



**HOUSING COMMUNITIES AND LOCAL GOVERNMENT  
COMMITTEE**

**CALL FOR EVIDENCE: SUPPORTING OUR HIGH STREETS  
AFTER COVID-19**

**USDAW'S RESPONSE**

**SEPTEMBER 2020**

## **Introduction**

Usdaw welcomes the opportunity to submit evidence and comments to the Housing Communities and Local Government Committee in its call for evidence to its inquiry into supporting our high streets after the impact of Covid-19.

Usdaw is the UK's fifth largest Union, with around 400,000 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 insight into the issues and challenges facing our High Streets.

The UK retail sector has been impacted by the coronavirus pandemic on an unprecedented scale. For an industry already facing significant challenges, the long-term impacts will be severe.

At the start of the pandemic high street retailers, particularly those without online operations were severely impacted. Online only retailers have been able to utilise their already existing advantage in the current crisis. Unfortunately many traditional high street retailers did not have the cash reserves to sit on the sidelines and as a result we have already seen a number of well-known high street retailers collapse.

Therefore while safe online retail was a way to keep the economy moving during the early weeks of the national lockdown, it has left high-street retail in crisis. Even prior to the pandemic, high streets were already in a state of decline with vacant properties and job losses seen all too often. However, the coronavirus crisis has accelerated the decline of the high street in a way none of us could have foreseen; but there are still many stakeholders – businesses, workers, shoppers and community leaders – who are invested in saving this crucial British industry.

It is clear that retail, particularly non-essential retailers, have been significantly impacted by the virus with around 1.6 million retail workers furloughed at the end of May 2020 – more than any other sector. As the job retention scheme comes to end next month, the stark reality of the job losses within the retail sector will be felt right across the UK economy.

The retail sector is the largest private sector employer in the UK, employing around three million people and contributing 11% to the UK economic output. As a fundamental part of the UK economy, the Government has a responsibility to recognise that individual retailers cannot overcome the problems facing our high streets alone.

With so many jobs and such a crucial part of our economy at stake, our high streets need focused government support and intervention to see them through this crisis. This is why Usdaw is urging the Government to work with all key stakeholders to develop an urgent recovery plan to help retailers and our local high streets.

### **The likely long-term consequence of the COVID-19 outbreak on the future of the high street**

According to figures from the British Retail Consortium, lockdown is estimated to have cost traditional 'bricks and mortar' non-food retailers £1.8 billion a week in lost sales. While the easing of lockdown measures has encouraged some shoppers back to the high street, the pandemic continues to pose huge challenges to the industry, with ongoing store closures and job losses across the UK.

In light of this, Usdaw has identified a number of potential long term consequences for the sector:

- Consumer shopping habits will change; consumers may not revert back to visiting stores. Customers who still visit stores may do so less often and could potentially revert back to the “one big weekly shop” mentality.
- The short term reliance on online retailing combined with permanent changes in shopping habits/patterns could cause a seismic shift in the industry resulting in the acceleration of online retail.
- Further pursuits of new technology; the focus here will be on ‘contact free’ shopping. From contactless payments to internal apps, buy online/pick up in store etc.
- A rise in automation; the impact of the coronavirus may lead some businesses to question the human cost/limitations of running retail operations. This will move downstream – i.e. depot/warehouses to stores.
- This crisis poses an existential challenge to retail on the high street. If we, as a society, want retail at the heart of our town centres then we need to act to support these shops through looking at business rates, rents, and other ways to encourage shoppers onto the high street such as improved public transport and cutting parking charges.

There is also a considerable people impact from Covid-19 with retail workers bearing the brunt of the fallout both directly and indirectly. Usdaw’s own research has found that those working in the industry, many of the people who have worked throughout the Coronavirus outbreak, have frequently been those on the lowest rates of pay and on insecure employment contracts.

Elsewhere, where businesses have experienced a fall in demand, the lack of secure contracts meant that hours were simply taken away from staff and, all too often, it was those on the lowest rates of pay whose hours were cut first.

Once we are past the crisis, we cannot continue with a situation where key workers are suffering poor mental health as a result of financial worries. We must also ensure that working practices in retail improve and all workers are given the contracts they need to be able to afford everyday costs of living in a stable and secure way.

The scale of job losses in the sector is already significant; this year we have already seen several well-known retailers falling into administration, closing stores and cutting jobs. This includes popular high street fashion names like New Look, Aldo, Oasis, and Cath Kidston, to more traditional retailers like Debenhams and Clarks.

At the start of July, UK firms slashed more than 12,000 jobs over just two days – a large number of these jobs were concentrated in high street retail. A week later two of the UK’s biggest high street retailers, John Lewis and Boots, announced a staggering 5,300 job cuts between them.

According to new figures from the Centre for Retail Research (CRR), nearly 125,000 retail jobs have already been lost in the UK in the first eight months of this year, For retailers, a one-off payment in January 2020 (under the new Job Retention bonus), will not incentivise the retention of employees.

**How councils, central government, and other stakeholders can help mitigate the impact of COVID-19 on the high street and town centres:**

Usdaw is a key stakeholder in the retail industry, we have around 400,000 members – the majority of these work directly in retail, and the rest work in allied sectors such as retail distribution and food manufacturing.

