THE INSTITUTE OF THE MOTOR INDUSTRY

Skills Priorities for the Automotive Retail Sector Summary Report for the United Kingdom

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Prepared by:

IMI Research Department
Fanshaws
Brickendon
Hertfordshire
SG13 8PQ
Tel: 01992 511 521
E mail: research@motor.org.uk
www.motor.org.uk/research

Introduction

The Institute of the Motor Industry (IMI) is the Sector Skills Council for the automotive retail industry. This sector is vital to the smooth running of the UK economy as it is concerned with the sale, rental/leasing, and maintenance and repair of the 35.2[1] million vehicles on the roads in the UK and their associated parts. 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 and wholesale and retail parts suppliers.

This paper describes the current and future skills 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 generates £154 billion turnover annually and in gross value added terms generates £29 billion, nearly three quarters of which is from vehicle sales businesses.
- The sector comprises 2% of the UK workforce, some 570,990 staff working across nearly 81,000 business units. The majority of these business units are micro businesses (85%), however the majority of staff (nearly two thirds) work in SMEs.
- 'Skilled trade' staff represent the largest proportion of the workforce, the next largest group is 'managers and senior officials'.
- The vast majority of the workforce are male. 44% of all women in the sector work in administration or secretarial roles.
- The sector suffers from a poor public image which and has contributed to employers finding it hard to attract high calibre staff.
- Historically employers have often found recruiting vehicle technicians (mechanics) challenging, however the recession has temporarily alleviated this recruitment challenge.

What is driving change?

- The recession is currently the largest driver of change. Sales have declined dramatically prompting the introduction of the Scrappage Scheme.
- The fast pace of new vehicle technology being released into the market creates a constant demand for technical skills.
- Lack of consumer confidence and lack of available credit is negatively affecting sales and non-essential maintenance work.
- Legislation and regulation driving change includes:
    - The vehicle scrappage scheme which has eased the decline in vehicle sales somewhat.

[1] Source DFT vehicle registration and licensing statistics, August 2009 downloaded from http://www.dft.gov.uk/pgr/statistics/datatablespublications/vehicles/

  - European CO_2 emission targets and high fuel prices have led to the increase in proportion of diesel cars sold, the growth of alternatively-fuelled vehicles and the movement of the market towards smaller cars.
  - Block exemption regulation has opened up the market and increased competition.

- The threat of the National Consumer Council's super complaint has put more focus on improving the image of the sector and driving up skills levels.

- Industry standards such as PAS 125 are also contributing to improving skill levels in the sector.

Current skills priorities

- The quality of managers and leaders in the sector in general needs improvement. Having good strategic and visionary managers is key to enabling the sector to successfully emerge from the economic crisis.

- Although it is widely accepted by employers that improving management and leadership skills is essential for the sector, it is not common for managers to be able to identify the need in themselves.

- Technical skills are in constant demand and are the most recognised skills gap. This is largely due to the phenomenal pace of new technology being launched. Smaller businesses with no vehicle manufacturer franchises agreements are at particular disadvantage.

- Customer service, sales and problem solving are also skill priorities for the sector.

Anticipating what lies ahead

- The number of jobs in the sector is predicted to increase by 2% up to 2017. This plus the requirement for staff to replace those who leave/retire, will mean some 224,000 jobs will need to be filled over this period.

- The profitability of vehicle dealerships is generally low and a change of current business models is predicted. The need for change has been accelerated by the current recession. Strong, visionary, strategic and innovative leadership and management is essential to effect this change successfully.

- The transformation of the current, predominantly internal combustion engine fleet to lower emission alternatives, will place an increased demand for technical skills and high level problem solving skills in the future.

Geographical differences

- The businesses and workforce of the sector are widespread with significant workforces employed right across the UK. The skills, training and development issues facing employers and providers across the UK are very similar with only marginal difference in scale or importance.

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[2] million vehicles registered in the UK.

