Just the Job

Retail employment issues

4

Employment in supermarket

4.1 INTRODUCTION

4.1.1 Retailers often suggest that new stores 'create' jobs and some local authorities are eager to embrace a new retail development as an apparent means of boosting a flagging local economy beset by job losses. While some new retail developments may bring genuinely new employment prospects, others may actually have a harmful impact upon job numbers and quality within the local economy as a whole. This issue is extremely complex and open to wide interpretation and misinterpretation. It is an even less well researched area than retail impact. Eminent retail specialist Harvey Cole has commented 'if all economic statistics are realistically regarded as a minefield, those dealing with employment are a quagmire'.

4.2 JOB GAINS AND LOSSES

4.2.1 At the first level in the retail development process - concept and design - it is invariably the case that work in the architectural, engineering and other professions will either go to retailers' in house teams or generally to national practices. There is only limited evidence of local job creation at this stage of the process. New stores certainly do create construction jobs and this work, as well as sub contracting and the provision of construction materials, may create local jobs but there is no guarantee that this will be the case invariably. Many firms deal with the same specialist construction companies for all of their jobs and will import the companies and the labour, who 'know the ropes' and are price and quality consistent, to do the job (eg shopfitting). Similarly, materials are likely to be of a standard specification and supplied from national or even international sources. Even so, construction labour will have a beneficial multiplier effect on the local economy creating demand in local restaurants, pubs, hotels and shops.

4.2.2 Once a development is completed, the employment effect locally (ie more or less jobs) will depend on the retail impact of the store. If existing stores are overtrading and can sustain some impact or if the impact is sufficiently dispersed, the impact on jobs could be modest. However, if the retail impact is severe then the employment effects will be more acute. Thus, as well as job losses from shops which may close, there will be down sizing of the labour force in shops which survive but whose margins are reduced. This emphasises the need for continuing investment in retailing in historic towns.

4.2.3 If stores close and down size their workforce as a result of impact, these lost jobs have to be balanced against the 'new' jobs offered by the new store. If the new store has a lower density of employment than closing stores then the overall result could be a net employment loss.

4.2.4 Job loss does not just stop with shop workers but will extend into the associated trades and professions who service shops - deliveries, food processing, production etc. If local shops using predominantly local suppliers are replaced by national chains with their own supply network then there will be a negative impact. However, it is important to note that some national retailers have a policy of using some local suppliers while in the case of certain types of retail development (ie. speciality shopping schemes) there may be a positive desire from the developer to secure local tenants and suppliers.

4.2.5 Job impact will also extend beyond the stores immediately affected by a competing development. Work by the Forum on mixed uses in town centres and multi purpose trips demonstrates that shoppers undertake a wide range of trips during a visit to a town centre. If the principal purpose of their visits ceases to be available in the centre then their whole trip pattern may change and their visits to related town centre destinations may cease. This may have a 'knock on' effect on employment within other town centre shops, restaurants/cafes, leisure facilities and other destinations. This direct effect may also be exacerbated by the less tangible impact of a vacant block in the main shopping area.

Multi-purpose trips to town centres

4.2.6 In global employment terms, large food stores do not create more permanent jobs. Small independent food retailers employ 1 person per £50,000 annual sales while superstores employ half as many (Kwiksave employs 1 per £188,000). If superstores are replacing grocers, employment must be falling. Additionally, between 1986 and 1993 total retail trade volume nationally grew by 19% while the number of people engaged in retailing fell by 0.5%. Since these figures include non food development which <u>will</u> have created some new jobs, we can infer that food shopping growth has resulted in a net job loss.

4.2.7 The impacts of non food stores are more difficult to predict. Since non food expenditure is discretionary and increasing per capita expenditure may supplement existing floorspace rather than replace it, new jobs may represent a net addition. H owever, if new floor space has a negative impact on existing durable retailers then new jobs may merely replace existing ones. As with retail impact, employment impact can also be cumulative so the effect of a number of relatively small proposals could, together, be significant.

4.2.8 The retailers' response is that the new jobs are certain while the losses are only speculative, so the opportunity should be grasped. Clearly more information and research are needed to enable a clear view of the actual gains and losses resulting from new retail development.