Engaging all key stakeholders in decision making will help to make sure policy is focused in the right way going forward. The retail workforce is the life blood of the retail sector. There is a need to develop a truly multi-stakeholder strategy – supported by government funding – to give support to an industry that is in crisis.

Usdaw has invested significant resources in developing a high street strategy that we believe can help deliver for the future of the industry, and we would welcome the opportunity to work with other stakeholders to build on this.

We are calling for an urgent recovery plan from Government to address the challenges facing the retail sector following the coronavirus pandemic, which should include the following:

- Fundamental reform of business rates. The Government has now launched a consultation which will conclude in Spring 2021. Following this retailers need clear and decisive action from Government to fundamentally reform this outdated and imbalanced commercial property tax.
- An immediate and comprehensive review of rental values and lease arrangements. Measures such as the moratorium in rent evictions are welcome but will only provide short term relief. We need a re-balancing of power between landlords and tenants and a wider debate around the future of the commercial property market and how rents and leases are set and negotiated.
- Reform of UK tax law to ensure that companies pay their fair share of tax through tackling tax avoidance and the use of offshore havens, with the aim of creating a level playing field between online and bricks and mortar retailers.
- Funding for Local Authorities so they can invest in their local economy, transport networks and high streets. We cannot revive our high streets if core services continue to be undermined.
- Investment in skills for retail workers, including through union learning and high-quality apprenticeships. This should include an in-depth assessment of emerging trends and potential skills shortages/gaps within the sector.
- A new deal for retail, distribution and home delivery workers based around a real living wage and guaranteed hours.

**Assess the Government's previous and current measures to bolster the high street; including the effect of the business rate holiday during the COVID-19 outbreak and the impact of its ending;**

So far the Government's response to mitigate the impact of the coronavirus on the retail sector has taken the form of short term measures – business rates relief, VAT deferral and the temporary suspension of business evictions – but these interim measures will not sustain the sector for long as liabilities continue to build up.

Business rates have long been a burden on the retail sector and have contributed massively to store closures and job losses, while at the same time stifling growth and investment. Historically there was a clear link between a retailer's profits and their physical shop/s but this is no longer the case.

Retailers have been disproportionately impacted by the outdated system because 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.

The Government had already brought in a much needed business rates holiday before the coronavirus crisis struck, but this was only for smaller businesses, and was therefore not enough to help the larger retailers who are responsible for at least 70% of the business rates bill for the sector.

The measures brought in by the Government in March and April to combat the effects of the Coronavirus crisis was a welcome respite to an industry on the brink of collapse, in particular the job retention scheme, and the exemption from business rates for retail and hospitality firms until the end of March 2021. But with the Job Retention Scheme already winding down, and the March 2021 date drawing ever-closer, more investment is urgently needed to support bricks-and-mortar retailers on the British high street.

More government investment will be required to support the retail sector – in particular high street retail – if the thousands of job currently at risk are to be saved. When the Chancellor delivered his Summer statement on 8 July 2020, outlining the UK’s economic recovery plan in response to the financial harm done by the virus, there was an absence of measures to tackle the crisis in the retail sector. The VAT cut given to the hospitality sector would have been a good starting point to showing a commitment to a longer term retail recovery strategy, but this opportunity was missed.

The planned revaluation of business rates due to take place in 2021 has also been postponed until April 2023. The delay in the revaluation exercise means that when rates do return (after the business rate holiday ends) in April 2021, they will be based on property values from 2015 - predating Coronavirus and Brexit and remaining artificially high for yet another two years (until 2023).

If our high streets are going to survive for the next 12 months, then we need to avoid a cliff-edge scenario when the business rates holiday end in 2021. Retailers need to be able to manage liquidity, reduce debt and forecast future risks. We need clear and decisive action from Government. While we acknowledge that the economic case for keeping a business rates system is strong, there must also be recognition that in addition to the reform of rates (i.e. valuations, relief, rebate), an actual financial reduction for sectors like retail is unavoidable and crucial to the sustainability of this income stream in the long term. Usdaw’s full position on how this can be funded will be outlined in our response to the Government’s Call for Evidence on Business Rates.

### **The progress made on implementing the recommendations of the previous Committee’s report of February 2019.**

Udaw welcomed many of the measures proposed in the 2019 report. We agree that a large-scale structural change is needed in high street retail if it is to thrive in the future. We also agree that the future high streets fund – while welcome investment – falls short of the investment required to support the changes that are necessary.

Many of the proposals matched those already identified by Usdaw in our own retail strategy: addressing the imbalance of tax for bricks-and-mortar retailers compared to online retailers, reforming business rates, more funding for local authorities (in this case through the Future High Streets fund).

The reduction of business rates bills by one-third for retail properties with a rateable value below £51,000 was implemented during the review, but not as a direct result of it.

However, we believe that the recommendations, if followed, would make an excellent starting point to a meaningful strategy to support the future of the high street.

In reality, there was not much time between when the report was published and the arrival of the Coronavirus crisis (during that period there were also significant Government matters such as Brexit negotiations and a General Election).

But time is running out. Thousands of jobs in retail and leisure have already been lost and the prospects on the horizon for when the Job Retention Scheme ends in October are bleak.

If we do not get significant support – both investment and political will – the balance may be tipped against too many employers on the high street, and the familiar offer of retail and leisure, enjoyed by all, valued by so many, may be lost forever.

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