 2.2% of enterprises, accounted for 69.6% of employment and 76.8% of turnover.

<sup>18</sup> Retail's contribution peaked in 2014 with turnover marginally exceeding £27bn and GVA £7bn.

<sup>19</sup> Scottish Government Estimates of Monthly GDP, [Economy statistics - gov.scot \(www.gov.scot\)](#)

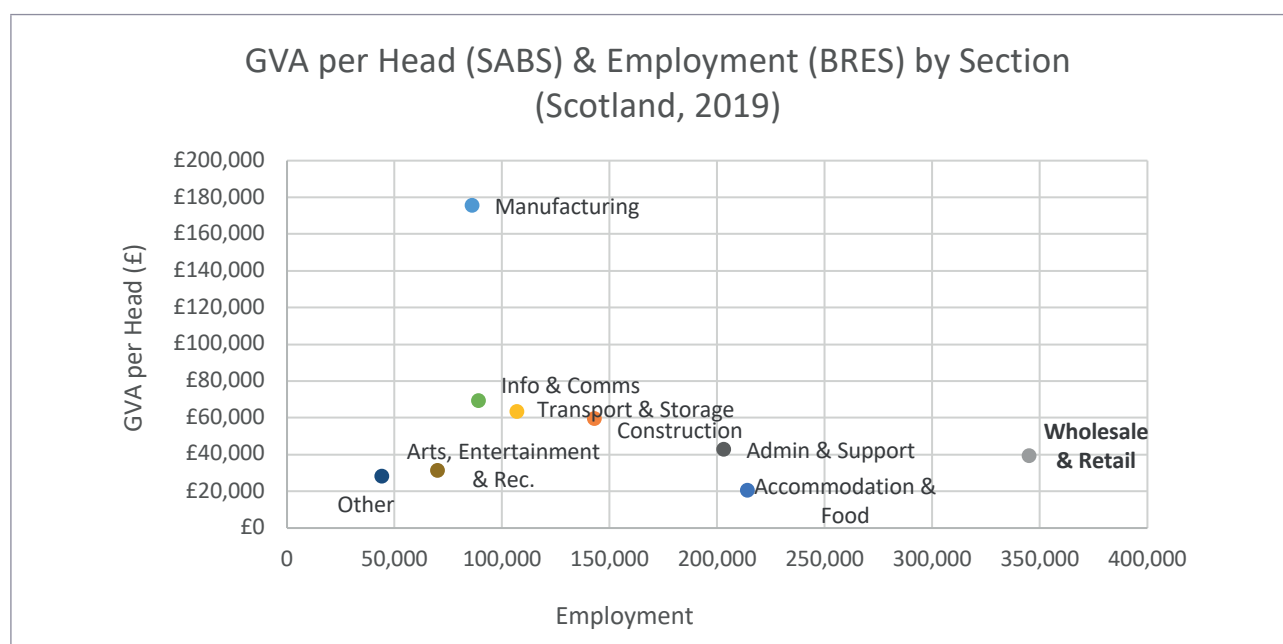
<sup>20</sup> [Scottish Businesses \(Provided Internally\)](#)



## Productivity & Pay

The retail sector is characterised high levels of employment, but also by relatively low productivity and low rates of pay, when compared with other sectors.

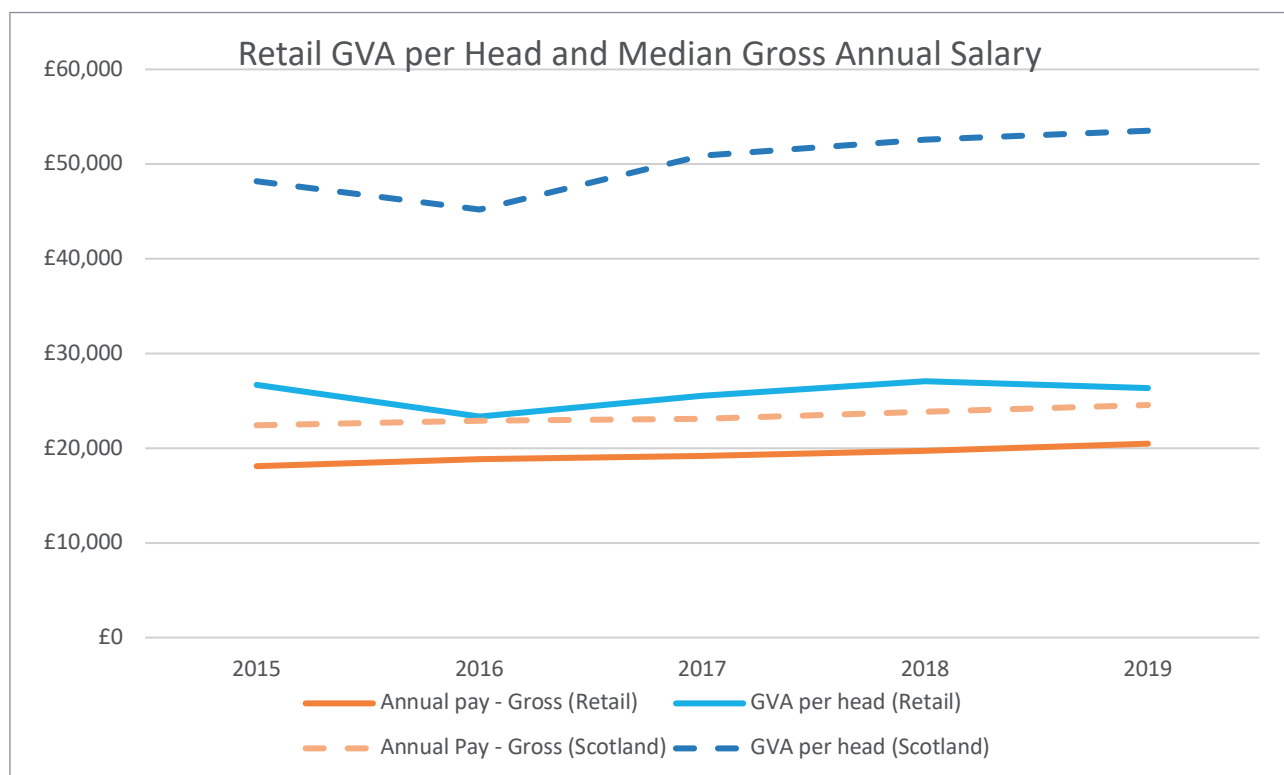
GVA per head (typically used as a proxy for productivity) in the retail sector in 2019 was £26,374, significantly lower than GVA per head across Scotland as a whole (£53,524). GVA per head in wholesale, retail & repair of vehicles as a whole was £39,488 – higher than the retail sector in isolation, but still significantly below the figure across all in industries. Given that the sector is such a significant employer in Scotland, it follows that any improvement to levels of productivity could mean significant benefits.



