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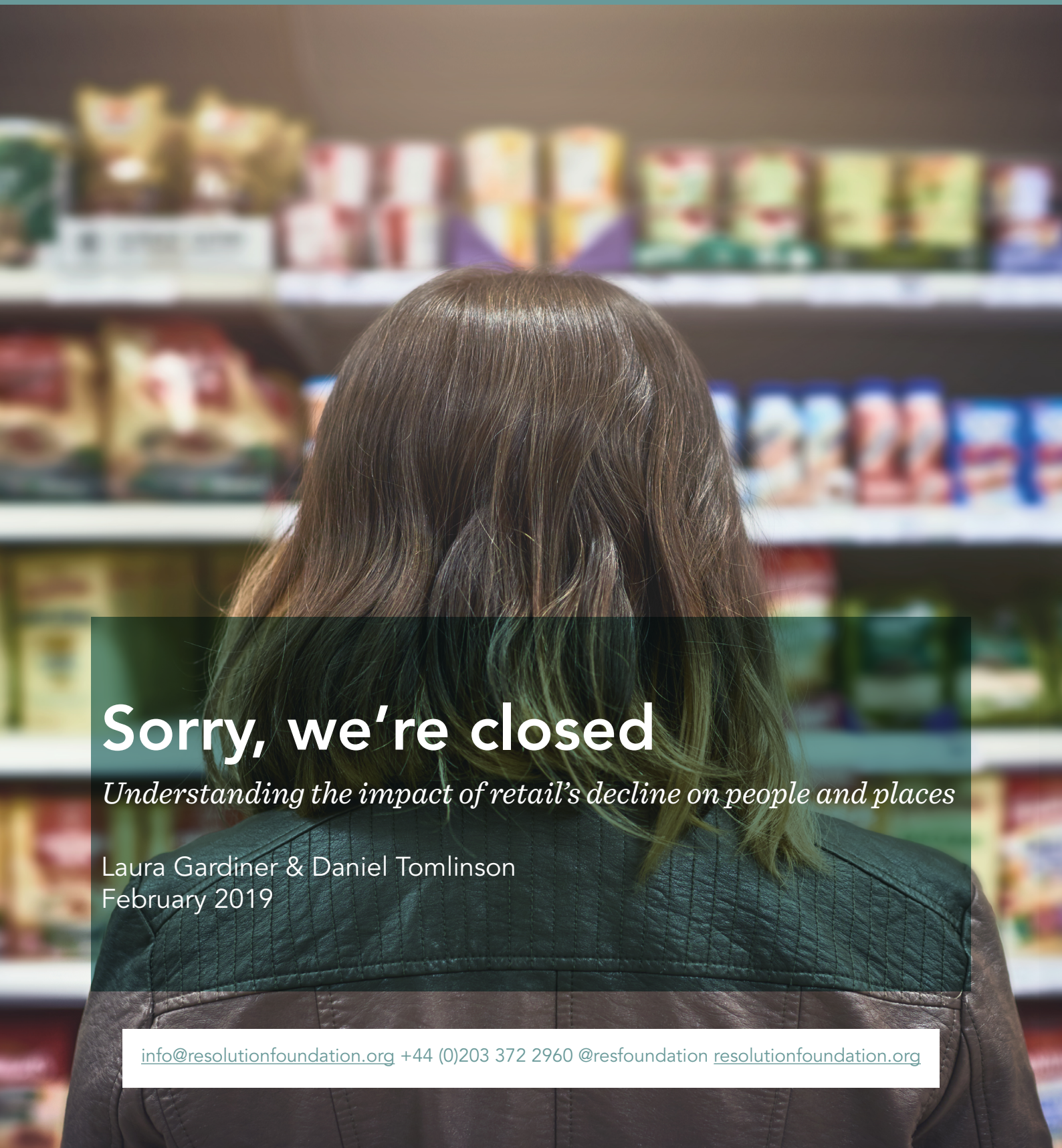

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Understanding the impact of retail's decline on people and places

Laura Gardiner & Daniel Tomlinson
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info@resolutionfoundation.org +44 (0)203 372 2960 @resfoundation resolutionfoundation.org

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Executive Summary

Any economy's history is a story of economic change. Sectors growing, and shrinking; new jobs being created and others lost.

This process is happening in the retail sector today. Headlines about high-profile shops experiencing difficulty might lead to the impression that it is a relatively recent phenomenon, but in fact retail's share of employment has been falling for the past 15 years.

This decline is important. First, because retail is a big part of our labour market. More of us, almost three million people (close to one-in-ten of all those in work), are employed in retail than in any other part of the private sector. So even small changes in employment share can have big effects.

Second, because retail is a low-paying sector. Typical wages in retail are lower than in almost any other part of the economy. With median hourly employee pay of just £8.80 an hour (compared to £12.73 across the workforce as a whole), retail workers are less likely to have slack in their family budgets with which to deal with turbulence from change.

Third, because retail is central to the places that we live in. Jobs in fast-growing sectors are not necessarily found in all our town centres, whereas shops are. The sense that 'bustling' areas we once took pride in are in decline is real, changing how we feel about where we live.

In the face of these trends, the policy debate has accelerated towards solutions that oscillate between the appropriate tax treatment of (different types of) retail businesses, and funding to support high streets survive or transform. These considerations are important, but they have come in advance of a full understanding of where the effects of retail's transformation are being felt, and by whom.

As such, this report steps back from the firms or individual store closures that are so often the focus of attention, and instead provides an in-depth study of the people and places affected by retail's decline, drawing on quantitative analysis and two focus groups carried out with a mixture of current and former retail workers. While we don't offer a point-by-point set of policy proposals, our argument is that it is on these questions of 'who?' and 'where?' that policy thinking must now focus.

Changing consumer habits are the key drivers of retail's decline

This is a report about people and places, not technology or business models in retail, but it is important to step back and consider the root causes of the sectoral change we document. Both what we spend our money on and how we spend it are changing.

First, since at least the 1960s British households have chosen to allocate their marginal pound to services and activities (including housing) more than to things. Measuring just since 2001, the share of household spending allocated to goods has fallen by 8 per cent. The share of UK business revenue attributable to retail has fallen by 16 per cent between 2003 and 2017, and retail's share of businesses has fallen by 26 per cent.

However, these changes are not fatal for retail. Unlike (much larger) past declines in manufacturing and agricultural employment that were the result of production moving to jurisdictions elsewhere in the world as well as automation, we shouldn't conclude that retail is disappearing in the UK. The combined turnover of retail businesses is continuing to increase (by one-third in nominal terms since 2008). However, growth is slower than in the rest of the economy, reflecting our shifting consumer preferences.

Second, how we buy things is shifting, as technology enables consumers to choose to buy online. While overall retail business numbers are down, in 2017 alone 18,000 new online-led businesses started. There are now almost as many online-led retailers (36,700) as there are general retailers (37,600) – the category into which our large supermarkets fall.

Supermarkets still dominate when it comes to revenue, with 'general retailers' accounting for 48 per cent of the total. But rapid growth in online-led retailers and the continued move to online shopping across the sector mean sectoral transformation looks likely to continue.

Retail's employment share has been falling for 15 years

Retail's relative revenue decline is matched by a long-term decline in its employment share. Overall, the share of employee jobs that are in retail has fallen from 10.8 per cent in 2003 to 9.5 per cent in 2018. This implies that there are over 320,000 fewer employee jobs in retail today than if the sector had maintained its 2003 employment share.

There are reasons why this decline might not worry policy makers. First, retail's relative decline has not translated into a significant reduction in the number of jobs in the sector. Between 2003 and 2018 the number of employees working in retail fell by just 28,000; over the same period the number of

employees across the labour market increased by over three million. It's worth noting that some sub-sectors of retail have experienced bigger falls. For example, there are 80,000 fewer jobs in retail of 'food, drink and fuel' (excluding supermarkets) today than in 2003. But this pales in comparison to manufacturing, in which there are 750,000 fewer employee jobs than in 2003. And in some sub-sectors, such as manufacture of clothing and leather goods, employee numbers more than halved between 1995 and 2005.

A second reason not to worry is that productivity and pay have increased faster in retail than in many other sectors. Productivity has increased by 40 per cent in retail since 2000, and typical real hourly pay in the sector has increased by over 5 per cent since 2009, compared to an overall fall of 4 per cent. This is in part driven by the introduction of the National Living Wage in 2016. But it is also indicative of a wider point that declining employment shares often occur because of above-average productivity improvements in sectors in which margins are squeezed driving the least-productive firms out of the sector, pushing up average productivity.

A third reason to treat retail's decline as relatively benign is the wider environment. Occupational upgrading has continued over the past 15 years and jobs growth in other sectors in which retail workers, either actual or potential, may instead work has more than compensated for the slowdown in retail employment. For example, the number of employees in hospitality alone has increased by 28,000 a year between 2003 and 2018 - equal to the total decline in employee numbers in retail over that entire 15-year period.

However, this doesn't mean there have been no negative effects – or that there won't be larger effects in the future from retail's relative decline. Our focus groups demonstrated how the push for lower costs, and higher productivity, can affect the quality of retail work. Reduced headcount in stores is by no means always compensated by increased automation, meaning employees can find themselves working harder for little more reward. In addition, the emotional impact of working in a declining sector – and particularly for a business in distress – must be considered; the worry that your store might be next is real.

Employment in retail has changed in ways that make the sector's decline a bigger living standards issue

The composition of retail's workforce has, in some ways, moved in line with wider changes – it has aged, is better-educated and has a higher share of migrants.

However, in some important ways retail has diverged from wider trends. Although men account for a smaller share of overall employment now than in the mid-1990s, the opposite is true when it comes to retail. Men accounted for 46 per cent of the retail workforce in 2018, up from 39 per cent in 1996. To some extent this reflects a welcome move towards a more equal sharing of low-paid work between the sexes.

