



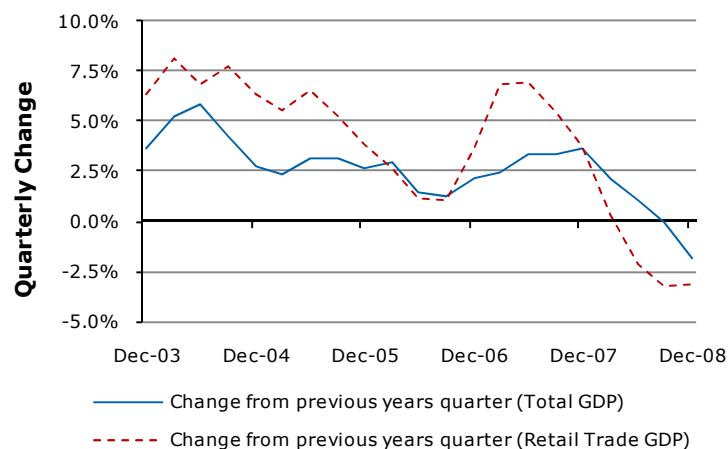
EMPLOYMENT AND SKILLS SNAPSHOT – RETAIL TRADE

Overview – May 2009

The retail trade industry is one of the biggest employers in New Zealand. Employment in the industry grew rapidly between 2003 to 2007, as did the Gross Domestic Product (GDP) of the industry.

In recent years, retail trade GDP has shown more volatility than overall GDP (Figure 1). Retail trade employment started falling before the rest of the economy and the decline since the end of 2006 has been more dramatic.

Figure 1: Total GDP and retail industry GDP change from previous year's quarter, December 2003 – December 2008.



Source: NZIER Quarterly Projections (March 09)

Industry Employment

In December 2008, Department of Labour employment estimates showed that there were 267,000 people employed within the retail trade industry, accounting for just over 12% of all people employed in New Zealand (Table 2 below).

Employment shares

Within the retail industry, supermarkets and grocery stores was by far the largest component in December 2008, employing an estimated 57,900 people or almost 22% of total retail industry employment. Combining supermarkets and grocery stores with specialist food retailers, food-related retailing represented well over a third of all retail employment in December 2008.

Considered as non-core retailing, motor vehicle-related retailing, including vehicle services and vehicle retailing, was also a big employer, accounting for about 20% of retail employment.

*Table 1: Retail industry employment by sub-sector, December 2008*

Industry	Employment	Shares of Industry Employment	Employment Growth (Dec 03 - Dec 08)
Supermarket and Grocery Stores	57,900	21.7%	12.2%
Specialised Food Retailing	41,300	15.5%	18.9%
Motor Vehicle Services	38,700	14.5%	1.4%
Other Personal and Household Good Retailing	32,200	12.1%	8.0%
Clothing and Soft Good Retailing	24,600	9.2%	36.3%
Furniture, Houseware and Appliance Retailing	24,200	9.1%	26.0%
Department Stores	17,500	6.6%	11.2%
Motor Vehicle Retailing	14,400	5.4%	-0.6%
Recreational Good Retailing	12,800	4.8%	1.0%
Household Equipment Repair Services	3,400	1.3%	-15.3%
Total Retail	267,000	100%	11.9%
Total (All Industries)	2,207,200	100%	11.1%

Source: Department of Labour Employment Estimates

Recent employment growth

In line with New Zealand's overall strong economic performance, the retail industry experienced significant employment growth (11.9%) from 2003 to 2008 (Table 1).

However, employment growth was unevenly distributed within the industry. Two sub-sectors – clothing and soft good retailing, and furniture, houseware and appliance retailing – saw very high growth, 36% and 26% respectively. Most other sub-sectors in retailing had only moderate employment growth, and retail employment growth was slightly higher than average employment growth across all industries.

In four sub-sectors: recreational goods, motor vehicle retailing, motor vehicle services and household equipment repair services there was either slight growth or declining employment. Household equipment repair services, already the smallest sub-sector employer in retail, fell significantly over the period, probably reflecting technological change and the increased availability of cheap, new household appliances.



