
Industrial Strategy for Retail

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Usdaw
*Union of Shop, Distributive
and Allied Workers*



Introduction



The retail sector is facing one of the most challenging periods in its history. Developments in technology, changes in consumer spending patterns and growing uncertainty around Brexit have all contributed towards the brutal trading environment.

The British Retail Consortium, which represents the industry's largest employers, estimated that 74,000 retail jobs were lost over the course of 2018 and reported that town centre vacancy rates in the UK hit 10.2% in April 2019, their highest level for four years¹. With store closures and job losses expected to accelerate in the coming months and years, the crisis in retail is reaching breaking point; Government action needs to be equally significant.

The retail sector is a fundamental part of the UK economy, directly employing three million people, with a further 1.5 million jobs reliant on the success of the industry; every store that closes impacts negatively not just on local communities and our town centres but on the wider UK economy.

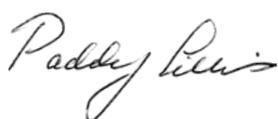
This is why Usdaw is campaigning for the Government to take urgent action to 'Save Our Shops' by implementing a comprehensive and co-ordinated industrial strategy for the sector based on the following:

- A new framework that supports both the UK-wide economy and local communities, to include measures to create a more level playing field between in-store and online retailing. It's clear that the current economic framework – from taxation, commercial rents to business rates – is no longer fit for purpose.
- Decent pay and job security for retail workers to help drive productivity in the sector – including a minimum wage of £10 per hour, secure work and investment in skills and training to tackle the challenge of automation.
- Concentrated efforts from Government to change mind-sets with a renewed focus on retail across Government policy and decision making mechanisms. This begins with recognition from Government of the crucial role retail plays in the economy, as well as making space for retail workers to have a say in the future of retail.

Usdaw acknowledges that there are no quick fixes or easy solutions to the problems facing retail – the sector is in need of fundamental reform and this report is a contribution to the debate.

In recent years we have seen reports on the future of the retail sector produced by a number of different Government-sponsored bodies. All of these reports have made useful contributions but we need an official Government body set up that will include all sides of the industry – Government ministers, retail employers, trade unions representing retail employees and consumer groups – to deal with the challenges and crisis facing the retail sector.

Usdaw believes that we need a co-ordinated and inclusive approach and we are urging Government, retailers and all key stakeholders to engage and work together with the Union to put a proper industrial strategy into action; with a view to not only addressing the current crisis, but to help future-proof the sector against new and evolving challenges to secure the future of retail for all.



Paddy Lillis
Usdaw General Secretary

¹British Retail Consortium (BRC) Footfall and Vacancies Monitor.

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Executive Summary

Usdaw is the UK's fifth largest trade union and operates solely within the private sector. The Union has over 420,000 members across many sectors and industries from transport, warehousing, distribution and food manufacturing. However, the majority of our members work in retail which is why Usdaw has a crucial interest in securing the future of the high street and wider retail sector.

This is also what gives Usdaw a unique insight into the current crisis facing retailers and retail workers. Based on this knowledge and insight Usdaw is advocating for an industrial strategy for the sector that recognises retail and retail workers as a fundamental and integral part of the UK economy and wider society. This strategy is based on the following key strands: Economy and Community; People and Productivity; Changing Perceptions – Retail Jobs are Real Jobs.

Economy and Community

Usdaw is calling for a new framework that supports both the national economy and our local communities. This should include:

- A comprehensive review of rents and lease arrangements within the sector, as well as a review of CVAs (Company Voluntary Arrangements).
- Fundamental reform of business rates.
- Reform of tax laws to ensure that companies pay their fair share of tax (ie avoidance of corporation tax) as well as creating more of a level playing field between online and bricks-and-mortar retailers.
- Planning reform based on a long-term viewpoint that takes into account a number of the problems within the sector.
- A review of town/city centre parking charges and other transport issues.
- Increased focus by retailers on the experience of shopping and the importance of customer service through more direct investment with a long-term view rather than a focus on short-term profit taking.
- An increased community focus from local authorities to improve town centre footfall. This needs to involve a range of measures such as tackling the issue of anti-social behaviour in town centres, as well as pursuing more creative measures to attract shoppers, for example Manchester's Bee in the City project.
- A full review of the Apprenticeship Levy. If there was greater flexibility in the system this would allow retailers to create more, quality and properly paid apprenticeships as well as increasing the number of training opportunities for staff.

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- Closing the pay gap between CEO pay and the lowest paid workers, stronger corporate governance rules to curb asset-stripping and ensuring that business failure cannot be rewarded with excessive bonuses and pay-outs, as was the case with BHS.
 - A review of the role and function of the Competition and Markets Authority in light of the increase in proposed mergers within the sector. This should include permanent trade union representation within the CMA's internal structures to ensure the interests of workers are considered at every level of decision-making.

People And Productivity

Retail staff are working under a cloud of uncertainty/insecurity and morale in the sector is at an all-time low. The constant cycle of restructures, store closures and contract variation has left staff overworked and underpaid. While the National Living Wage may have offered some initial relief for those aged 25 and above, this has been offset by pay/benefits consolidation, rising inflation and the reduction of in-work benefits. This means there has been no real-terms increase in take home pay for many staff working in the retail sector for several years.

Furthermore the ongoing productivity issues within the sector need to be addressed, and decent pay and conditions play a key role in this. There is evidence that paying the real Living Wage enhances productivity, improving employee retention and engagement.

Unfortunately, within retail, the word productivity has become synonymous with job losses and cuts in hours. These cuts can have a negative impact on workers' mental health and wellbeing, creating a downward spiral in productivity.

A range of measures need to be taken to tackle these issues including:

- Minimum pay of £10 per hour for all workers irrespective of age.
- The introduction of legislation that will tackle underemployment and insecure work by providing a minimum contract of 16 hours (for those who want them).
- A contract that reflects the actual hours people work.
- A commitment from employers and Government to invest in skills within the retail sector. This should include sustained investment in skills for workers affected by automation, including through union learning and high quality apprenticeships.

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- A legal right to collective consultation on the implementation of new technology in the workplace. The pace of automation is a major worry and concern for many retail workers – in a survey conducted jointly by Usdaw and the Future of Work Commission, over 40% of Usdaw members were concerned that technology would impact on their job security.
 - A broader analysis of the productivity puzzle that takes into account employee engagement and pay and benefits.
 - Promoting greater worker voice for retail workers and stronger rights to be informed and consulted. Usdaw believes that only a trade union will give workers an effective voice which is why the process should be simplified for statutory trade union recognition claims.
 - Legislation to ensure that workers have guaranteed seats on the Boards of large companies, with the same duties and responsibilities as other Directors. Measures should be put in place to ensure that such seats reflect the gender breakdown of staff across the company.
 - A review of the law on redundancy, to remove the loophole which allows large chains to avoid collective consultation over small sites. This would ensure some protections for workers in smaller establishments (less than 20 employees) who are particularly vulnerable in the current climate.

Changing Perceptions – Retail Jobs Are Real Jobs

This part of the strategy is about changing mind-sets and ensuring retail is treated as a key part of the economy. A shift in viewpoint involves challenging the overt perception that women simply work in retail for ‘pin money’ or that retail is just a ‘stop gap’. In recent years we have seen a significant reduction in full-time contracts within the sector with an increased focus on flexibility and part-time work. While retailers need to be able to change and respond to market challenges, they must still provide staff with meaningful and secure work. Retail jobs make a critical contribution to household incomes and most people (both men and women) who work in the sector need their wages to pay bills and put food on the table. Concentrated efforts to change mind-sets and outdated ideology should include:

- Increased focus on retail across Government policy and decision making mechanisms.
- A commitment from employers and Government to invest in skills strategy for the retail sector. This should include a robust strategy from business, Government and unions on how to deal with the short and long-term impact of automation on key sectors such as retail. This strategy should include sustained investment in skills for workers affected by automation, including through union learning and high quality apprenticeships.

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- An increased focus by retailers on good customer service which is a valued element of the in-store retail experience. Business and Government need to be aware of the importance for consumers of face to face interaction when looking at new technologies – while in the short-term reduced headcount and automation may reduce costs, the long-term damage to the sector needs to be considered in its entirety.
 - A new model for co-operation around tackling retail crime, particularly in light of automation (eg self-service tills) and the lack of investment in stores which has, in some cases, resulted in severe understaffing. It's no surprise then that in recent years we have seen rising levels of retail crime and abuse, as highlighted by our Freedom From Fear Campaign. Retailers need to start addressing both the human and business cost of retail crime, which not only hits the bottom line through high shrinkage levels but affects productivity at work.
 - Promotion and recognition of the benefits of working in retail to help develop talent and increase retention levels – retail offers employees greater flexibility than most sectors, often allowing people to work around their family/caring commitments or studies.
 - A designated inclusive body for the retail sector that brings together existing panels and inquiries, to ensure a co-ordinated and coherent approach that involves all key stakeholders, especially retail workers who should have a voice and input into policy making and key decisions.