But it has also contributed to a higher share of retail employment being carried out by those working full time, and challenged the stereotype of retail workers as second earners with limited importance for household incomes. The share of the retail workforce that work more than or the same hours as their partner increased over the past 15 years from 30 per cent in 2002 to 34 per cent in 2018. This implies that retail earnings have become a bigger deal for households with a retail worker in them.

These trends make the changes the retail sector is undergoing a more important issue for family living standards than may have otherwise been the case. They encourage us to go beyond the aggregates of employment shifts to the actual individuals involved and their experiences.

Changes in inflow rates usually play more of a role in driving sectoral change, but retail's churn, and therefore outflows, are up

Changes in the overall level of employment – in the economy as a whole or in any particular sector – between two points in time can only be driven by either people entering the work in question or people leaving it.

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. Churn 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 quarter. The retail workforce is therefore constantly changing.

Splitting out the component parts of churn we find that changes in inflow rates generally having a stronger bearing on sectoral growth or decline than changes in outflows rates. For example, the large decline in manufacturing in the 1990s and early 2000s was driven by a fall in its inflow rate twice the size of the increase in its outflow rate. In other words, fewer people become manufacturing workers rather than there being a big rise in people losing their jobs or moving on.

But in the retail sector over the past decade, outflows have become more important – retail's outflow rate is up by a fifth since 2009-10. To some extent this reflects higher churn, but it is the biggest increase of any sector and double the 10 per cent increase in retail's inflow rate. This worrying trend should encourage us to dig deeper into what is happening to those workers exiting the sector.

There has been a worrying pick-up in retail redundancies and exits to unemployment, relative to trends in other sectors

While there is some good news from shining the spotlight on these people leaving work in retail, there are three causes of concern.

The good news is that we find that the jobs that people who leave retail for employment in other sectors go into don't appear to have worsened. The sectors that ex-retail workers find themselves in haven't shifted over the past two decades, and their occupational grades and pay levels have moved in line with trends in other sectors.

But there are three worrying trends elsewhere. First, retail has recently become the sector with the highest redundancy outflow rate. The second cause for concern is that retail now has the highest outflow rate to unemployment of any sector – 31 per cent of retail leavers exit to unemployment, compared to a cross-sectoral average of 26 per cent. On both these measures, retail was in the middle of the pack in comparison to other sectors in the late 1990s.

These two trends are of course related – redundancies are twice as likely to result in unemployment in the following quarter than retail exits for other reasons. But the third cause for concern is that it's not just the initial transition we should worry about – unemployment durations have worsened relative to other sectors, too. Having had among the lowest unemployment durations of any sector during the 2000s, unemployed ex-retail workers are now more likely to have been unemployed for six months or more (41 per cent have been, compared to an average of 38 per cent across sectors) than unemployed exiters from any other sector except energy, agriculture & construction.

People leaving retail to unemployment or after redundancy are equally as likely to be male or female. But they are disproportionately young, with three-fifths of those exiting to unemployment aged under 30 despite barely one-third of retail's workforce being in this age bracket. This reflects retail workers being younger than workers in other sectors, but is also driven by the fact that outflow rates from retail to unemployment have risen most in absolute terms

for those aged under 30. It is these kinds of considerations that are important when thinking about where policy interventions related to Britain's changing retail sector should focus, for example calling into question a policy focus only on retraining for older ex-retail workers.

Retail's decline is broad based; it is happening in three-quarters of local authorities

Any economic change has a geographical element to it, with change more concentrated in some parts of the country than others. The shipyard or pit closures of the closing decades of the 20th century were certainly much more geographically focused than the recent falls in retail's employment share – a key reason that their impact was both deep and long lasting. Even today, the spread of manufacturing employment across local authorities is over twice as high as the spread of retail employment.

To date, retail's decline has been diffuse. This is good news – while it means nearly every area is affected by this shift it means the chances of places adjusting successfully are higher. In 72 per cent of the 380 local authorities for which we have data, retail's employment share fell between 2009 and 2017. The implication is that the changes that have driven retail's decline are not concentrated in certain parts of the country.

The areas that have experienced the largest falls in employment share are by no means geographically clustered. The top five are Dartford, Watford, West Lancashire, Nuneaton & Bedworth and Wakefield. Similarly, there is no clear regional pattern to the small number of local authorities in which retail's employment share has risen.

Retail's decline is likely to have more of a negative effect in places with weak labour markets and poor alternative prospects

While retail's relative decline is broad based, some areas are still inevitably most affected, and policy makers would do well to focus on these. Key considerations include the places that have had the biggest retail declines, and are least likely to successfully respond given their wider local labour market conditions.

In many areas, a lower retail employment share may just be a product of particularly fast jobs growth in other parts of local labour markets. However, although this is the case in some parts of the country we find that in just over one-third (36 per cent) of local authorities the absolute number of retail

workers has declined since 2009. For example, the number of people working in retail in Wakefield has fallen by 5,000 since 2009 – one of the largest absolute falls recorded at a local authority level.

In terms of wider local labour market conditions, we suggest that the focus should be on the strength of the labour market in terms of employment and unemployment, and the availability of other jobs that retail workers might go into.

Where the local labour market is strong, those who exit retail (or who might otherwise have entered) will have a relatively easier time re-entering employment. But in those parts of the country where unemployment is high, and employment increases in recent years have been relatively weak, the labour market will be less accommodating of the people affected by retail's decline.

In addition, some parts of the country will provide better matching than others for retail's leavers (or non-entrants). For example, in local areas where the number of jobs in hospitality and social care are growing there will be relatively more options for employment than in those where these sectors are also shrinking.

For these reasons, it is instructive to focus not only on those parts of the country with weak labour markets, but also those places in which hospitality's and social care's shares of employment are growing relatively slowly.

There are 26 local authorities that are most 'at risk' from retail's decline according to these criteria. These are places in which retail's employment share was sizable to start with and has been declining; in which labour markets are weak; and in which hospitality and social care's share of employment are growing relatively slowly. This list, detailed in Section 5, includes places such as Plymouth, Falkirk and Oldham.

Policy makers responding to changes in the retail sector should focus on the people and places feeling the effects most

Looking to the future, the exact way in which this economic transformation may develop is hard to predict. So far, retail's employment falls are minimal when measured in absolute terms, and the drivers of change don't suggest that the British retail sector is set to shrink to the extent that manufacturing has, for example. On the other hand, the British Retail Consortium forecasts significant decreases in jobs in the near future. Either way, it is hard to believe this change has yet run its course, and there are worrying signs that the challenges for those affected have recently become more substantive. This

should encourage policy makers to focus on the impact of this economic change on those most affected.

The policy focus to date on either the tax treatment of retail businesses or funding directed at saving or transforming high streets is therefore incomplete. There is a case for an examination of how the tax system treats retailers and the land that their stores use, not least in the context of big international retailers like Amazon growing their share of the UK market at a rapid pace. But the tax system is not the main driver of retail's woes.

Nor is jumping from anxiety about closing shops to an easy fix that pretends the long-run economic change identified here can be halted or reversed what is needed. Rather than another 'save our shops' campaign, this report has shown where the policy focus should be. First, on retail's leavers, and the deterioration in their outcomes. Second, on those places where those leaving (or who might otherwise have entered) retail are most likely to struggle against the local backdrop of weak and unfavourable labour markets, and those places where the transition to different forms of land use in our town centres is likely to be most challenging.

Section 1

Introduction

Job losses in retail make headlines, not only because our retailers are well known, but also because the retail sector is large. The sector employs 2.9 million people, and has annual turnover of over £400 billion. A flurry of headlines about struggling retail businesses may have painted a picture of a very recent decline, but as a share of our economy and our labour market the sector has been shrinking for a long time.

This decline can't be stopped in its tracks, but it can be better understood. To make sense of the changes that have taken place in retail, this report takes a longer view of changes in the sector. We start with a study of the trends in retail's businesses, providing the context for detailed analysis of what policy makers should be focusing on: the effect of retail's decline on people and places.

That sectors of the economy decline is inevitable, understanding the drivers and impact of decline is not

Retail's decline is not some recent phenomenon caused by an unexpected shock. Rather, it has been 15 years in the making: retail's share of employment has been falling consistently from 2003. The media attention on recent store closures is warranted, thousands of jobs and livelihoods have been affected. But the focus on recent 'turmoil' may have somewhat distorted the fact that, in terms of retail's share of employment and turnover, retail's place in our economy has been on the wane for a long time - its last sustained period of relative growth was in the early 2000s.

The decisions that millions of individuals across the country make as to where to spend their money is, ultimately, what shapes the size of the retail sector. These are determined not only by our preferences, but also by the fundamentals of how much money we have in our pocket. These decisions have been changing, and are likely to continue to do so. It seems likely that, along with previous incidents of economic change, that the trend towards a relatively smaller retail sector is not about to go into reverse.

This may be just the beginning of a significant reshaping of our economy. According to some estimates, radical reductions in retail jobs are likely within as short a time span as the next decade. For example, the British Retail Consortium (BRC) have projected that as many as 900,000 jobs could be lost in retail by 2025.[1] On the other hand, given the

[1] British Retail Consortium, *Retail 2020: Fewer but better jobs*, February 2016

different drivers of retail's relative decline to past falls in manufacturing and agricultural employment – which were caused by production moving to different jurisdictions that gained comparative advantages – we shouldn't expect retail work in Britain to disappear as we know it.

Even if future changes are less dramatic than the BRC's estimate implies it's important that policy makers develop a clear-sighted understanding of what's driving change and – more importantly - who and where is being affected by it.

This report seeks to assist policy makers in this task. A detailed understanding of what's happened – and is still happening - may point the way towards how to support those at the sharp end of this economic change.