4.2.9 A final point for the long term is that superstores and retail warehouses, by their nature, are about economies of scale. That is, they aim to get increasing productivity (or turnover) per unit of cost (eg per employee). Innovations such as bar coding have speeded up customer processing and reduced the numbers of staff (e.g. fewer checkout people, people to produce and stick on price labels). There is reason to suspect that they will wish to become more 'employee efficient' in the future but it is difficult to predict how technological advances and other innovations may impact upon the level and quality of employment. The kinds of changes which will affect employment include:

- self scanning by customers (Safeway experiment) which may lead to downsizing of labour forces
- tele-shopping and home deliveries (Tesco experiment & US experience) which may increase jobs
- more catalogue (e.g. Argos) or warehouse (e.g. Costco) retailing which may reduce jobs
- Sunday/late hours trading which may either increase jobs or reduce trading at other times

Out of town retail park

4.3 OPPORTUNITY COST

4.3.1 A further issue is that of employment opportunity cost. That is, the employment effect of the retail proposal not going ahead on the identified site. In this context, it is first necessary to consider the number and nature of jobs already provided on the site, both directly and indirectly, and how any net gain in retail jobs compares with these. Next, it is important to assess the longer term employment prospects if the current use remains - would jobs expand, remain at the same level, decrease or disappear. In the recent past, some marginal manufacturing operations or larger concerns seeking opportunities to rationalise, have seen retail development as an opportunity to streamline operations, close down less effective plants and secure a positive financial return. While, in some instances, this sequence will allow firms to move to more modern premises or even to sustain the future of their overall operation by a more effective disposition of resources, in others the process results in the complete closure of an operation or even withdrawal from the area, with consequent job losses. This judgement is often complex and has increasingly been characterised by what has come to be known as the 'gun to the head' syndrome. This is where a local company will argue that unless it can secure a retail value from its present site it will be unable to sustain operations in the local area and may have to move to another part of the country which can offer cheaper sites, lower rents or assisted status. The threat of manufacturing job losses will always be of serious concern but such bargaining positions must be judged in the context of whether acquiescence would secure those jobs anyway and in terms of the effect on retail jobs globally. The final decision must be made on sound planning criteria and if a retail use is unacceptable it may be possible to assist the existing company in a range of other ways (e.g. alternative, high value uses consistent with policy, assistance through Government Challenge initiatives - SRB, Capital Challenge, joint schemes with English Partnerships).

4.3.2 The next question is would more jobs be created if the site were to be developed for an alternative use to retailing? Although research is sparse, indications are that alternative 'employment land' uses (B1 office/light industry) generally provide more jobs on a straight use for use comparison. This is particularly the case if the new retailing would result in no net gain, or even a net loss in jobs, but where alternative uses would generate genuinely additional employment. However, it should not be assumed that alternative employment would all be new - some may be relocated from another site.

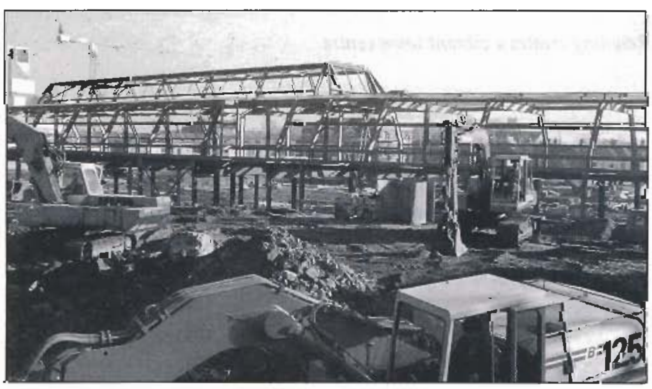
4.3.3 The retailer response to the 'more jobs' point, again, is that retailing offers real jobs now and that the potential future use of the site is only speculative. If there is a surplus of industrial land in an area the employment potential of the site may not be realised for many years. In such a situation it will be necessary for the planning authority to consider the following qualitative issues in determining whether an alternative to retail use is more appropriate:

- location in relation to main approaches and route hierarchy
- profile and prestige positioning of the site
- size in comparison with other available land (e.g. the only remaining large user site)
- development constraints compared to other sites
- potential synergy with other activities (e.g. other employment, airport, research park)

4.3.4 It will not come as a surprise that the locational requirements for retail developments will generally be the same as those for other prestige commercial developments and even where there is a surplus of available employment land, the retail proposal will invariably emerge on the best available site or sites. While this may be acceptable in quantitative terms, authorities should be clear that the development of a high quality site for retailing does not delay or prejudice the potential to achieve other development.

