



THE INSTITUTE OF THE MOTOR INDUSTRY

**Sector Skills Assessment for the Automotive Retail Sector –
Summary Report for the United Kingdom**

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Introduction

The Institute of the Motor Industry (IMI) is the Sector Skills Council (SSC) for the automotive retail industry. The businesses within the sector are diverse and include; vehicle dealerships, independent garages, car supermarkets, rental and leasing outfits, fast fit chains, roadside assistance operations, accident repair centres and wholesale and retail parts suppliers. The sector is vital to the smooth running of the UK economy as it keeps the 35.3¹ million vehicles registered in the country on the roads.

This paper describes the current and future skill priorities for the sector. It draws on research undertaken by the IMI and a range of secondary sources.

Key Findings

Drivers of skill demand

- The automotive retail sector employs some 505,000² employees, 1.7% of the UK workforce working across 81,500³ business units. The majority share of business units is made up of micro-businesses (86%), though over half of all employees (57%⁴) work within small to medium enterprises.
- England accounts for the majority share of businesses (85%) and employees (83%) with Scotland the next largest at 7% of businesses and 10% of employees. Wales and Northern Ireland represent the smallest share of businesses and employees at 5% and 3% of each respectively⁵.
- The maintenance and repair sub-sector (SIC 45.20) accounts for the largest share of employment (56%) and businesses (48%). Sales of light motor vehicles (45.11) is the next largest sub-sector contributing 20% of employment and 28% of all businesses⁶.
- Skilled trade occupations make up a significantly larger than average share of the workforce at 38% compared with 11% for all UK industry. Managers and leaders form the second biggest occupational group at 19% compared with 16% for the UK as a whole. The sector demonstrates larger than average proportions of self-employed workers at 17% of the whole workforce (13% UK average)⁷.
- A small minority of the workforce is female, just 15% (UK 46%). 52% of all female sector workers are employed in administrative or secretarial roles⁸.
- The average age of workers in the automotive retail sector is 40. The majority of workers are aged 25-44, accounting for just under half of the total workforce (47%)⁹.

¹ Source DFT vehicle registration and licensing statistics, October 2010 downloaded from <http://www.dft.gov.uk/pgr/statistics/datatablespublications/vehicles/> and Northern Ireland Transport Statistics 2009-10, table 1.2

² Labour Force Survey 2009 annualised average

³ Inter Departmental Business Survey 2010

⁴ Annual Business Inquiry 2008

⁵ IDBR 2010, LFS 2009

⁶ ibid

⁷ LFS 2009

⁸ ibid

⁹ ibid

- In 2008 the automotive retail sector generated £146 billion or 4.7% of all UK turnover and contributed £25 billion or 2.8% of gross value added. The sales of motor vehicles subsector (SIC 50.10) generated the majority of turnover (70%) and contributed the most in value added terms (47%). Geographically England, as would be expected, generated the majority share in terms of both turnover and value added at 88%.¹⁰

What is driving change?

- The global economy is a key factor influencing the level of consumer demand in the sector in the UK, primarily with regard to vehicle sales. UK GDP growth is inextricably linked to the performance and stability of global markets.
- The vehicle scrappage scheme, launched in May 2009, provided significant support to the new car market. An average of 17% of new car registrations have been attributed to the scheme since it began.
- Government policy can drive consumer demand and business behaviour, and therefore has a huge effect on the direction of the sector. The skills and training needs of the workforce are affected in many ways because of these influences. Examples include:
 - The vehicle scrappage scheme
 - Legislation and targets around CO₂ emissions
 - Vehicle excise duty and company car tax
 - The MoT test
 - Block exemption regulation
- Consumer preference is a key driver for the sector. Consumers make their choices on a range of factors including:
 - Price (including finance arrangements and warranties)
 - Running costs (including price of fuel)
 - Safety
 - Environmental performance (a factor which is increasingly moving up the rankings)
 - Fuel consumption
- Vehicle technology moves at an incredible pace in the automotive industry. The rate of technological change in the automotive sector is driven by competition, consumer demands and regulation/standards. New makes and models are constantly being launched into the market along with new component parts and materials. Along with the need for regular investment in new equipment etc there is a constant requirement for businesses to invest in technical training. This also has an impact on training providers who must ensure equipment used to train is reflective of the whole market.
- The threat of the National Consumer Council's super complaint has put more focus on improving the image of the sector and driving up skill levels.
- Industry standards such as PAS 125 are also contributing to improving skill levels in the sector

¹⁰ ABI 2008

Current skills priorities

- The sector has a relatively low number of staff qualified at a 'high skill' level. In 2009 just 9% of the automotive retail workforce are qualified to S/NVQ level 4 and above compared with 35% of the whole UK population¹¹.
- Although automotive retail employers seem largely happy with the overall skill levels of their employees¹², there is general consensus that there is room for improvement in management and leadership skills in the sector. Managers and senior officials have relatively low levels of formal qualifications compared with the UK at large. Managers and senior officials account for 19% of the automotive retail workforce, slightly higher than the average for the UK of 16%. Of automotive retail sector managers and senior officials, just 15% hold S/NVQ level 4 and above qualifications, compared with 46% of all managers in the UK working population. 9% of all managers in the sector have no formal qualifications compared with 4% of all UK managers.
- Apprentices form a key entry route to the sector and in 2009/10 automotive retail apprenticeships accounted for 4.6% and 4.8% of all apprenticeship starts in England and Scotland respectively¹³. In employment terms; this is high given that the sector accounts for just 1.7% of all UK employment. Most apprentices are recruited straight from school and will gain experience while working. It is common for more senior roles to be filled by individuals who have 'risen through the ranks' to management positions, or opened their own business, often with little specialist training in management and leadership skills. This has contributed to the low number of managers and leaders in the sector who are qualified to the appropriate level.
- Given the nature of the sector, there is a high demand for technical skills, and the pace of change and development in technology can make it difficult for businesses to keep up to date. This is exacerbated for smaller businesses that lack the means or access to relevant training. 85% of the sector's businesses are micro-businesses. Technical skills are the most recognised skill gap within the sector.¹⁴
- Due to the high proportion of skilled trade occupations, the sector experiences particularly high levels of skill shortage vacancies relative to the wider economy. The recession had reversed this shortage temporarily, but vacancy levels have started to pick up again as the sector starts to recover and technical skills remain of paramount importance.
- Survey results show that the sector demonstrates slightly higher than average levels of skill gaps within sales and customer services¹⁵. Vehicle sales account for 70% of the sector's turnover and this, as well as the competitive nature of the 21st century market, means that these skills remain of high importance. The launch of new models, makes and technologies creates a constant need for new sales training. Sector employers have identified a number of generic skills as being key, including customer handling (sales and customer service), problem-solving, communications, and team working.

¹¹ Labour Force Survey 2009

¹² IMI Employer Skills survey 2010

¹³ England data is provisional to April 2010, downloaded September 2010 from <http://www.thedataservice.org.uk/statistics/> Scottish data is for April 2009 – March 2010, downloaded September 2010 from <http://www.skillsdevelopmentscotland.co.uk>, recent data for Northern Ireland and Wales is not available.

¹⁴ National Employer Skills Survey 2009

¹⁵ *ibid*

Anticipating what lies ahead

The challenge in terms of CO₂ emission reduction targets has created the requirement for low carbon technology to provide viable alternatives to the current fossil fuel-reliant vehicle fleet. It is likely that in ten years time the motor industry will be in a very different place to what it is at this point in time. The skill needs of the retail sector are likely to change greatly because of the up-coming step change in technology and through legislative changes, economic effects and consumer demands.

Working Futures 2007-17 Forecasts

- In total, by 2017, it is forecast that 224k people will be required to fill jobs (either for reasons of retirement/people leaving the sector, or by a change in workforce numbers required) in the automotive retail industry. This accounts for 35.7% of the industry. The total UK requirement for jobs is forecast to be 43.1% for the same period.
- Of the 224k, 11k (4.9%) is due to a forecast growth in the industry over the next decade.
- Replacement demand for the industry is forecast to be 213k over the next decade to replace those leaving their jobs due to retirement or other reasons.
- The occupations within the industry forecast to require the greatest number of people are; 'sales and customer service' (66,000) and 'managers and senior officials' (48,000) from 2007-2017.
- By 2017 the total employment in the UK is forecast to increase by 5.7%.

Future Scenario Planning - Future Workforce Implications

Skills priorities for the likely future scenarios predict the following areas to be of importance:

- Generic Skills – including more specifically Customer Handling (sales and customer service), improved literacy and numeracy, problem-solving, communications, and team working.
- Management Skills – envisaged rapid changes in new technology and market structure will require a higher level of management, particularly around leadership and strategic planning.
- Sales Skills – constant release of new makes and models and technology creates a constant need for sales training.
- Technical Skills - as the diversification and pace of new forms of technology increases, so must the training and skill levels of the workforce.
- Administrative Skills around use of ICT
- Other – recycling and disposal of increasingly hazardous and complex materials and components.

In conclusion, the general picture under all four scenarios is one of a decade and beyond in which new recruits with a higher level of basic, generic skills are required and where the importance of training will shift from training new entrants for a lifetime in the industry to continuous retraining of employees throughout their working life so as to maintain their expertise as technology evolves. Flexibility of employment and training, use of individually-tailored training methods and careful selection of recruits all seem likely to be central to success.

Section 1 – What drives skills demand?

Contribution of the Sector

The automotive retail sector is vital for the smooth running of the UK economy as it is responsible for keeping the population supplied with safe, well maintained vehicles and their component parts. There are currently in the region of 35.3¹⁶ million vehicles registered in the UK.