Productivity is a key driver of wages, and so it follows that pay in the sector is also comparatively low. In 2019, 42.5% of employees aged 18+ in the Wholesale, Retail, Repair of Vehicles industry<sup>21</sup> earned less than the real Living Wage (£9.00), compared with 16.9% of all employees in Scotland.<sup>22</sup> This means that changes in this sector can have a material impact on people who work in retail. Further to this, median wages in the retail sector are well below the average wage in Scotland.

21 SIC Classification: Section G (Sic 45, 46, 47) [UK Standard Industrial Classification \(SIC\) Hierarchy \(onsdigital.github.io\)](https://onsdigital.github.io/UK-Standard-Industrial-Classification-SIC-Hierarchy/)

22 ASHE (2019)



The 2020 report from the Fair Work Convention identified retail as one of the sectors not performing well across multiple dimensions of Fair Work<sup>23</sup> such as employee pay as demonstrated in the chart above. International evidence shows that implementing fair work practices leads to improved outcomes, such as improved mental wellbeing, reduced in-work poverty, increased real wage growth, and increased productivity.<sup>24</sup> This is backed by recent analysis that found that higher employee wellbeing is associated with higher productivity and firm performance, including customer loyalty, profitability and staff turnover.<sup>25</sup>

Research carried out by the Joseph Rowntree Foundation<sup>26</sup> (JRF) found that in order to drive productivity and higher rates of pay, strategies for low-wage sectors such as retail should focus on:

- increasing the proportion of workers in on-the-job training
- improving management practices
- increasing the percentage of workers using ICT
- reducing the share of temporary workers

23 [Fair Work Convention report – Fair Work in Scotland \(December 2020\)](#)

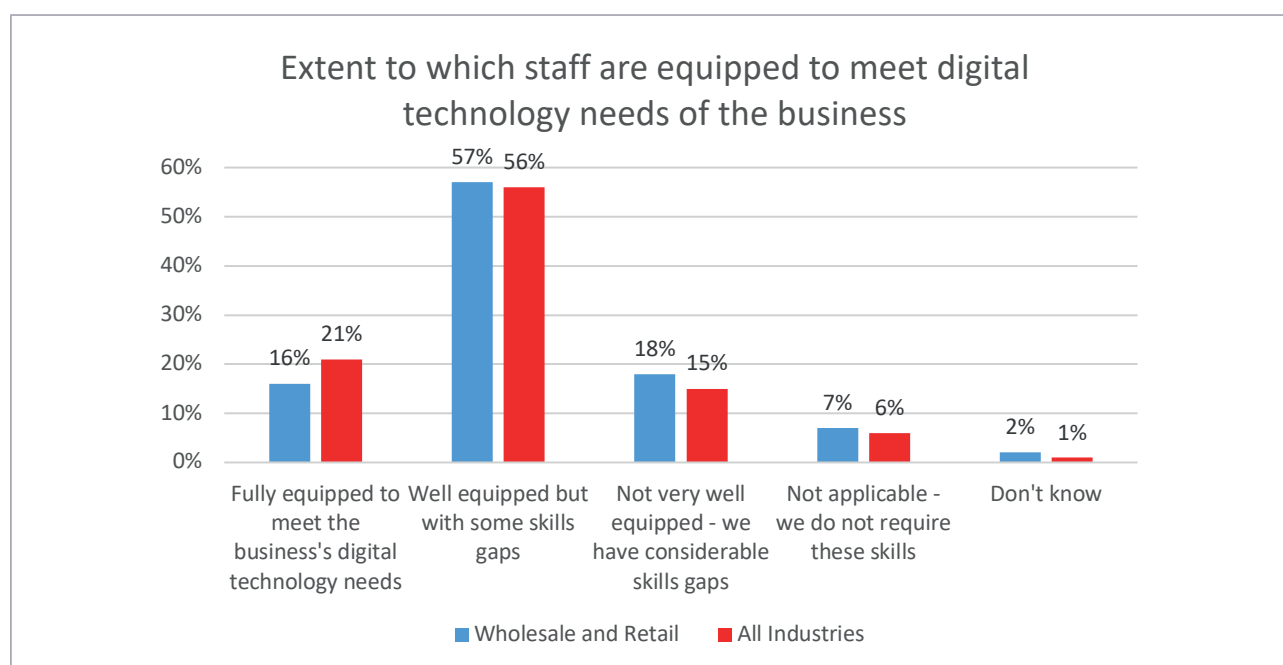
24 [Fair-Work-in-Scotland-Report.pdf \(fairworkconvention.scot\)](#)

25 [Happy employees and their impact on firm performance | LSE Business Review](#)

26 [The links between low productivity, low pay and in-work poverty | JRF](#)

However, in practice these solutions could be challenging to deliver. Investment in training, development of management skills, or action taken to improve or adopt digital skills/technology can be expensive in the short term. Against the context of a difficult period for businesses during the pandemic, cash reserves could be depleted and firms could be increasingly risk-averse. As of the most recent wave of the BICS (24 January to 6 February) 18.6% of businesses in the wider wholesale, retail and repair of vehicles sector<sup>27</sup> who responded had none or less than three months of cash reserves.

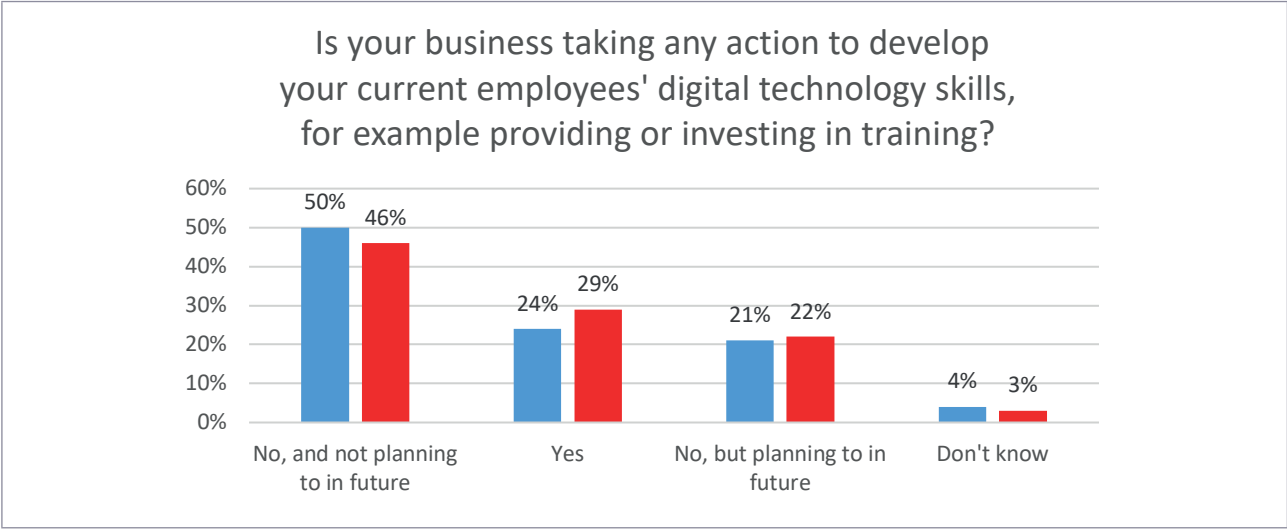
This research also suggests increased use and adoption of technology as a driver of increased productivity. This will be increasingly important given the changing nature of the sector (for example through the rise of e-commerce). The Scottish Government's recent Digital Economy Business Survey<sup>28</sup> (DEBS) suggests there is scope to improve digital skills in the sector.