Economy and Community

- The Government needs to establish a new framework that supports both the wider UK economy and our local communities. It's clear that the current framework
 - from taxation, commercial rents to business rates
 - is no longer fit for purpose.
- Retailers are struggling to adapt and modernise their businesses, the current structure is making it extremely difficult for businesses to respond and react to various pressures and market challenges.
- We also need to ensure that the focus is not just on the economy-wide outlook for retail, but the specific impact on local communities. The hugely disproportionate impact of retail closures on the local economy in deprived areas can be particularly devastating and not just to people working in retail but the wider supply chain, from manufacturing to distribution.
- This section on Economy and Community suggests a number of actions, with the aim of developing a solid and robust foundation that allows retailers to adapt to the constant change within the sector and to create a more level playing field between in-store and online retailing.

Comprehensive Review of Rents

Usdaw is aware from our agreements with retailers who have undertaken mass store closure programmes, that rents are often a key tipping point when it comes to the decision to close stores. Even shops that generate high footfall and turnover may still be deemed unprofitable when rents are factored into the equation.

Unfortunately the affordability of a particular store is of little concern to landlords unless the lease is up for renewal. The stifling combination of upward only rent reviews and long-term lease arrangements has weighed heavily on the sector and prevented retailers from adapting or structuring their business in a way that would allow them to evolve and respond to the changing retail market. Therefore while landlords are often the least visible stakeholders within the retail sector, they play a crucial role in its future.

Retailers must also take some responsibility, for example where companies have chosen to sell their leases to private investment companies for huge sums of money – thus tying themselves into long leases with upward only rent reviews and limiting their ability to re-negotiate. This is especially the case for some of the larger department stores. But at the same time we cannot allow greedy landlords to decimate the sector, costing thousands of jobs in pursuit of their own financial gains. Sadly while some landlords are trying to help retailers turn things around, others would rather see stores close than help save the jobs of hundreds of people by renegotiating rents. The problem is that there is huge variation in landlords, from pension funds to individual owners.

Usdaw is aware of several cases across many high profile retailers where landlords have pushed retailers to close shops with high rents with the long-term aim of pursuing a change of use to residential property – proving considerably more profitable given the current housing shortage.

One solution put forward by the Labour Party is to establish a register of landlords of empty shops. This will make it easier to identify areas with high shop vacancies or landlords who are sitting on vacant properties. However, we also need further reform on how to deal with these empty properties; local authorities should be given more powers and resources to bring vacant properties back into use. This may be through incentives to landlords and/or retailers or through any other measures which should be explored in the proposed review.

Company Voluntary Arrangements

The other problem in regards to rents and leases is that currently one of the only legal ways to get out of a lease, short of administration, is a CVA (Company Voluntary Arrangement). A CVA “is a tool for business rescue like no other insolvency procedure which can give a viable business the chance of recovery”. “A CVA is a formal procedure and is a legally binding agreement between the business and its creditors. It sets out how repayments of company debt should be made to creditors and can deliver a better outcome than an administration or liquidation”².

²<https://companieshouse.blog.gov.uk/2019/01/31/what-is-a-company-voluntary-arrangement-cva/>

Even shops that generate high footfall and turnover may still be deemed unprofitable when rents are factored into the equation.

There is growing concern that some retailers are now misusing CVAs to free themselves from long leases or underperforming stores and landlords are calling for a review of the CVA process to ensure a more balanced process. Usdaw believes any review of CVAs must take an overall look at the rent/lease issues within the sector as it is clear that the increasing number of CVAs is not coincidental and this problem must not be viewed in isolation.

In light of the problems on this front, Usdaw supports recommendations from the Government's report on High Streets and Town Centres in 2030, to review the Landlord and Tenant Act 1954, Part ii. The report states that this legislation as it currently stands "is impeding the emergence of a landlord tenant relationship which is more appropriate for the current retail environment"³. We also support the banning of upward only rent reviews which are severely restricting the sectors' ability to adapt and modernise.

Fundamental Reform of Business Rates

Business Rates are based on a property's 'rateable value', which is linked to the rental value at a fixed point in time. The rateable values were reassessed in 2017, leading to a sharp increase in business rates. A 'multiplier' is applied to the rateable value to calculate the amount due in rates - the multiplier is almost 50%.

There are a number of assumptions employed in assessing a property's rateable value and it is not based on the value or profitability of the business concerned. Changing technology and consumer spending patterns have transformed the sector and business rates are no longer in line with profits.

In short, business rates have become a huge burden on the sector. The British Retail Consortium and many high profile retailers have been vocal in raising their concerns on why this issue needs addressing but so far we have seen little progress.

For consumer-facing retailers business rates have become hugely unfair and disproportionate. The retail industry (in England) contributes approximately £7 billion of rates annually. This is nearly one-quarter of the total business rates bill and far more than any other industry and just 10 companies pay 40% of all retail rates.

Given the current challenges facing the sector, we have seen little evidence that the money being generated by business rates is being fairly reinvested into retail – either locally or nationally.

Not only do business rates not work for the sector, they are actively creating gross disparities between traditional bricks and mortar and online retailers. There is no dispute that the rise of online retail has proved incredibly popular with consumers, for example in the UK 82% of residents made at least one online purchase in 2017 – more than any other EU country⁴.

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³High Streets and Town Centres in 2030 p. 57

⁴Retail Sector in the UK, UK Briefing by Chris Rhodes Number SN06186, 29 October 2018

However, online retail should be complementary to physical stores and not in place of them. The current economic structure has pitted the two against each other therefore it's hardly surprising we are seeing jobs and stores dropping by the day.

For example, Tesco paid business rates totalling almost £700 million in 2016-2017⁵. In contrast, in written evidence to a parliamentary inquiry, Amazon said its UK sales amounted to £8.77bn and it paid business rates of only £63.4m, despite generating higher profits. This is a difference of over £600 million which provides Amazon with a huge financial and competitive advantage to other retailers within the sector⁶. Jake Berry, Minister for Northern Powerhouse and Local Growth at the Ministry for Housing, Communities and Local Government (MHCLG) stated "it does not seem that that is creating a level playing field to me" - Usdaw would agree.

In failing to deal with the business rates issue in a more timely fashion, the Government is simply storing up problems for the future. The Government has already acknowledged that there are issues with business rates and new measures were announced by the Chancellor as part of the budget in October 2018. But these measures only helped small retailers and Usdaw believes this is a mistake. Ultimately this does not tackle the root cause of the problem which goes far beyond small businesses with many large retailers buckling under the pressure of excessive business rates.

The Government has committed to allowing greater business rates retention by local authorities, "this gives local authorities powerful incentives to grow and reinvest in their local economies; rewarding their efforts to plan ahead. Under the current scheme, local authorities estimate that they will receive around £2.4bn in business rates growth in 2018/19" but this figure could increase if retention rates are increased⁷. However, even with an increase in retention rates it is not clear how this will help the retail sector. The big question is whether or not an increase in rates retention will actually lead to authorities passing on the benefit to retailers either through rate reductions/exemptions or reinvestment in the sector? Due to the chronic underfunding and budget cuts that have plagued local authorities for over a decade, Usdaw is not convinced this will happen and we believe the money generated from business rates is unlikely to be fed back proportionally into high streets and the wider retail sector.

Given the burden that business rates place on the sector, the only real answer is fundamental reform. The Government needs to commit to ensuring a fair, proportionate and modern business rates system that works for all sectors, instead of focussing their efforts on patching up an old system which does little to actually benefit retail – the largest contributory sector to the business rates pot. In light of this, Usdaw is calling for an urgent full review of business rates in addition to a wider review of tax reforms, discussed in more detail over the page.

Given the burden that business rates place on the sector, the only real answer is fundamental reform.

⁵<https://www.tescopl.com/news/news-releases/2019/bcc-annual-conference-2019-speech-by-dave-lewis/>

⁶High Streets and Town Centres in 2030, Eleventh Report of Session 2017-19 p.16

⁷https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/764485/Business_Rates_Reform_consultation_document.pdf

Tax Reform

In addition to a full review of business rates, Usdaw believes there needs to be a wider set of tax reforms with an overriding principle that no particular business or corporate structure should be able to deliver a competitive (or uncompetitive) tax advantage. As a starting point we need to make sure that companies are paying their fair share of tax by reducing corporate tax avoidance.

While the issue of tax avoidance is not limited to retail, the current tax structure has clearly contributed towards the imbalance between online and traditional retailers. For example we know of instances where online retailers are reporting their sales through separate companies registered in countries such as Luxembourg. Tax avoidance has a huge cost on the UK economy and there is no question that this is an issue the Government needs to tackle. There is no easy solution on this front. However, we need a full review of tax laws not just in regards to the challenges arising from digitalisation, but the wider impact that technology has on industries such as retail.

The current tax structure has clearly contributed to the imbalance between online and traditional retailers.

Online Transaction Tax

The introduction of a Digital Services Tax in April 2020 is welcome but it does not address the imbalance between online and high street retailers. The Government needs to go further and consult on other options. This is not about penalising online platforms but levelling the playing field between physical retailers and their online competitors.

One method that has received growing attention is the concept of an online transaction tax. At Tesco's Annual General Meeting 2019 in March, CEO David Lewis highlighted that the current tax system, from property tax to business rates, does not reflect the balance of sales, stating "I believe it's time to consider an online sales levy ... 2% would raise £1.5bn ...that could fund a rate cut of 20%, levelling the tax playing field between physical retailers and their online competitors"⁸.

However, the debate around an online transaction tax is far from straightforward. Many online businesses operate across international borders therefore it could be difficult to implement an online transaction tax without international agreement.