The automotive retail sector is also a substantial generator of wealth for the UK, turning over £146 billion in 2008 and in gross value added terms, generating £25 billion. In 2008 the sector contributed around 4.7% of total UK turnover, a slight decline compared with previous years (5.5% 2007). In value added terms the sector contributed 2.8% to overall UK gross value added, a decline of 0.5% compared with 2007. The majority share of turnover occurs within 'sale of motor vehicles', which accounts for nearly three quarters of sector turnover. This sub-sector similarly adds the most in terms of value added, accounting for 47% of the sector.¹⁷

The automotive retail market

The automotive retail sector covers the activities of businesses in almost the entire downstream motor industry (ie all activities related to the selling, maintenance and rental/leasing of all UK vehicles). The sector is responsible for all vehicle types and their parts, including not only cars, but also motorcycles, commercial vehicles (eg vans and trucks) and passenger service vehicles (buses and coaches).

The types of businesses operating in the sector are diverse and range from one man operations working from a single, private garage to large dealership groups to large chains with a unit in virtually every town.

Business activities include:

- New and used vehicle sales
- Light vehicle maintenance and repair
- Heavy vehicle maintenance and repair
- Accident repair
- Body building
- Roadside assistance and recovery
- Fast fit operations (for example Kwik Fit)
- Lift truck maintenance and repair
- Motorsport maintenance and repair
- Parts distribution and supply
- Motorcycle sales, maintenance and repair
- Vehicle rental and leasing
- MOT inspections and testing

Many businesses in the sector will operate across a number of business activities. A vehicle dealership, for example, will sell new vehicles as well as maintain them, may rent them on a daily basis, offer company car contract hire or leasing, fast fit services, MOT inspections, sell and maintain used vehicles, have a bodyshop, and so on.

¹⁶ Source DFT vehicle registration and licensing statistics, August 2010 downloaded from <http://www.dft.gov.uk/pgr/statistics/datatablespublications/vehicles/>

¹⁷ Annual Business Inquiry 2008

The majority of all business enterprises falling under the automotive retail footprint are covered by SIC 45.11, the sale of motor vehicles and SIC 45.20, the maintenance and repair of motor vehicles which together account for around 76%¹⁸ of all businesses within the sector.

SMEs and larger businesses, comprising franchises and chains, are an important and highly influential part of the sector. This is especially true for vehicle dealerships, fast fit outfits and roadside assistance firms. Vehicle dealership businesses are dominated by large dealer groups which are multi franchise and multi location operations. Annex 1 shows the top 100 dealer groups in terms of turnover operating in the UK.

In 2008 there were 5077 franchised dealerships operating in the UK. The 469 dealer groups, with multi-franchise arrangements with vehicle manufacturers, accounted for three quarters of the UK's new car sales points.¹⁹

Vehicle Manufacturer Influence on Skills in the Sector

Vehicle manufacturers (VMs) have a large influence on the skills requirements of the sector. VMs are dictating the pace of change of technology as they develop and release new vehicle makes and models into the marketplace. This also influences the equipment, tools and associated parts required to maintain vehicles. The franchise arrangements they have with vehicle dealerships (from individual through to larger group organisations), afford them the opportunity to dictate standards, processes and associated staff training provision. This extends throughout the dealership for technical and non-technical staff. Because manufacturers dictate the types of vehicles released into the marketplace, VMs also influence micro, small, medium and large independent businesses as they must align with VM workshop repair processes, procedures and utilise suitable equipment to carry out maintenance and repair of a diverse array of vehicle makes and models.

Structure of the sector

The automotive retail sector comprises of around 505,000²⁰ staff working across some 81,500²¹ business units. The majority of these business units are micro businesses (85%²²). Although micro business units account for around 85% of all business units they account for just 38% of all employees. Small/medium size firms account for over half of all employees, despite making up only 17% of all business units.²³

Businesses from the sector are widespread throughout the UK, a reflection of the dependence of the UK population on the sector in their everyday lives.

Workforce Characteristics²⁴

In 2009, the UK automotive retail sector contributed 1.7% (505,000²⁵ employees) to overall UK employment. This figure represents a decline from 2008 when the sector contributed 1.9% to all UK employment. This decline is due to the fact that SIC 47.30²⁶, previously SIC 50.50 (the sale of automotive fuel) can now be excluded from analysis. For comparison purposes, adding SIC 47.30 back in shows that the contribution to UK employment is unchanged.. At the country level the Scottish

¹⁸ Inter Departmental Business Register 2010

¹⁹ Sewells Automotive Industry Insight Report 2009

²⁰ Labour Force Survey (LFS), 2009 annualised average. Prior to 2009 the LFS combined SIC 50.50 (the sale of automotive fuel) with some of the SIC codes that fall within the automotive retail sector footprint. SIC 50.50, now SIC 47.30 added around 40,000 people to earlier analysis.

²¹ Inter Departmental Business Register 2010

²² Inter Departmental Business Register 2010

²³ Employees by business size, ABI 2008, Share of businesses by size IDB R 2010.

²⁴ Labour Force Survey annualised averages 2009

²⁵ The LFS is a survey the results of which are weighted and extrapolated to reflect the whole UK population

²⁶ Prior to 2009 the Labour Force Survey, under the 2003 SIC scheme combined SIC 50.10,50.30 and 50.50. Consequently although SIC 50.50 (now SIC 47.30), the sale of automotive fuel did not fall within the automotive retail sector's footprint it was impossible to remove it from analysis based upon the LFS. In order to compare 2009 with earlier years it has thus been necessary to add SIC 47.30 back in to sector analysis.

automotive retail sector accounts for a slightly larger share of its nation's total employment at 1.9%, with Northern Ireland (1.7%), Wales (1.6%) and England (1.6%) slightly lower.

The distribution of employment in the automotive retail sector broadly reflects the size of regional populations. For example the South East, the most populated region in the UK accounts for the largest regional share of UK automotive retail employment, while Northern Ireland, the least populated area, accounts for the smallest share of all sector employment.

The maintenance and repair of motor vehicles sub-sector (SIC 45.20) accounts for the largest share of employees within the sector at 55%. The sale of light motor vehicles (SIC 45.11) accounts for the next largest share at 20% of all employees. The distribution of employees across sub-sectors is largely mirrored at the country level though Wales exhibits slightly higher levels of employees working in SIC 45.20 (65%) and slightly lower levels in SIC 45.11 (13%).

As would be expected the automotive retail sector demonstrates a high proportion of workers within skilled trades occupations. At 38% they account for over a third of the total workforce (UK average is 11%), reflecting the high demand of the sector for technical skills. Managers/business owners make the next biggest contribution at 19%, which is unsurprising given the high number of micro businesses operating in the sector.

The gender profile demonstrates that men make up the large majority of the workforce in 2009 at 85%. This compares with a split of 54% males 46% females for UK employment as a whole according to LFS 2009. The proportion of men/women varies little between countries, with the exception of Northern Ireland which exhibits a somewhat greater share of female workers at 21% female to 79% male. The gender bias is present within most occupations in the sector, with men outnumbering women in almost all occupations with the exception of administrative and secretarial roles where women account for 65% of workers. This category represents 52% of all females working within the automotive retail sector, illustrating the overall male dominance of the industry. There are extremely low numbers of women working in technical roles, official figures show less than 1% of skilled trade occupations are filled by women.

A slightly higher than average proportion of workers in the automotive retail sector are self employed – 17% in 2009 compared with the UK average of 13%. This is not surprising given the high level of sole proprietor and micro business units that prevail within the sector. The proportion of self employed workers varies somewhat across the nations and regions. Scotland exhibits a particularly low proportion of self employment compared with the rest of the sector at 10% of all workers. Wales and Northern Ireland have the highest proportion of self employment at 26% and 29% respectively, some 13% and 14% higher than their national averages.

Section 2: Current performance – what is driving change?

The Economic Outlook

The Global Economy²⁷

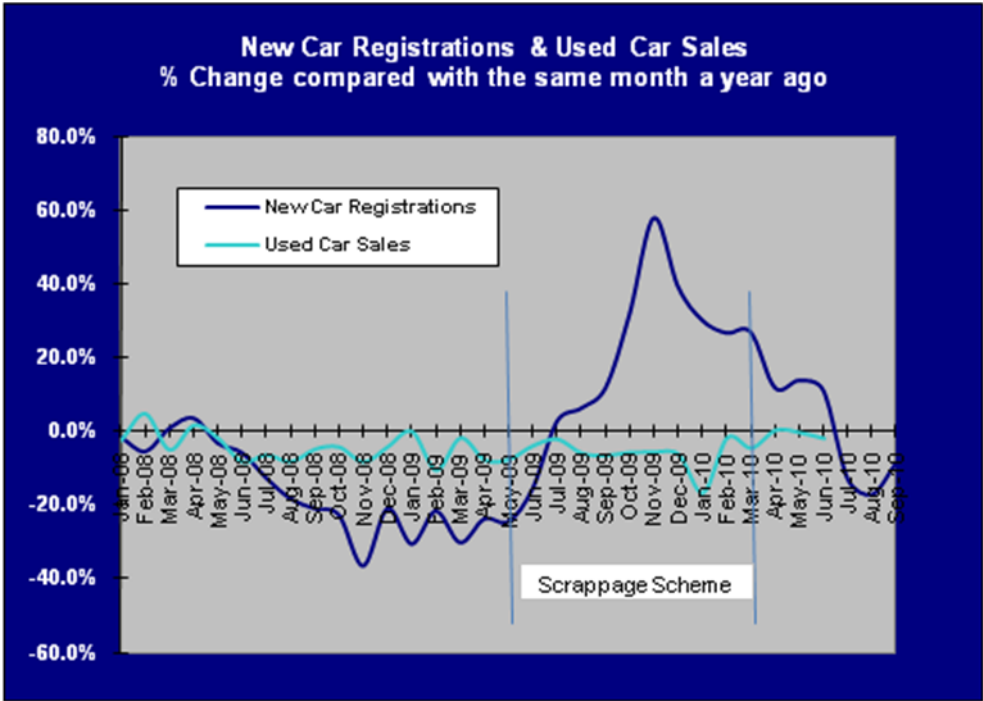
The global and UK economies remain uncertain following the financial crisis of 2008. The global economy is a key factor influencing the level of consumer demand in the sector in the UK, primarily with regard to vehicle sales. This is because UK GDP growth is inextricably linked to the performance and stability of the global markets.

