



THE CRISIS IN RETAIL

Usdaw's Case for a Retail Recovery Plan

Usdaw
Union of Shop, Distributive
and Allied Workers



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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 months¹. 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 rise².

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. For our members in food retail, they 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 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.

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.

A handwritten signature in blue ink that reads "Paddy Lillis". The signature is written in a cursive, flowing style.

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 closures³. 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, there was zero interest in both cases 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 employers 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 online⁴.

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

If unnecessary job losses are to be avoided, the business rates holiday will at the very least have to be extended beyond March 2021 (as has already happened in Scotland). The UK Chancellor is expected to extend the business rates holiday in some form or another in his budget on 3rd March 2021 but retailers need clarity on the level of support from Government before then. If our high streets are going to survive for the next 12 months, then we need to avoid a cliff-edge scenario when the business rates holiday ends on 31 March 2021.

While the voluntary repayment of almost £2 billion of business rates relief by several supermarket chains is to be welcomed, we must not lose sight of the fact that for a significant number of non-food retailers a return to full business rates liability in April would be disastrous.

There is also the question of what will happen to the repaid rates relief. Usdaw is calling for this money to be used to support retail and hospitality businesses most impacted by lockdown measures, including additional money for local authorities to support their local retail sectors. It should also be used to provide direct help to those workers who have lost their jobs and are struggling financially.

Rent Relief

The moratorium on shop evictions for non-payment of rent was extended to the end of March 2021. This is welcome news. However, it is 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. At the very least, the moratorium on evictions needs to be extended until the summer and this needs to be announced as soon as possible so retailers can plan ahead.

Extension to the Job Retention Scheme

While the extension of furlough until April 2021 will help to retain some jobs, for many non-food retailers it is not enough. Even when shops are allowed to reopen, retailers will be unable to trade at capacity due to physical distancing and caps on the number of customers in stores. The Government need to extend the Job Retention Scheme, at least until the summer, to protect jobs and livelihoods within the sector.

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. We need a plan reviewing how rents and leases are set and negotiated. 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.** Reform of UK tax law 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 and sustaining 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 Fund⁵. 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 need 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 £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 need 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 needs 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 claims a £20 per week uplift. This uplift is due to finish at the end of March 2021. As an immediate measure the £20 temporary uplift should be extended indefinitely.

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 Job Retention Scheme currently runs until 30 April 2021. The Government has not yet confirmed whether the furlough scheme will be extended past April. The CBI is calling for an extension of the scheme until the end of June and there is a strong case for an extension until the end of 2021 as proposed by the TUC.

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.



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