

Retail Trade in the Phoenix Area

Executive Summary

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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

Five 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, manufacturing 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 234,000 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 2017, the retail sector contributed just over \$17 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 of the sector

Since 2014, retail in Phoenix has added jobs at a rate of 6.2%. That is healthy, but it lags several comparable markets. Nationally, the sector added jobs at a 2.9% rate since 2014. Average earnings in the retail sector in the Phoenix metro (\$41,273) are higher than the national average, (\$38,407). As a percentage of total jobs, the Phoenix metro employs more people in retail (11.1%) than the nation overall (10.3%) or any of the comparable Metropolitan Statistical Areas (MSAs) in this study.

Types of retail in Phoenix

Grocery stores, including supermarkets and convenience stores, account for the largest number of retail jobs in the Phoenix MSA, by far. This is followed by general merchandise warehouse clubs and supercenters and car dealers. Other top retail employers in the region include department stores, building material and supplies retailers, health and personal care stores, and electronic shopping and mail-order houses.

Large retailers are a significant part of the region's retail sector, but nearly 63% of Phoenix retail establishments employ fewer than 10 people. Nearly 39% employ fewer than five. Employers with more than 500 workers at an establishment are not common, although there are five in the region.

The highest-paying retail industry in Phoenix is Manufactured (Mobile) Home Dealers, followed by All Other Health and Personal Care Stores.

The workers

Characteristics of the workforce

The Phoenix retail workforce is comparatively young. Nearly 44% of retail industry workers are younger than 35. For all sectors, that number is 36.2%. 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. A small share of workers in both groups are older than 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, women are overrepresented in the front-line positions, while the inverse is true of the supervisory positions. The Phoenix retail workforce is comparatively young. 44% of Phoenix-area retail workers are younger than 35. For all sectors, that number is 37%.

Compensation

Compensation for retail workers in the Phoenix metro has declined since 2002. After adjusting for inflation, the average annual wage in the retail sector in Phoenix was 4.6 percent lower in 2015 than in 2002. By contrast, the average wage across all industries has increased by 4.3 percent. The average wage for retail workers represents 66.0% of Phoenix's average wage for all industries, up from 64.8% in 2015.

Several industries in the retail sector pay substantially higher wages. 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.

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. There are multiple career pathways in the retail sector that don't necessarily require a four-year college degree but that offer high wages and job security. While 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 advanced occupations within the retail sector as well as in other fields. Cashiers, for example, develop competencies related to customer service, time management, communication, applied mathematics and relationship-building. There are many entry-level careers in other fields in which these skills are also fundamental.

Policy developments

This report focuses on economic and labor market forces; we are aware 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 measure that raised the state minimum wage to \$12 in 2020 and required certain employers to provide paid sick time. Nationally, standardized scheduling practices also could impact retail employers.

Other Findings

- The average retail establishment in Phoenix has more employees (23.1) than do retail establishments in other parts of the country (the national average is 15.1). 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 (283 employees per establishment), Home Centers (113) and New Car Dealers (111).
- Almost 63% of Phoenix retail establishments employ fewer than 10 people. Just under 40% employ fewer than five. Only five establishments in the region employ more than 500 people.
- 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. Sales representatives for wholesale products other than technical or manufacturing workers show the largest difference between the median and 90th percentile wage rates with a median rate of \$55,327 and a 90th percentile wage of \$112,279. There are a number of retail occupations that offer a real opportunity to earn above-average wages.