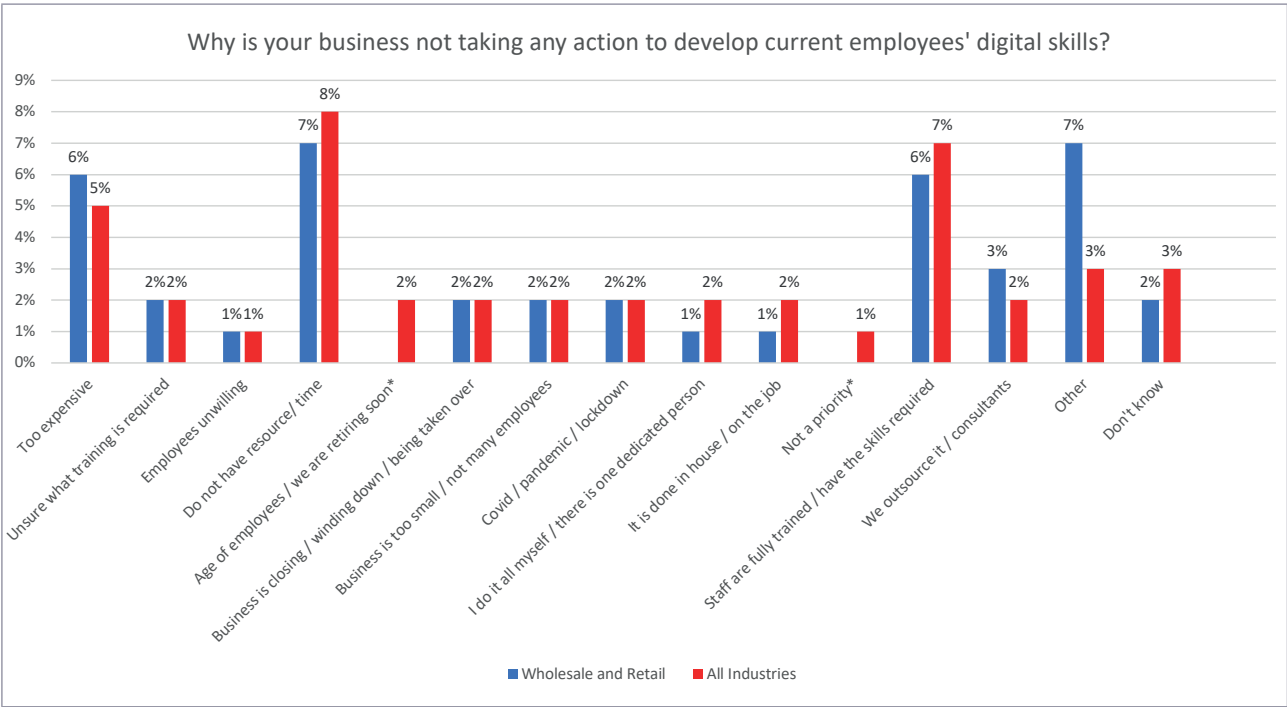
Only 16% of wholesale & retail businesses felt staff were fully equipped to meet the digital technology needs of the business, compared with 21% across all sectors. Meanwhile, 57% of wholesale & retail businesses felt they had some gaps, and 18% felt not well-equipped.

27 SIC Classification: Section G (Sic 45, 46, 47) [UK Standard Industrial Classification \(SIC\) Hierarchy \(onsdigital.github.io\)](https://onsdigital.github.io)

28 [Digital Economy Business Survey 2021: findings – gov.scot \(www.gov.scot\)](https://www.gov.scot)



While businesses in the sector identified digital skills gaps, most were not taking any action to address this.



Reasons provided for lack of action to address digital skills gaps were wide-ranging, but most commonly included that it was too expensive (6%), or that businesses cited resource/time constraints (7%).

## People

JRF evidence also suggests reducing the share of temporary workers as being a means to drive up productivity and wages in the sector. However, it is important to recognise that temporary employment opportunities offer important flexibility or ‘buffering’ in our economy – absorbing workers between roles, or those in full time education. 28.7% of employees in retail are aged 16-24<sup>29</sup> and for many of these people, retail will be their first employment since leaving school. Furthermore, workers in the sector are more likely to be in full-time education – in the period October 2020 to September 2021, an estimated 10.9% of people aged 16 or more working in the Retail sector were in full time education, compared to 4.2% across all industries in Scotland as a whole.<sup>30</sup>

Retail has been, and remains, a young sector. In 1996 the share of retail’s workforce that was under 30 stood at 40% compared to 28% across the workforce as a whole. That ratio changed little subsequently and in 2018 the ratio was 1.5 (36% vs 24%).

As well as being a younger sector, employees are more likely to be part-time. In 2020, 60% of employees in retail<sup>31</sup> in Scotland worked part-time, and this figure has remained roughly the same over the past three years. Women are more likely than men to work in the retail sector – it was estimated that women made up 60.7% of those in employment aged 16+ in the retail sector in Scotland, up slightly from 60.5% in 2019. The wider retail sector, including Wholesale and Repair of Vehicles,<sup>32</sup> has a higher number of low-skilled workers than most sectors in Scotland, at 12.1% workers with skills level 1.<sup>33</sup>

Further to this, under-utilisation of skills and qualifications – where employees that have both qualifications and skills that are more advanced than are required for their current job role – is more common in Wholesale and Retail than across All Industries in Scotland.