The automotive retail sector is also a substantial generator of wealth for the UK, turning over £154 billion annually and in gross value added terms, generating £29 billion. It contributes approximately 5.6% of total UK turnover and has done so with little variation over the last decade. The majority share of turnover occurs within ‘sale of motor vehicles’, which accounts for nearly three quarters of sector turnover.[3]

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.

The majority of all business enterprises falling under the automotive retail footprint are covered by SIC 50.10, the sale of motor vehicles and SIC 50.20, the maintenance and repair of motor vehicles which together account for around 80% of all enterprises within the sector.

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[2] Source DFT vehicle registration and licensing statistics, August 2009 downloaded from http://www.dft.gov.uk/pgr/statistics/datatablespublications/vehicles/
[3] Annual Business Inquiry 2007, Data for Northern Ireland incorporated in the UK local business unit total has been taken from the Inter Departmental Business Register.

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.[4]

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), affords 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 570,990[5] staff working across nearly 81,000[6] business units. The majority of these business units are micro businesses (85%[7]).
Although micro business units account for around 85% of all business units they account for just 37% of all employees. Small/medium size firms account for nearly two thirds of employees, despite making up only 14% of all business units.[8]

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 Characteristics[9]

In 2008, the UK automotive retail sector contributed 2% of the overall UK employment. 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 employment.

As would be expected the automotive retail sector demonstrates a high proportion of workers within skilled trades occupations. 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.

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[4] Sewells Automotive Industry Insight Report 2009
[5] Labour Force Survey, 2008 annualised average
[6] ABI 2007, Data for Northern Ireland incorporated in the UK local business unit total has been taken from the Inter Departmental Business Register.
[7] Inter Departmental Business Register 2008
[8] ABI 2007, Data for Northern Ireland incorporated in the UK local business unit total has been taken from the Inter Departmental Business Register.
[9] Labour Force Survey, 2008 annualised average

The gender profile shows males accounting for 82% of the total workforce, reflective of the traditionally male-dominated nature of the sector. 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 70% of workers. This category represents 44% 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 0.5% of skilled trade occupations are filled by women.

Recruitment and Retention

Apprenticeships are a very important entry route into the sector due to the high proportion of roles that require specific technical skills. Most apprentices are recruited straight from school.
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 this area. There is relatively little recruitment from outside the sector because generally sector experience is highly valued 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 (S/NVQ level 4 and above).

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 very 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 most common position that employers find hard to recruit for is vehicle technician (more usually known as mechanics). This is largely due to the specific job-related technical skills required. The recession has reversed this shortage temporarily. Whilst there is a perception amongst employers in the sector that there is a high turnover of staff in general, the recession has meant people are tending to hold onto the jobs they have. Vacancy levels are much lower, redundancies higher therefore making the talent pool for recruitment far richer than would usually be the case.

Implication for Skills

Because the sector comprises of so many micro businesses this has a skills implication. The larger the business, the more likely it is that they have a formal training budget. Recent research conducted found that whilst 74% of larger businesses and 52% of SMEs had training budgets only 13% with 3-9 and 5% with 0-2 employees had.[10] 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 business to have ready and,

[10] Automotive Retail Sector Employer Skills Survey 2009

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.

The dominance of men working in the sector, especially in skilled trade occupations, looks set to continue as the latest intake of apprentices were made up of 98%[11] males. 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. It would be advantageous for the sector to attract more women into the sector in order to begin to realise the benefits of a workforce that more closely reflects the population at large.