More broadly, our sense of what's happening in one sector can inform us as to what might happen elsewhere. Just as retail is shrinking today, so will a different part of the economy shrink tomorrow. The indicators and patterns we identify for retail in this research may very well allow future analysts of economic change to more quickly see the warning signs in other sectors.

Five sections follow in the remainder of this report, and they are structured as follows:

- Section 2 provides an overview of the changes in retail's business demography. It tracks how the composition of the retail sector has changed as the sector itself has contracted relative to the rest of the economy.

- Section 3 focuses on employment in retail. It shows that retail's decline started in the early 2000s and has since been punctuated by two clear events – the crash of 2008, and the more recent rise in online-only retailers. It also shows how the mix of employment within retail has changed over time.

- Section 4 delves into what happens to those who exit retail, and how the causes and consequences of exit have changed recently.

- Section 5 considers the places in which retail's continued decline is likely to be most acutely felt. It provides an analysis of the factors that shape a place's propensity to be affected by, and adapt to, a shrinking retail sector.

- Section 6 offers brief conclusions to the research, reflecting on the key findings and their relevance for businesses and policy makers today, as well as those studying economic change in the future.

Section 2

Retail's businesses

The struggles of retail's businesses are well documented in the media – and visible on our high streets. These are the jumping off point for this section, which charts changes to retail's business population. We find that the share of UK business revenue attributable to retail has fallen by 16 per cent between 2003 and 2017.

We look beyond individual company failures, and specific changes in technology or business models, and take a broader view of what's driven the long-run decline in retail's revenue share. Both what we spend our money on and how we spend it are changing. First, there has been a shift in spending habits between sectors, away from goods and towards services and experiences. Second, there has been a shift in spending habits within retail, away from in-store and towards online. The former provides the bulk of the explanation for retail's declining revenue share, but both drivers are important in terms of their effects on the people that work in retail, and the places in which retail is located.

We also document the changing demography of the retail business population, within which the number of online-led businesses are growing fast. Almost 18,000 online-led retail businesses started in 2017, a figure over three times higher than the number that started in either 2014 or 2015. There are now almost as many online-led businesses in retail as there are general retailers – the category into which our large supermarkets fall.

Retail's share of the economy has declined since 2003

The retail sector is a large part of the UK economy, with total revenue in 2017 of over £400bn. However, although the sector has been steadily expanding in recent years, it has been doing so at a slower rate than the rest of the economy. Retail's share of total (non-financial sector) revenue was 16 per cent lower in 2017 than it was in 2003.

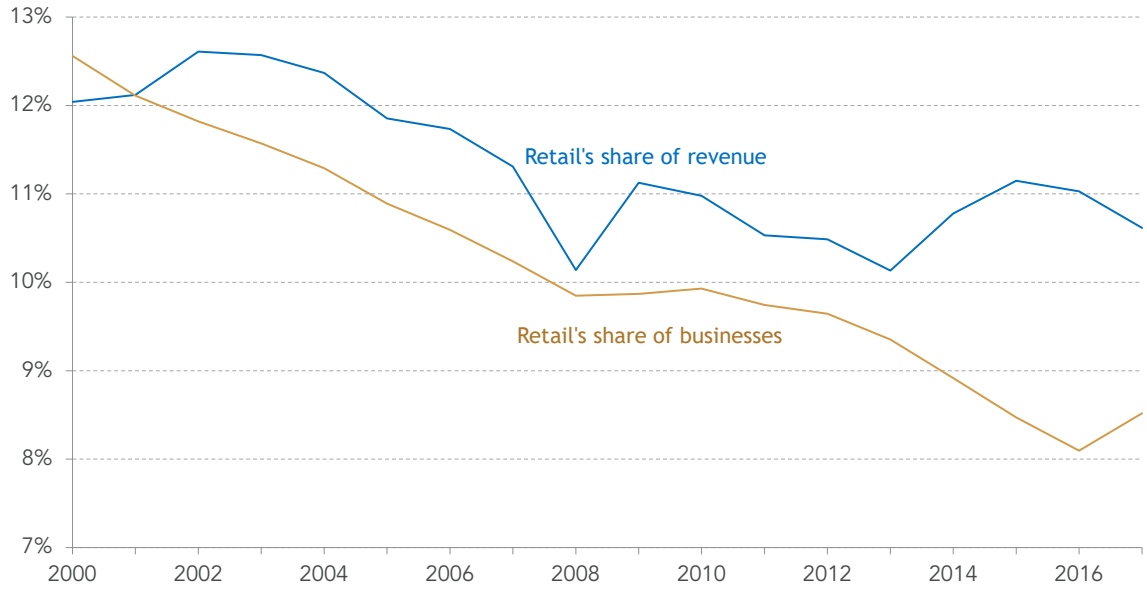
UK families are still spending vast sums of disposable income on goods; from the things we need such as food and clothes to the things we might want like board games or bunches of flowers. However, the decline in retail's revenue share over the past decade and a half suggests that when given an extra pound to spend, we are less likely today than we once were to spend it on more 'things'.

Instead, UK families are allocating more of their spending to leisure activities - from holidays to enjoying an extra meal out – and to services, including housing. The proportion of household expenditure devoted to goods has fallen from 33.4 per cent in 2001-02 to 30.6 per cent in 2017-18 (an 8 per cent fall).[2] This trend is also identifiable in analysis of longer-term consumption patterns looking back over much of the latter half of the 20th century.[3]

We can see the impact of this consumption shift playing out in revenue statistics. Retail's share of economy-wide revenue (excluding the financial services sector) has fallen from an early-2000s peak of 12.6 per cent to 10.6 per cent in 2017 (a 16 per cent fall). As Figure 1 shows, retail's revenue share declined quickly in the years before the crisis, but has been broadly flat since the late 2000s.

Figure 1: Retail is shrinking relative to the rest of the economy

Retail's share of revenue and share of businesses: UK



Source: RF analysis of ONS, *Annual Business Survey*

This decline in revenue share is exceeded by the fall in retail's share of businesses, of 26 per cent between 2003 and 2017.[4] This steeper fall tallies with other Resolution Foundation research that has evidenced how industrial concentration in the UK has fallen in following the financial crisis, but not in the retail sector.[5] So far this decade, retail has become relatively more concentrated amongst a smaller number of big firms, when compared to the rest of the economy.

[2] L Gardiner, '*Five key takeaways on UK household spending*', Resolution Foundation blog, 25 January 2019
[3] D Hirsch, L Valadez-Martinez & L Gardiner, *Consuming Forces: Generational living standards measured through household consumption*, Resolution Foundation, September 2017
[4] We use the term businesses here to refer to the number of 'reporting units' in the Annual Business Survey (ABS).
[5] T Bell & D Tomlinson, I*s Everybody Concentrating? Recent trends in product and labour market concentration in the UK*, Resolution Foundation, July 2018

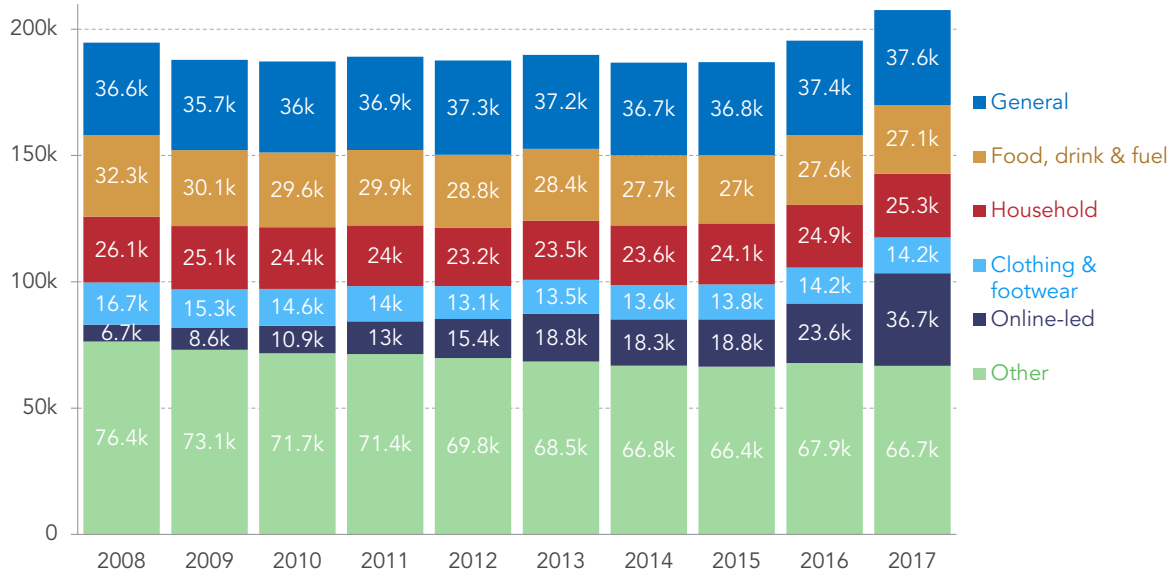
Of note also is the sharp up-tick in the share of businesses in retail in 2017. This is entirely down to a sharp increase in online-led businesses; if these are excluded retail's share continues to trend down.[6]

The number of retail businesses is increasing for the first time this century, driven by online retailers

In 2017 there were 208,000 retail businesses in the UK, 11 per cent (21,000) more than just two years ago in 2015. As Figure 2 details, this sharp increase is almost entirely down to an increase in online-led retailers. In fact, almost 90 per cent of the increase in business numbers in retail since 2015 is accounted for by a growing number of online-led businesses. There are now almost as many online-led businesses in retail as there are general retailers – the category into which our large supermarkets fall.