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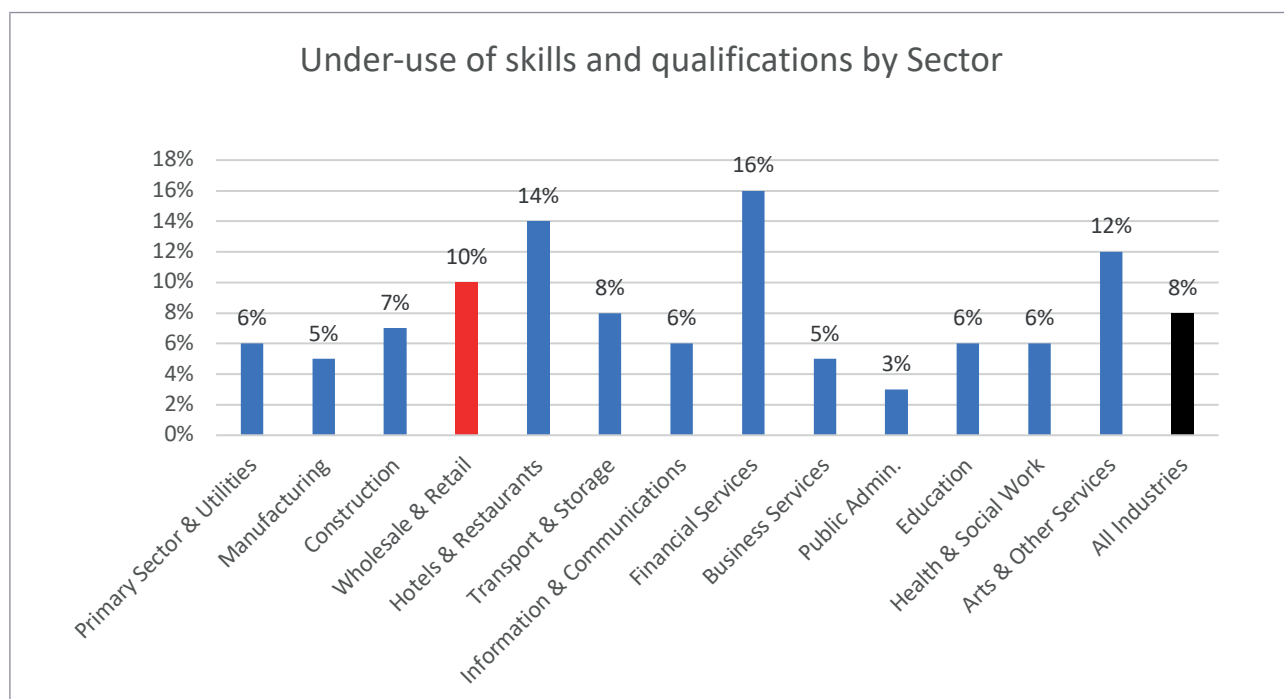
29 Annual Population Survey (APS) Jan-Dec 2020.

30 Annual Population Survey Oct 2020 to Sep 2021 data, ONS

31 SIC Classification: 47 [UK Standard Industrial Classification \(SIC\) Hierarchy \(onsdigital.github.io\)](https://onsdigital.github.io)

32 SIC Classification: Section G (Sic 45, 46, 47) [UK Standard Industrial Classification \(SIC\) Hierarchy \(onsdigital.github.io\)](https://onsdigital.github.io)

33 [Scotland’s Labour Market: People, Places and Regions – background tables and charts – gov.scot \(www.gov.scot\)](https://www.gov.scot) (Industry Tables, 2020/2021)



Furthermore, historical evidence from the Employer Skills Survey suggests that where staff are working in a role for which they have qualifications and skills more advanced than required, it is more common in the wholesale and retail sector that staff are in the role on a temporary basis, as a stop-gap before starting their desired career.<sup>34</sup>

The retail workforce is constantly changing.<sup>35</sup> Retail has consistently had among the highest employee churn of any industrial sector. In 2018 it had the third-highest rate of new entrants (inflow) and the second-highest rate of employees leaving the sector (outflow). Composite quarterly churn (the sum of inflows and outflows in the quarter as a proportion of total employment) in retail is high at 19%; only the hospitality sector has higher churn (25%). With the outflows there has been a worrying pick-up in retail redundancies and exits to unemployment, relative to trends in other sectors.

So, while evidence suggests reducing the share of temporary workers could be a driver of productivity and higher wages, it is important to recognise that the transient nature of the sector has value. The flexibility of working patterns and potential for short term employment can in some cases mean that the sector plays an important role in accommodating staff with a variety of different circumstances.

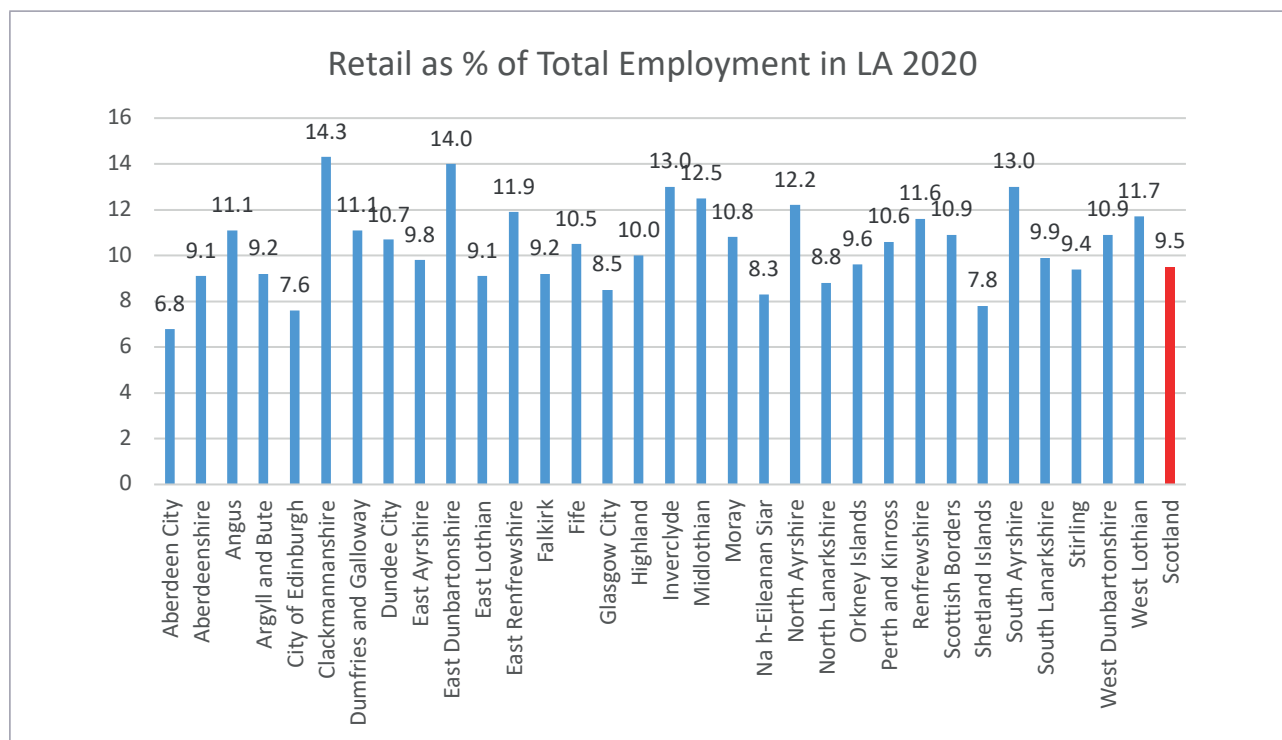
<sup>34</sup> UKCES Employer Skills Survey 2015: Scotland toolkit – GOV.UK ([www.gov.uk](http://www.gov.uk))