[11] IMI Automotive apprenticeship benchmark reports

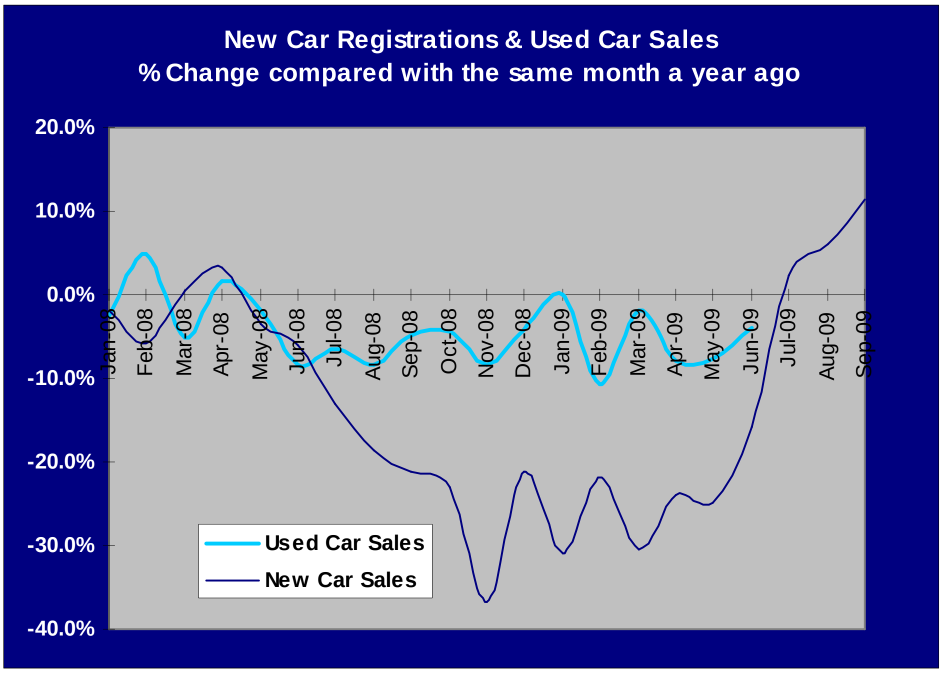
Section 2: Current performance – what is driving change?

The recession

The Market

As the UK entered into recession, new car registrations fell dramatically in the latter part of 2008 and continued to fall in 2009. This prompted the introduction by Government of the UK scrappage scheme in May in an attempt to reverse this downward trend. Overall forecasts for 2009 suggest a further decline on 2008 of 14.4% (prior to the introduction of the scrappage scheme the end of year forecast had been -19.3%[12]). Commercial vehicle registrations have been impacted severely whilst the used car market remained fairly buoyant.

Figure 1 **New car registrations and used car sales % change compared with the same period a month earlier**



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

In general the vehicle maintenance and repair sub-sector has seen a negative impact from the recession. This is in part attributable to consumers being less likely to make non-essential repairs to their vehicles at this time. Parts businesses have been less affected, in fact some have seen positive growth due to the increased number of consumers and businesses who prefer to repair rather than replace vehicles.

Rental and leasing employers report some positive outcomes from the recession. One benefit is that the re-sale value of ex-rental vehicles has increased meaning more money is coming into the business from this income stream.

12 SMMT, http://www.smmt.co.uk/industryissues/index.cfm?catid=3725&sid=259&iicatid=L_1009

Employment

UK unemployment is at it's highest since 1998 and the automotive sector has seen its share of job losses as a result of the recession. Recent research of employers in the sector confirmed on the whole, businesses have been negatively affected by the recession. There is evidence that staff have been put on part time hours or made redundant and more competitive prices are being offered to customers. Indeed employers believe the recession to be their greatest challenge over the next few years, suggesting that the time taken to recover is anticipated to be lengthy.[13]

2009 figures show employment levels in the sector are declining, with increased numbers of 'vehicle trade' staff claiming job seeker allowance, along with decreased numbers finding work. Vacancy levels in the sector have also steadily declined month on month since July 08, making it harder for those out of work to find employment. Skilled trade workers, which make up a third of occupations within the sector, account for a disproportionately high number of redundancies, pointing to the sector's difficulty in retaining skilled staff. If this trend continues it could potentially have a substantial impact on the sector's ability to come through the recession and capitalise on future opportunities.[14]

Investment in skills

Reports on the effect that the recession is having on investment in training are mixed. A recent IMI survey of employers found that 65% of employers agreed that 'investment in training would help their businesses survive the recession'. However, research suggests that the recession is clearly and seriously beginning to affect apprenticeships. 65% of employers surveyed reported negative effects of the recession on their business. 63% did not expect to take on any new apprentices in the New Year, over half of which cited the recession as the reason for this.[15]