The bigger concern for Usdaw is that the introduction of a transaction tax could translate into higher costs for consumers – it is difficult to predict at present how this could be balanced out with the lower cost of production and processes but as a union that represents low paid workers we have to recognise that many of our members would be vulnerable to rising costs.

⁸<https://www.tescopl.com/news/news-releases/2019/bcc-annual-conference-2019-speech-by-dave-lewis/>

Usdaw recognises the concerns and benefits behind such a tax and believes this, along with business rates, needs to be given some serious consideration and consultation. Ultimately, Usdaw wants to see a system that ensures common principles apply to all businesses whether operating online, from physical premises or with a combination – something that the current system does not deliver on. How this is achieved is open to debate but what we are clear on is that any revenues raised through such a system must be reinvested back into the sector.

Planning Reform

There is little doubt that in order to help the high street and wider retail sector the planning process in the UK needs some reform. Retailers need to be able to continuously adapt to enhance their offer to customers but the current system is overly bureaucratic. The Government has acknowledged the need for reform and has consulted on proposals that will allow greater change of use to support high streets and the delivery of new homes.

Usdaw is not opposed to some modernisation of the current system which could help to deal with the fast moving nature of retail, address the issue of empty retail space, while at the same time increasing housing. However, this needs to be based on a long-term viewpoint that takes into account a number of problems, rather than just a knee-jerk reaction focussed around change of use through more deregulation – something which could potentially intensify both problems. There is a danger in abandoning retail by greatly exaggerating the death of the retail sector thus creating a self-fulfilling prophecy.

We need to ensure that the appropriate measures and checks are put in place in a way that benefits the high street and wider retail sector. For example, in relation to the issue of excessive retail rents, the Government needs to ensure that a change of use is beneficial to the high street and local community, and not just a way for landlords to make more money at the expense of local jobs.

The Government must also be mindful of how a simplification of the change of use process could have a negative effect on the area. For example, many town centres have seen an increase in anti-social behaviour and this has been exacerbated by deregulation of planning and developments within the evening economy (ie pubs, bars and restaurants). While these types of establishments are a key part of injecting money into the local economy, there needs to be a balance as this can impact on where people want to live and shop.

Ultimately, Usdaw wants to see a system that ensures common principles apply to all businesses whether operating online, from physical premises or with a combination – something that the current system does not deliver on.

Parking Charges and Transport Network

Public transport is a key component when it comes to the health of the retail sector but it is often overlooked and undervalued. In order to help the sector, we need a modern public transport system that is accessible, affordable and integrated across towns and communities.

At present many local authorities are already at breaking point and the Local Government Association (LGA), which represents 370 councils in England and Wales, has warned “uncontrollable costs and reductions in Government funding means the money available for concessionary fares, the national ‘free bus pass’ scheme, was underfunded by an estimated £652 million in 2017/18 ... This is significantly more than the LGA’s previous estimate of at least £200 million made in 2016 and is forecast to increase further in 2019/20⁹”.

A properly funded transport system is essential when it comes to increasing local footfall and access to town centres needs to be made as easy and affordable as possible. Usdaw wants to see local councils taking a lead on this issue. Usdaw believes that bus services could be improved if there were local powers to regulate journeys and service provisions. There are lots of simple initiatives that councils can do to tackle some of the issues facing the high streets.

If elected the Labour Party has already committed to providing funding for free travel for under 25s to local authorities who introduce bus franchising or move to public ownership of their local bus services. This proposal is based on evidence from the Urban Transport Group that shows how better fares for young people drive an increase in usage, against the national backdrop of a decrease. It is clear that to help the high street local authorities need to take more control of their local transport systems so they can provide a reasonable and sustainable service.

High streets and town centres have also been hindered by harsh parking enforcement regimes. A study from the British Parking Association showed a clear link between reduced footfall and higher parking charges/availability, yet many local authorities are failing to tackle this issue¹⁰. The rise of out-of-town shopping has been heavily blamed for the demise of the high street but the reality is that free parking at these sites has been a huge incentive to shoppers. Out-of-town locations also attract more click-and-collect customers – people that buy online and collect in store – because they often offer plentiful and free parking.

Increasing the availability of parking is not a likely solution, therefore the use of new technology must be explored with innovative solutions considered such as road sensors that allow temporary free parking as a way of managing short access to food stores or local shops. Another example of technology being utilised was a pilot scheme launched in Cardiff, Wales in 2015. The scheme saw 300 sensors installed across the city to help drivers find a parking space. While there needs to be caution about the issue of mobile phone use while driving, these are the kind of innovative and technological options that need to be explored when considering the future of retail and our high streets.

Usdaw believes that bus services could be improved if there were local powers to regulate journeys and service provisions.

⁹<https://local.gov.uk/about/news/nearly-half-all-bus-routes-risk-funding-gap-free-bus-pass-reaches-ps650-million>

¹⁰https://www.britishparking.co.uk/write/Documents/Re-thinking_Car_Parking.pdf

Multi-Channel Retailing

For many years we have heard about the decline of traditional shops and the high street due to the rise of online shopping. According to ONS online sales as a total of all retailing increased to 18.6% in March 2019, increasing from the 18.1% reported in February 2019. Internet sales increased by 12.4% in the 12 months up to March 2019, with all sectors showing growths except food stores and household goods stores¹¹. While online shopping is certainly rising, a huge proportion of retail sales still take place in stores therefore the shift to online is not quite as one-way or inevitable as it may first appear.

Online costs for retailers can also prove considerable. For example according to Next's Annual Report 2019 "every additional order Online has increased variable costs, such as warehouse picking and delivery costs ... Last year, every Pound of NEXT business that transferred from Retail to Online cost an additional 6p". Next also state that around half of online orders are still delivered to stores – while this may be of lower value than home deliveries, it still equates to one-third of their online turnover. Deliveries to stores are done for both cost (no delivery costs) and convenience (not waiting in for deliveries).

The business also state that "80% of all our Online returns come back through our stores"¹². This demonstrates that for retailers bricks and mortar stores still offer huge potential but perhaps through more of a 'bricks and clicks' approach than the traditional format.

Therefore when it comes to economic measures for the sector, this is not just about Government action, retailers must also make the conscious decision to invest in their long-term future rather than focussing on taking profits at the top. Retailers have become increasingly focussed on short-term goals as many struggle to keep their heads above water, while at the same time paying out huge profits to shareholders and Directors. Usdaw is calling for the Government to consider a long-term planning initiative for the sector which could go some way to addressing this issue.

Experiential Retail

Technology has not just driven growth in online retailing for existing retailers; it has reduced barriers to entry and widened competition. Therefore in order for traditional retailers to compete, they need to develop an omnichannel that sees online and in-store as complimentary with the emphasis on experiential retailing.

In the current climate, retailers have had to find new and innovative ways to attract customers – this is called experiential retailing. Ikea have piloted the use of VR (virtual reality) to test how the business might bring emerging technology to its shopping experience in the form of a virtual kitchen. Other immersive retail experiences range from 'design your own jewellery' in store (ie personalisation of products) to interactive mirrors in changing rooms.

Retailers have become increasingly focussed on short-term goals as many struggle to keep their heads above water.

¹¹<https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/march2019>

¹²<https://www.nextplc.co.uk/-/media/Files/N/Next-PLC-V2/documents/2019/annual-report-and-accounts-jan19.pdf>

However, it is crucial that retailers don't steer towards this type of technology simply as a way of reducing headcount and overheads – this is a short-term gain and the human customer service element is fundamental to experiential retailing. So far most retailers have embraced new technology simply as a way of increasing profits as outlined in the Pay and Productivity part of this strategy, when in fact new technology needs to be seen as part of a wider package in delivering an experience to customers.

Usdaw believes that retailers need to take a more collaborative approach when it comes to working together to share good practice. While many retailers are in direct competition with each other, the wider benefits of this approach would prove beneficial in the long term to the overall health of the sector.

In the current climate, retailers have had to find new and innovative ways to attract customers.

Case Study – Selfridges

One such retailer who has successfully delivered on experiential retailing is Selfridges. While many department stores are struggling, Selfridges is bucking the trend revealing “record financial results for the year ending 3 February 2018, for the fifth year running. Sales reached over £1.75 billion (+11.5%) and operating profit rose to a record £181 million”¹³.

Arguably the current climate in retail has yet to dent luxury sales but actually the retailer appeals to a wide demographic and despite its luxury ‘showroom’ of goods, it stocks brands across the spectrum from high street to high fashion. The business has invested millions

to future-proof its multi-channel offer, from launching a shoppable app to virtual mirrors in stores. For example, the business began a £300m five-year revamp of its Oxford Street flagship store¹⁴.

Of course Selfridges has obvious physical advantages over rivals with considerably less retail space (four stores in total) but despite these benefits, the retailer has utilised its food and beverage department to deliver a social activity as well as shopping experience, thus increasing time spent in stores which in theory should drive sales.

¹³<https://press.selfridges.com/story/selfridges-announces-record-results>

¹⁴<https://press.selfridges.com/story/selfridges-invest-£300m-world's-largest-destination-accessories>

Sustainable Delivery

The other important element of multi-channel retailing is growing environmental concerns and sustainable delivery. Over the past decade we have seen a drastic reduction in plastic bags and the growth of reusable coffee cups. For example, Pret is now selling 85,000 drinks in reusable cups every week with their customers saving an estimated four million disposable cups last year¹⁵. This highlights the growing awareness from consumers on such issues that 10 years ago seemed inconceivable. In contrast a recent report from parcel delivery service Doodle showed “88% of consumers globally still opt for home delivery which necessitates tens of thousands of small vans travelling millions of miles each week to make hundreds of individual drop offs a day”¹⁶.