Figure 2: The number of online-led retailers doubled in two years

Number of retail businesses, by type: UK



Source: RF analysis of ONS, *Annual Business Survey*

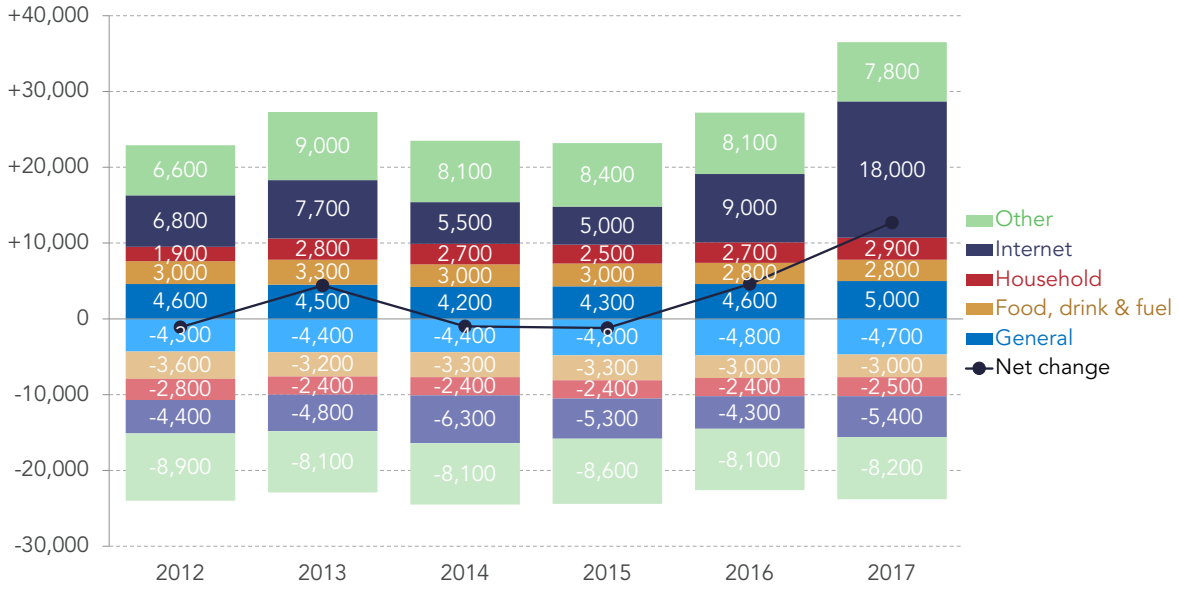
Other sub-sectors of retail have undergone less change in size recently, either in the form of expansion or contraction. The notable exception here is the 'Other' category: the number of retail businesses not classified into the five main groups has declined by 13 per cent since 2008. The plurality of this decline is accounted for by a reduction in the number of retail businesses selling 'flowers, plants, seeds, fertilisers, pet animals and pet food in specialised stores'. This was a part of retail that suffered significantly during the financial crisis – the sub-sector's revenue fell by 20 per cent between 2008 and 2009 (compared to a 2 per cent fall across retail as a whole).

[6] Online-led retailers are defined as those within Standard Industry Classification (2007) code 47.91: 'Retail sale via mail order houses or via internet'.

We can split the changes in business numbers between each year into business births and deaths, to see whether the changes shown above are a product of more new businesses starting ,or a declining rate of business closures. This split is depicted in Figure 3, which clearly shows the change in the business composition of retail has been driven by a surge in new online-led retail businesses over the past two years. Almost 18,000 online-led retail businesses started in 2017, a figure over three times higher than the number that started in either 2014 or 2015.

Figure 3: A higher number of business births is driving online retail's surge

Births and deaths of retail businesses, by type: UK



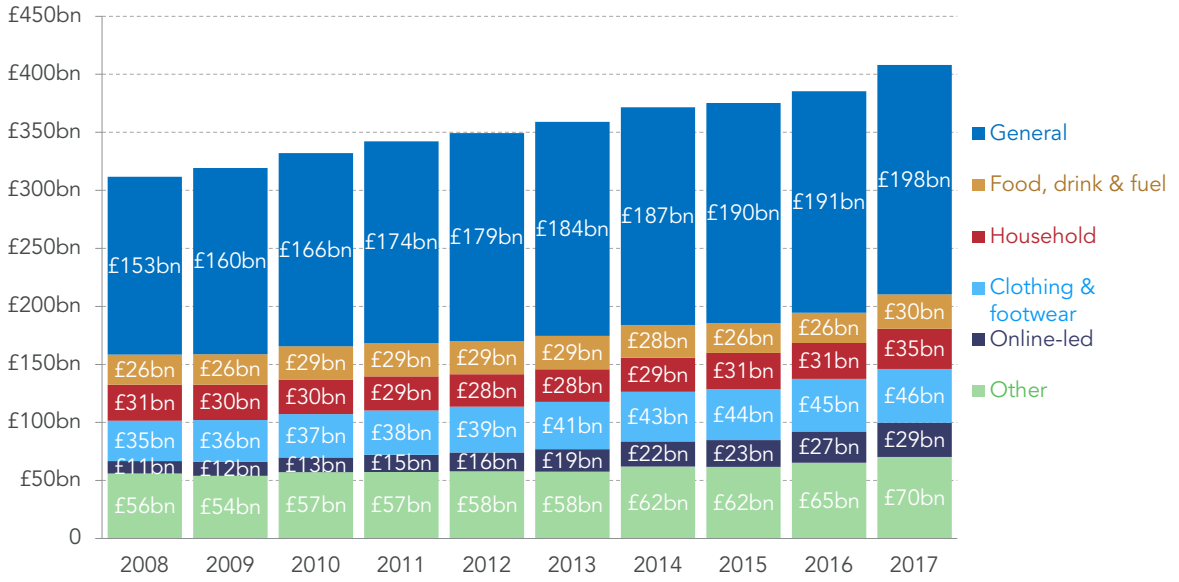
Source: RF analysis of ONS, *Annual Business Survey*

Despite this large growth in the number of online-led retail businesses in the most recent years, the sector as a whole is still dominated by the big general retailers. Businesses in this category accounted for a total of £198 billion of revenue in 2017, 48 per cent of the total. As is set out in Figure 4, this revenue share dwarfs that of all other retail sub-sectors. This figure also demonstrates a surprising fact: despite the woes of some of the UK's large retailers in the years since the financial crisis the revenue of general retailers (the category that includes supermarkets) has increased at a relatively fast pace, by 29 per cent over the nine years charted here.

Online-led retailers may have grown substantially in number, but they account for just 7 per cent of revenue across the sector as a whole – they are almost seven times smaller in revenue terms than general retailers. Nonetheless, their revenue has grown rapidly (by 178 per cent) since 2008.

Figure 4: General retailers still dominate in terms of total turnover

Turnover of retail businesses, by type: UK



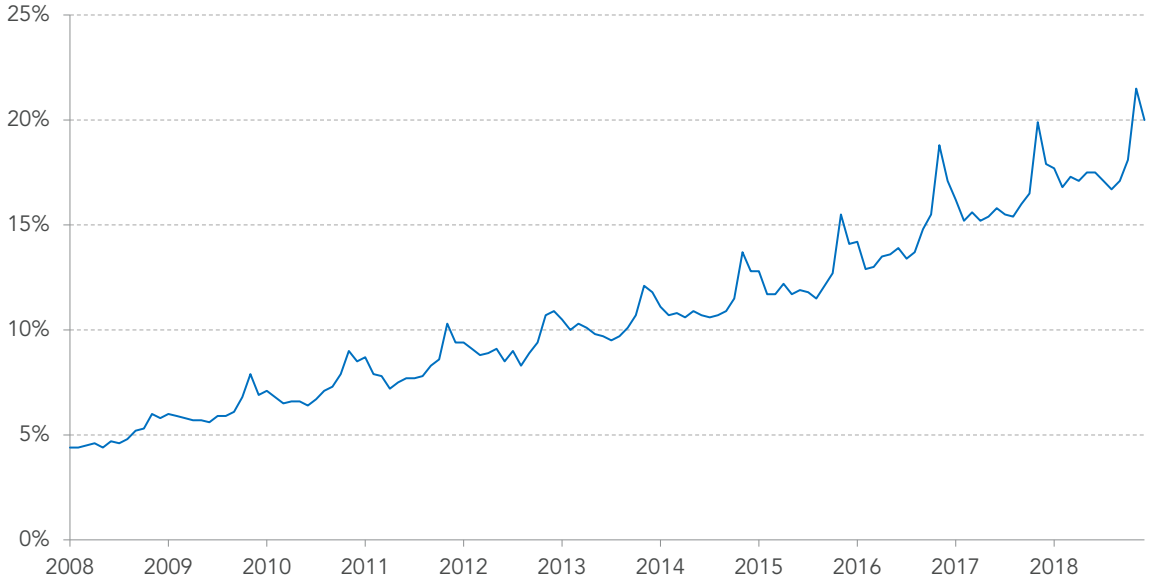
Source: RF analysis of ONS, *Annual Business Survey*

Overall, online sales account now for around a fifth of total retail sales

The categorisation of businesses provides a useful lens through which to understand the changing composition of the sector, however it under-represents the truly transformative effect that the internet has had, and is likely to continue having, on retail.