Implication for Skills

In more normal economic conditions the sector's most common skills shortage is for vehicle technicians (more commonly known as mechanics), however in this time of recession figures show high numbers of staff in technical roles are being made redundant. This is most probably a product of the high number of owner/managers of smaller businesses who were once technicians that are able to cover this type of work. The recession has therefore temporarily alleviated this skills shortage. When the recession lifts it is most likely that this will result in a more acute shortage of technicians that would normally be the case. This skills shortage will be further compounded by the reported reduction in employers taking on apprentices over the coming year meaning that numbers of new technicians entering the sector will be lower.

Although the recession is not yet at an end, it is important that the sector continues to invest in skills training to ensure it is ready to act once the worst of the recession is over. It is also likely that in order for the sector to be successful in the future, large-scale changes to current business models will be necessary. This type of strategic thinking will be vital putting a high demand on strong leadership and management skills.

New vehicle technology

Vehicle technology moves at an incredible pace in the automotive industry. New makes and models are constantly being launched to the market. Along with the need for regular investment in new equipment etc there is a constant requirement for businesses to invest in technical training and in order to minimise skill gaps in existing staff. This has an impact on training providers who must ensure equipment used to train is reflective of the whole market.

More and more IT hardware and software is being put into vehicles in the form of complex electrical systems this has meant that IT skills are increasingly in demand. High-level problem solving skills

[13] Automotive Retail Sector - Employer skills survey, November 2009
[14] IMI First quarterly industry update, 2009
[15] IMI Automotive Apprenticeship Report, http://www.motor.org.uk/research/apprenticeships.html

and technical diagnostic skills are also important in order to cope with the constantly changing technologies in vehicles. This is especially true for non-franchised businesses where access to manufacturer training on new technology is limited and not provided automatically.

Sector Response

Due to the ever-moving feast of technology and the need for constant on the job learning the sector-specific product Automotive Technician Accreditation (ATA) was developed. ATA is a voluntary assessment programme for individuals working in the retail motor industry. To become ATA registered, an individual must pass a comprehensive and rigorous series of tests of practical skill and knowledge. To ensure that they keep up-to-date with new technologies, technicians need to be re-assessed in order to maintain their accreditation. ATA aims to provide confidence to consumers that their vehicle is being maintained by a competent individual.

Lack of consumer confidence and lack of available credit

Falling house prices and rising unemployment reduces consumers willingness to spend. This is especially true for high price items such as new cars. This reluctance to spend has contributed to the slow down in the market. The reduction in available credit due to the failure of the banking systems, has further impacted the market as this affects the ability of the consumer to buy. The credit arm of some automotive business portfolios is often the most profitable part. Unless credit becomes more available, the ability of the sector to be productive in the future could be severely affected.

Government policy, regulation and legislation

Government policy can drive consumer demand and business behaviour, and thus the direction of the sector. The skills and training needs of the workforce could also be affected in many ways. A few examples have been selected.

The Vehicle Scrappage Scheme

The much anticipated scrappage scheme was introduced in May 2009 in an effort to boost sales of new cars. The impact of the scheme was first seen in July 2009 which saw a rise in monthly new car registrations (+2.4%[16] on the same month a year earlier) which reversed the downward trend that began in April 2008. This upward trend continued into August and September. In late September, at the Labour Party Conference, Lord Mandelson confirmed after much speculation, that the scheme would be extended to cover a further 100,000 vehicles than had been originally planned.

The SMMT (Society of motor manufacturers and traders) have attributed a fifth of new car registrations in September to the scrappage scheme (21.0%) and a quarter of registrations in August (25.1%). Since the scheme was introduced, more than 180,000 vehicles have been registered.