Skills profile

Generally, employees in retail trade are less well qualified than the New Zealand average (Table 2).

Table 2: Qualifications held by employees within the retail trade industry, 2006¹

Occupation	No Qualification	School Qualification	Vocational Qualification	Bachelor Degree or Higher
Sales and/or Marketing Manager	8%	40%	25%	26%
Retail Manager	18%	45%	23%	11%
Sales Representative	14%	42%	25%	17%
Checkout Operator	23%	59%	10%	5%
Sales Assistant	21%	51%	18%	7%
All Occupations in New Zealand	19%	35%	27%	19%

Source: Census of Population and Dwellings, 2006

Qualification levels vary according to occupation within the retail trade industry. In 2006, we see from Table 2 that Sales and/or Marketing Managers were somewhat more qualified than average New Zealand workers, with over half identified as possessing vocational or university degree qualifications. Retail Managers and Sales Representatives were somewhat less well qualified than the New Zealand average.

Checkout Operators and Sales Assistants were much less qualified than the New Zealand average and a high proportion, 84% and 74% respectively, had no post-school qualifications. In part, this is due to the high proportion of younger, part-time employees, in these occupations who have not yet finished their studies.

Lower average qualifications may mean that retail employees are likely to experience difficulty in a time of high unemployment. Low educational attainment will also influence how these workers are trained in new processes or technologies. If laid off, they are likely to have restricted employment options and they will be competing for jobs with more qualified applicants from other industries.

Age/gender profile

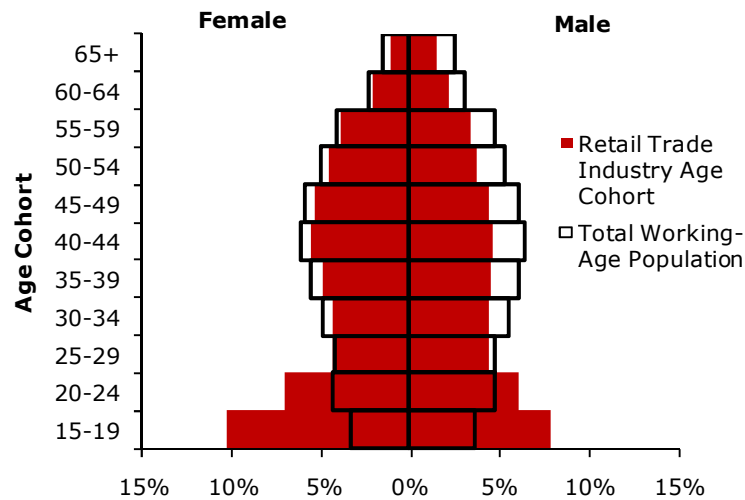
Many retail industry workers are in the younger age groups and the industry has a high proportion of female workers.

In 2006 (Figure 2), there was a particular bias in employment towards younger workers, with the two largest groups being the 15-19 & 20-24 age cohorts. This could be due to large numbers of part-time student employees within this industry.

¹ Percentages may not add to 100%, due to rounding



Figure 2: Age and gender profile of retail trade industry employees compared to the total working age population, 2006



Source: Census of Population and Dwellings, 2006

Employment prospects

With consumers feeling the pinch of the current recession, spending on non-essential and luxury items is decreasing. This is likely to have flow-on effects for employment within retail industries, although the impact will vary by sub-sector.