Figure 5: Internet sales account for a growing share of total retail sales

Value of internet sales as a percentage of total retail sales: UK



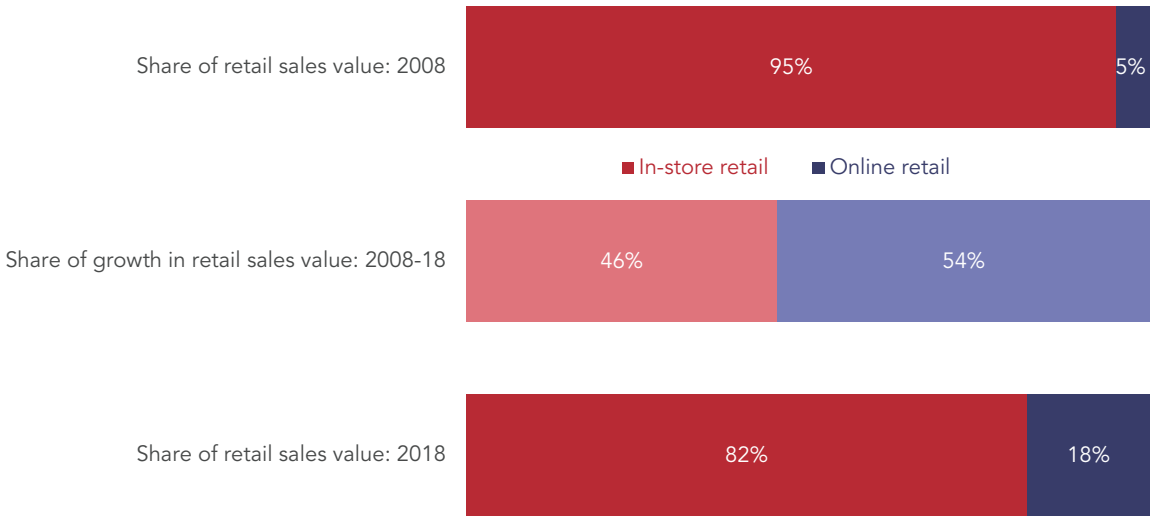
Notes: Not seasonally adjusted.
Source: RF analysis of ONS, *Retail Sales Index, Internet Reference Tables*

This is because alongside online-led retailers with no or minimal physical store presence, a more significant shift has been taking place among established retailers, which are themselves developing and expanding their online operations. This can most obviously be seen in the headline statistics on the share of retail sales that are accounted for by online sales. Figure 5 shows how this share has quadrupled in the space of a decade, from under 5 per cent in 2008 to around 20 per cent in the latter part of 2018.

Another way of quantifying this fast growth is to measure what share of the total increase in retail sales values over the years since 2008 can be attributed to online or in-store retail. As shown in Figure 6, between 2008 and 2018 online retail accounted for over half (54 per cent) of growth in retail sales values.

Figure 6: Growth in online retail sales isn't abating

Internet sales as a percentage of total retail sales, levels and growth: UK, 2008-18

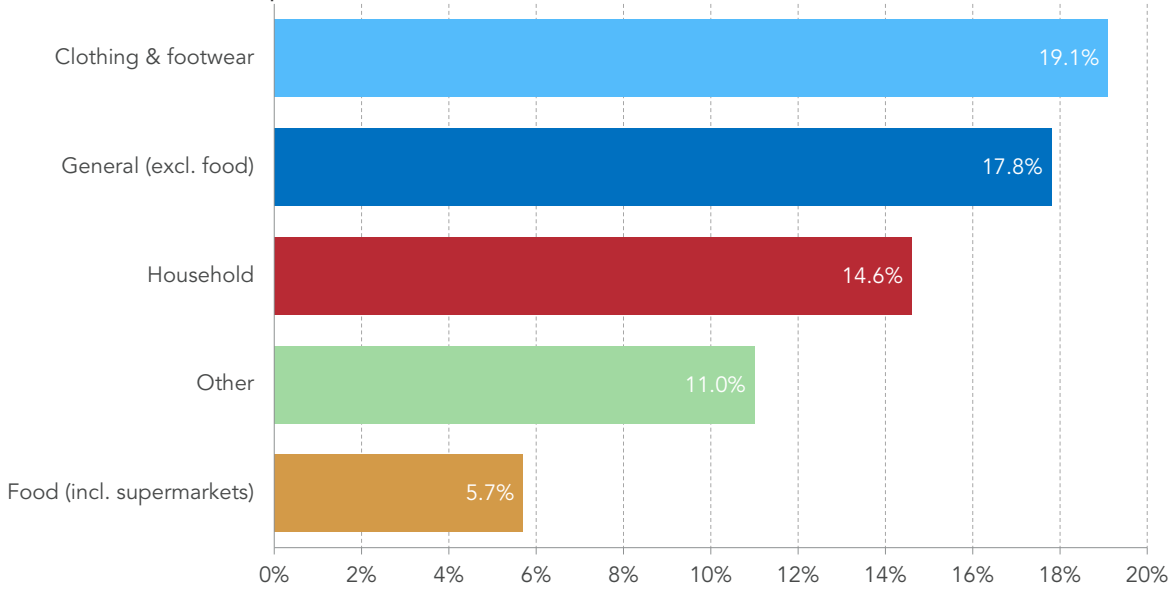


Notes: Not seasonally adjusted.
Source: RF analysis of ONS, *Retail Sales Index, Internet Reference Tables*

Unsurprisingly, the vast majority of spending at online-led retailers is via the internet, but among store-led sub-sectors the part of the retail sector in which online retail sales account for the highest share of total sales is clothing and footwear. 19 per cent of all retail sales in this category were online in December 2018. As shown in Figure 7, other sub-sectors aren't far behind – with 18 per cent of the value of general retail sales (excluding stores where food is predominant) coming from online sales.

Figure 7: Among store-led sub-sectors, online accounts for the highest share of retail sales in clothing & footwear

Internet sales as a percentage of total retail sales: UK, December 2008



Notes: Not seasonally adjusted. Excluding the online-led sub-sector.
Source: RF analysis of ONS, *Retail Sales Index, Internet Reference Tables*

Although supermarkets have moved into home deliveries and online ordering, and did so relatively early in the online 'revolution', only 6 per cent of their revenue is accounted for by online sales. The common sight of a supermarket home delivery van is, then, more a product of the size of supermarkets (see Figure 4) than the balance of online to in-store sales for these retailers.

Retail's recent struggles are a product of technology-enabled changes in consumption patterns

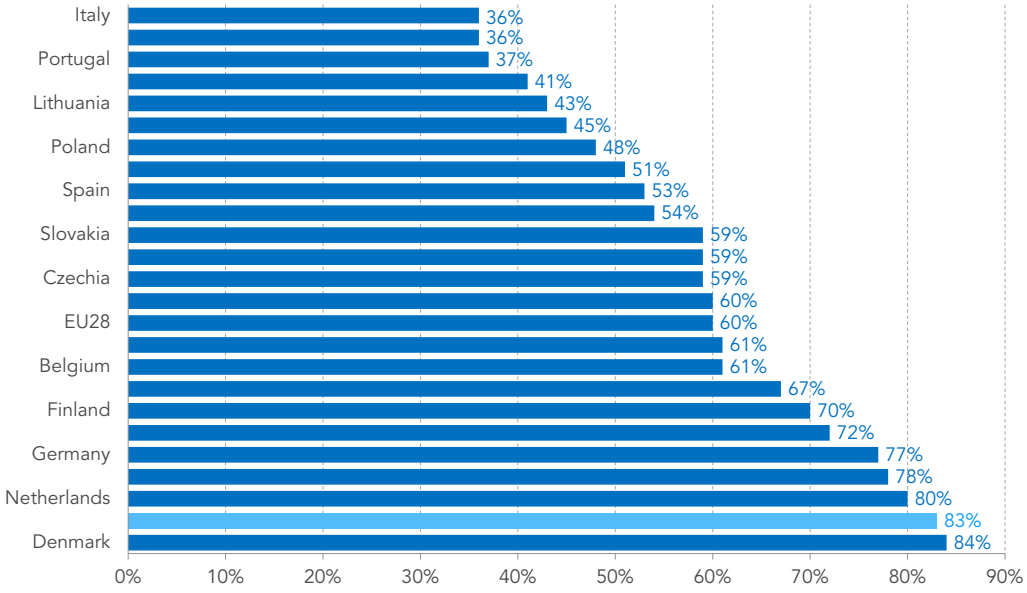
The growth in online retail sales, and the particularly striking growth in the number of online-led retailers in the past two years, is a large driver of changes within the sector. To understand the significance of these UK trends it is helpful to place UK consumers' shopping habits in an international perspective.

Comparable statistics are hard to come by, but Eurostat does provide data on the proportion of adults who have made at least one online purchase over the past 12 months. Although not informative as to the frequency of purchases beyond one a year, it is still a helpful guide as to the impact that the internet has had on consumer spending habits in various countries.

The latest figures show that the UK is, relatively speaking, a nation of online shoppers. The share of adults making at least one online purchase reached 83 per cent in the UK in 2018, a higher share than in any other country bar Denmark. The UK's relative position is shown in Figure 8.

Figure 8: A nation of (online) shoppers

Proportion of adults who had made at least one online purchase in the past 12 months: 2018



Source: Eurostat
Unsurprisingly, lower-income countries are more likely to have a low incidence of online purchasing. But there is significant variation even between other higher-income parts of the EU, with Italy providing the most striking example – here just 36 per cent of adults had made at least one online purchase in 2018. It's also clear from the large dispersion shown that country specific factors, such as internet accessibility and culture, matter too.

Recent, unofficial, data suggests that changes on the high street may be speeding up

Changes to business make up and consumer spending habits need not necessitate a reduction in the number of shops on our high streets, though they do strongly imply such a change would happen.