UK Economy

Preliminary UK GDP figures for the second quarter of 2009 showed that the UK economy grew by 1.1% compared with the previous quarter. The UK slowdown was felt by all sectors of the economy and 2009 statistics from the Labour Force Survey suggest that the sector shed some 28,000 jobs, a decline of 5% compared with 2008. Although the economy is showing signs of improvement, there are undoubtedly difficult times ahead with the prospect of shrinking government spending and increases in VAT.

New car registrations are linked closely to GDP, as are the number of new home sales.²⁸ In fact the most promising indicator of recovery in new car registrations is likely to be a return to GDP growth.²⁹

Figure 1 New Car Registrations and Used Car Sales % Change Compared with the Same Month in the Previous Year



Source: <http://www.smmf.co.uk> citing Experian and the DVLA for Used Car Sales figures

²⁷ IMI Automotive Retail Sector Scenario Analysis of Potential Skills Requirements in 2020, SAMI Consulting, July 2010

²⁸ The credit crunch and the outlook for the UK Retail Motor Industry, 2008 L. Glasscock and Associates

²⁹ UK car dealerships: lessons from the last recession 2009, Ernst & Young

The UK scrappage scheme came to an end in March 2010. The scheme, launched in May 2009, had provided significant support to the new car market as the figure above depicts. An average of 17% of new car registrations have been attributed to the scheme since it began. In September ytd new car registrations stand at 7.8% above 2009 levels, somewhat lower than in the first half of the year when sales were supported by the scrappage scheme. A similar hangover effect of the end of scrappage schemes was previously seen in Germany, Europe's largest car market, where sales were down for the sixth successive month in May.

The 2010 IMI employer survey found the recession was attributed by some as contributing to the challenges facing their businesses. Overall, a very high proportion (96%) of automotive retail employers expected to face at least one challenge to their business during the next twelve months. Employers reported that the effects of the recession will be a significant challenge to their business, with 80% of employers stating 'becoming or remaining profitable', as their most significant issue.

Employment

The number employed in the sector was 3.1% lower in the final quarter of 2009 than the same quarter in 2008. The number of redundancies in the sector has slowed steadily through 2009 and in the final quarter of 2009 the redundancy rate (number of redundancies per 1000 employees) stood at 4.0 for the sector, down from 15.6 in the same quarter of 2008. Another positive indicator that the sector is on a trajectory of recovery from the recession is the increase in the level of vacancies in the sector. Compared with the previous month a year earlier, vacancies have been generally higher since December 2009. In August the number of vacancies in the sector was up 17% in compared with the same period a year ago.

Government Policy

Government policy can drive consumer demand and business behaviour, and therefore has a huge effect on the direction of the sector. The skills and training needs of the workforce are affected in many ways because of these influences. A few examples have been selected.

The Vehicle Scrappage Scheme

The government introduced the scrappage scheme in May 2009 in an attempt to stimulate sales of new cars, the levels of which had been decimated by the impact of the credit crunch.

The impact of the scheme was first seen in July 2009 which saw a rise in monthly new car registrations (+2.4%³⁰ on the same month a year earlier) which reversed the downward trend that began in April 2008. This upward trend continued until one quarter following the end of the scheme. Since July new car registration levels have tailed off to below the same period in 2009.

Other effects of scrappage on the market include the shift in 2009 towards small cars, which was largely attributed to the scheme. Scrappage was also credited for the halt in the rise in diesel penetration on the market, as small cars tend to be petrol rather than diesel-powered due to higher purchase prices of diesel vehicles.

Environment and the Green Agenda

The policies adopted by government have seen great pressure on the industry to improve the environmental performance of the vehicle parc. This, along with an increasing consumer interest in the environment has seen a continued trend towards developments in green technology.

In December 2008 EU new car CO₂ regulation was introduced which set targets across Europe of average new car CO₂ emissions of 130g/km by 2015. The UK's 2008 Climate Change Act mandates a

³⁰ Society of Motor Manufacturers and Traders

reduction in domestic CO₂ emissions of at least 26% by 2020 and of at least 80% by 2050 (from 1990 levels).

In 2009 SMMT reported the UK average to be 149.5g/km. Various Government legislation and regulations have been put in place to stimulate manufacturers to research and develop low carbon technologies and consumers to choose lower emission alternatives. For consumers, these measures are largely centred around taxation, e.g. stepped cost of road tax based on engine size. In addition, more than 9 out of 10³¹ consumers are also increasingly willing to take steps to reduce their own carbon footprint. Whether this willingness is stimulated by saving money or a desire to save energy is arguable, however the outcome with regard to emissions is the same.

Emissions have fallen every year since 1997, and in 2009 the reduction in average new car CO₂ emissions was the steepest yet.

Regulation

The automotive industry is one of the most regulated sectors in the EU due to its highly complex products and the many issues that must be considered relating to vehicle use. Issues include health and safety of the general public and the sector's workforce. Increasingly the environment and the need to reduce CO₂ emissions is driving regulation globally, at EU and UK levels.

MoT Test

Compulsory vehicle testing was introduced in Great Britain in 1960 when the Motor Vehicles (Tests) Regulations 1960 came into operation.

The requirement for annual testing has provided the service, maintenance and repair sector with an enormous workload with regard to the physical test itself and associated repairs highlighted by test failures. Changes around the MOT criteria and requirements also have a large impact on these businesses. Over 19,000³² garages and workshops are authorised to perform testing and issue certificates (in Northern Ireland tests are performed exclusively at the DVA's own test centres). These businesses must keep their workforce up to date with the current regulations. In fact, in a recent employers survey conducted for IMI, 63% of those questioned stated that 'keeping up with legislative and regulatory requirements' is one of the key challenges for their business.³³

Block Exemption Regulation

This regulatory measure concerns competition in the sector. In September 2000, the Supply of New Cars Order 2000 was introduced following the Competition Commission (CC) monopoly inquiry into the supply of new cars.

The BER enables car manufacturer national sales organisations to create networks of 'selective' or 'exclusive' dealership networks:

- Dealers are now able to operate in different areas and EU countries
- Sales/after-sales activities for different franchises are allowed from the same premises with fewer restrictions.
- Non-franchised dealers and brokers will be better able to compete
- Greater servicing and repair market competition
- Lower costs
- After-sales activities can be carried out by any retailer (whether franchised or not) provided the retailer abides by manufacturer-approved standards
- Independent retailers/suppliers will have access to necessary technical information, including diagnostic equipment and software.

³¹ The used car market report, 2009. BCA

³² Direct Gov http://www.direct.gov.uk/en/Motoring/OwningAVehicle/Mot/DG_4022109

³³ IMI Automotive Retail Sector Employer Skills Survey, September 2010

Super Complaint – National Consumer Council

Under Section 11 of the Enterprise Act 2002 (EA 2002) consumer bodies designated by the Secretary of State for Trade and Industry are able to submit 'super-complaints' to the Office of Fair Trading (OFT). They can do this where they consider there is 'any market feature or combination of features such as the structure of a market or the conduct of those operating within it that is or appears to be significantly harming the interests of consumers'³⁴. The threat of a super-complaint was raised against the motor industry by the National Consumer Council (NCC) in March 2006, and could result in mandatory legislation to ensure quality and standards.

This complaint has been delayed, as the NCC has recognised the significant investment in skills based initiatives taking place in the sector. However, the NCC has highlighted a range of areas that it would like to see improved, and thus the super-complaint is still a real threat to the sector³⁵. Any form of quality standard would have significant implications for skills and training requirements.

Self-Regulation of the Industry – Sector Response

Due to ever-moving technology, regulatory pressures, and the need for constant on the job learning, the sector has developed a number of accreditation schemes and voluntary code of conducts in an effort to improve current practice and the public perception of the sector.

ATA

Automotive Technician Accreditation (ATA) was developed by the IMI in response to the above. ATA is a voluntary assessment programme for individuals working in the retail motor industry.

AMA

IMI has recently launched a management and leadership solution for the sector. Automotive Management Accreditation (AMA) works on a similar basis to the Automotive Technician Accreditation scheme but addresses managerial needs specific to the sector.

Motor Codes

Motor Codes Ltd was established in order to act as the self regulatory body for the automotive sector and is a subsidiary of Society of Motor Manufacturers and Traders (SMMT). Motor Codes operates three automotive codes, the Motor Industry Code of Practice for New Cars and the Motor Industry Code of Practice for Service and Repair and the Motor Industry Code of Practice for Vehicle Warranty Products.

Industry Recognised Standards (BSI)

PAS 125

The PAS 125 standard was created for the accident repair industry in order to improve the quality of vehicle repairs. It sets minimum standards for accident repair centres around 'safe repair', personnel, equipment, repair methods, quality of materials etc. The majority of accident repair work is driven into the sector by insurers following claims. The industry's leading work providers (ie major insurers) are increasingly stipulating that the criteria their centres must adhere to will include the PAS 125 standard.

PAS 80

The PAS 80 standard was created for the service and repair of vehicles market. PAS 80 is a voluntary scheme which specifies technical and customer service requirements for garage services (including fast-fit outlets) involving service and repair. The PAS 80 specification has been developed by BSI in conjunction with members of the automotive industry.