<sup>35</sup> Resolution Foundation



## Place

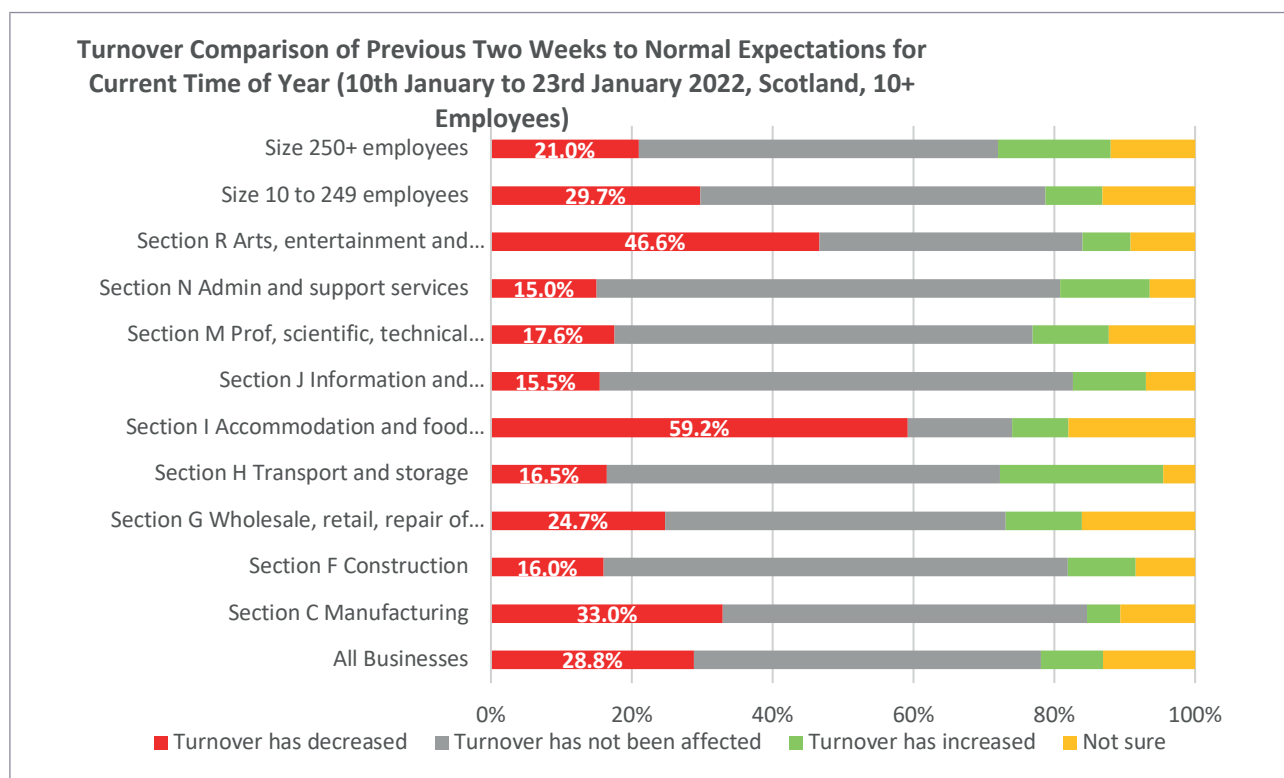
As well as employing a huge number of people across Scotland, the retail sector is a significant employer across every local authority in Scotland.



## The Impact of the Pandemic on the Retail Sector

The Covid-19 pandemic that began in early 2020 has had a varied effect on the retail industry. This reflects the effects of the measures taken in response to the pandemic and the subsequent changes in purchasing behaviour.

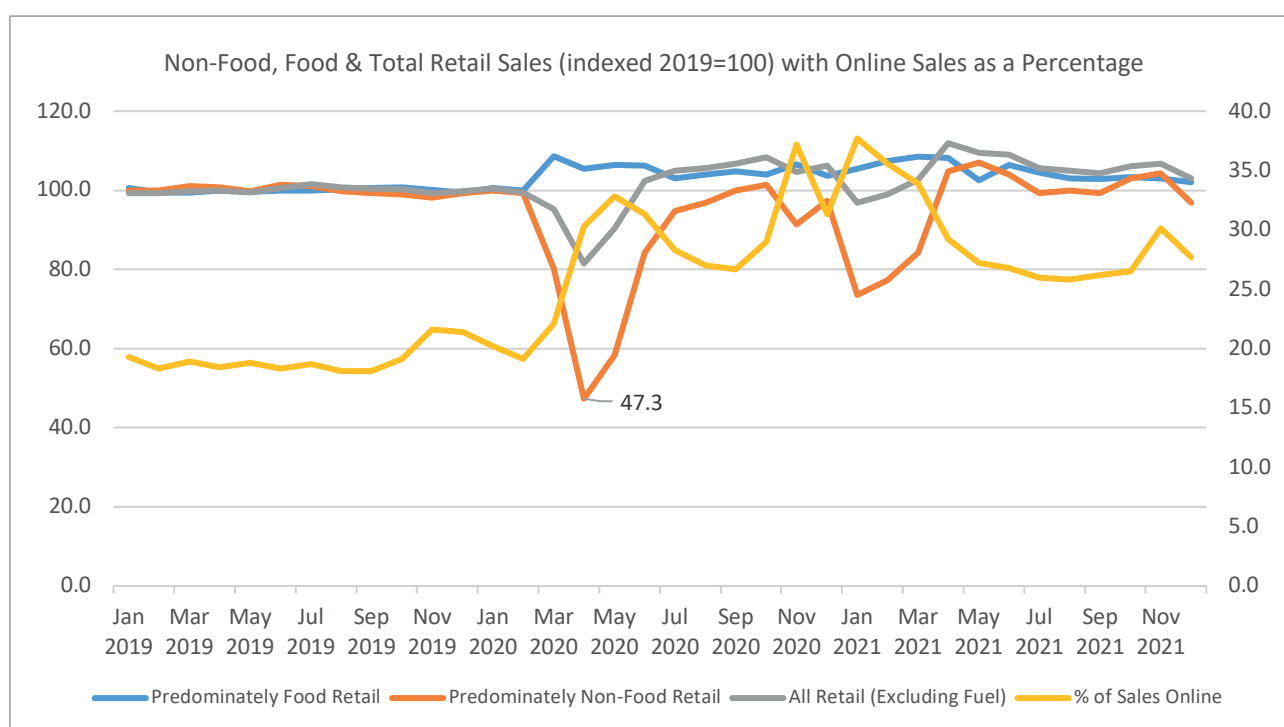
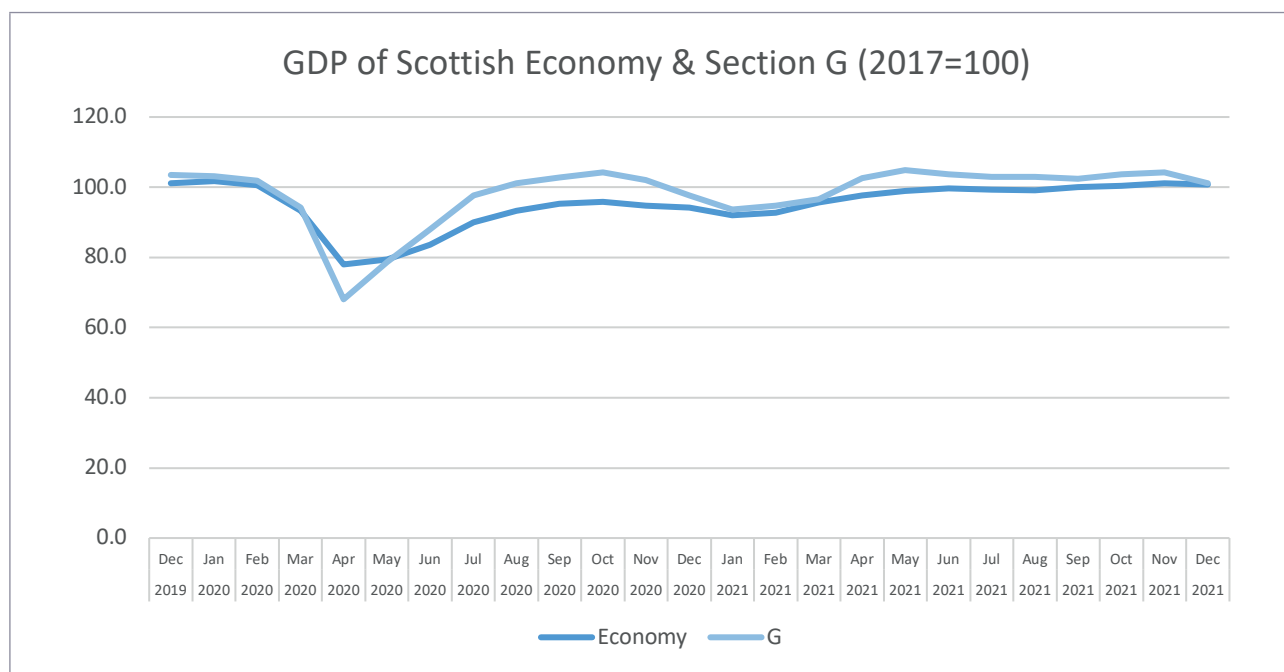
As a result of these actions impacts differed within the retail sector. While stores deemed non-essential retail (e.g. clothing) were required to close for prolonged periods, retail deemed essential (e.g. food) was able to continue to trade and saw increased sales. Businesses with an established online presence, or were able to rapidly develop one, were able to capture consumer spending that switched online.