4.4 EMPLOYMENT AND LAND RESOURCES

4.4.1 In the context of recent pronouncements by the Government and other bodies (e.g. CPRE) the use of the overall land resource is an issue with some direct relevance to employment. Evidence suggests that more jobs are created per hectare of land in denser, town centre situations than in developments on green field sites. The potential to mix uses, achieve multi level developments and to accommodate parking and servicing often over or under the retail elements means that less land is used, generally, for a 'brown site' development and therefore more jobs are provided in a smaller area. This point is not only significant if an authority is determining the most appropriate location for new retailing between an in-town and out-of-town site but it is perhaps more significant if an out-of-town development could result in the failure of existing in-town retailing. In that situation, the result could be a vacant in-town site, the loss of several hectares of land for the new scheme (a significantly greater site area than that of the original site) and the same number, or even perhaps fewer, direct jobs in net terms.



Job creation on a town centre site

4.5 JOB QUALITY

4.5.1 Finally, job quality may also be an issue. It has been suggested that jobs in large retail units are low skilled, part time, low paid and often casual. In comparison, an alternative development of the site may provide higher skilled, better paid jobs on a more permanent basis.

4.5.2 While there is some truth in this assertion, it does not represent the whole picture. Modern superstores, for instance, do employ unskilled casual shelf fillers but they also provide jobs for master bakers and butchers, maintenance engineers, computer operators and managerial staff which smaller stores are unable to provide. They also have the personnel infrastructure and resources to provide training for unskilled staff and thus to promote more effective staff development than, perhaps, smaller, independent retailers.

4.5.3 While 'quality' may be an issue for consideration, it will be most relevant to informing the overall debate about a new proposal when, for instance, the sponsor may make greatly optimistic claims about new jobs. It will not be relevant as a material planning consideration. While local authorities may be unsympathetic to the casual employment policies of some multiple retailers, it is the use, not the occupier that must be the subject of the planning assessment and, ultimately, the decision.

GUIDANCE

a) establish need and impact (see need and impact guidance note).

If results positive proceed to (b). If negative frame Local Plan/Structure Plan policies to resist further development until situation changes (establish monitoring procedures).

b) consider current or allocated use of site in context of:
- number and nature of jobs currently provided on site
- job benefits or disbenefits if current uses are displaced
- number and nature of jobs likely to be provided by any allocated development on site in future
- timescale of future development
- net effect of jobs from new development allocated
- importance of site in context of overall employment land availability
- comparative level of job provision from retail proposal
- potential direct loss from elsewhere

- potential indirect loss from elsewhere
- lower employment will result if no investment is put into the town centre

If retail offers better and/or more assured employment than present use, proceed to (c). If retail use provides negative employment, include as a factor within overall planning assessment.

c) include positive employment conclusions to support approval/allocation.

d) liaise with developer to investigate opportunities for local employment

CASE STUDY : EMPLOYMENT DENSITIES DATABASE

This Case Study differs from others in the series in that it does not represent good practice in one town only but rather draws from the experience of a range of historic towns and cities. The 'good practice' is a database, established on behalf of the EHTF by Norwich City Council, to collate representative information on employment densities from a range of different locations and authorities.

The aim of assembling this information is to provide a guide to local authorities on one aspect of sustainable employment generation. Specifically, the database considers all jobs and full time equivalent jobs (FTEs) generated by different sorts of development. Using the data, a range of comparisons is possible including the level of employment generated by an out of town development compared with :

- employment generated by an alternative use of that site or
- employment generated by a retail use on an in-town site

Additionally, it is possible to interrogate the data to relate the use of scarce land resources to employment generation. For example, an out of town retail warehouse development for bulky goods may require something in the region of 2.5 Ha to generate 100 jobs (i.e. av. density of 40 jobs per Ha (FTE)). In comparison, a 'shopping mall' type development may require as little as 0.3 Ha to deliver the same number of full time equivalent jobs. The site areas used to derive the information include the total site footprints (e.g. parking, servicing, gross store area) and do not relate solely to the net operating space.

The base information will be reviewed regularly and updated to take account of changes in the operation of retail and other facilities and the introduction of new retail modes (e.g. Factory Outlet Malls, Warehouse Clubs).

Retailing creates a vibrant town centre

Further Reading:

1. ***Employment in Retailing,*** *Harvey Cole. 1994*
2. ***Employment Characteristics of Superstore Retailing,*** *Service Industries Journal 3:63-78 Sparks, L.*
3. ***The LAURA Report,*** *Report to the DOE, November 1989*

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