³⁴ Super-complaints Fact Sheet, the Department for Trade and Industry, 2005.

³⁵ Automotive Skills will continue to promote skills - based initiatives to help ensure the industry avoids a 'Super Complaint'. Press release from Automotive Skills, March 2006.

Consumer Behaviours and Preferences³⁶

Consumer preference is a key driver for the sector. Consumers make their choices on a range of factors including:

- Price (including finance arrangements and warranties)
- Running costs (including price of fuel)
- Safety
- Environmental performance (a factor which is increasingly moving up the rankings)
- Fuel consumption

Helping the environment ranked second on consumers' list of priorities when purchasing a vehicle in a recent survey and 70% of UK consumers questioned were likely to cite the environment as a reason for choosing an electric vehicle.³⁷

Fuel prices

High fuel costs may be expected to have a significant effect on car usage and therefore impact upon the number of car sales and the amount of associated servicing and repair. Following the rapid rise in the price of fuel, demand for vehicles in particular segments of the market, such as the 4x4 dual purpose sector, fell sharply. Recent research has indicated that for every one pence rise in fuel prices, total new car demand falls by around 7,500 units. Driver behavior is also affected by high fuel prices as many drive less if they can or more sensibly/fuel efficiently. Drivers may be compelled to switch to alternative forms of transport such as walking or public transport.³⁸

New Vehicle Technology

Vehicle technology moves at an incredible pace in the automotive industry. The rate of technological change in the automotive sector is driven by competition, consumer demands and regulation/standards. New makes and models are constantly being launched into the market along with new component parts and materials. Along with the need for regular investment in new equipment etc there is a constant requirement for businesses to invest in technical training in order to minimise skill gaps in existing staff. This also has an impact on training providers who must ensure equipment used to train is reflective of the whole market.

Low carbon internal combustion engine vehicles

The industry has already made considerable progress in reducing fuel consumption in traditional internal combustion engines and alternative power sources are being developed and are at various stages. Examples include

- Electric and hybrid vehicles
- Biofuels

Impact of technology on repair and maintenance³⁹

The build quality of cars has improved, and one of the major effects of this has been the reduction in service frequency and the increasing simplicity of services. It is likely that only the increasing size of the vehicle parc has saved the repair and maintenance sector from a more pronounced decline than already experienced. The annual number of services and mechanical repairs carried out has declined by 19% from 57.9 million in 1998 to an estimated 46.7 million in 2008. This reduction has contributed

³⁶ New Car CO2 Report 2010, SMMT

³⁷ Consumers Show High Interest in Buying Electric Cars, But Reluctant About Price, Nielsen Wire, October 2010, <http://blog.nielsen.com/nielsenwire/consumer/consumers-show-high-interest-in-buying-electric-cars-but-reluctant-about-price/>

³⁸ *Petrol or Diesel: The impact of high oil prices on the UK car market* - L. Glasscock & Associates

³⁹ *IMI Automotive Retail Sector Scenario Analysis of Potential Skill Requirements in 2020* – SAMI Consulting July 2010

to the number of service and repair workshops going down by an estimated 30% between 1998 and 2008.⁴⁰

Information and communications technology (ICT)⁴¹

Internet

Increasing numbers of car buyers are carrying out the majority of their research online. The opportunity for dealerships to capture customers at an early stage in their purchase decision process has consequently been reduced.

The internet is also a useful tool for customers finding local automobile services through networks such as goodgaragescheme.com. This together with online feedback should help customers assess the reliability and quality of smaller independent garages.

Implication for Skills

With changes to the makeup of the vehicle fleet in the UK comes a need for the workforce to keep their skills and knowledge up to date. The rate of change is such that skill requirements are effectively a 'moving feast'. Investment in the skills of the existing workforce, as well as new entrants into the sector, is vital. The constant change means that there is huge emphasis on technical, sales and management and leadership skill training. Because access to training will not always be practical or possible, especially in smaller and micro businesses, this will effectively drive the increase in the requirement for high level problem solving skills and is also a catalyst for the predicted need for a step change in the business models of the sector.⁴²

⁴⁰ *Car Service & Repair Trend Tracker 2008* - Trend Tracker Ltd and Castrol Professional 2008

⁴¹ *IMI Automotive Retail Sector Scenario Analysis of Potential Skill Requirements in 2020* – SAMI Consulting July 2010

⁴² *Car Futures* - Paul Neiuwenhuis And Peter Wells 2009

Section 3: Current skill needs

General

The high proportion of skilled trade staff and managers/business owners in the sector means that there is a high demand for technical and all levels of management/leadership skills. Customer handling (sales and customer service) skills are also in high demand due to the highly competitive nature of the market.

Recruitment and Retention

The automotive sector is characterised by a high level of apprenticeships as this is a very important entry route into the sector, due to the large number of roles that require specific technical skills. In 2009/10 automotive retail apprenticeships accounted for 4.6% and 4.8% of all apprenticeship starts in England and Scotland respectively⁴³. In employment terms; this is high given that the sector accounts for just 1.7% of all UK employment. The England national employer skills survey (NESS) 2009 also found high levels of apprenticeships, with the sector accounting for 7% of all apprenticeships and one of the highest proportion of apprentices at 19.9 per 1000 employees (compared to a 6.0/1000 England average).

Most apprentices are recruited straight from school and will gain experience while working. It is common for more senior roles to be filled by individuals who have 'risen through the ranks' to management positions, or opened their own business, often with little specialist training in management and leadership skills. There is relatively little recruitment from outside the sector for management roles because in general, sector experience is valued more highly over transferable skills and competencies. This has in part contributed to a low number of managers and leaders in the sector who are qualified to the level deemed appropriate for management roles with just 15% of all managers holding S/NVQ level 4 and above compared with 46% for the UK at large.

Certain activities within the sector, most notably sales and maintenance and repair activities, have suffered from a poor public image. This image does not represent the vast majority of the sector, which is professional, customer focused and technologically advanced, employing highly skilled staff. This poor perception is perpetuated by the press and the portrayal of the sector in popular media and has contributed to employers finding it hard to attract high calibre staff. Other challenges to attracting the right talent to the industry include the perception that pay levels are not attractive enough, lack of flexible working opportunities available, working conditions are poor and there are a lack of opportunities for graduates. Dissatisfaction from employers with new recruits' basic employability skills is common – the NESS 2009 found that on average employers in the automotive retail sector were more likely to consider those recruited straight from education to be poorly prepared. 31% of employers considered 17-18 year olds recruited from school to be poorly prepared compared with 21% for all sectors. 18% of employers considered those recruited straight from university or higher education to be underprepared for the world of work compared with the average of 12%.

The sector experiences particularly high levels of skills shortage vacancies relative to the wider economy which is largely due to the specific job-related technical skills required. The recession had reversed this shortage temporarily as lower levels of vacancies coupled with higher levels of redundancy made the talent pool for recruitment far richer than would usually be the case.

⁴³ England data is provisional to April 2010, downloaded September 2010 from <http://www.thedataservice.org.uk/statistics/> Scottish data is for April 2009 – March 2010, downloaded September 2010 from <http://www.skillsdevelopmentscotland.co.uk>, recent data for Northern Ireland and Wales is not available.

Implication for Skills

Because the sector comprises of so many micro businesses there is a skills implication. The larger the business, the more likely it is that they will offer formal training. The IMI Employer Skill Survey 2010 found that smaller businesses were significantly less likely to provide training to their employees. Of all sole-trader businesses surveyed, 56% had provided no training in the 12 months prior to the survey, compared with 32% of micro businesses. 100% of medium sized establishments had provided training in the preceding 12 months⁴⁴. Taking time out of the business to train and improve skills is more difficult when there are fewer staff to cover time away from work (as is the case in a micro business). It is also likely that these smaller businesses require staff to have a more diverse skill set. Whilst in a large-scale organisation, there will be a tendency to allow specialism in particular areas, in a micro sized business employees must be able to carry out a more diverse array of tasks.

The large proportion of managers and leaders (largely due to the high number of micro businesses in the sector) means that there is a demand for all types of management and leadership skills. Having highly skilled managers and leaders is vital to the productivity and success of the sector.

The high proportion of skilled trade staff in the sector has meant there is a heavy emphasis in the sector on technical training. This is especially important as the pace of change in technology in the sector is very high. Franchise arrangements with vehicle manufacturers (common in dealerships, fast fit operations and roadside assistance) enable those employed by these businesses to have ready and, on the whole, automatic access to training on the latest new and emerging technologies. Where businesses are independent, as almost half of vehicle dealerships and the vast majority of micro businesses are, access to this type of training on new knowledge is more difficult to obtain.

Because vehicle sales accounts for around three quarters of turnover, staff with excellent sales skills are essential for the profitability, and therefore success, of the sector. The ever changing landscape of new makes, models and technology creates a constant need for new sales training. Also, the increasing competitive environment of businesses within the sector means increased need for excellent customer service skills.

The automotive retail sector remains a male dominated environment with the latest annualised average figures from the LFS demonstrating a split of 85% men to 15% women. Much research has been done on the subject of equal opportunities in the workplace and the results suggest there are many advantages for businesses to have a more balanced male:female ratio

Skill levels in the sector

Overall, in terms of formal qualifications, the automotive retail sector has a somewhat lower qualified workforce compared with the UK as a whole. Just 30% of the automotive retail workforce holds S/NVQ Level 3 qualifications and above compared with 51% of the whole UK working population. This is somewhat offset by a higher level of employees holding trade apprenticeships, some of which will be considered equivalent to S/NVQ level 3, the remainder being S/NVQ level 2. The proportion of employees in the sector with no qualifications is also higher than the UK average at 12% compared with 8% for the overall UK working population.