As of the most recent BICS survey data for Scotland (wave 49, 24 January to 6 February) 25.2% of businesses in the wider wholesale, retail and repair of vehicles sector<sup>36</sup> had experienced decreased turnover compared to what would be considered normal for the time of year. 11.6% of businesses in the wider sector reported an increase in turnover, and 50% reported that their turnover had been unaffected.

Retail absorbed a larger initial GDP impact from the start of the pandemic than the rest of the Scottish economy, as shown below. However, these figures include food retail (e.g. supermarkets) which evidence suggests were much less affected by Covid restrictions, meaning that the impact on non-food retail will have been even more significant than for the sector as a whole.

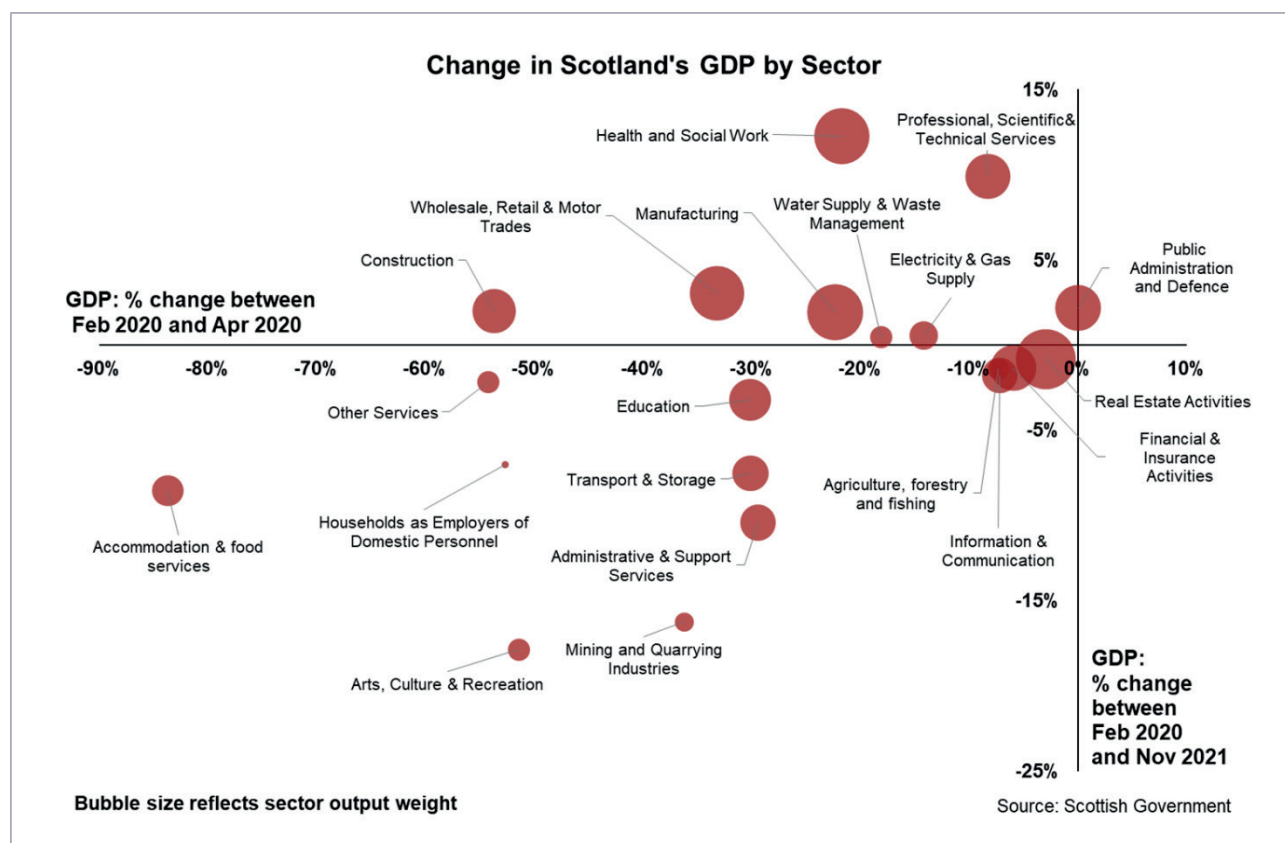
36 SIC Classification: Section G (Sic 45, 46, 47) [UK Standard Industrial Classification \(SIC\) Hierarchy \(onsdigital.github.io\)](https://onsdigital.github.io/UK-Standard-Industrial-Classification-SIC-Hierarchy/)



The pandemic had impacts across every sector of Scotland's economy, including in retail. While food retail (primarily supermarkets) saw an increase in sales from the first lockdown in March 2020, and a spike in sales in each further increase in restrictions – non-food retail experienced significantly reduced sales in each period of tightened restrictions. The proportion of sales carried out online increased significantly in the onset of the pandemic, and remain above pre-pandemic levels.