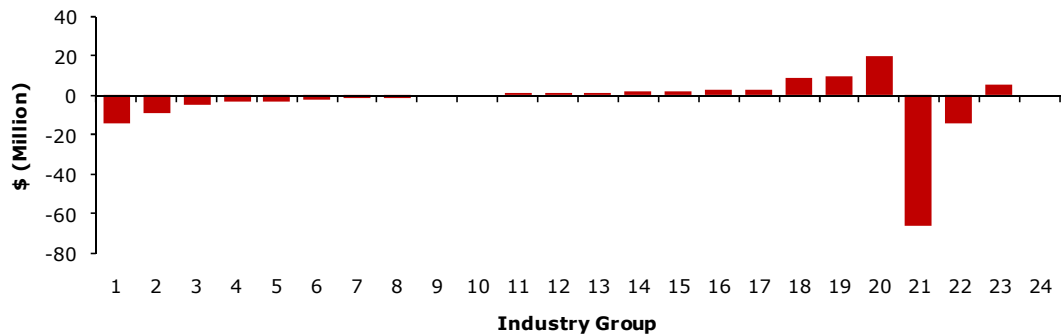
Recent retail sales indicators

For most of 2008 sales were relatively flat or declining, as shown in the GDP graph in Figure 1 above. The most recent sales data available show significant declines, especially in appliance retailing and motor vehicle retailing.

The January 2009 issue of the Retail Trade Survey shows total retail sales down 1.1% from December 2008. This decline in retail sales was driven by falling vehicle-related industry sales, with motor vehicle retailing down 11.0% (\$66 million) over the month.



Figure 3: Retail Industry Contributions to the Change in Seasonally Adjusted Sales (December 2008-January 2009)



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|--------------------------------|--|--|
| 1 Appliance retailing | 9 Hardware retailing | 17 Other personal services |
| 2 Department stores | 10 Household equipment repair services | 18 Other retailing |
| 3 Furniture and floor covering | 11 Clothing and softgoods retailing | 19 Recreational goods retailing |
| 4 Takeaway food retailing | 12 Footwear retailing | 20 Supermarket and grocery stores |
| 5 Cafes and restaurants | 13 Chemist retailing | 21 Motor vehicle retailing |
| 6 Bars and clubs | 14 Liquor retailing | 22 Automotive fuel retailing |
| 7 Fresh produce retailing | 15 Personal and household goods hiring | 23 Auto electrical, smash repair, tyre |
| 8 Other food retailing | 16 Accommodation | 24 Automotive repair and services |

Source: Retail Trade Survey, January 2009

Supermarket and grocery stores defied the trend, with sales growing by about \$20 million (1.7%) from December 2008, potentially reflecting a change in consumer preferences. Since the beginning of the series in May 1995, supermarket and grocery stores' contribution to total retail sales has increased from 18% to 22%, reflecting a shift in consumer spending. It is probable that demand for essential items will be relatively unaffected by the recession and could even continue to grow.

Employer perspectives

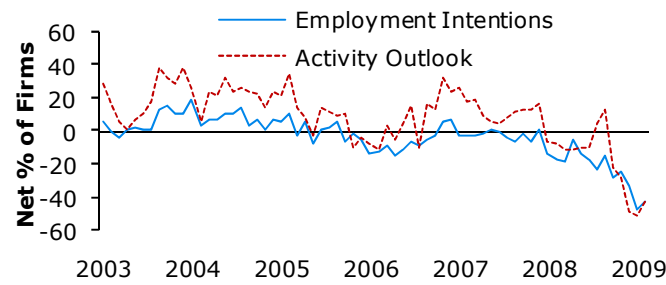
Employers appear to expect employment to fall and business activity to worsen over the coming year.

In the March 2009 National Bank Business Outlook (see Figure 4), a net 43% of retail firms intended to employ fewer staff in the following year, the worst outlook for all the industries in the survey.

According to the same survey, the business activity outlook in retail trade is also relatively negative. A net 44% of employers within the industry expect business activity to decline over the coming year, again the most pessimistic outlook of all the industries surveyed.



Figure 4: Activity and employment outlook, retail trade



Source: National Bank Business Outlook, March 2009

Forecast employment

Department of Labour forecasts, which use a five-year timeframe, also project that employment will fall in the coming five years within the retail industry. Although retail GDP is projected to increase slightly (about 0.5%), employment is expected to fall by around 0.3% between 2008 and 2013. This is in contrast to a projected 0.8% increase in employment across all New Zealand industries over the same period.

Summary

After several years of strong growth, the retail trade industry now appears vulnerable to future employment losses as sales decline due to recessionary pressures.

Although employment in supermarket and grocery stores is likely to hold up well, other sub-sectors of the industry, such as vehicle retailing where discretionary expenditure is more dominant, are likely to see substantial declines.