Clearly the growth of online shopping is unlikely to come to a halt anytime soon, but that does not mean we will not see an increase in consumer consciousness when it comes to sustainable delivery choices. In fact there is already clear evidence of a shift in consumer behaviour and the same report from Doodle showed “Over three quarters (77%) of online shoppers now say they’re conscious of, or care deeply about the environment when thinking about how they receive their deliveries” and “One in seven shoppers (13%) say they take the environmental impact of different delivery options into account ‘a lot’ when they make their choice”. (Doodle YouGov research, March 2019).

Concerns about the environment will continue to rise, driving the increase in consumer consciousness, which is why forward-thinking retailers are focussing their energy on bricks and clicks. Usdaw believes this is a sensible approach, both in regards to our growing environmental concerns and as a way of traditional retailers utilising their offer to compete with online-only retailers through appealing to consumers from all angles.

Community Focus From Local Authorities

Often when we think of the crisis in retail it is easy to focus on the bigger UK wide picture, but Government must not also overlook the local impact. There is a hugely disproportionate impact of retail closures on the local economy in deprived areas where it can be one of the major employers. For example, the closure of big department stores or large food retailers, also known as anchor stores, can have a devastating impact on local communities. This is why in addition to Government action, local authorities need to take ownership of their local high street and retail sector.

Local authorities need to take the lead on some of these challenges by creating innovative and evolving strategies formed around the local characteristics of their town centres. Widening community collaboration and thinking outside of the normal framework is crucial. The scope of experiential retailing does not just rest with retailers – local authorities need to capitalise on this to improve town

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¹⁵<https://www.businessgreen.com/bg/news/3034289/reusable-cup-use-soars-ten-fold-at-pret-thanks-to-50p-discount>

¹⁶Doodle Pulse Report: Sustainable Delivery – Luxury or necessity in today’s consumer climate? p.3 (Metapack: State of eCommerce Delivery 2018)

centre footfall. In recent years Food and Christmas Markets have proved extremely popular for many town centres attracting a significant number of visitors. We have also seen an increase in other more innovative projects such as Manchester's Bee in the City Project in 2018. This was one of the city's largest ever public art events. According to figures from CityCo and Manchester BID, who track footfall trends, this period saw rising footfall levels bucking the national trend¹⁷.

The Grimsey Review 2 makes recommendations in regards to the role of driving positive change in our communities by local authorities, with specific reference to the town of Roeselare in West Flanders, Belgium¹⁸. The review was used as a blueprint to transform the town which is reaping the benefits put in place. Key recommendations from the review include:

1. All towns must develop plans that are business-like and focussed on transforming the place into a complete community hub incorporating many different strands, whilst developing a unique selling proposition (USP). This should include embedding libraries and public spaces at the heart of each community and embracing smart technology.
2. The key to success is outstanding, talented and committed leadership.
3. The curating of a place based on its distinct heritage is multi-dimensional and complex but should feature strongly when developing the 'offer'.
4. Best practice genuine high street renovation should be shared. Economically Rational Areas should be established that can draw on examples of Scotland and Wales to get things done and an independent body is needed to support.

The Grimsey Review 2 clearly offers an interesting insight into some of the challenges facing retail and its recommendations need to be given careful consideration as part of a wider strategy for the sector¹⁹.

The Apprenticeship Levy

In May 2017 the Government introduced the Apprenticeship Levy with a view to increasing the number of apprenticeships in England to 3 million by 2020. Despite intentions, the number of people starting an apprenticeship fell and there were 119,100 fewer starts in 2017/18 than in 2016/17 – resulting in a total underspend of £2 billion to date, which if left unspent after two years will go to the treasury. According to the British Retail Consortium (BRC) "Currently, there are strict limitations on what Apprenticeship Levy funds can be spent on, meaning retailers are unable to fully engage with the policy and make the most of apprenticeships"²⁰.

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¹⁷<https://cityco.com/report/city-centre-monthly-footfall-trends/>

¹⁸The Grimsey Review 2 "It's time to reshape our town centres"

¹⁹ibid

²⁰<https://brc.org.uk/news/2019/bright-future-for-retail-apprenticeships>

As the UK's largest private sector employer, the BRC estimate that the retail industry contributes around £180m per year to the levy but so far the sector has failed to reap the benefits of their sizeable contribution²¹. This is down to two reasons. Firstly, the levy lacks flexibility which limits retailers' ability to utilise it for the skills they need and secondly the false perception of retail as a lower skilled job in comparison to more industrial sectors.

In light of some of these problems, in the October 2018 Budget the Government announced it would begin a period of consultation with employers and other stakeholders involved in the apprenticeship system. Usdaw wants to see the following reforms to help retail workers and the sector get the most out of the levy:

- Increased flexibility in the type of training that levy funds can be used for – apprenticeships focus on training for a current job role but the potential impact of automation across the retail sector is likely to mean any skill gaps are exacerbated. Therefore, apprenticeships should not solely focus on skills sets required for current roles but also skill sets that are likely to be required for future work, including digital skills, programming and coding.
- Greater flexibility around how the 20% off-the-job training is administered – this still needs to be meaningful work relevant to the job.
- An extension of the two year window to ensure retailers have every opportunity to spend the levy.
- The option for funding from the levy to be used to support members who do not meet the functional skills entry requirements to apply for an apprenticeship programme.
- The right for the relevant trade unions to be consulted about the introduction of Apprenticeship programmes in union-recognised companies/workplaces to ensure schemes are fair and union members on programmes are supported.
- A commitment and workplan to tackle under-representation of people from different backgrounds in Apprenticeship programmes, such as low levels of involvement from those people with a disability or from BME backgrounds.

As the UK's largest private sector employer, the BRC estimate that the retail industry contributes around £180m per year to the levy.

²¹<https://brc.org.uk/news/2018/the-dfe-apprenticeship-levy-announcement>

Closing the Pay Gap and Stronger Corporate Governance

Chief Executives and Finance Directors within the retail sector are some of the highest paid across the economy. Even in light of the recent challenges within the sector, the discrepancy between CEO pay and business performance has continued to widen. While we understand the market reasons linked to Director pay in the sector, what is particularly frustrating for staff is when they are being asked to bear the brunt of pressures within their stores, through less hours, restructures and job losses, while Directors continue to receive substantial increases in pay.

The range of ownership models of private companies can make it difficult to adopt a fair and proportionate approach to corporate governance and this is particularly true with executive pay. Therefore as part of wider economic measures to help the sector, we need to see a closing of the pay gap between CEO pay and the lowest paid workers within the sector.

The principle of 'taking into account pay and conditions elsewhere in the company' (which is an established part of the UK corporate governance code) has been shown to be ineffective in curbing excessive executive pay in listed companies. Therefore a different approach needs to be taken. The focus of the remuneration policy should be on lifting up the level of pay at the lowest levels in a company. The duty on the Board to maintain the sustainable long-term success of the company would still apply and therefore would see a rebalancing of pay ratios. This is why Usdaw is calling for:

- Specific reference to remuneration of the lowest paid workers in an organisation within a company's annual accounts.
- A place for a workforce representative on the remuneration committee.
- A requirement to report openly and transparently on pay at all levels. Pay structures need to be fair, sufficient and ensure a minimum living standard – aside from the ethical/social importance of fair pay, this is crucial to increasing productivity.
- Specific reference to fair and equal pay and a clear commitment to closing the gender pay gap.
- A move away from the continued market expectation for retailers to report on a quarterly basis and instead for the sector as a whole to focus on long-term sustainability.

The focus of the remuneration policy should be on lifting up the level of pay at the lowest levels in a company.

We also need to see stronger corporate governance rules to curb asset-stripping to ensure that business failure is not rewarded with excessive bonuses and pay-outs, as was the case with BHS. A damning report from the Work and Pensions and the Business, Innovations and Skills committees found that BHS was subject to “systematic plunder” by its former owners and we need strict measures to ensure this doesn’t happen again going forward²².

Stronger corporate governance will only be delivered through adequate oversight. Following an investigation, the Financial Reporting Council ruled that BHS’s 2014 accounts, signed off by independent auditors, were, “incomplete, inaccurate and misleading”²³. The company was sold and then continued to trade on the basis of these accounts, something which later put the pension scheme in grave danger. Issues within audited accounts have been seen in other areas of the economy, such as the collapse of Carillion. In light of these events, there is a clear need to deliver a significant transformation of the audit industry.

A Full Review of the Competition and Markets Authority

Retailers and retail workers have a vested interest in the role of the CMA, particularly in light of the recent decision (25 April 2019) to block the proposed Sainsbury’s-Asda merger. Since the proposed merger was announced in April 2018, Usdaw members have been living under a cloud of uncertainty. While many will be relieved that the threat posed by the CMA requiring stores to be sold has been lifted, this decision to block the merger raises wider questions regarding job security given the current climate within the sector.