The Green Agenda[17]

In December 2008 EU new car CO_2 regulation was introduced which set targets across Europe of average new car CO_2 emissions of 130g/km by 2015. In 2008 SMMT reported the UK average to be 158.0g/km. Government legislation and regulation has been put in place to stimulate manufacturers to research and develop low carbon technologies and for consumers to choose lower emission alternatives. For consumers, these measures are largely centred around taxation eg stepped cost of road tax based on engine size. This pressure to reduce emissions coupled with volatile fuel prices have had the combined affect on the market of:

- The increase in proportion of diesel cars sold

[16] Society of Motor Manufacturers and Traders
[17] Sewells Automotive Industry Insight 2009. www.sewells.co.uk

- The growth of alternatively – fuelled vehicles
- Movement of the market towards smaller cars

With changes to the make up of the vehicle fleet in the UK comes a need for the workforce to keep their skills and knowledge up to date and further adds to the demand for technical and high level problem solving skills.

Block exemption regulation

In the year 2000, the Supply of New Cars Order 2000 was introduced following the Competition Commission (CC) monopoly inquiry into the supply of new cars. The CC found that private car buyers in the UK were paying about 10% too much for the average car, taking account of discounts, trade-ins and finance deals[18]. The Block Exemption Regulation exempts the distribution, sale, maintenance, repair and other related maintenance activities associated with cars from European Commission competition rules.

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

- Dealers are able to operate in different areas and EU countries
- Sales/aftersales 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
- Aftersales 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[19].

National Consumers Council – Super Complaint

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 continued to be 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 sector[20].

Industry Recognised Standards - 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 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.

This is helping to drive up skill levels as the standard requires accident repair centres to prove their technicians are competent to carry out work. A recent S/NVQ pass in a related subject, or successful participation in an approved accreditation scheme (such as ATA) are ways that an employer proves technicians' competence.

[18] Block exemption for cars fact-sheet. The Department for Trade and Industry, 2006.
[19] Location Clause is no more. Did the earth move for anyone? AM Online, October 2005.
[20] 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.

Section 3: Current skill needs

General

The high proportion of skilled trade staff and mangers/business owners in the sector has created 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.

Skill levels in the sector

The sector has low levels of staff qualified to level 4 or above, only 18% of managers/business owners hold high-level qualifications compared to 45% of the UK working population. In contrast, high numbers of managers in the sector hold a trade apprenticeship, 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 skills levels in terms of qualifications.

Table 1 Sector skills 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[21]	Level of skill required	% of workforce qualified to the minimum skill level	Number not qualified to minimum level
Managers and Senior Officials	Dealer principal Aftersales manager Fast Fit manager Fleet manager Owner manager Independent workshop owner	19%	Higher skills	Management skills (all types)	2%	Level 4	18%	87,136
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	51%	13,639
Administrative and Secretarial	Receptionist (dealership/rental etc) Service Administrator Warranty Administrator Personal Assistant	12%	Basic skills Employability skills	Customer service skills	5%	Level 2	67%	22,044

[21] National Employer Skills Survey 2007, LSC

Occupational Group	Job role examples	% of workforce in group	Skill category required	Occupational skill needs	% deemed not fully proficient[21]	Level of skill required	% of workforce qualified to the minimum skill level	Number not qualified to minimum level
Skilled Trades Occupations	Service technician Diagnostic technician Fast Fit technician Auto electrician Roadside recovery technician	34%	Basic skills Intermediate skills Employability skills	Technical skills Customer service skills	4%	Level 2/3	74%	51,086
Sales and Customer Service Occupations	Sales advisor Customer service advisor Parts advisor	14%	Basic skills Intermediate skills	Customer service skills	6%	Level 2	60%	31,403
Process Plant and Machine Operatives	Tyre technician Windscreen Fitter	9%	Basic skills Employability skills	Some technical knowledge	4%	Level 1/2	72%	14,485
Elementary Occupations	Vehicle valeter/cleaner	7%	Basic skills Employability skills	Job-related knowledge	5%	Level 1	72%	10,508

Sources: NESS2007, Labour Force Survey, annualised average 2008

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 manager and leaders. There is widespread acceptance that the increasingly competitive and complex commercial environment, along with the recession, will require a step change in the skills sets of employees at all levels.

