UK retailers report “worst year on record” as 140,000 job are shed

Margot Miller
10 January 2020

In 2019, 140,000 jobs were lost in the UK retail industry, the highest figure in 25 years. This week, the British Retail Consortium revealed that in 2019 there was a fall in sales (by 0.1 percent) for the first time in the last 25 years.

The jobs cull continued into 2020, with 3,150 jobs going this week alone. These went at Mothercare (2,800) and luxury gift retailer Links of London (350), as 94 of their stores closed their doors. More jobs will go this month with music and entertainment group HMV shutting three stores—Bury St Edmunds, Nuneaton and a Fopp outlet in Glasgow. Another 10 HMV shops are threatened. HMV said some staff will lose their jobs and cited high business rates and rents as the cause.

A recent report by the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA) found that over the past decade, the industry—which employs three million compared to 2.7 million in the manufacturing sector—haemorrhaged almost 300,000 jobs. Cashiers, bank clerks and hairdressers were the hardest hit. Redundancies affected 67,000 retail cashier jobs out of a total 75,000, and 41,000 post office and banking clerk positions out of 65,000.

In contrast, computer and software programming jobs grew by 72 percent, an increase of 162,000 roles.

Head of RSA future work centre Alan Lockey commented: “Changes in the Labour market reflect changes in society, so we can see the impact of public sector austerity, the decline of the high street and the rise of e-commerce reflected in these figures… In the 2020s, technological change will transform the labour market yet further.”

Around 80 percent of the high street jobs axed were held by women, while 90 percent of 100,000 new van driving jobs to deliver internet orders were picked up by men.

Last year, many high street chains ran into difficulties, folding or undergoing rationalization, unable to compete with out of town stores and increasingly automated online shopping conglomerates such as global retailer Amazon. Amazon and other online retailers are able to operate at profit margins that chains based on the high street store model cannot compete with.

In 2018, 18.4 percent of retail merchandise sales were online, growing at the expense of brick-and-mortar retailers. The last three years saw Amazon in the UK increase its workforce by 10,000 to 30,000.

In a related study, the Centre for Retail Research (CRR) found that 16,073 shops closed in 2019, amounting to 61 per working day. CRR director, Professor Joshua Bamfield, predicted a rough ride in 2020 for the high street with store closures expected to increase by nine percent to 17,565 and job losses of around 171,000.

“The commercial pressures of higher… business rates and relatively weak demand will continue to undercut profits and force the weakest companies to close stores or enter administration,” explained Bamfield.

Falling consumer demand is a major factor in the decline of high street sales, since the implementation of brutal austerity to pay for the 2008 bank bailout.

In the UK there are 14.3 million people (22 percent of the population) living in poverty and a third are on the breadline. Poorly paid high street jobs are often replaced by equally poorly paid jobs in ecommerce. Amazon pays £9.50 an hour (£10.50 in London) for work likened to slave labour.

The number of working poor is growing. Government figures for 2017-18 show three-quarters of children in poverty live in households where an adult works.

With wages lagging behind inflation, families use online sellers for cheaper offers as these firms are able to further undercut brick-and-mortar stores as they pay low tax rates. Amazon UK last year paid just £220 million on revenue of £10.9 billion.

Many consumers stayed away from the traditional Boxing Day high street sales, resulting in a fall of 10.6 percent compared to last year—the biggest drop since 2010.

Among the chains closing stores last year were Patisserie Valerie. It went into administration last January, closing 70 of its 200 stores, involving 900 redundancies. Other firms to go were fashion retailers LK Bennett and Forever 21 and bathroom chain Bathstore.

Another major high street name, Debenhams, will close 19 department stores between January 11 and 25 with 660 jobs going. A further 28 will be shuttered in 2021. Debenhams called in the administrators in April 2019 to tackle its debt problems. Financial investors took over, and the company entered a company voluntary arrangement involving closures and an arrangement with its landlords to reduce its rent.

The John Lewis chain made a financial loss in 2019 with weak Christmas sales figures. Managing director Paula Nicholds will step down at the end of the month after sales fell two percent and staff may be asked to forego a bonus for the first time since 1953.

Things fared no better for department store House of Frazer, taken over last year by Mike Ashley, who sold seven out of 52 stores. Half the remaining stores are expected to shutter. Further closures are anticipated at Bonmarche, department store Beales and camera retailer Jessops.

The UK’s largest supermarket chain Tesco is planning to cut 4,500 jobs at 153 of its Tesco Metro supermarkets, in addition to 9,000 redundancies announced last year. It plans to reduce opening hours in 134 out of 1,750 smaller Express stores.

Tesco said it simplified shelf stacking without storing stock to reduce jobs, while introducing flexible working—to the detriment of staff conditions.

All the supermarket giants are introducing flexible working and restructuring to weather stiff competition between each other and from German-based retailers Aldi and Lidl, which offer goods at discount prices. These are being pushed through with the collaboration of the trade unions—the Union of Shop and Allied Workers (USDAW) at Tesco and the GMB at Asda.

Last August, workers at Asda voted 93 percent in a consultative ballot to oppose a new flexible contract, which would leave the workforce at the beck and call of management. Despite near unanimous opposition from shopworkers, the unions have refused to organise effective industry-wide action to oppose the attacks on jobs and conditions.

UDAW runs a proforma Save Our Shops Campaign and appeals on its web site to the government “to create a more level playing field between the high street and online retailing.”

In written evidence to a parliamentary inquiry, Amazon admitted to paying just £63.4 million in business tax, less than one percent of its sales compared to 2.5 percent for Next, 1.8 for Marks & Spencer and nearly 3.5 for Debenhams.

The Conservative government recently announced a £1 billion high street fund to rejuvenate 101 high streets, to be piloted in 14 areas including Salford, Croydon, Knowsley, Preston, Coventry and Rushmoor.

Communities Secretary Robert Jenrick declared, “Central to the mission of this new government is levelling up towns and regions, ensuring prosperity and opportunity are available to everyone.”

Prime Minister Boris Johnson promised to launch a “fundamental review” of the business rates system in the spring. The advisory firm Altus group, however, said under the government’s plans business rates would only be cut 0.03 percent, in 2021.

Central government grants to local councils have been slashed in the last decade, with the aim of phasing them out completely. This will leave local councils reliant on council tax and business rates to provide essential services.

Hedge fund holders have a realistic appraisal of the high street’s future, betting £1.6 billion against companies like supermarkets Sainsbury’s and Morrisons, B&Q-owner Kingfisher and Marks & Spencer making a recovery.