The sector has low levels of highly qualified staff, those holding S/NVQ level 4 or above. In 2009 only 15% of managers or business owners held high-level qualifications compared to 46% of the UK working population. In contrast, high numbers of managers in the sector hold a trade apprenticeship (24% AR, compared with 18% UK), evidencing the tendency of the sector to 'promote from within' or for individuals to set up their own micro businesses without the necessary training/development support.

The following table looks at the major occupational groups within the sector and the current skill levels in terms of qualifications.

⁴⁴ Automotive Retail Sector Employer Skills Survey 2010

Table 1 Sector Skill Needs, Qualification Levels and Gaps by Major Occupational Group

Occupational Group	Job role examples	% of workforce in group	Skill category required	Occupational skill needs	% deemed not fully proficient ⁴⁵	Level of skill required	% of workforce qualified to the minimum skill level	Number not qualified to minimum level
Managers and Senior Officials	Dealer principal After-sales manager Fast Fit manager Fleet manager Owner manager Independent workshop owner	19%	Higher skills	Management skills (all types)	2%	Level 4	15%	81,825
Associate Professional and Technical	Master technician Engineering technician Auctioneers Workshop controller	5%	Intermediate skills Higher skills	Technical skills Customer service skills	4%	Level 3/4	43%	12,485
Administrative and Secretarial	Receptionist (dealership/rental etc) Service Administrator Warranty Administrator Personal Assistant	12%	Basic skills Employability skills	Customer service skills	5%	Level 2	64%	22,482
Skilled Trades Occupations	Service technician Diagnostic technician Fast Fit technician Auto electrician Roadside recovery technician	38%	Basic skills Intermediate skills Employability skills	Technical skills Customer service skills	4%	Level 2/3	72%	53,087
Sales and Customer Service Occupations	Sales advisor Customer service advisor Parts advisor	10%	Basic skills Intermediate skills	Customer service skills	6%	Level 2	65%	17,684
Process Plant and Machine Operatives	Tyre technician Windscreen Fitter	9%	Basic skills Employability skills	Some technical knowledge	4%	Level 1/2	72%	12,919
Elementary Occupations	Vehicle valeter/cleaner	7%	Basic skills Employability skills	Job-related knowledge	5%	Level 1	70%	10,843

Sources: NESS2007, Labour Force Survey, annualised average 2009

⁴⁵ National Employer Skills Survey 2007, LSC

Category of Skill Needs

The reasons for skill needs are varied but several issues have emerged; the insufficient volumes of applicants with the right skills for the vacancies on offer, inadequate training of many existing employees and the need for additional development of managers and leaders. There is widespread acceptance that the increasingly competitive and complex commercial environment, along with the recession, requires a step change in the skill set of employees at all levels. The most recent employer skill survey for England (NESS 2009) highlighted the need for skill acquisition in particular occupations in the sector. Significant proportions of employers stated that, over 12 months following the survey, employees in both skilled trade (44% of employers) and in management & leadership roles (36% of employers) would need to acquire new skills or training. Interestingly, though the IMI employer skill survey found employers to be generally satisfied with their employees skill levels, depth interviews largely backed up those findings of the NESS 2009, particularly with regard to technical skills.

The IMI Employer Skill Survey 2010 identified three types of employers within the sector – the ‘training adverse’ employer, the ‘evolving employer’ and the ‘strategic employer’. The former tend to be skill adverse for appropriate reasons – such as their smaller size or the fact that technical skills for their business were unchanged over time.

Management and Leadership Skills

There are low levels of correctly skilled business owners and managers within the sector, highlighting the need for a continued drive to improve management and leadership skills. Employers have argued that management and leadership is key to achieving success in this sector, and that this category is in many ways the most important set of skills to improve. This is especially true as the sector emerges from recession and businesses need to reposition themselves in an ever more competitive environment.

With a much lower than average proportion of managers in the sector formally qualified to the S/NVQ 4+ (or equivalent) there is clearly room to raise the number of managers with higher skills levels. Nevertheless, it is important to remember that the generally higher rate of managers within the sector is bolstered by high proportions of micro businesses where the skill set for managers will be different.

Challenges to making significant improvements in this area include:

- High numbers of micro businesses in the sector with little time to invest in their own training.
- Though managers largely agree that improvement in management and leadership skills is needed, a low number recognise/admit they have a skill gap themselves.

All levels of management training from first line management upwards have a demand for improved skills. Leadership, strategic planning and ‘running a business’ in particular are areas in need of development in order for the sector to be successful post recession. Of all components of management and leaderships skills the IMI Employer Skill Survey 2010 highlighted relatively lower levels of satisfaction with regard to ‘strategic planning’ and ‘providing learning opportunities for employees’. High proportions of employers planned to grow their business and improving these skills will be a key component of this.

Technical Skills

The dramatic pace of technical change in the products sold, serviced, and repaired by the sector demands a corresponding increase in the technical capabilities of those carrying out the work. There is a considerable and constant need for new training and up-skilling as a result of these manufacturer-driven changes, which are set to continue. The 2009 NESS found that 55% of all employers in the automotive retail sector saw the introduction of new technology or equipment as the prime reason for up-skilling⁴⁶.

⁴⁶ National employer skills survey 2009, LSC

According to the NESS 2009 skilled trade occupations accounted for 37% of all skill gaps reported in automotive retail employees.⁴⁷ Meanwhile the IMI Employer Skill Survey 2010 identified lower levels of satisfaction with employee's skills with 'alternative engine types'. This will be an area of particular concern going forward with the release of new engine types into the market place.

Though apprenticeships form a crucial part of technical skill acquisition, some employers noted concerns that technology moved on so quickly that skills learned as part of formal training were obsolete on completion. Tighter government controls on funding may have a negative implication in terms of apprenticeships and any reduction as a result of spending reviews will likely lead to declines in the availability of new vehicle technicians.

Basic and Employability Skills

Employer satisfaction with basic skills is one of the lowest rated among employers according to the 2010 IMI Employer Skill Survey. Findings showed ongoing concerns, particularly surrounding the level of skills demonstrated by new entrants to the sector. Employers and training providers alike queried the effectiveness of the education system in garnering school leavers with the appropriate skill set to enter work. A lack of effective career guidance was also noted.

The NESS 2009 also found that dissatisfaction from employers with new recruits' basic employability skills is common. On average employers in the automotive retail sector were more likely to consider those recruited straight from education to be poorly prepared. 31% of employers considered 17-18 year olds recruited from school to be poorly prepared compared with 21% for all sectors, while 18% of employers considered those recruited straight from university or higher education to be underprepared compared with the average of 12%.

Generic Skills

The competitive nature of the 21st century market means that these skills are increasingly essential to business. Sector employers have identified a number of generic skills as being key, including customer handling (sales and customer service), problem-solving, communications, and team working.

The latest IMI Employers Skill Survey 2010 found satisfaction with customer service skills to be the highest of all investigated. Exploratory research with training providers however highlighted the fact that this is still a key issue in the sector, particularly with regard for the need to professionalise key elements of customer service provision such as complaint handling.

⁴⁷ National employer skills survey 2009, LSC

Section 4: Anticipating what lies ahead

Transformation of the market

Over time the skill needs of the retail sector are likely to change greatly through a combination of technological developments, legislative changes, economic effects and consumer demands. It is likely that in five to ten years time the motor industry will be in a very different place to what it is at this point in time.

The profitability of the sector is generally relatively low. On average in 2009 vehicle dealerships made a 1.3% profit (net profit as % of turnover), this follows a 0.2% loss on average in 2008 and only a 0.6% profit in both the previous 2 years.⁴⁸ Making money in the sector has always been a challenge and the recession exacerbated this issue. The business models of the future will need to dramatically change in order to make/increase profit and therefore sustain the market. The recession accelerated the need for business transformation and it is predicted that radically new business models will emerge within the next 10 to 20 years.⁴⁹ Strong visionary and strategic leaders and managers will be crucial to make this happen.

Transformation of the current personal transportation fleet

The high pace of changing and new technology in the automotive retail sector is a fact of life and a constant challenge for those working in the sector. However, we are on the cusp of a real step change in technology in terms of the type of fuel vehicles are powered by. Hybrids have been around for a while and electric vehicles are being sold as we speak, however numbers are currently low, as is the impact on the sector currently.

Challenging European emissions targets have led to the impending transformation of the current fleet of vehicles on the roads globally. This has accelerated the requirement for low carbon technology to provide viable alternatives to the current fossil fuel-reliant fleet. In the medium to long-term different types of alternative fuelled vehicles will be released and will be present in the fleet at the same time. This is arguably technological change on a scale not experienced previously.

This mixed fleet will result in new aftersales requirements, which will bring with it large scale skills needs for new entrants and existing staff in the sector. Any one business or individual is unlikely to have the breadth of skills and knowledge to sell/service/repair all types of alternatively fuelled vehicles.

Diversification of the market is likely, with businesses specialising in one or two types of vehicle. Where the impact of these emerging technologies will be most acutely felt will be in micro and smaller businesses who will have less resource to enable specialisation of staff, and limited time and access to training. This may ultimately limit their product offering and therefore lead to less choice for consumers.

Businesses throughout the sector will be impacted; sales, parts, maintenance and repair and arguably the rental and leasing subsectors on a massive scale. The current business models operating in these markets will need to respond to the changing landscape. Specialisation of the workforce and in all likelihood whole businesses is the most probable outcome.

What is not clear at this time, is what the service and associated labour requirements will be for these alternative fuelled vehicles, and therefore what impact this might have on the size of the workforce. What is clear from the current technology roadmap, is that those working in the sector now who will be of working age in 2015/2020 (some 70-80% of staff), will have to be correctly skilled in order to supply and maintain these vehicles.