All retail workers are living with uncertainty and insecurity and it is inevitable that there will be more restructuring and store closures to come. If the CMA are serious about ensuring fair competition going forward then we need a review that truly takes into account the changing dynamics of retail and recognises the people who work in the sector. This is why Usdaw is calling on the CMA to completely review its market test to fit the modern retail sector, as well as providing a voice for workers within the CMA’s internal structures.

The Government has already set out their intention for the CMA to become “the UK’s independent state aid authority post-Brexit”. These additional responsibilities are clearly reflected in the £23.6m in additional funding given to the CMA in the 2018/19 financial year. Given the additional responsibility the CMA is expected to undertake in the coming years, the criticism the body has faced in recent years and the changing nature of competition due to developments in technology, a full review of the CMA is crucial in not only ensuring that the body is fit for purpose now but to future-proof the organisations for the challenges that lie ahead.

Retailers and retail workers have a vested interest in the role of the CMA.

²²https://publications.parliament.uk/pa/cm201617/cmselect/cmworpen/54/5402.htm?utm_source=54&utm_medium=fullbullet&utm_campaign=modulereports
²³<https://www.frc.org.uk/getattachment/433f3df8-d0ef-456b-8a26-aeb55f65489b/BHS-Particulars-of-Fact-and-Acts-of-Misconduct.pdf> p. 9 (point 43)

People and Productivity

- In the current climate, retail staff are working under a cloud of uncertainty/insecurity, and morale in the sector is at an all-time low. The constant cycle of restructures, store closures and contract variations has left staff overworked, underpaid and feeling very insecure.
- The NLW may have offered some initial relief for those 25 and above, this has been offset by pay/benefits consolidation, rising inflation and the reduction of in-work benefits. This means there has been no real-terms increase in take home pay for many staff working in the retail sector for several years.
- The ongoing productivity issues within the sector need to be addressed, and decent pay and conditions play a key role in this. There is evidence that paying the real Living Wage enhances productivity, improving employee retention and engagement.
- Unfortunately, within retail, the word productivity has become synonymous with job losses and cuts in hours.
- As a consumer-facing industry, retailers need to put the people who work in retail at the centre of its recovery. This section on People and Productivity is a core part of the strategy for retail, focusing on improving performance and productivity through decent pay and secure work.

Minimum Pay of £10 Per Hour

Following the introduction of the National Living Wage in 2017, we saw growing evidence that better pay enhances productivity, improving employee retention and engagement²⁴. Therefore rather than waiting for productivity to push up pay, a simple solution for retailers would be to increase pay to drive real productivity growth. As a customer-facing sector, retailers need to view pay and benefits in a broad business context. Failure to do so is detrimental to long-term success. For example, retail scores highly in terms of both inflow and outflow rates as the sector with the second-highest churn (inflows plus outflows as a proportion of employment), after hospitality.

Staff turnover has been rising across sectors in recent years as the labour market tightens, and today one-fifth (19 per cent) of retail workers enter or exit the sector each quarter²⁵. The retail workforce is therefore constantly changing. Anecdotally we know that this is a huge cost to business – costs can range from administration, induction training to more direct costs from advertisements to assessment centres. It costs a business just as much to recruit someone on a full-time contract as it does a part-time contract – therefore the fragmentation of roles within the sector and the drive for so called ‘flexibility’ has had unintended consequences on business costs that need to be considered in their entirety.

We also know that retention of staff means retention of vital knowledge and skills – another crucial component of the customer service element. Relative productivity of new employees can be lower in the initial weeks and months but this is something that is difficult to measure, however the constant availability of labour means this is something retailers may not prioritise²⁶.

Usdaw is aware from our conversations with some of the country’s largest retailers that they are not oblivious to this challenge, but the wider pressures on the sector are leading to an increased focus on short-termism – retailers are focussed on keeping their heads above water and this culture and mind-set is difficult to shift.

The relationship between higher wages and lower staff turnover is long-established and organisations across a variety of sectors that pay the Living Wage Foundation-accredited Living Wage have reported improvements in staff loyalty, engagement, productivity, staff turnover, absenteeism and stronger corporate reputation.

The relationship between higher wages and lower staff turnover is long-established.

²⁴The Smith Institute, The local Living Wage dividend: An analysis of the impact of the Living Wage on ten city regions by Paul Hunter

²⁵Resolution Foundation, Sorry, we're closed p.7

²⁶<http://ncefbsc.com/Topic%203%20employee%20turnover%20and%20retention.pdf>

Another example is the link between low pay and mental health. It is widely acknowledged by health professionals that the UK is in the midst of a mental health crisis at present. At the same time we know from our survey that difficulties in affording the basic essentials of a decent standard of living are having a direct effect on workers' mental health. Acas estimates that 91 million working days are lost each year as a result of mental ill-health – more than for any other illness. Mental health also has other associated costs relating to retention and turnover.

The other element of better pay relates to customer service. The rise in online shopping is often blamed for the demise of high street stores, but retailers need to take some responsibility. A failure to invest in staff numbers, pay, benefits and training, has severely impacted customer service in store. Good customer service through staff interaction is one of the key advantages that retail stores have over their online competition – if retailers are serious about future-proofing their businesses they need to grasp the importance of pay and secure work and how it relates to productivity and the customer experience.

Time for Better Pay Survey Results

During the summer of 2018, Usdaw surveyed over 10,500 workers in retail and other associated sectors. Our survey revealed that for retail workers:

- 63% feel financially worse off compared to the last five years.
- Three-quarters are relying on loans and borrowing to pay essential bills.
- Two-thirds say financial worries are impacting their mental health.
- A third have missed or been late with rent and mortgage repayments.
- 63% have been unable to go away on holiday in the past year.

- Nearly one in ten uses food banks to feed themselves and their families.

Based on the evidence from the survey, Usdaw has launched a campaign calling for key action which would resolve some of the above issues. These actions are:

- A minimum wage rate of £10 per hour.
- A minimum contract of 16 hours per week for everyone who wants it.
- A contract based on an individual's normal (actual) hours of work.
- An end to the misuse of zero-hours contracts.

Tackling Underemployment

While statistics show unemployment is falling, this masks the reality of underemployment for many people working in the retail sector. An increasing number of job roles are offered on zero and short-hours contracts, leaving workers struggling to get the hours they need. Though media focus tends to fall on zero-hours contracts, short-hours contracts can be just as exploitative. Our survey results show 95% of retail workers responding to the survey agree that all workers should be given the right to a contract of at least 16 hours per week and one in four members are contracted to 16 hours or less.

While short-hours contracts may provide flexibility for some, we know that many workers on these type of contracts want to work more hours but are unable to increase hours with their employer. Workers on the shortest contracts are also the lowest paid. The concentration of low paid workers on short-hours contracts indicates that people employed on these contracts are facing a lack of opportunity and are not progressing up pay scales. 80% of those contracted to 16 hours or less earn £8.50 or under – well above the average for all workers of 58%.

Short-hour contracts are leaving retail workers without the hours they need to get by. Individuals may be technically ‘employed’ but low pay and short hours are not high enough to meet basic living cost. Usdaw wants to see an end to the use of short-hours contracts through a commitment in law to a minimum contract length. This will help ensure more jobs are offered on a meaningful basis which is imperative to the future of the sector.

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A Contract That Reflects The Actual Hours You Work

In addition to the challenge of short hours, we have also seen a massive increase in the number of individuals working on an insecure basis. According to figures from the ONS, from January to March, there were 2.45 million underemployed people (willing to work more hours, available to do so and worked less than the specified hours of work threshold) in the economy, which is up 18,000 from October to December but down 63,000 from the same period last year. The underemployment rate (the proportion of people aged from 16 to 64 years who were underemployed) remained at 7.5%. This time last year the rate was 7.8%.

A large proportion of retail workers are affected by this issue and through not having any guarantees over a significant proportion of their income, workers are unable to access mortgages, enter contracts for mobile phones or be sure of their ability to pay everyday bills such as gas and electric. For nearly 4 in 10 workers, at least 20% of their hours are not guaranteed.

Our survey asked members how many hours a week they are contracted to work as well as how many they work in an average week. From the 10,500 responses, we can tell how reliant low paid workers are on hours which are not guaranteed as part of the contract and then investigate whether this has an impact on their mental health. Usdaw figures show that for low paid workers with fixed hours contracts, 59% felt that financial worries affected their mental health. For workers who relied on insecure hours for at least 40% of their working hours, this rose to 73%.

As our members reported, these hours can be removed all too easily causing significant hardship for insecure workers. Due to the imbalance of power in the employment relationship, individual workers are all too frequently unable to defend their basic employment rights.

The Low Pay Commission recommended in its 2018 report that workers should have the right to switch to a contract that guarantees their normal working hours. Legislation to this effect was introduced in Ireland this year and the UK should follow suit.

*Reliance on
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New Technology and Automation

In recent years we have seen increasing debate around the impact of automation. While there is no dispute that automation offers significant opportunities for retailers and consumers, it also poses significant challenges for many members of the workforce.

Given the number of jobs at risk, Usdaw is concerned at the length of time it has taken the Government to give serious consideration to the impact of automation on the UK labour market – particular retail which is one of the most high risk sectors. In a survey conducted jointly by Usdaw and the Future of Work Commission, over 40% of Usdaw members were concerned that technology would impact on their job security.

This is hardly surprising as in recent years while some retailers have sought to use automation to drive productivity and economic growth, others have simply used it to reduce staff headcount and hours. However, this is not a viable long-term solution for the sector and introducing new technology purely to cut costs will only exacerbate the crisis, storing up problems for the future.