Spring 2021 saw a re-opening of much of the economy and the total retail volume index moved back above its February 2020 level. By January 2022, retail sales volumes across the UK were 3.6% above their pre-coronavirus (Covid-19) February 2020 levels.<sup>37</sup>

By maintaining its level of sectoral GDP at pre-pandemic levels, Scottish retail has only been outperformed by a few sectors of the economy and this performance exceeds the outcome for the economy as a whole.



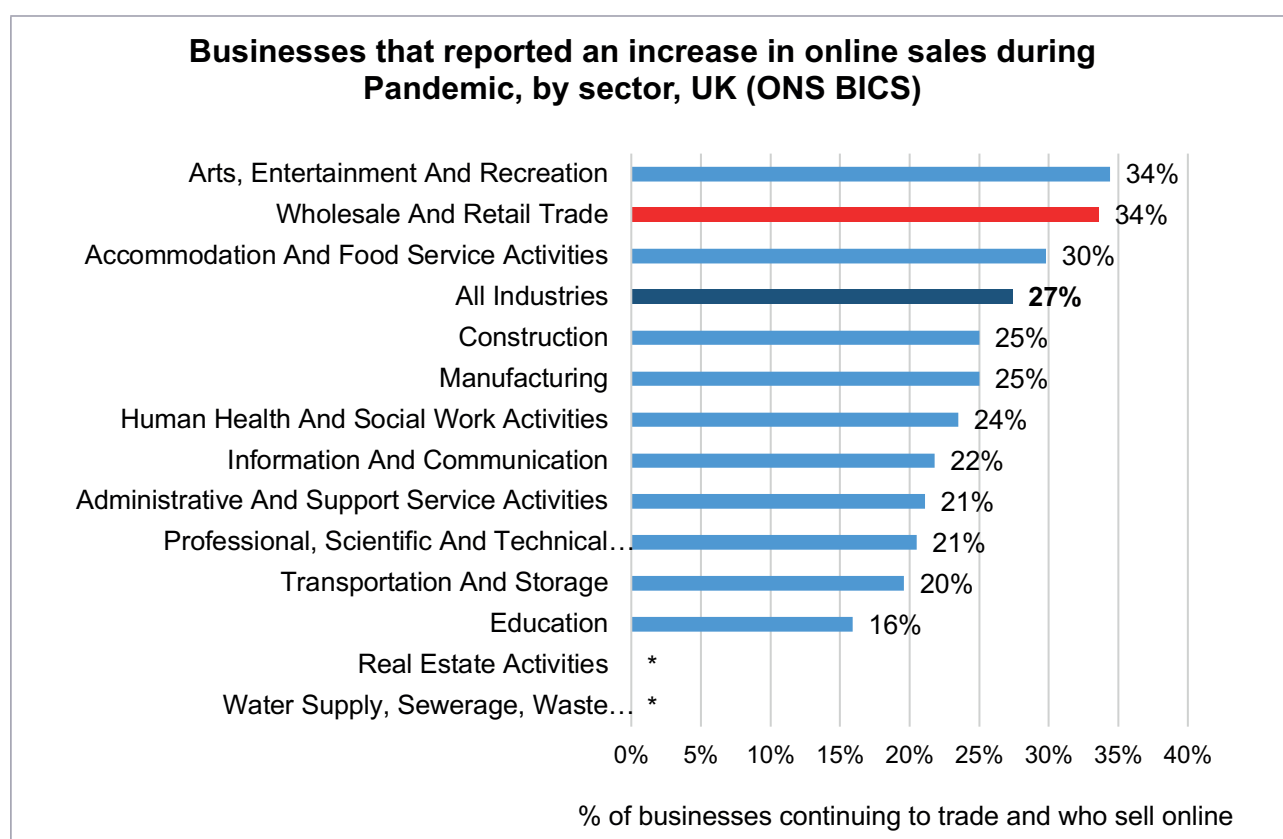
The impact of the pandemic continues to be felt across the sector. According to monthly GDP statistics for November 2021, retail GVA is 0.2% lower than November 2020 and 0.1% lower than in October 2021, likely due to the outbreak of the Omicron Covid-19 variant.

Many trends that were evident before the pandemic have accelerated since the onset of Covid-19. For example: online shopping reached record levels during the pandemic (37.7% in January 2021); the increasing role of technology and automation in stores means there are likely to be fewer jobs in future with higher skills requirements; and the need for retail to operate sustainably and contribute to environmental goals must inform economic recovery measures.

<sup>37</sup> Retail sales, Great Britain – Office for National Statistics ([ons.gov.uk](https://ons.gov.uk)), seasonally adjusted.

Additionally, many businesses have responded to this increased demand for online shopping by expanding their existing e-commerce capability, or began to sell online for the first time. In the UK, 4% of businesses started selling goods or services online for the first time during the pandemic. The education sector saw the greatest proportion of businesses start to sell online (15%), followed by the Arts, entertainment & recreation (9%), and wholesale and retail trade (8%)<sup>38</sup>.

Additionally, 27% of businesses in the UK reported that they have seen an increase in online sales in the two weeks preceding interview (Summer 2020). The arts, entertainment and recreation and wholesale and retail trade sectors experienced the greatest increase in online sales.



38 [Business Impact of COVID-19 Survey \(BICS\) results](https://ons.gov.uk/businessandindustry/articles/businessimpactofcovid19surveybicsresults) – Office for National Statistics (ons.gov.uk)

## Adapting to Changing Consumer Behaviour

Consumer demand and channel choice are key drivers of change in retail. Technological advances mean that the way we buy goods and services is continually shifting as consumers are able to view and purchase through multiple channels (e.g. on apps in addition to websites, via buy now pay later, in checkout-free stores; to name a few).

In 2008, online retail sales began an upward trend in market share, rising to around 5%. By 2019 this share had risen to 19% (£17.3 billion). During the pandemic retail internet sales peaked in January 2021 at 37.6% of total sales (£2.5 billion in that month) while up to and including October 2021 GB internet retail sales accounted for over 29% of retail sales (£22.6 billion).<sup>39</sup>

Over 2019 to 2020, the number of online only retail businesses increased by 67%, while over the entire retail<sup>40</sup> sector, growth was just 2.2%. However, the overall number of strictly online-only retail companies remains around 1% of total retail businesses.