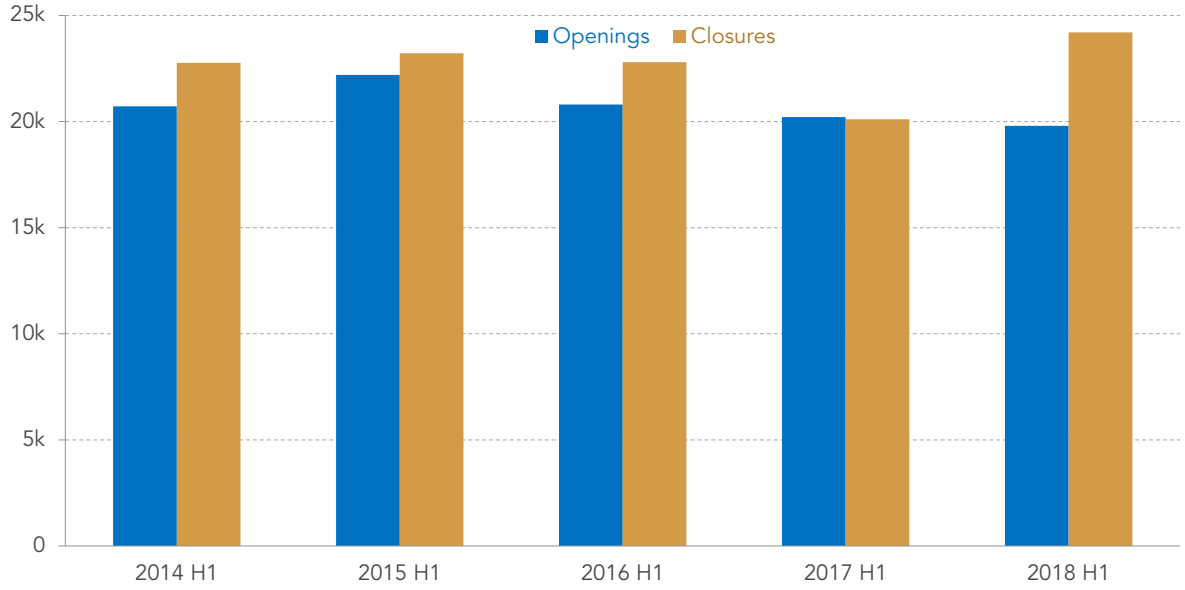
Unofficial, but high-quality, data from the Local Data Company shows how the number of store openings across Great Britain has been lower than, or equal to, the number of closures in each of the last five years. This gap between openings and closures increased substantially in 2018. In fact, as illustrated in Figure 9, the number of store closures was 20 per cent higher than the number of store openings in the first half of 2018.

This chimes with the business data that shows that the level of disruption from online-led retailers has picked up pace over the past two years, and with the rising incidence of retail businesses entering administration in the past 18 months. The Centre for Retail Research tracks these figures, and its data points to 2,594 stores having been affected by retail businesses failing in 2018 – compared to 1,383 stores in 2017, 1,504 in 2016, and 728 in 2015.[7]

[7] Centre for Retail Research, *Who's Gone Bust in Retailing 2010-2019?*, accessed 11 February 2019

Figure 9: The gap between closures and openings widened significantly in 2018

Store openings and closures: GB, January-June 2018



Source: Local Data Company, Retail and Leisure Market Update, 2018 H1, November 2018

Example of business failure can be found even in growing sectors, but it is notable that there have been a number of high-profile retail business failures in recent months, including: HMV, House of Fraser, Toys 'R' Us, Poundworld and Evans Cycles.
This section has shown how the big driver of retail's decline is the impact of two distinct changes in consumption patterns. First, retail's share of economy-wide revenue is falling as more of us choose to spend our extra money not on things but on experiences and services. Second, the way we buy things has changed dramatically, with online purchases and online-led retailers both becoming more common.

The first of these effects explains the bulk of the decline in retail's revenue share, but both matter for the places in which retail is located and the people that work in retail. It is to these people that our focus turns in the next section.

Section 3

Retail's people

This section is the first of two that focus specifically on the impact of retail's decline on people and the labour market. Here we take a broader view of the changes in retail employment. The following section zooms into the individual impacts of these changes in terms of entrants to and leavers from the sector.

Despite the recent interest in the struggles of retail's businesses, the bigger picture is that share of the workforce employed in the sector has been in long-run decline since the early 2000s. This provides a reminder that economic change – and its impact on people – is best understood as taking place over years and decades, not weeks or months.

This decline in employment share is large – the sector would have 320,000 more employee jobs if it hadn't been shrinking relative to the rest of the labour market since 2003. But, it's not clear that this should worry policy makers. The number of retail jobs is broadly unchanged over the past fifteen years (in contrast to big employment falls in manufacturing) and productivity and pay have increased faster in retail than in many other sectors. In addition, jobs in other sectors have increased substantially over this time period – there is no shortage of available work in the UK labour market.

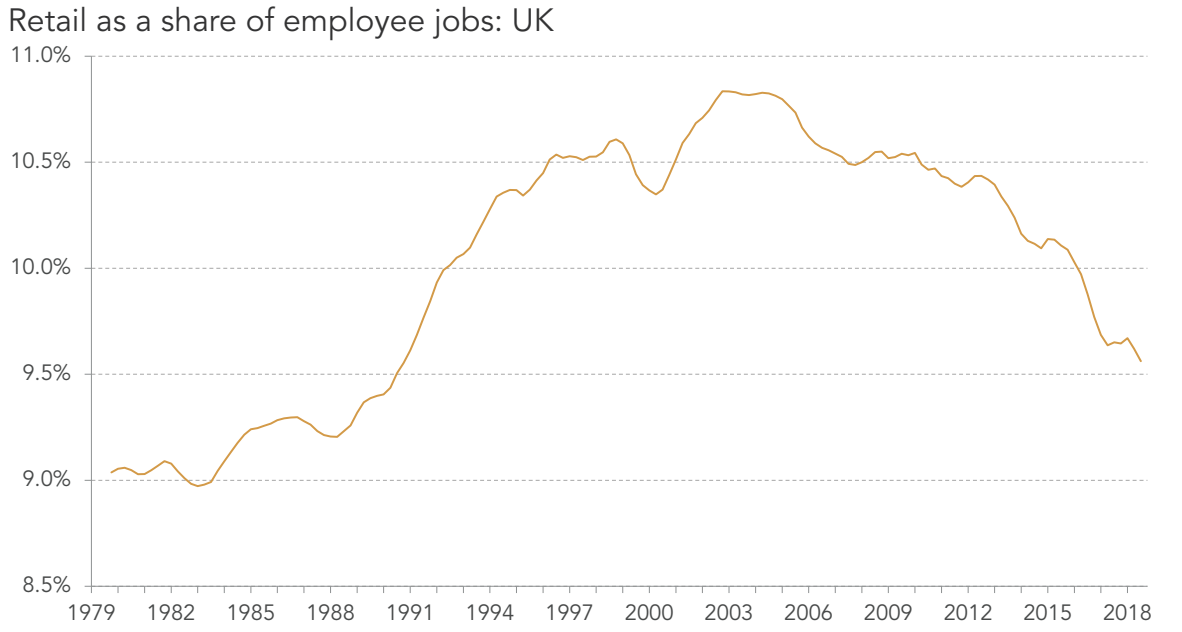
However, this doesn't mean there have been no negative effects from this decline – or that there won't be larger effects in the future. Our qualitative research demonstrated how the push for lower costs, and higher productivity, has for some had a negative impact on the quality of retail work. Further, although the number of jobs in the sector may be little changed since 2003, within retail significant shifts in employment have taken place, with large job losses in some sub-sectors. At the same time, the mix of employees within retail has shifted such that families are more reliant on retail jobs than was previously the case.

Retail's employment share has been on a downward trend since the early 2000s

Change in retail may be big news today, with media attention focusing on business failures and new online-led retailers, but this attention can distract from what the longer-term changes in retail imply for the people that work in the sector. Taking a longer view reveals that change has been happening for fifteen years. When measured using the

Office for National Statistics' (ONS's) *Workforce Jobs* time series, the share of employees working in retail reached a peak of 10.8 per cent in 2003 and has now fallen to 9.5 per cent, as shown in Figure 10.[8]

Figure 10: Retail's share of employee jobs is falling, and has been for fifteen years



Notes: Four-quarter rolling average.
Source: RF analysis of ONS, *Workforce Jobs*

This is a substantial decline. It equates to 320,000 fewer employee jobs in retail in 2018 than would have been the case if the sector's employee share hadn't fallen at all since the early 2000s. It is also observable in data from the ONS's *Labour Force Survey* (LFS) in which retail's employment share (share of employees plus self-employed) is measurable.[9] Retail's decline is relatively larger when measured in terms of employment share because self-employment, which has increased as a share of total employment in the UK since the turn of the century, has increased relatively slowly in retail.

Overall, this finding of a long-run decline in retail's employment share serves as a reminder that industrial change can, and does, happen without much fanfare. It is only more recently that retail has found itself in the spotlight as a declining sector. Big names going bust and the increasing role of technology may bring media attention, but it's important to note that the sector's decline – and its impact on people and the labour market – started long before internet shopping made a big mark on the sector.

