# THE CRISIS IN RETAIL

# Usdaw's Case for a Retail Recovery Plan

Usdaw
Union of Shop, Distributive and Allied Workers

SAVE OUR SHOPS

# Contents

# Introduction

The UK retail sector has been impacted by the Coronavirus Pandemic on an unprecedented scale. For an industry already facing significant challenges the long-term impact will be severe.

Physical non-food retailers were among the hardest hit and have been struggling under the pressure of lockdowns and public health restrictions, costing stores billions in lost sales. Even when shops are allowed to reopen, retailers will face further challenges and there are big questions about how many high street retailers will survive the coming months.

The crisis in retail has been further exacerbated by the rapid shift to online shopping, which has grown by 46% over the last 10 months[1]. The longer term challenges facing the sector combined with the impact of the pandemic has and will continue to be catastrophic for the high street.

Aside from the direct impact on jobs, the crisis will result in gaping holes in high streets that sit at the heart of our town centres and communities. Landlords will struggle to fill properties; not least given the impact of the pandemic on the hospitality sector that prior to 2020 had been keen to occupy the spaces vacated by retailers in recent years. According to the British Retail Consortium, one in every 50 shops has permanently closed, and without targeted intervention, this number will continue to rise[2].

We must also look beyond the impact on business and consider the heavy toll the pandemic is taking on retail workers – whether you work in food retail or on the high street, retail workers are facing extremely challenging times. Usdaw members in food retail have played a key role in ensuring the country is able to get through the current crisis. They have worked in stores across the UK throughout the pandemic. In fact retail workers in general have been at the forefront of the pandemic – the realisation of the importance of retail workers has helped to change the narrative around retail jobs.

In terms of non-food retail, we have seen a crisis which has impacted upon a huge number of retail workers. As the crisis has developed several well-known retailers have fallen into administration, closed stores and cut jobs. Even where jobs are retained, many retail workers are struggling on very low pay as well as facing further pressures on working hours and other conditions.

When the Chancellor Rishi Sunak delivered his Budget on 3 March 2021, outlining the UK's economic recovery plan to protect jobs and livelihoods, there was no sustained support for those retail businesses most impacted by the pandemic. The announcement of two additional costs from July 2021 onwards (capped partial business rates relief and employer contributions to the Job Retention Scheme) at a time when stores have not yet even reopened could become the overheads that push many non-food retailers to scale back, cut jobs or collapse completely.

The Coronavirus pandemic has pushed many retailers and retail workers to breaking point; Government action needs to be equally significant. Usdaw is calling for an urgent retail recovery plan that addresses both the immediate/urgent priorities such as help with business rates and rents, as well as wider measures to deal with the more fundamental issues and structural challenges within the sector.

**Paddy Lillis**
**Usdaw General Secretary**

[1]https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/december2020
[2]https://brc.org.uk/news/corporate-affairs/shop-vacancies-increase-as-crisis-deepens/

# The Scale of the Crisis in Retail

The mass job losses announced throughout last year highlight the severity of the crisis facing the retail sector, with at least 180,000 jobs confirmed as lost during 2020, with a staggering 16,000 store closures[3]. High street names to collapse into administration, resulting in thousands of job losses, include Edinburgh Woollen Mill (which also trades as Peacocks and Jaeger), Bonmarché, Aldo, Warehouse/Oasis, Laura Ashley and Cath Kidston.

The biggest blow came in the sector's crucial golden quarter and festive trading period; on 30 November 2020 Arcadia Group, owner of household names including Topshop, Miss Selfridge and Dorothy Perkins, collapsed into administration, putting 13,000 jobs at risk. As a result the following day, the potential rescue bid for Debenhams fell through, putting a further 12,000 jobs at risk. While rescue deals have now been brokered for the stable brands owned by Arcadia and Debenhams, in both cases, there was zero interest from buyers to take on any of their physical stores – resulting in an estimated 25,000 job losses.

There is now a real danger – following the collapse of both Arcadia and Debenhams – of a disastrous domino effect that will not just be limited to the retail sector, but will be felt right across the UK economy and wider labour market. For example, suppliers are already expected to lose up to £250 million from the collapse of Arcadia and this is just the tip of the iceberg. We also know that the jobs being created from the growth in online retail are nowhere near enough to stem the flow of job losses being felt across the sector. While online retailers are expanding – far fewer employees are needed in comparison to larger department stores. According to the Centre for Retail Research, for every 10 jobs lost in bricks and mortar retail, only two or three are created online[4].

There are also serious concerns about the impact the pandemic is having on certain groups of workers. For example in the case of high street retail, a large proportion of workers are women. The scale of the fallout can be highlighted with the collapse of Arcadia and Debenhams; 80% of staff working for both businesses were women. This means of the 25,000 jobs lost between the two retailers, an estimated 20,000 belonged to women. It is not just women who are bearing the brunt of job losses in retail with other vulnerable groups significantly impacted. The Government must start actively analysing and assessing the equality impact of the crisis in retail on women, young and Black, Asian and minority-ethnic (BAME) workers and develop a recovery plan that works for retail workers across the whole sector.