Take for example the rise of self-service, scan as you shop/go and online shopping which have all reduced business reliance on checkout staff. Anecdotally we know that many of the big food retailers do not staff checkouts early morning and quite often only self-service checkouts are open. But not every consumer is a fan of this technology and Usdaw is aware from speaking to members that many customers prefer face to face interaction. We also know that greater use of self-service technology, along with a reduction in staff on the shop floor, invariably leads to higher levels of shrinkage.

Retailers need to be aware of the importance of operating new technology alongside staff/customer service to deliver more for the consumer, rather than simply to drive bigger profits at the top. To help mitigate the impact, and to harness the benefits of automation, Usdaw wants to see the following put into action as a matter of urgency:

- A robust strategy from business, Government and unions on how to deal with the impact of automation. This includes the introduction of a coherent industrial strategy for retail which is not only the UK's largest private sector employer but one of the most at-risk sectors from automation.
- Sustained investment in skills for workers affected by automation through union learning and high quality apprenticeships.
- A legal right to collective consultation on the implementation of new technology in the workplace.
- A strong focus on industrial relations. This includes simplifying the process for statutory trade union recognition to allow trade unions to work alongside employers to help staff adapt to new technology through consultation and the appropriate training/Lifelong Learning.
- Trade Union involvement in all programmes operated under the National Retraining Scheme.

Introducing new technology purely to cut costs will only exacerbate the crisis.

The Productivity Puzzle

The productivity gap is one of the most serious and vexing economic problems facing the UK at the moment. If the pre-2007 trend of rising productivity (averaging a rate of 2.1% between the late 1990s and 2007²⁷) had continued, productivity would now be 16% higher than it actually is and the likelihood would be that wages and living standards would also be higher²⁸. The Government describes this unusually weak productivity growth as a 'productivity puzzle'.

More often than not, the corporate response to this productivity puzzle is to freeze wages and cut jobs in the hope that reducing expenditure can enhance profits, but research shows that increasing wages may be the key to stronger growth and in turn, a more healthy economy. Workplace stress has become a 'major talking point' with regards to productivity, particularly as a contributing factor to £77 billion relating to sick days in the UK each year²⁹. However, the most common cause of workplace stress – inadequate pay and the ramifications this has on working people – is rarely addressed by businesses trying to improve output.

²⁷Minding the gap: solving the UK's productivity puzzle, University of Cambridge

²⁸What is the productivity puzzle? Office for National Statistics

²⁹<https://www.consultancy.uk/news/16359/higher-wages-key-to-solving-productivity-puzzle>

Real productivity feeds through to economic growth pushing up wages. But the cycle is broken and retail is a good example of artificial productivity gains. In this regard it could be viewed as more of a 'productivity paradox' than a 'puzzle' – the paradox being that the sector has delivered above-average productivity growth despite the on-going crisis by making staff work harder without any real improvement in wages; boosting productivity in the short term but with severe long-term repercussions.

In retail, the word productivity has become synonymous with job losses, cuts in hours and the introduction of new technology. Research also shows that when restructures and redundancies are announced, there can be an increase in performance, as individuals try to demonstrate their worth and/or present to work when ill, in the hope of retaining employment. However this is short-lived and as worry and uncertainty take hold, performance and productivity reduce.

One clear example of this is the issue of presenteeism – attending work when ill. A study by health insurer Vitality has found that more than 40% of employees said their work was being affected by health problems - a figure that's risen by a third over the last five years.

In its recent annual Health and Well-Being at Work Survey Report the Chartered Institute of Personnel and Development (CIPD) said more than four-fifths (83%) of its respondents had observed presenteeism in their organisation, and a quarter (25%) said the problem had got worse since the previous year. The findings are obvious; when workers are not at their best, they become less productive.

A report conducted by the Living Wage Foundation and focussed on the retail sector finds that there is a 'vicious cycle' in retailers' approach to falling sales and profits; reducing labour costs by slashing staffing budgets delivers short-term savings but in the longer term, understaffed stores with poorly trained, demotivated employees are often associated with operational problems that undermine sales and profits.

The question of productivity needs to be considered in a wider context if retailers are serious about the recovery of the sector. Such a wider context must include a long-term approach whereby employees are seen as an investment/asset for businesses looking to up-skill individuals and work to ensure their loyalty throughout their career. As already mentioned in this document, the retail sector currently experiences the second highest level of employee turnover across the economy, something which is adding unnecessary costs for businesses and negatively affecting productivity.

More often than not, the corporate response to this productivity puzzle is to freeze wages and cut jobs in the hope that reducing expenditure can enhance profits.

Usdaw – Working with Employers to Improve Productivity

In recent years, many businesses have sought to improve processes through digitisation. This transition has been seen in many areas such as moving pay slips and holiday booking processes online, computer based stock control systems and utilising hand-held devices to improve customer experience. As a result of these processes, many retail Usdaw members have been put at a disadvantage due to a lack of digital skills. Usdaw's team of Lifelong Learning Project Workers and Union Learning Reps have been able to work closely with Regional HR Managers and Store Operation Managers to provide ICT

assessments. This has then been followed up with workshops and ICT course provision. During 2018, Usdaw provided ICT training opportunities to 3,372 members.

Following Usdaw undertaking significant digital skills enhancement in the North East, a Store Director commented, "The use of technology is becoming more important in our colleagues' lives, but not all our colleagues are that confident to use technology. The work that Usdaw and our team at the store have done has been fantastic, and colleagues have really welcomed it, and the help they have received."

Employee Engagement and Pay and Benefits

The other part of the debate in regards to productivity centres around the question of engagement. There has been increasing interest in the concept of employee engagement particularly in the years prior to the Financial Crisis. Many employers are aware of the importance of establishing good employee engagement, although the current climate has seen an increased focus by retailers on short-term measures with the question of staff engagement falling off the agenda.

Retailers must take into account the fact that there is a growing bank of evidence to support the benefits of increased employee engagement, including better performance, lower employee turnover, and the 'discretionary effort' which engaged employees will put in, going further than the minimum which is expected of them. The Corporate Leadership Council says that 70% of business leaders now believe that engagement is critical for their businesses.

Much of the recent work in this area has been led by Nita Clarke of IPA and David MacLeod. Their 2009 report *Engaging for Success*, (known as the MacLeod Review), was commissioned by BIS and remains one of the most significant pieces of research on the link between engagement and productivity.

However, there is very little mention of pay in any of the debate around employee engagement. While pay is by no means the only issue that affects motivation, it is certainly an important one. Living Wage employers have consistently reported increased productivity and motivation from their staff. It is important not to lose sight of the very pressing need for employment to provide a decent standard of living, as an absolute starting point for engagement.

As Acas pointed out in their policy discussion paper, *Building Employee Engagement* (January 2010), employee engagement will not have any long-term positive effect if it is simply used by employers to make people work harder – it needs to be about 'building trust, involvement, a sense of purpose and identity where employees' contribution to business success is seen as essential'.

In terms of the picture in retail, a poll by Maverick in 2012 found that 77% of UK retail employees are not engaged with their company brand values, and that the sector loses £628 million each year by failing to inspire its employees. In the years since this poll, the crisis in retail has escalated and serious consideration needs to be given to the low levels of morale and engagement within the sector, if retailers are to deliver for their customers and staff. This is why Usdaw wants to re-establish the need to promote worker and collective voice at all levels.

It is important not to lose sight of the very pressing need for employment to provide a decent standard of living, as an absolute starting point for engagement.

Employee Voice

Retail workers are crucial in driving the recovery of the sector and there is little doubt that they need to have a greater voice in the workplace.

Sunday Times 'Top 100 Companies to Work for' found that feeling listened to was the most important factor in determining how much respondents valued their organisation, but we know from speaking to members in retail that one of the biggest complaints from staff is feeling like their voice is not being heard.

The Taylor Review, published in 2017, recommends that employees should have a greater voice in the workplace, specifically promoting the Information and Consultation of Employees (ICE) Regulations. The review recommended that the regulations should be extended to include employees and workers and that the threshold for implementation should be reduced from 10% to 2% of the workforce making the request, a recommendation which has now been accepted by Government. Usdaw recognises the value of the ICE Regulations – any regulations that open up the channels of communication between the employer and employee is a good step forward. At the same time we need to ensure that workers, through the representatives where appropriate, are able to determine how their collective voice is heard in the workplace.

Collective Bargaining and Statutory Recognition

While Usdaw recognises the importance of employee voice, it is important for the Government and employers to also acknowledge that trade unions and collective bargaining play a pivotal role in this. Trade unions are crucial in opening clear and accessible channels of 'direct voice'. In reality non-union representation is not sufficient to provide a true worker voice. For starters, employee representatives do not have the legal protection and collective strength which union representatives benefit from.

For some, collective bargaining and union negotiation is an obstacle and in recent years we have seen the role of trade unions ignored and dismissed by the current Government. But this is an out-dated and old fashioned perspective when actually unions have a key role to play in business success. More forward-thinking employers have recognised the benefits of working with unions and this is especially true for the retail sector – hence why Usdaw has agreements with some of the largest retailers in the country. This ranges from utilising the Union's specialist knowledge of lifelong learning to help and develop staff as well as helping the business to manage change and challenges in a way that minimises job losses and the impact on staff – something which many retailers recognise is crucial to long-term staff engagement and business success.