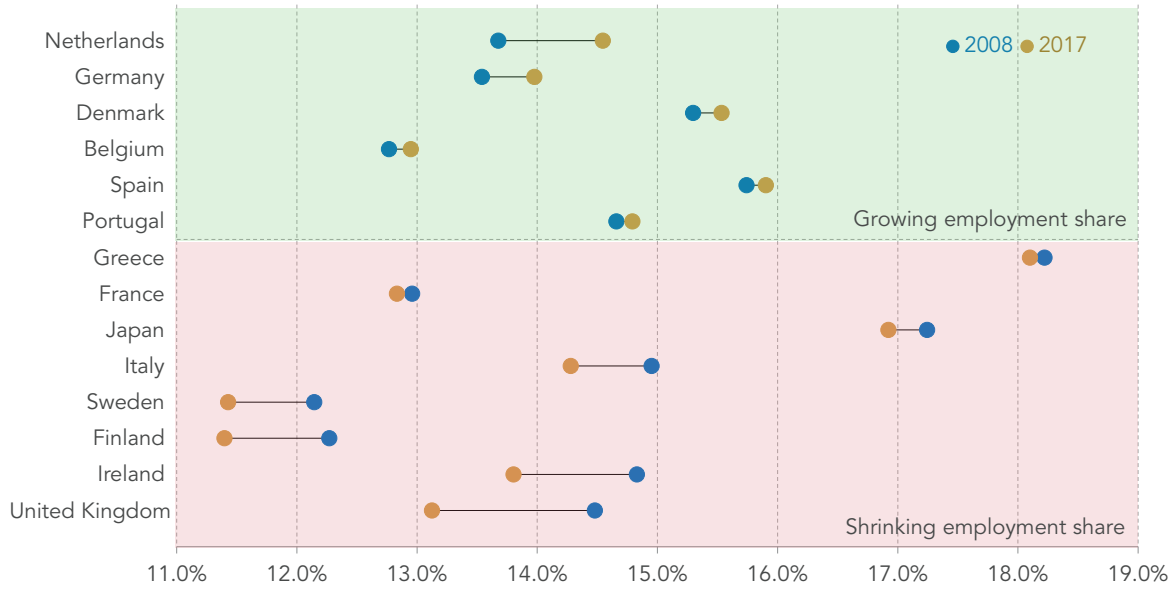
[8] Workforce Jobs is the preferred measure for analysis of employee and employment shares at the sectoral level. However, only in the case of employee shares is a sufficiently detailed industry breakdown of trends available.
[9] Industry classification variables were changed in 2007, and adopted in the LFS in the first quarter of 2009. This creates a discontinuity in the time series for employment shares when measured in the LFS between 2008 Q4 and 2009 Q1. Smoothing out this discontinuity, and assuming no change in employment in any sector of the economy between the two quarters, enables analysis of the overall change in sectoral employment shares over the time period. This is not an exact reflection of the 'true' change in employment share but it provides a reasonable estimate.

Also worth noting is that retail's employment share is still higher than it was in the early 1990s. Just as sectors can grow, so can they shrink. Retail's rapid growth in the 1990s may provide part of the explanation for the fact that its employment share has fallen faster in the UK than in any other similar sized advanced economy for which comparable data is available.

As shown in Figure 11, wholesale & retail's[10] employment share fell from 14.5 per cent in 2008 to 13.1 per cent in 2017 in the UK.

Figure 11: The fall in retail's employment share in the UK is large when compared to other advanced economies

Employment share of the wholesale & retail sector, by country



Source: OECD

Although retail's employment share has been shrinking in most of the advanced economies analysed, the UK stands out – along with Ireland – as somewhere in which retail's decline has been particularly large.

Figure 11 shows too that wholesale & retail is now a smaller share of employment in the UK than in Germany and the Netherlands. Between 2008 and 2017, the sector's employment share in Germany increased from 13.5 per cent to 14 per cent. This is a large change in the space of less than a decade, and is precisely what significant economic change looks like.

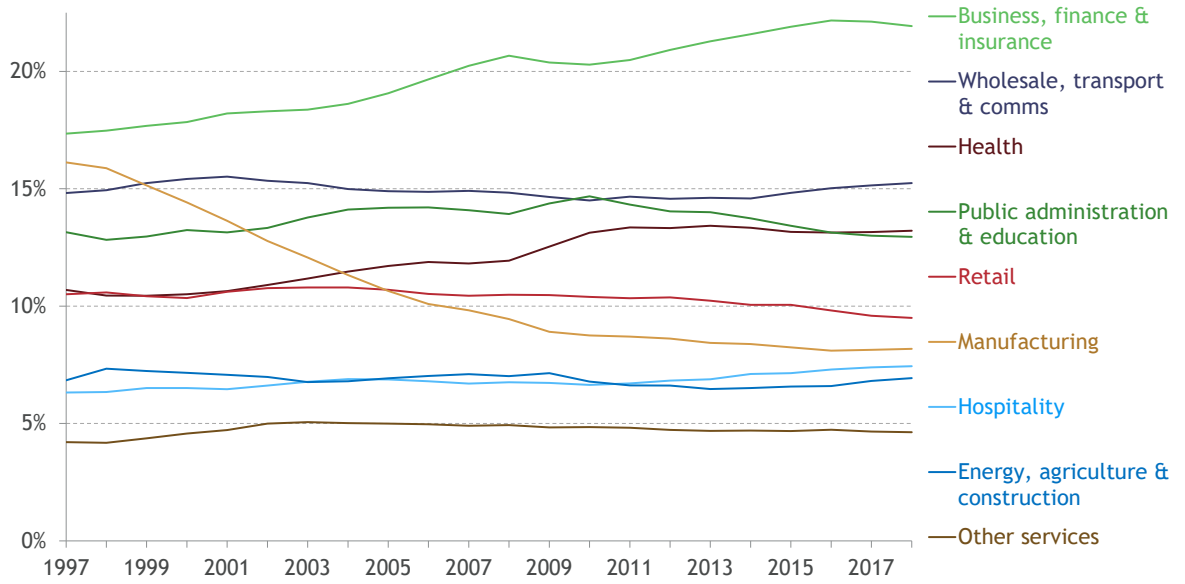
Manufacturing's decline is much larger than retail's

Retail's decline in the UK is large in international terms and is also a relatively large decline in domestic terms, although substantially smaller than manufacturing's. The employee share of nine high-level sectors of the UK economy in each year between 1997 and 2018 is shown in Figure 12.

[10] This is the lowest level of industrial breakdown available for international comparisons.

Figure 12: Post-crisis, the decline in retail's share of employee jobs has been as fast as manufacturing's

Share of employee jobs, by sector: GB



Notes: Years run from Q4 to Q3, e.g. 2018 is 2017 Q4 to 2018 Q3.
Source: RF analysis of ONS, *Workforce jobs*

Manufacturing's employee share almost halved between 1997 and 2009 from 16 per cent to 9 per cent, and big falls preceded this time period too. That the decline in manufacturing's employee share is so much larger than the decline in retail's is a prime reason for concluding that retail's decline may be more manageable.

It's worth noting that since the financial crisis, the pace of decline in manufacturing has slowed. In the years since 2009 retail's decline is actually slightly larger than manufacturing's – its employment share has fallen by 9 per cent (1 percentage point) over this time period, compared to a further 8 per cent fall (0.7 percentage points) for manufacturing.

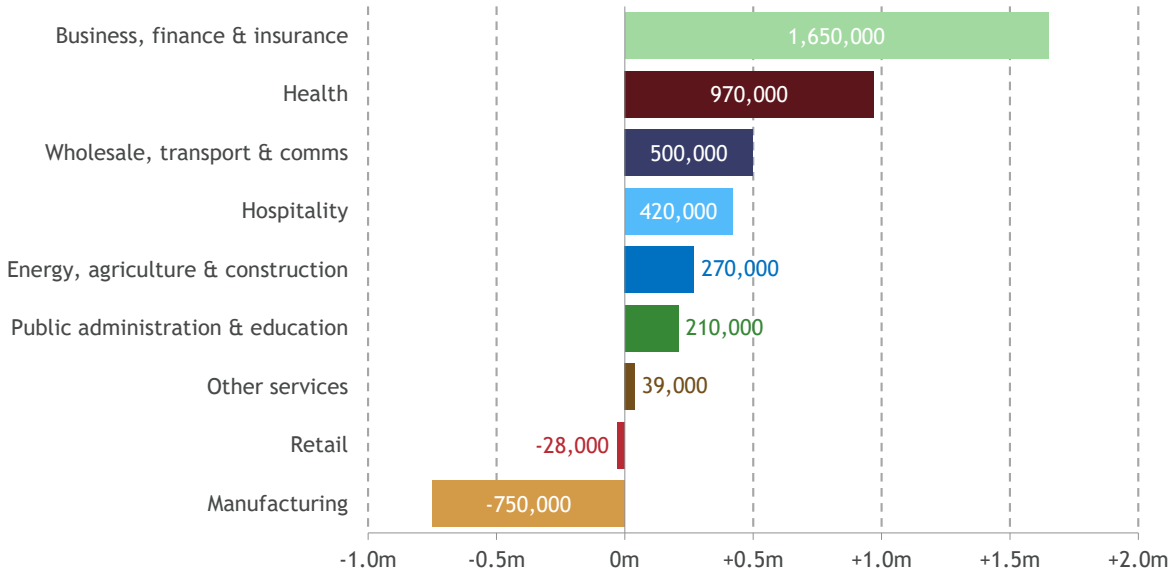
The trends presented here demonstrate the extent of industrial change in the UK in the past quarter-century. They also allow for reflection on how the causes of industrial change differ. In the previous section we described retail's decline as being driven by technologically enabled shifts in the preferences of UK consumers. Manufacturing's decline is also heavily associated with technological change, enabling output to be produced with fewer workers, but equally reflects a shift towards global supply chains or a more straightforward offshoring of production. In contrast, the public sector's expansion (and more recent contraction outside of health) reflects the demands of an aging population, and political choices about how this is managed.

The absolute number of jobs in retail has only fallen slightly since 2003

The fall in employee share within retail may be relatively large, but this doesn't necessarily imply that the number of jobs in the sector has declined. Economic change doesn't have to involve dramatic shedding of jobs – in fact rarely does it look like this. Rather, as is the case in retail so far this century, the story of relative decline is not only about what happens in a particular sector, but also about how fast jobs growth is in other sectors. The number of employees in work is 3.3 million higher than in 2003, and this jobs growth means that retail's share has declined even as employment in the sector has remained flat over the past fifteen years. The change in the number of employee jobs in each sector is shown in Figure 13.

