

# Tens of thousands of retail jobs lost in UK

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Hundreds of thousands of jobs are disappearing from the UK high streets as major retail giants shutter their stores.

In the months up to September this year, 85,000 retail jobs were lost. Household names such as the House of Fraser, Poundworld and Evans Cycles, as well as smaller independent traders, either shut stores or went bust—a total of almost 1,000 retail businesses going under. While department store chain British Home Stores closed in 2016, another large chain, Toys“R”Us, wrapped up business last year, as well as stationery chain Staples. The 99p discount stores chain shut in March this year. Prezzo restaurant chain closed 94 of its UK branches in April and May.

Other long established firms such as Mothercare, Homebase, Carpetright and Newlook have resorted to a Company Voluntary Arrangement (CVA)—an insolvency procedure for businesses with debt problems—a 73 percent increase since last year.

Many high street shops lie empty, especially in smaller towns. The number of empty premises rose in the first six months of 2018 by more than 4,400, a figure compiled by the retail analysis Local Data Company.

The list of closures reads like a cull. In August, the more up-market House of Fraser department store chain, with a 169-year history, went into receivership. The company’s share price dropped by 75 percent last year. After Fraser was bought for £90 million by Sports Direct, the number of branches singled out for closure was reduced from 31 to around eight. Among those closing is its large store in Manchester, with at least 160 jobs at risk.

Multi-national department store retailer Debenhams, founded in the 18th century, is planning to close 50 stores out of its 165 branches over the next five years, after posting record annual losses. Around 4,000 jobs are at risk.

Another large department store retailer, Marks and Spencer (M&S), plans to close the doors on 100 of its stores by 2022. By last May, 22 had already closed, with another 14 to close by May 2019. These have seen 1,500 staff made redundant out of M&S’s total workforce of 72,000.

Under a CVA, fashion store Newlook plans to shut 60 shops. Lloyds pharmacy, seen on every high street, will stop trading in 190 of its stores in England. Supermarket giant Waitrose will close five stores, while restaurateur Jamie Oliver plans to close one third of his Italian restaurants in the UK.

This week, global retail conglomerate IKEA announced that 7,500 office jobs will go as part of its global transformation plans. 350 of these will be among its 12,100 UK employees. IKEA plans to develop smaller inner city outlets and improve its online operation. While some new stores are opening in the UK, where it already has 22, in May IKEA ditched plans to open a new one near Preston in the north of England due to uncertainty over the retail industry in Britain.

Since the summer, when retail sales rose 2.3 percent in the three months to July, growth in sales fell back to 0.4 percent in the three months to October. Head of retail at Deloitte, Ian Geddes, put the fall down to consumers holding back until the November Black Friday sales. Others suggest consumers are delaying purchases because of uncertainty surrounding the outcome of the Brexit negotiations.

Some 2.8 million workers (around 9.5 percent of the workforce) were employed in the retail industry as of 2017. By 2025, retailers predict that a third of these jobs will be lost, due they say to changes in technology and the rising minimum wage.

Rachel Lund, head of insights at the British Retail Consortium, said, “We are seeing more competition and higher costs on the high street, coupled with a long-

term decline in footfall as consumers shop online.”

According to the Office for National Statistics, British online purchases have increased to 17.3 percent of total sales, up from last year’s figure of 16.1 percent.

The growth of online shopping over the last decade has been exponential, with the rise of transnational behemoths like Amazon, the largest online retailer in the world by revenue—second only to Chinese-based Alibaba when measured in total sales. Founded in 1994 by Jeff Bezos, Amazon diversified from selling books to practically everything else—including clothes, electronics and furniture. Amazon now employs over 600,000 workers worldwide, up 13 percent from a year ago, raking in vast profits on the basis of super-exploiting its workforce.

Amazon is only one of a number of online retailers, including eBay and Japanese-based Rakuten, which can outcompete their rivals with expensive bricks and mortar overheads. Amazon ranks 7th among the top 10 largest international retailers, a list led by US-based Walmart.

Other reasons for the closure of so many retail outlets are rising business rates and falling wages, meaning consumers are spending less. Business rates, which increased three percent in April in line with inflation, are a property tax calculated according to rental values, therefore favouring cheaper out-of-town warehouses where online retailers tend to operate.

While the ONS recently reported that UK wages rose at a faster rate than at any other time during the last decade—by 3.2 percent in the three months to September—when adjusted for inflation this falls to 0.9 percent. The general tendency, however, is that wages in the UK have plummeted to among the lowest levels in Europe, bar Greece. Wages are abysmally low and have not recovered to their pre-crash levels in 2008, thus contributing to falling high street sales.

The minimum wage increased in April this year from a paltry £7.50 to just £7.83 an hour for over 25-year-olds, and for 21- to 24-year-olds from £7.05 to £7.38. The London living wage is set at £10.55 an hour. Two-thirds of those in work in the UK are classed as the “working poor.”

The *Financial Times* commented, “Britain’s shoppers relied on borrowing or running down their savings last year to keep spending. Many economists expect that the recovery in real wages will take some

time to feed through into higher spending as households repay debt or rebuild their savings.”

In the same three-month period to September, unemployment rose by 21,000 to 1.38 million, or from a rate of 4.0 to 4.1 percent. PricewaterhouseCoopers Senior Economist Mike Jakeman responded by saying, “This slowdown in the number of new jobs opening up is likely to feed through into weaker consumer spending.”

Even more jobs in retail could go with Britain’s exit from the European Union. Data from YouGov analysed by Vend revealed recently that one quarter of small UK retail businesses view Brexit with trepidation. UK Country Manager for Vend, Higor Torchia, said, “The UK retail sector has a huge international footprint, both in the staff it employs and the supply chain it sources through, so it’s understandable that some retailers are nervous about what will happen after March 2019.”



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