⁴⁸ Driving Force, Issue 21

⁴⁹ Car Futures, 2009 Paul Nieuwenhuis and Peter Wellisk

Employment forecasts for the sector⁵⁰

Despite the current recession, the number of jobs in the automotive retail sector is predicted to increase by 11,000 or 2% over the next decade. Moreover retirement, migration and occupational mobility will see significant additional replacement demand over the same period. Overall this will mean some 224,000 jobs will need to be filled over the next decade.⁵¹

Table 2 UK Automotive Retail Sector Employment Requirements by Major Occupation Group

Major Occupation Group	2007 - 2017		
	Net Change	Employment, 000s Replacement Demand	Total Requirement
Managers and Senior Officials	3	45	48
Professional Occupations	0	9	8
Associate Professional & Technical Occ.	2	17	19
Administrative, Clerical & Secretarial Occ.	-3	14	11
Skilled Trade Occupations	-11	27	15
Personal Service Occupations	6	10	15
Sales and Customer Service Occupations	14	52	66
Transport and Machine Operatives	-2	19	17
Elementary Occupations	3	21	24
Total	11	213	224

Source: Working Futures 2007-17, SSCUK

The largest demand is forecast to be for sales and customer service staff, and the next largest for managers and senior officials. The predicted requirement of 15,000 staff to fill skilled trade occupations (eg vehicle technicians) masks the forecast reduction of 11,000 in total roles available. The demand to replace 27,000 skilled trade staff offsets this decline however.

Throughout the UK nations the requirements are similar, with the notable exception of sales and customer service roles in Wales. Rather than the number of roles increasing, a contraction is predicted. This reduction is only just outweighed by replacement demand, resulting in a comparatively small requirement for this job category in Wales.

Scenario Planning

Over time, skills needs are likely to change greatly through a combination of technological developments, legislative changes, economic effects and consumer demands. It is likely that in five to ten years time the motor industry will be a very different place to what it is at this point in time.

Scenarios for the automotive retail sector were commissioned in 2010 in order to investigate the future and provide a context within which to explore the implications of possible future events. The scenarios developed are as follows:

Scenario One – World Markets

World Markets in 2020 is a world driven by aspirations of personal independence, wealth and mobility. There is high-level international policy co-ordination, free trade and a philosophy of “limited government”.

⁵⁰ Working Futures 2007-17, Warwick Institute for Employment Research

⁵¹ Working Futures 2007-17, Warwick Institute for Employment Research

- GDP growth is strong: taxation and public expenditure are relatively low.
- Regulation is light touch, with an emphasis on self certification.
- Strong global competition drives a high rate of innovation and spread of best practice.
- Real energy prices increase steadily rather than rapidly, with some modest increase in fuel taxes and carbon pricing in response to “the green agenda”.
- Road transport demand grows and congestion increases leading to some increase in tolling and telematics-based road charging. There is greater emphasis on fuel efficiency.
- Competition between motor manufacturers drives a rapid rate of innovation and higher vehicle specification.
- However, the penetration of the new vehicle market by hybrids and electric vehicles is steady rather than rapid due in part to lack of strong government support.

Scenario Two - National Enterprise

National Enterprise in 2020 is a market-driven, but more fragmented and regionally unstable, world. People aspire to personal independence and material wealth, but with a greater degree of national autonomy, self-reliance and security, and with greater state protection of key industries.

- The rate of UK GDP growth is medium to low, as is the level of tax and public expenditure. Government sets the strategic framework and many public services are outsourced.
- Regulation is mainly limited to setting minimum standards on key areas such as health, safety and consumer protection, with the emphasis on self certification.
- Oil prices are substantially higher and volatile with periodic supply disruptions. There are higher fuel and vehicle taxes and carbon pricing.
- Government financial constraints and subdued growth result in low levels of public or private investment in major new transport infrastructure.
- Sales of new vehicle are subdued. There is excess capacity in vehicle manufacturing. Financial pressures on manufacturers slow the pace of innovation and the introduction of new models. The increase in level of vehicle specification slows.
- Take-up of hybrid and electric vehicles is low.

Scenario Three - Global Sustainability

In the 2020 world of **Global Sustainability**, people aspire to greater equality and high levels of welfare within communities with shared values. There is much greater emphasis on sustainability.

- UK GDP growth is medium to high.
- Global competition is fostered, within an internationally co-ordinated and regulated environment.
- Levels of taxation and other charges are much higher, with the aim of supporting higher levels of public service provision and achieving a sustainable economic environment with a marked reduction in carbon emissions.
- There is heavy investment in renewable energy and resource efficiency, and in new eco-efficient, low carbon and high-tech business opportunities.
- Innovation is rapid, both generally and within the motor industry, with a strong “green focus” and with emphasis on whole-life thinking, design and recycling.
- Advances and applications of ICT are widely pervasive.
- There is heavy public and private investment in new energy efficient and ‘smart’ infrastructure.
- Growth in demand for road and other transport is constrained by substantial increases in taxes and charges, including widespread tolls and congestion charging.
- Consumers are encouraged to use public transport.
- There is rapid take-up of hybrid and electric cars, supported by investment in the required infrastructure.

Scenario Four - Local Stewardship

Under **Local Stewardship** in 2020, people aspire to sustainable levels of welfare in federal and networked communities. There is greater local democracy and decision-making. Public policy promotes small-scale regionally based economic activity and self-sufficiency, rather than large-scale business and technologies.

- Although taxation is high, public finances are tight, limiting provision of public services to relatively basic levels.
- GDP growth and investment are both low, as is the rate of innovation.
- Markets are subject to substantial regulation with emphasis on equality and a sustainable local environment.
- Global energy supply constraints and security concerns result in high energy prices and a drive for alternative energy technologies and local sources of energy supply.
- There are high fuel taxes and other charges on the motorist. The public are encouraged to use public transport, although the latter is constrained by low levels of investment. Travel demand falls.
- People generally economise and make do, placing greater emphasis on repair and recycling, including of vehicles. The vehicle parc ages.
- Purchasers of new vehicles focus very heavily of fuel efficiency, lifetime sustainability of vehicle, and more basic equipment specifications. Hybrid and electric vehicles make limited market inroads.

Cross Scenario Analysis

There are both similarities and differences across the scenarios, both in terms of substance and in degree of impact. In particular:

- All four scenarios assume that by 2020, real UK GDP will be at a higher level than that prevailing in 2007 before the recent recession struck. However, the cumulative increase varies and by 2020, there is a significant difference between the scenarios in terms of underlying annual growth rates which then range between 1% and 2.5%.
- During the 2010 decade, the path of GDP growth has been more volatile under *National Enterprise* and *Local Stewardship* than under *World Markets* and *Global Sustainability*. Unemployment is highest under *National Enterprise*, with DIY and black market activity being particularly pronounced.
- Under all scenarios, crude oil prices increase, most markedly under *National Enterprise* and *Local Stewardship* which also suffer from much greater price volatility. The real cost of fuel at the pump after taxation has also been driven significantly higher under *the National Enterprise*, *Global Sustainability* and *Local Stewardship* scenarios.
- Regulation is much stronger under the *Global Sustainability* and *Local Stewardship*.
- Vehicle technology continues to advance under all scenarios, but change is most rapid under the higher economic growth and innovation scenarios of *World Markets* and *Global Sustainability*.
- In all scenarios the trend towards smaller internal combustion engines continues due to issues of cost and environmental awareness. People are much more aware of lifetime vehicle costs under *Global Sustainability* and *Local Stewardship*.
- The use of the internet in car purchase increases in all scenarios, but is particularly marked under *World Markets* and *Global Sustainability* where dealers are participating in development of the internet as a sales channel of growing importance.

- Under *National Enterprise* and *Local Stewardship*, the internet is central to increased private sales of second hand cars, as people seek the less expensive option of buying older vehicles through private rather than trade channels.
- Health and safety regulation continues in all scenarios but is much more marked under *Global Sustainability* and *Local Stewardship*. The impetus for most new regulation under *World Markets* comes from the EU.

Implications for Skills

Generic Skills

- Generic skills are increasingly essential for any successful business in the twenty-first century. Customer handling (sales and customer service), improved literacy and numeracy, problem-solving, communications, and team working have all been identified as key generic skills. Current deficiencies in these areas are likely to be accentuated under at least two of the scenarios, *World Markets* and *Global Sustainability*, as technology moves forward, as competition in the labour market intensifies and as demands for improved customer service increase.

Management skills

- *World Markets* and *Global Sustainability* envisage rapid changes in technology and probably market structure as new market entrants emerge providing specialist services, selling cars supermarket style, or using high-powered marketing to sell mobility without vehicle ownership. Responding to such changes effectively will require a higher quality of management, particularly with respect to leadership and strategic planning. Increased competitive pressures under all four scenarios seem likely to place a growing premium on competent business management. Indeed, organisations able to respond effectively to change and improve their productivity are those most likely to survive and prosper over the coming decade and beyond.
- It is generally accepted that high quality management skills are in short supply in the automotive retail sector. This is probably largely due to lack of relevant training, especially in smaller businesses where managers have often moved from technical roles to management with no formal training. The benefits now to be derived from enhanced management skills consequently need to be “sold” to businesses in the industry.

Sales skills

- The ever changing landscape of new vehicle makes, models and technology creates a constant need for sales training. Increased market penetration of electric vehicles and hybrids will require sales personnel to understand and sell the advantages of the different systems and types of vehicle and their suitability for different customer lifestyles and vehicle usage patterns. Under scenarios such as *Global Sustainability* and *Local Stewardship*, customers are likely to place greater emphasis on the lifetime cost of vehicles.
- The internet will offer new opportunities and challenges. Selling vehicles to the ICT savvy Generation Y will require different skills, attitudes and products to those needed to sell to the growing “grey” market. Indeed differentiation of sub-sector markets may become increasingly important in all scenarios.
- Finally, in a highly regulated society such as that prevailing under *Global Sustainability*, there is greater probability of regulation requiring certification of employees involved with financial services, including insurance. This could be particularly significant for the training commitments of rental companies, leasing companies and car clubs.