Management and Leadership Skills

Low levels of correctly skilled business owners and managers exist in the sector, leading to a demand for better 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 in this time of recession where there is a requirement for a step change in the business models operating in the sector currently.

Considering that just 18% of managers in the sector have a level S/NVQ 4+ (or equivalent) qualification, it could be said that there is room to increase the proportion of managers so qualified.

The sector must overcome a number of challenges in order to make improvements in this area:

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

Technical Skills

The phenomenal pace of technical change in the products sold, serviced, and repaired by the sector is demanding 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 will continue at an increasing pace.

Over half[22] of the sector's employers identified a lack of proficiency in sector-specific technical skills among their workforce.

Apprenticeships are crucial as they supply employees with up to date technical skills into the sector. Funding is important and any reduction in level of funding will have a negative impact on the supply of new vehicle technicians.

Employability Skills

A higher proportion of employees (especially young people) need to be interested, enthusiastic, willing to learn, reliable and be motivated. Employers have often put the importance of these attributes above existing technical skills sets.

Basic Skills

Employers believe there are too many school leavers joining the workforce with inadequate numeracy and literacy standards and that too much remedial action has to be taken.

Generic Skills

These skills are increasingly essential for any business in the twenty-first century. 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. Three quarters of employers agreed that such generic skills were essential for their organisations to remain competitive.

[22] National employer skills survey 2007, LSC

Section 4: Anticipating what lies ahead

Employment forecasts for the sector[23]

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.[24]

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

	2007 - 2017		
	Employment, 000s		
Major Occupation Group	Net Change	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.

Transformation of the market

The profitability of the sector is relatively low, for instance vehicle dealerships made a 0.2% loss on average (net profit as % of turnover) in 2008 and only a 0.6% profit in both the previous 2 years.[25] Making money in the sector has always been a challenge and the recession has exacerbated this issue. The business models of the future will need to dramatically change in order to make profit and therefore sustain the market. The current recession has accelerated the need for business transformation and it is predicted that radically new business models will emerge within the next 10 to 20 years.[26] Strong visionary and strategic leaders and managers will be crucial to make this happen.

[23] Working Futures 2007-17, Warwick Institute for Employment Research
[24] Working Futures 2007-17, Warwick Institute for Employment Research
[25] Driving Force, Issue 19
[26] Car Futures, 2009 P aul Nieuwenhius and Peter Wellsk

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.

Scenario Planning[27]

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.

Through a series of workshops employers identified three factors that they felt were the most important with regard to ongoing drivers of change:

- Legislation
- Technology
- Fuel

The scenario workshops identified themes that have been running through this Skill Needs Analysis:

[27] All of the information in this section is taken from *Scenario Planning Futures Workshops Report.* Turquoise, December 2005. It should be noted that the following information has been taken from the Sector Skills Agreement work published in 2007. Updated scenario work for the sector is planned and will be published on completion and included in the Sector Skills Assessments in 2010.

- The need for management skills, including man-management
- The importance of technical skills as vehicle technology increases
- The importance of improving the image of the sector
- The need for improved soft and customer facing skills.

Not only are these skills currently needed, they may also prove essential to the future development of the industry.

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

	AR %	UK %	Difference %
England	**86%**	**85%**	**0.3%**
North East	3%	3%	0.3%
North West	11%	10%	0.9%
Yorkshire and The Humber	9%	7%	1.3%
East Midlands	8%	7%	1.5%
West Midlands	10%	8%	1.3%
East	11%	10%	1.2%
London	8%	16%	-7.7%
South East	15%	16%	-0.2%
South West	10%	9%	1.6%
Wales	**5%**	**4%**	**0.9%**
Scotland	**6%**	**7%**	**-0.7%**
Northern Ireland	**3%**	**4%**	**-0.5%**
Total	**100%**	**100%**	**0.0%**

Source: ABI 2007, NI data from IBDR

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.

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