

Retail Trade in the Phoenix Area

Executive Summary

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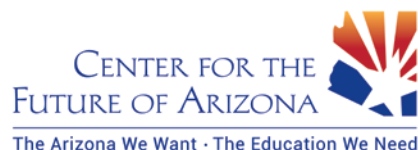
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EXECUTIVE SUMMARY

Introduction

This report establishes a profile and provides an analysis of the retail sector and its key occupations in the Greater Phoenix region. The work is in support of RetailWorks AZ, an initiative of the Center for the Future of Arizona in collaboration with retailers and other partners to develop innovative strategies to make it easier and faster for front-line, entry-level retail workers to move up the career ladder. Labor market information, primarily from the United States Bureau of Labor Statistics, the United States Census Bureau and the Arizona Office of Economic Opportunity, is used to estimate the scope and value of the sector. Trend analysis is used to evaluate the health and competitive strength of the sector. Finally, the characteristics of the sector's workers, particularly front-line and entry-level workers are analyzed. Key findings are summarized here.

Importance of the sector

Eight industries have been identified by the state as the high-value targets of its economic development efforts. This list of industries, which includes high-profile entries like aerospace and defense, clean energy and biosciences, has been the topic of numerous economic analyses over recent years. Retail trade, as a generally population-driven sector, is not often the subject of intense analysis or state-level strategic planning.

It is not possible, however, to overstate the importance of the retail sector to the economies of both Arizona and the greater Phoenix area. More than 229,000 people, or just under 12% of all the region's workers, are employed by businesses primarily engaged in retail trade in the greater Phoenix metro. In 2015, the retail sector contributed just under \$16 billion to the state's gross regional product. The contribution of the retail sector is comparable to those of the manufacturing, finance and health care sectors.

Health and recession recovery

The Great Recession devastated the retail sector in Phoenix. Between 2001 and the Great Recession, Phoenix had been adding jobs at a startling rate of just under 4.0% per year. No comparable markets were close. A recession that was unusually deep and long in the region did unprecedented levels of damage to the retail sector. Since the recovery began, Phoenix has been adding jobs at a rate of about 2.2% per year. That is healthy, but it lags most comparable markets. Even a rudimentary analysis of the impact of the Great Recession illustrates the volatility of the retail sector and its inherent susceptibility to economic downturns. It is one of the first sectors to decline and among the last to recover.

The current health and competitive strength of the Phoenix retail sector are strong. Average earnings in the Phoenix metro (\$32,240) are higher than the national average. Retail jobs have grown by just under 23% since 2001, while total jobs in the valley have increased by just over 16% during that same time. As a percentage of total jobs, the Phoenix metro employs more people in retail (11.9%) than the nation as a whole (10.7%) or any of the comparable Metropolitan Statistical Areas (MSAs) in this study

Types of retail in Phoenix

Supermarkets and other grocery stores account for the largest number of retail jobs in the Phoenix MSA, by far. This is followed by warehouse clubs and supercenters and new car dealers. Other top types of retail business found in the valley include used merchandise stores, paint and wallpaper stores, motorcycle/ATV stores, recreational vehicle dealers, health and personal care stores, used car dealers and furniture stores.

Large retailers are obviously a significant part of the region's retail sector, but more than 62% of Phoenix retail establishments employ fewer than 10 people. Just under 40% employ fewer than five. Employers with more than 500 workers at an establishment are not common, although there are several in the valley.

The highest-paying retail industry in Phoenix is Health and Personal Care Stores, which includes prosthetics retailers, hearing aid suppliers, etc. Second is Recreational Vehicle Dealers.

The workers

Characteristics of the workforce

The Phoenix retail workforce is comparatively young. More than 47% are below the age of 35. For all sectors, that number is 36.0%. An interesting aspect of this research is its glance at gender and age equity within retail careers. Front-line workers in the retail sector predictably tend to be younger than supervisors and managers. Employment in both occupation groups declines precipitously after age 55, suggesting a tendency for retail workers to finish their careers in other lines of work. Total employment in the retail sector is roughly evenly distributed by gender (53% male vs. 47% female). However, females are overrepresented in the front-line positions, while the inverse is true of the supervisory positions.

Compensation

Compensation for retail workers in the Phoenix metro has actually declined over the last decade or so. After adjusting for inflation, the average annual wage in the retail sector in Phoenix was 2 percent lower in 2015 than in 2002. By contrast, the average wage across all industries has increased by 10 percent. As a percentage of the average wage for all industries, the retail sector has declined from 63.7% in 2001 to 57.1% in 2015.

There are legitimate opportunities for livable wages in the retail sector, however. For example, one of the region's retail industries (new car dealers) pays an average wage that is greater than the average wage for all industries in the Phoenix MSA.¹

Career potential

Careers in the retail sector, as with all sectors, include management/supervisory roles, administrative and logistics positions, real estate specialists and a host of other occupations that don't necessarily spring to mind when we talk about careers in retail. Front-line retail workers like cashiers and salespersons form the backbone of the retail workforce. The skills and experiences associated with these positions are also critical components of a number of more sophisticated careers within the retail sector as well as in other higher-profile and more lucrative fields. Cashiers, for example, develop competencies related to customer service, time management, communication, applied mathematics, and relationship-building. There are a number of entry-level careers in other fields in which these skills are also fundamental. Additionally, more sophisticated

¹ The 2015 average wage across all industries in the Phoenix MSA was \$49,649 (Emsi 2016.3).

and better compensated careers in other fields often require a similar set of foundational competencies. There are multiple career pathways in the retail sector that don't necessarily require a four-year college degree but that offer livable wages and job security.

Policy developments

This report focuses on economic and labor market forces; we are aware of a number of policy trends that could also impact the region's retail sector, and recommend those be explored in depth in separate research efforts. These policy considerations include Arizona's recent voter-approved measures to raise the minimum wage and to require certain employers to provide paid sick time. Nationally, standardized scheduling practices also could impact retail employers.

Additional Miscellaneous Findings

- The average retail establishment in Phoenix has more employees (22.75) than do retail establishments in other parts of the country (national average is 14.9). The large number of employees per establishment is driven by employment in some of the region's most prevalent industries, including Warehouse Clubs and Supercenters (270 employees per establishment), Department Stores (155) and New Car Dealers (108).
- More than 62% of Phoenix retail establishments employ fewer than 10 people. Just under 40% employ fewer than five. Practically none employ more than 500. (p. 11)
- One unique approach in this report was to evaluate the wage growth potential for retail workers who stay in the same position. The difference between median and 90th percentile wages was used as an indicator. Drivers/sales workers show the largest difference between the median and 90th percentile wage rates with a median rate of \$20,779 and a 90th percentile wage of \$49,566. There are a number of retail occupations that offer a real opportunity to earn above-average wages. (p. 24)
- The top types of retail businesses found in the valley include used merchandise stores, paint and wallpaper stores, motorcycle/ATV stores, recreational vehicle dealers, health and personal care stores, used car dealers and furniture stores. (p. 30)
- The Phoenix retail workforce is comparatively young. More than 47% are below the age of 35. For all sectors, that number is 36.0%. (p. 16)