Technical skills

- Technical skills will be in constant demand under all four scenarios and are perhaps the most widely recognised current industry skills gap, largely due to the pace at which new technology is being launched. IT hardware and software is being put into vehicles in the form of complex electrical systems. High-level problem solving and technical diagnostic skills are becoming increasingly important, and indeed essential, in servicing the latest generation of models, and keeping abreast of technological advances will become even more important as electric vehicles and hybrids penetrate further into the market.
- With ongoing changes in technology, vehicle types, vehicle models and model updates, there has been an increasingly extensive array of vehicle components, requiring greater levels of care in ensuring the correct replacement part. Such changes seem likely to continue.
- These changes are likely to result in a requirement for higher levels of literacy, numeracy and IT skills. Recruiting and retaining employees of the requisite calibre is likely to raise issues over the industry's image, employment terms and conditions, particularly under the *World Markets* and *Global Sustainability* scenarios where competition for skilled employees is likely to intensify across the economy as a whole.
- Technicians themselves may need to develop their customer-facing skills as well as their administrative skills, the latter to ensure that access codes and passwords used in electronic systems are safely and properly stored. Proper storage and retrieval of the wide range of software could also be an issue.
- In some industries where technology has advanced rapidly, an hourglass effect has been observed with a growing demand for certain high-level skills, such as master technicians; a decline in demand for middle range skills such as technicians; and an increase in the demand for more routine skills, such as fast-fit operatives.
- Such an effect could occur in the vehicle repair industry, especially under the *World Markets* and *Global Sustainability* scenarios, given greater use of electronic diagnosis, plug-in electronics, replacement rather than repair of defective components, and reduced service intervals. While certain work will become more routine, some problems may be more difficult to identify, diagnose and repair, requiring proportionately greater demand for the skills held by master technicians. Demand for master technicians may consequently increase at a time when fewer employees have the capabilities necessary to move from technician to master technician.

Administrative Skills

- One key impact on administrative skill requirements will be enhanced ICT and the use of the internet for more communication.
- In the higher growth scenarios, customer service skills will be particularly important since the most successful organisations are likely to be those that have the right customer attitude and can provide good service across their business.
- There also appears to be greater opportunity to use ICT and the internet in parts identification, sourcing and supply.
- The internet and all forms of mobile communication are likely to be deployed increasingly to allow the easiest access to rental vehicles and car club schemes. The overall administration of such rental schemes (renting, maintenance, vehicle locating and retrieval) is likely to be highly automated for speed and security, but the human backup will need to match the level of ICT with expertise and customer care.

Other skills

- The recycling of increasingly complex materials and components, some of which may contain more hazardous materials and fluids, will require continual retraining to ensure accurate and

complete recycling and the safety of the environment and the operators involved. Tighter controls can be expected, particularly under the *Global Sustainability* and *Local Stewardship* scenarios.

- Recycling can be expected to grow to some degree under all scenarios, and workshop technicians in general will need to keep up to date with requirements regarding recycling of materials, replaced components and packaging.
- In both *World Markets* and *Global Sustainability*, there is an increase in leasing and rental of vehicles and in car clubs, whereas the traditional model of car ownership by the individual prevails to a greater degree under *National Enterprise* and *World Markets*.
- Demand for private mobility is higher under *World Markets* and *National Enterprise* where much less emphasis is placed by government and society on environmental considerations and investment in public transport. In contrast, demand for private mobility is significantly constrained by government policy and greater public awareness of environmental issues under *Global Sustainability* and *Local Stewardship*.
- Unlike other scenarios, there is substantial investment in transport infrastructure, both public and private, under *Global Sustainability*, with an emphasis on developing smart, sustainable transport networks.
- *World Markets*, *Global Sustainability* and *National Enterprise* all point to greater penetration of the new car market by new sales channels, particularly on-line and, for budget vehicles, supermarkets. The exception is *Local Stewardship* where markets remain local.
- Other key changes in sales networks and methods include, under *World Markets*, increased dealer focus on enhanced customer service as a competitive means of differentiation; under *National Enterprise*, a marked difference in levels of customer service and support offered on luxury as against budget models; and under *Global Sustainability*, the sale of electric vehicles by manufacturers direct to the customer.

Section 5: Geographical differences in labour and skill needs

Sector distribution across the UK

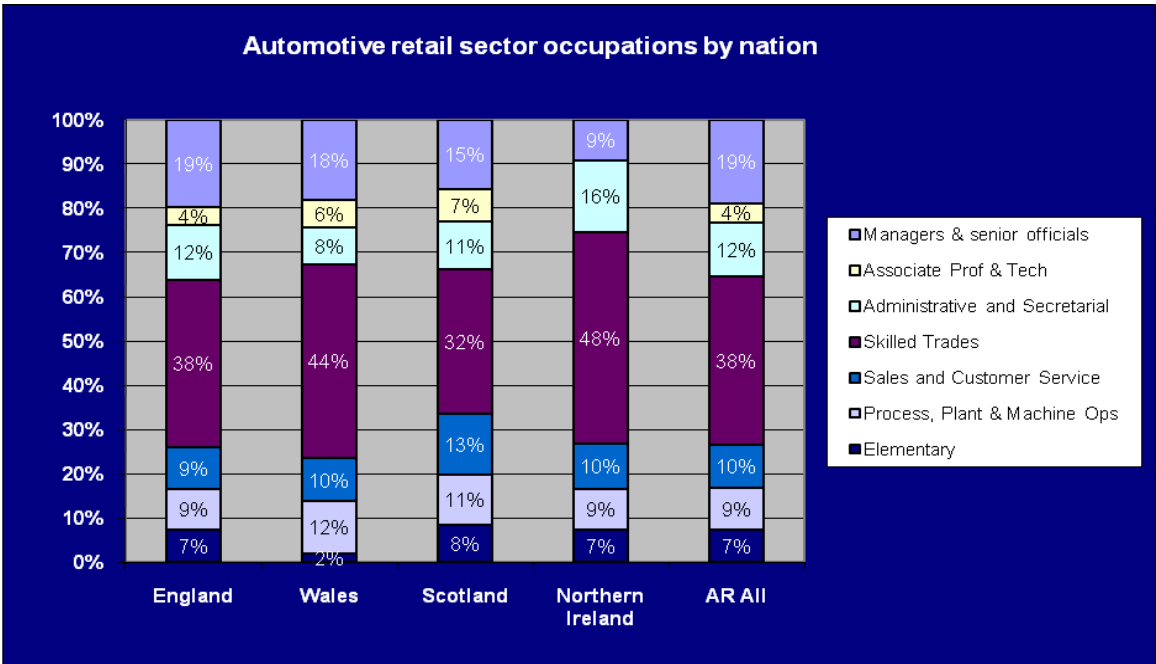
The businesses and workforce of the automotive retail sector are widespread with significant workforces employed right across the UK. Broadly speaking the distribution of the sector mirrors that of the UK economy. The London region is an exception to this as the number of businesses and workforce are lower, a reflection of the higher cost of land and premises and the need for convenient access for the consumer.

Table 3 Distribution of Automotive Retail business units compared to all UK businesses

	Businesses			Employees		
	Automotive Retail	UK Average	Difference	Automotive Retail	UK Average	Difference
England	85.2%	84.8%	0.3%	83.0%	84.2%	-1.2%
North East	3.3%	3.0%	0.3%	4.0%	3.9%	0.0%
North West	11.1%	9.9%	1.2%	11.0%	10.8%	0.3%
Yorkshire & The Humber	8.6%	7.3%	1.3%	10.4%	8.3%	2.1%
East Midlands	8.3%	6.8%	1.5%	9.6%	7.4%	2.1%
West Midlands	9.6%	8.2%	1.4%	8.5%	8.3%	0.1%
East	10.9%	9.8%	1.1%	10.1%	9.7%	0.4%
London	8.0%	15.2%	-7.3%	7.2%	12.8%	-5.6%
South East	15.2%	15.3%	-0.2%	12.2%	14.4%	-2.1%
South West	10.3%	9.3%	1.0%	10.0%	8.7%	1.4%
Wales	4.9%	4.4%	0.5%	4.5%	4.5%	-0.1%
Scotland	6.6%	7.5%	-1.0%	9.8%	8.6%	1.2%
Northern Ireland	3.4%	3.3%	0.1%	2.7%	2.6%	0.1%
Total	100%	100%		100%	100%	

Source: Businesses – IDBR 2010, Employees, LFS annualised average 2009

Figure 2 Automotive retail sector main occupations by nation



Source: LFS annualised average 2009

The distribution of workers by main occupation differs a little between nations, though skilled trade occupations contribute the largest share of the workforce in all countries of the UK. This would be expected given that it makes up the majority share of the sector overall, the distribution of occupations within England is virtually identical to that of the UK.