One of the biggest complaints from staff is feeling like their voice is not being heard.

More forward-thinking employers have recognised the benefits of working with unions and this is especially true for the retail sector.

If retail workers are to really play a crucial role in driving the recovery of the sector then they need a genuine voice in terms of influencing overall decision making. Only a trade union will give workers an effective voice which is why Usdaw believes that the rules around statutory recognition claims should be overhauled to ensure that workers can have their voice heard.

Worker Directors In The Boardroom

Another solution for delivering a voice for retail staff is the introduction of legislation to ensure that workers have guaranteed seats on the Boards of large companies, with the same role as other Directors.

Measures should also be put in place to ensure that such seats reflect the gender breakdown of staff across the company. Workers on company boards is not a new concept and they are the norm across most of Europe – including countries with similar single-tier board structures to the UK. There is growing research from the HR community that improved worker participation leads to higher investment and lower levels of inequality and poverty. While there are some concerns over how this will affect business decisions, there is evidence that giving workers more say over decisions is in general good for productivity thus good for long-term business prosperity. At a time when retailers are struggling, it makes good business sense to utilise the knowledge and experience of staff when it comes to the boardroom and the major decisions that affect the future success of the business.

It makes good business sense to utilise the knowledge and experience of staff.

Collective Consultation For All Workers

The constant cycle of restructures and store closures within the sector means that for retailers, getting their redundancy process right is absolutely crucial – not only for the employees who leave but also in terms of retaining staff and maintaining confidence and trust of colleagues who remain.

The current law on collective consultation offers little protection to those employed in small retail stores. For example, when Woolworths went into administration in 2008, 3,000 former staff did not receive compensation, because they worked in smaller stores (less than 20 workers). It is unfair that workers in stores of less than 20 employees were denied compensation when these were mass redundancy situations where one central decision was made to close the whole company down and the decision was not based on the individual viability or profitability of each store.

This is why Usdaw is calling for a review of the law on redundancy, to remove the loophole which allows large chains to avoid collective consultation over small sites. This would ensure some protections for workers in smaller establishments (less than 20 employees) who are particularly vulnerable in the current climate. Even where employees are covered by collective consultation, Usdaw does not believe 30 or 45 days provides enough time for meaningful consultation to occur at a stage where the process can still influence the proposals. For collective consultation on large scale redundancies to be genuine and meaningful, Usdaw feels that the statutory consultation period needs to return to a minimum requirement of a 90 day consultation period.

Furthermore, under shorter consultation periods, employers are looking to be able to process redundancies at the end of the defined period of consultation meaning that, from the very start of the engagement process, resources are being utilised to terminate individuals' employment. It is clear that shorter periods of consultation are undermining discussions which are vital to securing both the workforce but also the future direction of the business. Usdaw is calling for the legislation to extend the minimum period of consultation over collective redundancies. Any minimum period must:

- Allow for a proper dialogue to take place to find alternatives to redundancy.
- Give the opportunity to explore redeployment options within the business.
- Enable proper support structures and give the opportunity to bring in outside agencies to maximise external employment opportunities.

Redundancy consultation must allow for proper dialogue to find alternatives to redundancy.

Changing Perceptions – Retail Jobs are Real Jobs

- This part of the strategy is about changing mind-sets and ensuring retail is treated as a key part of the economy. However shifting mind-sets is not easy.
- The lack of attention from Government towards workers employed in the sector is making this much harder. This only serves to reinforce a view that sees retail work as transient and retail workers as disposable.
- This undervaluing of retail workers is certainly a contributing factor in the growing levels of abuse against retail workers.
- Changing perceptions of retail begins with recognition from Government of the crucial role retail workers play within the UK economy and across wider society.

Government Policy

The crisis in retail has made headline news but the focus of Government policy and decision makers has not followed. Given the economic importance of retail, it is difficult to understand why retail is treated differently from so-called traditional industries such as manufacturing.

Retail Value To UK Economy

- 3 million people work in retail, with a further 1.5 million jobs reliant on the success of the industry.
- The retail sector contributes 11% to UK economic output.
- The retail industry (in England) contributes approximately £7 billion of business rates annually. This is nearly one-quarter of the final bill and far more than any other industry.
- The combined cost of spending on crime prevention and losses from crime to the industry is a staggering £1.9 billion.
- Retail is the largest private sector employer in the UK.
- 14% of all apprenticeships take place in retail.
- Retail is the second largest contributor of tax at £14.5bn.

The retail sector, the largest private sector employer in the UK, was completely overlooked in the Government's industrial strategy which chose to focus on other industries such as technology and infrastructure. While we recognise the importance of these industries to the future of the UK economy, any focus needs to be alongside supporting industries such as retail, not in place of.

Aside from the Autumn Budget in 2018 there have not been any meaningful efforts to tackle issues faced by the sector. A number of reports looking at the retail sector and high street crisis have touched on the impact on communities but failed to address the impact the crisis is having on retail work and retail worker's lives. The lack of attention from the Government in response to the scale of job losses emphasises the lack of value placed on retail workers. If this scale of job losses was facing any other sector swift action would have been taken by now.

We have seen examples of Government efforts in relation to other sectors and there is no reason why similar models could not easily be employed to address the challenges faced by the retail sector, unlock potential for growth, address skills and training and ensure the long-term future of retail work.

If this scale of job losses was facing any other sector swift action would have been taken by now.

A Skills Strategy

To date much of the transformation in the retail industry has been focussed on short-term gains as retailers aim to quickly turn around businesses in response to rapid changes in the sector. A combined focus from Government and business working with trade unions is needed to scrutinise the impact of such short-term measures and set out how best to maximise the potential of new technologies, while also retaining jobs, investing in skills and creating opportunities to ensure the long-term future of retail work.

This was discussed earlier in regards to the false gains in productivity; however the challenges around automation are also reflective of some of the perceptions we see around the retail sector which need to be addressed.

At present 31% of retail leavers exit to unemployment and they are more likely than those from other sectors to be unemployed for more than six months – this is a huge issue not just for retail workers but for the economy, and is partly a symptom of the failure of retail employers to invest in skills and training for their staff³⁰.

With the introduction of any new technology there is always a risk where it performs a function previously fulfilled by a worker. Therefore, a key part of the retail strategy, must concentrate on investing in skills, including through union learning and high quality apprenticeships. This should be combined with efforts to promote the opportunities and benefits of careers in retail to both existing retail workers and to attract new workers to the sector.

A skills partnership for retail, led by Government would help to identify emerging trends and potential skills shortages, enabling employers to co-ordinate training and upskilling to target particular areas of the sector or country. Tapping into the potential of the existing workforce to fill emerging roles will benefit business and help to mitigate job losses as the sector evolves. Without a co-ordinated commitment to upskilling it is unlikely that newly created roles will be filled by existing workers.

Evidence also shows that certain groups of workers are more at risk as automation transforms workplaces. This is particularly true for those most likely to occupy insecure and lower paid roles – women³¹, BAME³² workers and young workers³³. The digitisation of employment where rotas, holidays, payslips etc. are now accessed and managed online is already causing problems, particularly for disabled workers and older workers, who are much more likely to struggle with online access. Therefore as well as a right for trade unions to consult on the introduction of new technology in the workplace there must be a statutory requirement for private sector employers to conduct an equality impact assessment as part of the introduction of any new technology, with the aim of identifying and addressing issues for workers whose jobs are most at risk of change.

To date much of the transformation in the retail industry has been focussed on short-term gains.

³⁰Resolution Foundation, Sorry, we're closed p.8

³¹The ONS recently identified 70% jobs at risk from automation are women's jobs. Of the highest 'at risk' roles - 2 of the top 3 are in retail roles - shelf fillers (71.1%) and front line/elementary sales (70.69%).

³²<https://www.tuc.org.uk/news/bme-workers-far-more-likely-be-trapped-insecure-work-tuc-analysis-reveals>

³³The ONS recently reported young people aged 20-24 are more likely to be in roles affected by automation.

The Value of Customer Service

Usdaw is concerned that some bricks and mortar retailers do not recognise the value of customer service and face to face interaction. Many retailers talk about putting consumers at the heart of their business, but the focus here tends to be on price with reduced emphasis on customer service. Price and good customer service are not mutually exclusive. Anecdotally we know good customer service increases average transactional value, engaged staff work to reduce overheads to reduce day to day operations and staff who receive training and development are more likely to stay with the business – demonstrating a key link.

While price is undoubtedly important, especially in light of the rise of discount retailers, the UK is still a service-based economy and there is still an integral need for good customer service within the retail sector.

Unfortunately as retailers struggle to survive, we have seen headcount and hours reduced in stores. Usdaw knows from talking to members that a growing number of customers are frustrated by the lack of customer service and understaffing in store and checkouts.

There is no replacement for good customer service in retail. The customer service skills of retail workers are vital to transforming businesses and attracting and retaining customers. Good customer service requires perception, reasoning, empathy, creativity and problem solving. However, as retailers look to streamline where they can, the decline in face to face interaction undervalues the significance of interpersonal skills and is having a negative impact on customers and local communities.

Cutting back on retail workers' hours means that when problems do occur, they cannot be dealt with properly. This hugely increases stress which impacts on retail workers' mental health at work. A key part of changing perceptions starts with retailers recognising the value of their staff and what they bring to the business. This also links in with experiential retailing discussed on page 15 which is fundamental to the sector going forward.