[3]https://www.retailresearch.org/retail-crisis.html
[4]https://www.retailresearch.org/retail-crisis.html

# Immediate Rescue Measures

## Business Rates

When the Chancellor delivered his Budget on 3 March 2021, he announced a three month extension to 100% business rates relief. Beyond this, businesses that were required to close on 5 January 2021 (such as non-food retailers) will be able to claim 66% business rates relief for the period from 1 July 2021 to 31 March 2022, with relief capped at just £2m for closed businesses. The cap is set far too low for closed businesses at only a tiny fraction of their overall rates liability; these measures will not provide retailers with enough time to plan their recovery out of the pandemic and secure jobs across the sector.

While several big supermarket chains have confirmed that they will not access the three month extension to the business rates holiday, after the voluntary repayment of almost £2 billion in 2020, we must not lose sight of the fact that for a significant number of non-food retailers a return to even partial business rates liability in July would be disastrous.

Many non-food retailers will struggle to get back on their feet as they attempt to safely re-open stores while tackling higher Covid costs, limited cash flow and growing debts/liabilities. To give retailers the best chance of recovery and to save jobs, businesses most impacted by lockdown measures need rates relief to continue at 100% for the rest of the financial year, as has already been announced in Scotland.

## Rent Relief

The moratorium on shop evictions has been extended for a further three months until 30 June 2021. While the extension provides much needed breathing room for those retailers most impacted by the pandemic, the announcement should have been made sooner in order to help businesses plan ahead.

It is also important to note that while there is a moratorium on evictions, unpaid rents are still accruing and will become liable at some point. Property landlords need to reduce the shop rents but many commercial property renting businesses are also facing tough times and uncertain futures. There needs to be a three-way approach with businesses paying reduced rents, landlords accepting lower rents and Government supporting both retail businesses and landlords with financial assistance.

## Extension to the Job Retention Scheme

While the extension of furlough until September 2021 will help to retain some jobs, for many non-food retailers it is simply not enough. Expecting businesses to start making a 10% contribution to the Job Retention Scheme in July and then 20% in August is a big leap for retailers who have been closed for months and could encourage businesses to lay off staff. Even though shops are likely to be open by the time employers are required to contribute, retailers will be struggling to trade at capacity due to physical distancing and caps on the number of customers in stores.

# Retail Recovery Plan

In addition to the above immediate measures, Usdaw is urging the Government to work with all key stakeholders to develop a recovery plan for the sector built on:

- **Fundamental reform of business rates.** Retailers need clear and decisive action from the Government to reform/reduce this outdated and imbalanced commercial property tax. An Online Sales Levy set at 1% of online sales would raise around £1.5 billion – not only helping to fund a 20% cut in business rates for retailers but also creating a long-term and meaningful income stream for the Government.

- **A new model for leases and rents.** The pandemic has highlighted the fact that the current system is no longer financially viable. Usdaw welcomes the Government's call for evidence on commercial rents but this must be followed up by decisive action that delivers real change for the sector. This must include a strategic partnership approach whereby landlords and retailers establish the parameters of a model that works for them and for the industry, to be supported by legislation where needed.

- **Tax reform.** The Chancellor's announcement on 3 March 2021 to increase corporation tax to 25% in 2023 does not address the fundamental problems with UK tax laws. We need full reform to ensure that companies pay their fair share of tax through tackling tax avoidance and the use of offshore havens, with the aim of creating a level playing field between online and bricks and mortar retailers. For example, over the last 20 years, Amazon has paid a total of £61.7 million in corporation tax. Over the same period Marks and Spencer paid £3.3 billion. The challenge here is not just fair taxation but effective taxation which is crucial to stimulating investment/growth within the sector.

- **Additional funding for local authorities.** Some progress has been made on this front with the allocation from the Government in December 2020 of £830 million to 72 High Streets as part of the Future High Streets Fund[5]. However, with local authorities already facing huge financial pressures before the pandemic, more funding is needed so they can invest properly in their local economy, transport networks and high streets. Local authorities must also take a lead in delivering for their communities – there are good examples of local authorities who have established successful blueprints to revive their high streets and town centres which can and should be used as good practice.

- **Investment in skills for retail workers, including through union learning and high-quality apprenticeships.** We need a skills strategy for the sector, led by Government, to include an in-depth assessment of emerging trends and potential skills shortages/gaps within the sector. Skills and training must be considered in the context of automation, with a key focus on long-term gains to protect the future of the sector and its workforce. In terms of delivering training, the Government needs to maintain the Union Learning Fund (due to be withdrawn at the end of March 2021) which plays a pivotal role in improving the skills and qualifications of workers in the sector.