This suggests that entrepreneurs have used the opportunity of online-only retailing to establish businesses that sell exclusively through a web platform, negating the need for physical stores, and presenting a significantly different way in not only how retailers operate but how new businesses are being established in the sector.

Physical shops, high streets and shopping centres have continued to adapt to the rise of internet retailing by offering more experiences and services to customers to compete against online-only retail. Successful physical stores have developed online services that are complimentary to their physical presence. Modifications include offering customers the option to browse goods in the store and then order them online, or pick up goods they have bought online in physical stores.<sup>41</sup>

While the data shows net falls in numbers of physical units in use, recent data continues to show that barbers, beauty salons and nail bars all saw net increases in the number of units in 2019<sup>42</sup>, indicative of the type of service that customers value and cannot get from the internet.

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39 [ONS internet retail sales index](#)

40 SIC Classification: 47 [UK Standard Industrial Classification \(SIC\) Hierarchy \(onsdigital.github.io\)](#)

41 Wrigley N., and Lambiri D. (University of Southampton), British High Street: from crisis to recovery: a comprehensive review of the evidence, 2015, p65

42 Local Data Company, Retail and leisure trends report

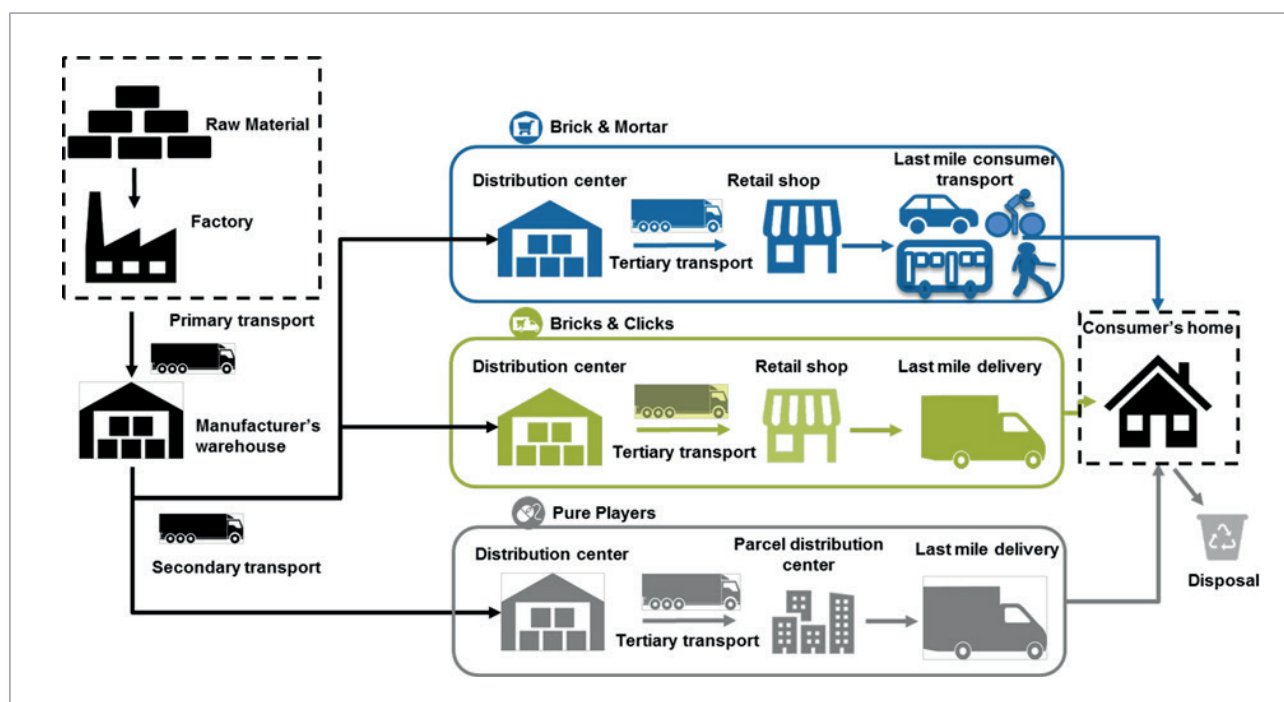


## Looking Ahead and Opportunities

Retail continues to play a significant part in the Scottish economy and will continue to do so. If it is to flourish in future, meeting consumer needs, the sector will need to continue to adapt to the rapid changes now underway. The physical space now in use is often now just a part of the way that retail sells goods and services to customers. With the rise of e-commerce and home delivery, the skills needed in the sector are changing.

Customers were used to buying goods online pre-pandemic and different delivery pathways had already emerged including, but not limited to, direct delivery to the customer door, click and collect in-store, and pick up from a local drop-off point (such as a convenience store). The most recent model to emerge has been the 'ten-minute' delivery of a small range of products from some stores in larger cities.

With much of the service sector working from home for eighteen months their spend online has increased further and become more ingrained into consumer patterns. There also remains much uncertainty around the longer-term trend in relation to working from home or hybrid working seen during the pandemic. This has implications for retailers with outlets in cities as well as for local high streets.



A key concern that is often cited surrounds the impact that aspects of retail – from food production and transportation to so called ‘fast fashion’ – can have on greenhouse gas emissions and climate change. It is therefore important to understand the impact that these sectoral and consumer changes will have on the environment. There are opportunities for retail to show leadership while the growing global demand for more sustainable goods and services.<sup>43</sup> Diversifying products and services, for example repairs, also provides opportunities for retail to develop a distinct in-person offer and higher-skilled jobs.

There is clear evidence that an online presence is an increasingly important part of a successful retail business. With large retail businesses this is often already part of the business model so it is a case of accelerating the process. For other stores it is about developing an online strategy to capture markets outside their immediate locality, including overseas.

With the rise of click-and-collect and direct delivery from warehouse supply chains and logistics, operations will need to adapt and warehouses will need to be able to deal with deliveries to multiple destinations rather than just a few, in addition to dealing with returned goods.

Retailers should use a dynamic approach to ensure that they are primed to tap into rapidly changing and emerging tastes and opportunities. It is therefore critical that people who work in all parts of retail – from the shop floor to the board room – have a comprehensive set of skills to allow them to service new demands. This will involve more training – in skills such as digital, logistics and design, as well as management practices which have been shown to improve business productivity, profitability and survival.<sup>44</sup>

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43 There are numerous publications on changing consumer behaviours – for example [Sustainability & Consumer Behaviour 2021 | Deloitte UK](#) [The Eco-wakening is here. \(panda.org\)](#)

44 [Management Practice and Productivity.pdf \(lse.ac.uk\)](#), see also [Bloom.dvi.worldmanagementsurvey.org](#)



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