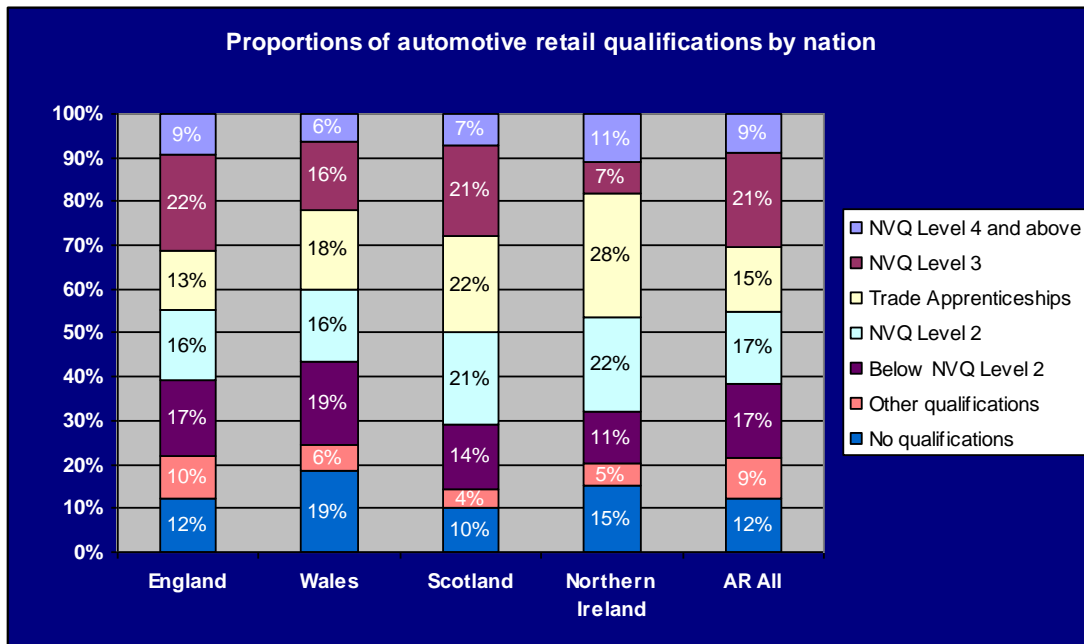
The greatest differences are witnessed in Northern Ireland where there are noticeably higher levels of people employed within skilled trades (48%) and lower levels within management and senior officials roles, just 9% compared with the sector average of 19%. There are also slightly higher than average levels of administrators in Northern Ireland at 16%, compared with 12%.

Scotland exhibits slightly lower levels of skilled trades workers at 32%, but slightly higher proportions of sales and customer service roles (13% compared with 10% for the UK). Wales largely mirrors the UK as a whole, though exhibits slightly higher than average skilled trades occupations at 44%.

Skills needs

Each home nation within the UK has its own distinctive policy context and large parts of the skills agenda have been devolved to regional level within the nations – among the nine English regions in particular. The skills, training and development issues facing employers and providers across the UK are very similar with only marginal differences in scale or importance.

Figure 3 Proportions of highest qualification held by automotive retail employees 2009 by Country



Source: LFS 2009, Annual Average computed from individual quarters, Crown Copyright Reserved

At the country level there is some variation in the proportions of skills held. As would be expected, given that it accounts for the majority share of the automotive retail workforce, there is virtually no distinction in the distribution of employees by highest qualification between England and UK levels. Despite having the lowest proportion of managers (9% compared with 19% for the whole sector), Northern Ireland exhibits slightly higher than average levels of employees holding higher level qualifications at 11% compared to 9% for the sector. Scotland and Wales demonstrate somewhat lower levels at 7% and 6% respectively. The highest proportions of employees with no qualifications are found in Wales where 19% hold no formal qualifications, considerably higher than the average 12% for the sector. Northern Ireland employees are also more likely to have no formal qualifications (15%), while Scottish automotive retail employees are the least likely to have no qualifications (10%). There is no obvious explanation for the disparity in qualifications. Northern Ireland exhibits the highest

proportion of staff with trade apprenticeships at 28%, some 6% higher than the next highest nation (Scotland at 22%).

Table 4 Percentage of Vacancies by Nation

	N.I	Wales	Scotland	England
Vacancies as a % of employment	2008	2005	2008	2009
Automotive Retail Sector	1.0%	3.5%	3.0%	1.7%
Whole Economy	2.0%	3.5%	3.0%	1.3%
HtFVs as % of employment	2008	2005	2008	2009
Automotive Retail Sector	0.8%	1.8%	2.0%	0.4%
Whole Economy	2.4%	1.2%	2.0%	0.4%
SSVs as % of all vacancies	2008	2005	2008	2009
Automotive Retail Sector	48%	27%	n/a	26%
Whole Economy	18%	14%	24%	16%
Skills Shortages as % of HtFVs	2008	2005	2008	2009
Automotive Retail Sector	100%	54%	49%	84%
Whole Economy	61%	41%	47%	73%

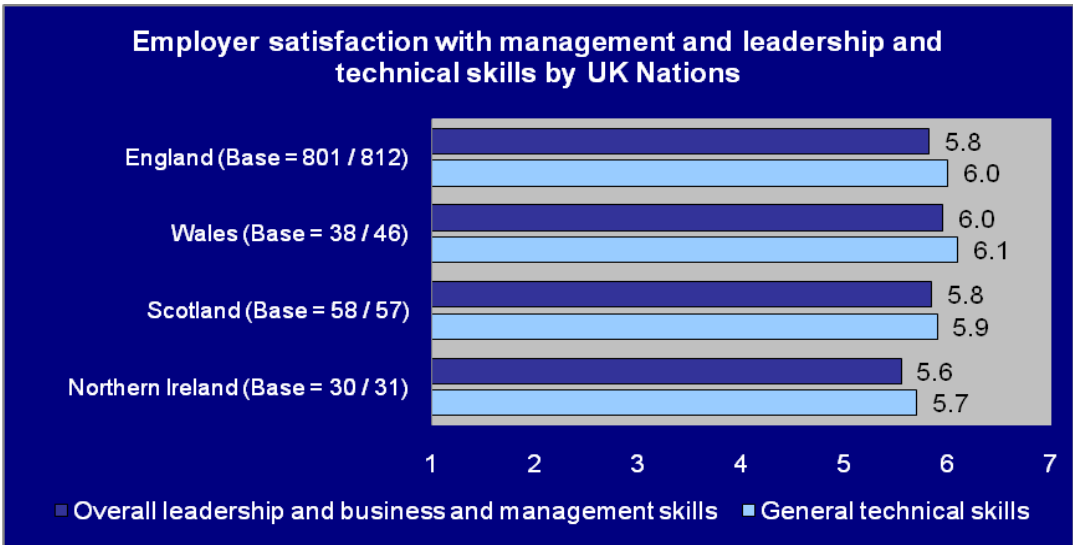
Source: National employer skills surveys, latest available

The 2009 England employers skill survey (NESS) found the automotive retail sector exhibiting a higher rate of vacancies when compared with England as a whole. Vacancy rates were nevertheless considerably lower than in the previous survey (2007) which was carried out before the recession. In 2009 skill shortage vacancies comprised a very high share of all hard to fill vacancies at 84%, remaining higher than the average for England as whole. This is not surprising given the relatively higher requirements for skilled trade employees within the sector.

The latest Northern Ireland employer skill survey was carried out in 2008, during the recession and demonstrates low levels of vacancies in the sector compared with Northern Ireland as a whole. All hard to fill vacancies were deemed skill shortage vacancies compared with the average for the country of 61%. As mentioned earlier this is a result of the relatively higher requirements for skilled trade occupations.

At the time of writing a new employer skills survey for Scotland is due for release, but existing figures demonstrate little difference between the automotive retail sector and the wider Scottish economy.

Figure 4 Employer satisfaction with skill levels by UK Nations



Source: IMI Employer Skills Survey 2010

At the national level, employers were generally satisfied with their employee’s skill levels. Employers

in Wales were the most satisfied with both management and leadership and technical skills, while Northern Irish employers were the least satisfied. Within technical skills, employer satisfaction levels with skills focusing on 'vehicle control and diagnostic systems' and 'alternative and hybrid drives' were lower across all nations, with the drop in employer satisfaction levels significantly higher for the latter.

Future Skill Requirements

Employment forecasts for the sector⁵²

Despite the current recession, the number of jobs in the automotive retail sector is predicted to increase by 11,000 or 2% over the next decade.

The largest demand is forecast to be for sales and customer service staff, and the next largest for managers and senior officials. The predicted requirement of 15,000 staff to fill skilled trade occupations (eg vehicle technicians) masks the forecast reduction of 11,000 in total roles available.

Throughout the UK nations the requirements are similar, with the notable exception of sales and customer service roles in Wales. Rather than the number of roles increasing, a contraction is predicted. This reduction is only just outweighed by replacement demand, resulting in a comparatively small requirement for this job category in Wales.

Regional Considerations

Key points to note include the following.

- Under *World Markets* and *National Enterprise*, economic growth is likely to be skewed towards London and the South East which are likely to attract a significant proportion of new business investment and jobs. The more northerly and western areas of the country are likely to experience slower employment growth and more persistent levels of high unemployment, particularly in those areas that were excessively dependent upon high levels of public sector employment prior to the 2008/2009 recession.
- Under *Global Sustainability*, supported by active government policy measures and investment, economic growth and new business investment is likely to be more evenly distributed than under *World Markets* and *National Enterprise*, although there is still expected to be a bias towards the South East.
- Under Local Stewardship, the relative importance of London and the South East can be expected to show at least some decline, although it will still remain an important centre of economic activity. In contrast, regional towns and centres of specialist economic expertise are likely to grow in importance with the growing emphasis on sustainability, and the greater preponderance of small and medium-sized enterprises in providing a greater degree of regional and local self-sufficiency.
- To varying degrees, a combination of rising fuel and other motoring costs coupled with government policy towards, and available funds for investment in, transport infrastructure and public transport services are likely to work to the disadvantage of rural areas, particularly those in the more peripheral parts of the country.

⁵² Working Futures 2007-17, Warwick Institute for Employment Research

Generally

- The greatest impact of new technologies and other factors driving change on the automotive retail industry's skill requirements over the coming decade will be in the southern and eastern regions of the UK and in the other major conurbations and cities of England, Wales, Northern Ireland and Scotland.
- The least impact on future skill requirements is likely to be in the rural and other thinly populated areas of the nation.

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