Retail Crime

The lack of acknowledgement of good customer service is also a contributing factor in the rising levels of abuse towards retail workers on the front line, as customers take out their frustrations on staff when technology goes wrong.

Usdaw is calling for a new model for co-operation around tackling retail crime, particularly in light of automation (eg self-service tills) and the lack of investment in stores which has, in some cases, resulted in severe understaffing. This is not just in relation to the reduction of overall headcount in stores but a specific reduction in trained and designated security staff. In recent years many of the big retailers have reduced security staff but costs savings are clearly superficial given the on-going and cumulative cost of rising retail crime and abuse. This is yet another example of the short-term measures being taken that are damaging the long-term health of the sector.

Good customer service requires perception, reasoning, empathy, creativity and problem solving.

Usdaw is calling for a new model for co-operation around tackling retail crime, particularly in light of automation.

Freedom From Fear

Usdaw has been raising this issue for many years and we launched our Freedom From Fear Campaign in 2002 in the face of growing concerns amongst retail staff about violence, threats and abuse. The campaign works with employers to promote respect and make shops safer for staff.

Usdaw's 2018 survey revealed that incidents of violence, threats and abuse against shopworkers are an increasing problem. During 2018:

- Nearly two-thirds of shopworkers experienced verbal abuse.
- Over 40% were threatened by a customer.
- On average over 280 were assaulted every day.

The survey also found that the top triggers of these incidents are: 25% shop theft, 22% age-restricted sales and 21% sale of alcohol.

The British Retail Consortium (BRC) has also recently released their annual retail crime survey results which show the extent of the problem. The survey shows that:

- Violence remains a key issue. On average, 115 retail employees were attacked every day.
- The combined cost of spending on crime prevention and losses from crime to the industry is a staggering £1.9 billion.
- Over £700 million was lost due to customer theft alone, a rise of 31% on the previous year.

In addition to the shocking survey results from Usdaw and the BRC, perhaps the most alarming statistic in regards to this issue is that figures from the Home Office reveal that during the same five-year period as rising retail crime, there was a 17% drop in those arrested for shoplifting, and the number charged fell 25%.

Clearly retailers and Government need to start addressing both the human and business cost of retail crime, which not only affects staff morale, but hits the bottom line through high shrinkage levels and reduced productivity.

Protecting Shopworkers

Part of the solution is for retailers to make sure they have the adequate security provisions in place and enough staff to serve customers. But the other solution is for the Government to impose tougher penalties on those who assault shopworkers. With retail crime increasing it is vital that the Government introduce stiffer penalties, such as a simple stand-alone offence that is widely recognised and understood by the public, police, CPS, the judiciary and most importantly criminals.

Retailers and Government need to start addressing both the human and business cost of retail crime.

Retail Work – More Than Just a Stop Gap

Challenging negative perceptions needs to combat the widely held belief that retail work is just ‘pin money’ for women working part-time or a stop gap for people on their way to a ‘real job’. These notions simply do not reflect the reality of retail workers’ lives.

Retail work is 24/7, physically demanding, mentally challenging, multi-skilled, high pressure, profit driven and target led. Retail workers have to be adaptable and dynamic, responding to rapid changes, both consumer driven and industry led. For the majority of people, retail is their career, and retail jobs make a critical contribution to household incomes and support millions of working people and families across the UK.

Historically many people were drawn to retail work as it offered a greater degree of flexibility than many other sectors, allowing people to balance paid work with other commitments such as family, care or studying. Employers are keen to promote flexibility and the potential is there, however increasingly this flexibility is one-sided. Retail work currently is defined by short and unpredictable hours contracts. However, what parents, carers and those with other commitments need most are predictable hours and a guaranteed income in order to be able to plan their lives. Women in particular have been leaving the sector as they increasingly struggle to get flexible working arrangements to fit around childcare.

Retail work is 24/7, physically demanding, mentally challenging, multi-skilled, high pressure, profit driven and target led.

Flexible Working

In order to promote flexibility as a retail positive, retail workers need more control over their hours and flexible working rights need to be strengthened and extended. Usdaw welcomes the Labour Party commitment to flexible working as a day-one right and to legislate to create a presumption in favour of flexible working. This should be combined with strengthening enforcement mechanisms and sanctions for employers who persistently fail to meet statutory obligations with regards to worker’s rights.

Linked to flexibility is raising the status of part-time work – creating parity of opportunity to training and progression across all roles. Part-time workers are more likely to be in low paid, low status work, and more likely to be passed over for training opportunities. Raising the status of part-time work is key to dismantling barriers to promotion and progression. This is particularly important in retail where the majority of part-time workers are women working in Customer Assistant roles and there is a long-hours culture in management roles. Creating opportunities for flexible working across all roles, with a focus on developing talent will help not only to retain existing workers but attract new workers to the industry.

Raising the status of part-time work is key to dismantling barriers to promotion and progression.

A Designated Inclusive Body To Deliver The Strategy

In recent years we have seen attempts by Government to manage the current crisis in retail, but the response has been somewhat unco-ordinated and fragmented. For example, we have seen the following launched since last year:

- Retail Sector Council – March 2018.
- Future High Streets Task Force - Expert Panel set up at the request of the Minister for Northern Powerhouse and Local Growth Jake Berry MP in July 2018.
- The High Streets Report.
- Future High Streets Fund (announced Autumn 2018 budget).
- Report from Housing, Communities and Local Government Committee on High Streets and Town Centres in 2030.

Usdaw welcomes the steps being made to acknowledge and investigate the challenges facing retail, but given the thousands of jobs being lost, action by Government needs to be more substantial and equally significant to the current crisis facing the sector. Usdaw believes the response so far has fallen short of what is truly needed to help retailers and retail workers.

This is why Usdaw is calling for a more co-ordinated approach through a shared industrial strategy for the sector. An example of such a response to an industry facing crisis is the Automotive Council – established in 2009 to enhance dialogue and strengthen co-operation between the UK Government and the automotive sector. The Council is made up of senior figures from across industry and Government as well as, crucially, trade union representation. In July 2013, the Automotive Council published the sector strategy: Driving Success – a strategy for growth and sustainability in the UK automotive sector. “This long-term strategy sets out a range of actions to address the cross-cutting objectives of improving access to finance, support for emerging and disruptive technologies, skills development, and improving the competitiveness of the UK supply chain”. This is a living document that is updated and activities re-prioritised as appropriate.

We need a similar co-ordinated approach for the retail sector, bringing together all key stakeholders – from local authorities and national government, retail bodies and expert panels (e.g. BRC), retailers (both large and small) and more importantly, retail workers. Usdaw firmly believes that if the Government and retailers are truly committed to securing the long-term future of retail, then retail workers need to be put at the heart of the sector’s recovery. As well as decades of experience, retail workers know first-hand how changes in the sector are impacting on the way they work and the way customers shop – they are living this every day and Usdaw has seen first-hand the value of their input.

Usdaw is calling for a more co-ordinated approach through a shared industrial strategy for the sector.

Bringing together all key stakeholders – from local authorities and national government, retail bodies and expert panels (eg BRC), retailers (both large and small) and more importantly, retail workers.

Usdaw members have direct experience from the shop floor on the issues that are affecting the sector and should have a voice and input into policy making and key decisions. Over the years we have seen ideas and initiatives from Usdaw members implemented to provide considerable cost savings for the business.

The Valuable Input of Retail Workers

Through our agreement with one of the largest retailers in the country, Usdaw members have the opportunity to interact with Senior Company Officials as part of the Pay Review process. During one particular set of negotiations, the Company's Operational Director attended a meeting to discuss the retailer's financial health and raise concerns that the business was sitting on the largest debt mountain in their history, which was significantly impacting cash flow and investment. This prompted Usdaw Reps to raise their concerns regarding the huge amount of backroom stock that stores were sitting on – the vast nature of this stock was causing huge wastage, time and supply issues.

This opened up a debate at the meeting on the issue, resulting in a company-wide operational review of backroom stock, leading to

substantial savings for the business. It is interesting to note that Company Directors and Senior Management at Head Office were not aware of the extent of the back stock issue from their extensive visits to stores – reiterating the point that is so often overlooked by businesses that 'managers (often with more to lose) will tell you what you want to hear, whereas staff will tell you what you need to know'.

This is a good example of the operational input and contribution that workers and trade unions can have into business success – ultimately business success is beneficial to workers and is therefore mutually beneficial. Forward-thinking companies recognise this and failure of retailers and Government to utilise the knowledge and experience of staff on the shop floor, is a fundamental mistake for the sector.

Recent panels and enquiries have missed opportunities to take into account the view of retail workers. The fact that retail workers have not been given a true voice only serves to highlight how undervalued retail workers are by Government and this needs to change. Let's not forget that the Government has the ability to empower workers with a say in how jobs are constructed and how work is organised. The views, ideas and concerns of retail workers should be central to informing Government decision-making and developing strategy regarding the future of work in the retail sector.

A more inclusive and co-ordinated approach will help to ensure consistency and accountability; this is not just the right thing to do by retail workers, but the most practical next step in helping to secure the future of retail, a fundamental and foundational part of the UK economy.

Managers (often with more to lose) will tell you what you want to hear, whereas staff will tell you what you need to know'.

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