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- **A new deal for retail, distribution and home delivery workers based around a real living wage and guaranteed hours.** Retail work has become synonymous with low pay and insecure hours – this is unsustainable and will not attract or retain talent in the long run. If we want the sector to prosper we need to make sure retail jobs are better jobs – this is not just about basic pay but improvements to Statutory Sick Pay (SSP) and Respect for Shopworkers through 'Protection of Workers' legislation.

[5] https://www.gov.uk/government/news/830-million-funding-boost-for-high-streets

# Arcadia – The Scandal over the Pension Fund

The collapse of Arcadia has shone a spotlight on the challenges facing the high street. While Arcadia may have suffered from the Coronavirus pandemic and the shift to online shopping, a key factor in their overall downfall and the subsequent loss of thousands of jobs, was long-term mismanagement of the business. The scandal over the Arcadia pension fund demonstrates the extent of this.

The pension scheme of the Arcadia group has an estimated £350 million deficit. There are reports that the Green family have paid in £50 million and they are legally obliged, over the next ten months, to carry out their promise of £100 million. But this still leaves a big shortfall.

There is a strong moral and economic argument for Phillip Green to cover the pension's deficit in full. The main reason for the Arcadia pension deficit is that Philip Green took £1.2 billion out of the Arcadia business in 2005 in the form of a dividend.

More fundamentally, the Arcadia administration highlights once again the problems with the rules surrounding administration, where the concerns and interests of employees and local communities just do not come into consideration for administrators, whose main concern is to recoup as much money as quickly as possible to pay the creditors.

# Support for Workers

Measures from the Government so far have focussed on helping businesses but we must not lose sight of the fact that hard-working people are bearing the brunt of the pandemic. The Government needs to ensure that the right financial support is in place to support workers throughout the crisis.

Usdaw is calling for immediate action on the following issues:

## Financial Support to Self-Isolate

Test and Trace is a key part of the Government strategy to tackle the spread of the virus but asking people to self-isolate on Statutory Sick Pay of £95.85 per week is unfair and impractical.

Two million workers, who earn below the lower earnings limit of £120 per week, do not even qualify for the current statutory sick pay.

Statutory Sick Pay is not enough to live on, meaning many workers cannot afford to miss work when ill. Forcing ill workers into work is dangerous and benefits no-one. All workers should be eligible for sick pay from day one, at their normal pay rate.

## Universal Credit

Since the start of the Covid crisis, 3.6 million people have made new claims for Universal Credit (www.gov.uk/universal-credit-statistics). With unemployment rising, we need a proper Social Security system that provides us all with a real safety net.

Universal Credit needs to be fundamentally overhauled. There are many aspects of Universal Credit that need to be changed from the five-week wait for benefits and the high taper rate which leaves in-work claimants barely benefitting from pay rises through to the draconian two-child limit when calculating benefit entitlement.  We need Universal Credit replaced with a social security that supports workers through the economic crisis.

At the start of the crisis the Government gave Universal Credit claimants a £20 per week uplift. While the Government has agreed to extend the £20 temporary uplift, it should have been done sooner, made permanent and extended to all in-work benefits. A recent Usdaw survey shockingly found that 57% of workers claiming Universal Credit are struggling to pay their gas and electricity bills – hard working people should not be facing extreme hardships such as not being able to heat their own homes.

## Job Retention Scheme Pay Cuts

In the second lockdown more employers just paid 80% of wages to furloughed workers. More than half of employees earning less than £9 per hour who have been furloughed received reduced pay of 80%. If you are higher paid you are more likely to get full pay. Usdaw believes that no worker should be receiving a reduction in wages to below the National Minimum Wage rate of £8.72 for the hours that they would usually work.

The announcement to extend furlough until September 2021 is welcome and may help to retain some jobs, but it is not right that last year over a million workers received less than the National Minimum Wage and National Living Wage[6]. The extension of the furlough scheme must be supported by a commitment from Government to protect and top up pay to at least the NMW and NLW for the normal hours staff work.

## Low Pay for Key Workers

It is estimated that 3.7 million key workers, 38% of all key workers, earn less than £10 per hour. As a society we cannot continue to have a situation where businesses can afford to pay out millions to shareholders, but claim poverty when it comes to paying staff a decent living wage.

The TUC estimates that 9.36 million workers, one-third of the UK's total workforce, are paid less than £10 per hour. The time has come for better pay and a real living wage for all workers.

## Improvements to Redundancy Rights

Where businesses have collapsed into administration but continued trading, redundancy rights have been completely disregarded. In Debenhams, administrators refused to engage with workers and we have seen redundancies being made by conference call, with no meaningful consultation or proper notice period, as required by law. Not only are companies like Debenhams and Arcadia failing to engage in basic consultation rights with staff, but when they do cease trading the taxpayer will be left to foot the bill with workers left trying to claw their hard earned money back from the Government.

The Government must ensure that where jobs are lost, the right financial support is in place to support workers, both in terms of interim support (ie where companies collapse and cease trading) as well as improvements to statutory redundancy pay, which is set far too low.

[6]https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/lowandhighpayuk/2020

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