Figure 13: Employment in retail is broadly unchanged over the past fifteen years

Change in employee jobs, by sector: GB, 2003-2018



Notes: Years run from Q4 to Q3, e.g. 2018 is 2017 Q4 to 2018 Q3.
Source: RF analysis of ONS, *Workforce jobs*

Retail's employment share may have declined by the equivalent of 320,000 employee jobs since 2003 – but the sector itself has barely shrunk over this time period, with only 28,000 fewer people working in retail in 2018 than in 2003. This is important: unlike in manufacturing, the retail sector has not shed hundreds of thousands of jobs. The biggest negative effect on individual people from a sector's decline is job losses, and the overall magnitude of job losses in retail is, to date at least, very small.

At the same time, other sectors have grown substantially since 2003 with the largest growth in the business, finance & insurance sector. This finding is in line with other Resolution Foundation work that has demonstrated how the story of occupational

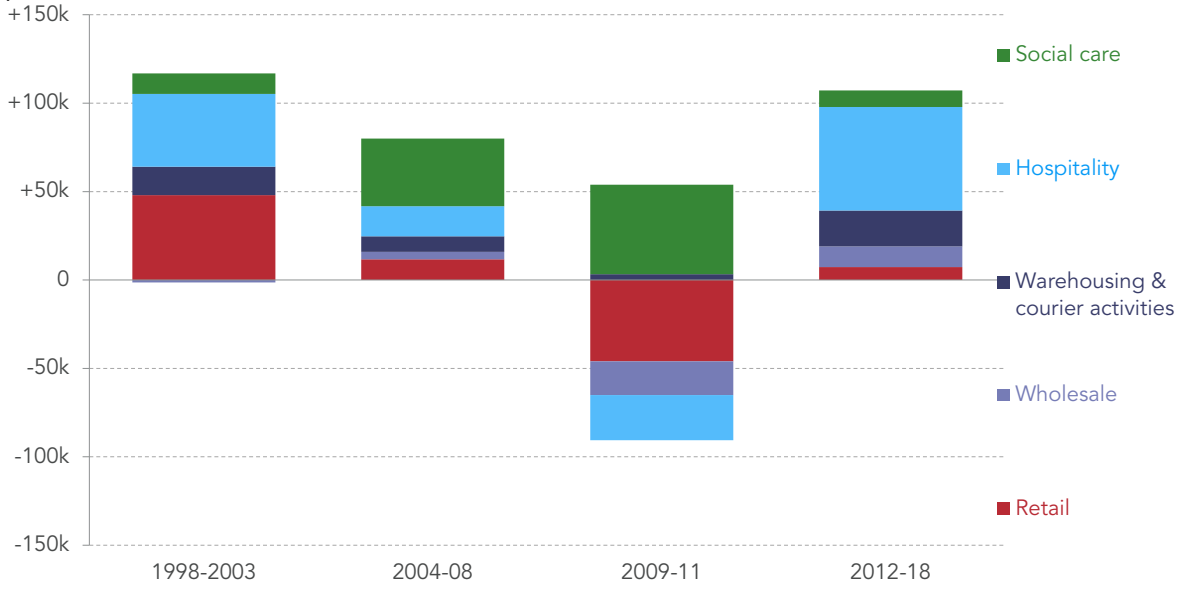
change in the UK over the past two decades is one of occupational upgrading – with the employment share of high-paid occupations increasing at the expense of middle- and lower-paid occupations.[11]

Jobs in other similar sectors have increased, more than replacing job losses in retail

It's not just high-paid jobs in which employment has increased since 2003, 'filling the gap' left by retail jobs. Lower-paid sectors, as well as those more closely linked to retail's decline have also expanded, implying that those individuals who have left retail (or bypassed it altogether) into better-paid occupations have lots of opportunities for other work. Figure 14 shows how the number of employees has changed in two sectors that are related to the drivers of retail's decline (hospitality, and warehousing & courier activities) and two sectors for which retail employment is a relatively close substitute (social care and wholesale). We show the average annual change in employment in four time periods in the years since 2003.

Figure 14: Jobs growth in hospitality and other sectors has outstripped job falls in retail

Average annual change in employee jobs in selected sectors, various time periods: GB



Notes: Years run from Q4 to Q3, e.g. 2018 is 2017 Q4 to 2018 Q3.
Source: RF analysis of ONS, *Workforce Jobs*

First, it's clear that when split into these four time periods, the only period in which retail employment has actually fallen was in the immediate aftermath of the financial crisis, at the same time as jobs were falling across the majority of sectors.

[11] S Clarke & N Cominetti, *Setting the record straight: How record employment has changed the UK*, Resolution Foundation, January 2019

Second, Figure 14 also shows that jobs growth in other parts of the economy has more than compensated for the slowdown in retail employment in the years since 2003. For example, between 2003 and 2018 the number of employees in social care increased by an average of 27,000 a year and the number in hospitality increased by 28,000 a year. This is equal to the total decline in employee numbers in retail over the time period as a whole. These changes in where we work, unsurprisingly, reflect how the spending habits – and the needs – of our country change over time.

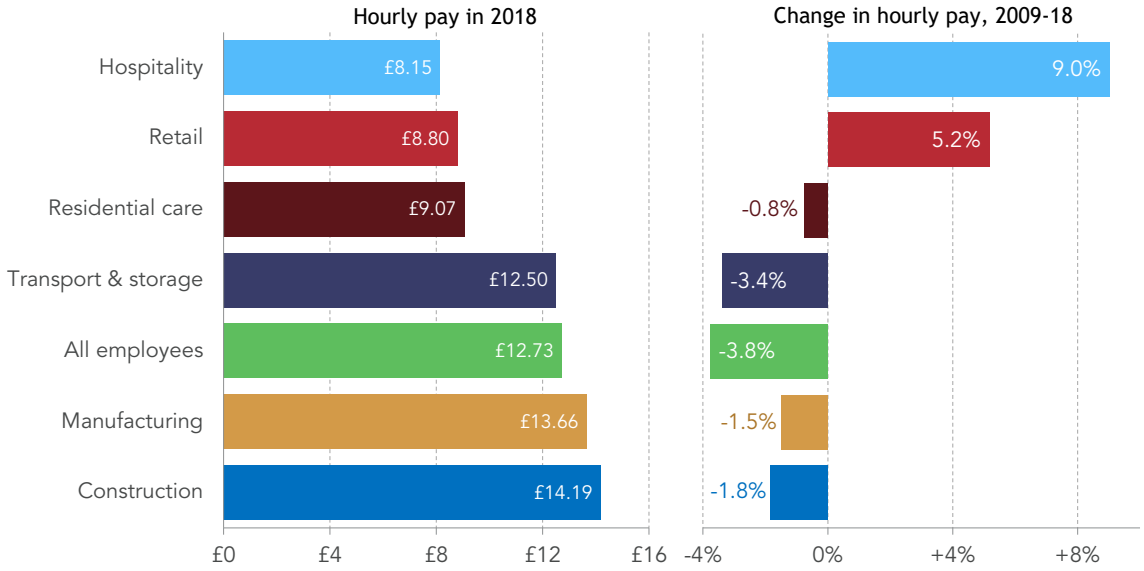
Pay and productivity have grown faster in retail

Alongside employment, the other key determinant of whether the jobs market delivers for people is pay. In the context of retail's decline, then, it's good news that pay in retail has performed relatively strongly in recent years.

The right-hand panel in Figure 15 shows the change in real hourly employee pay in various sectors between 2009 and 2018. Pay in both retail and hospitality has increased much faster than elsewhere – by 5.2 per cent in retail and 9.0 per cent in hospitality – compared to a fall of 3.8 per cent across sectors. This strong growth in retail and hospitality is related to the introduction of the National Living Wage (NLW) in 2016, but even before this higher minimum wage was introduced it was still the case the pay squeeze in retail was smaller than in most other sectors.

Figure 15: Retail is a low-paid sector, but its hourly pay has increased rapidly recently

Real median hourly pay (excluding overtime, CPIH-adjusted to 2018 prices), by selected sectors: UK



Source: RF analysis of ONS, *Annual Survey of Hours and Earnings*

Of course, as shown in the left-hand panel above, retail is still a low-paying sector in which typical hourly pay averages just £8.80 an hour. Other large sectors with lower-than-average pay are hospitality (£8.15) and residential care (£9.07). These low typical pay rates compare to the overall median of £12.73 in 2018.

Although higher pay was welcomed by those working at or close to the minimum wage in lower-paid retail roles, some participants in our focus groups (about which more detail can be found in Box 1) reported that pay compression between different staff grades as a result of a rising wage floor had reduced incentives to progress:

> *"All the staff lower than me were going up and up and up, and mine never went up – it didn't go in line with anyone else...being any member of management doesn't pay."*
>
> *Female, aged 16-29, department store employee*

i Box 1: Focus groups with current and former retail workers

In order to understand the lived experience of working in – and leaving – retail in recent years, we conducted two focus groups in February 2019. One group, with 10 participants, included a mix of current retail workers who worked in different sub-sectors of retail and had been doing so for varying lengths of time. A second group, also with 10 participants, included a mix of former retail workers who had left the sector for a range of reasons and had gone on to work in multiple different sectors or were currently unemployed.

These groups were conducted in Cardiff – a city in which retail employment has not only been in relative decline but also has also declined in absolute terms. The number of people employed in retail has fallen for three years in a row in Cardiff, from 22,000 in 2014 to 19,000 in 2017.

The city also has a weaker-than-average labour market – with an unemployment rate of 6.7 per cent in 2017. In this regard it is also a place in which retail's decline may be somewhat more challenging for those retail workers who have to leave the sector.

Where relevant to quantitative research findings, quotations and conclusions drawn from the focus groups are included in this and subsequent sections. As context for these points, we began each group by asking those working in retail to offer up a word or two as a quick summary of what it's like to work in the sector. The words chosen by participants were:

Busy, Contrasted, Challenging, Crazy, Enjoyable, Eventful, Friendly, Hate, Hectic, Horrible, Manic, Paying the bills, Pressurised, Relentless, Repetitive, Stepping Stone, Stressful, Tiring

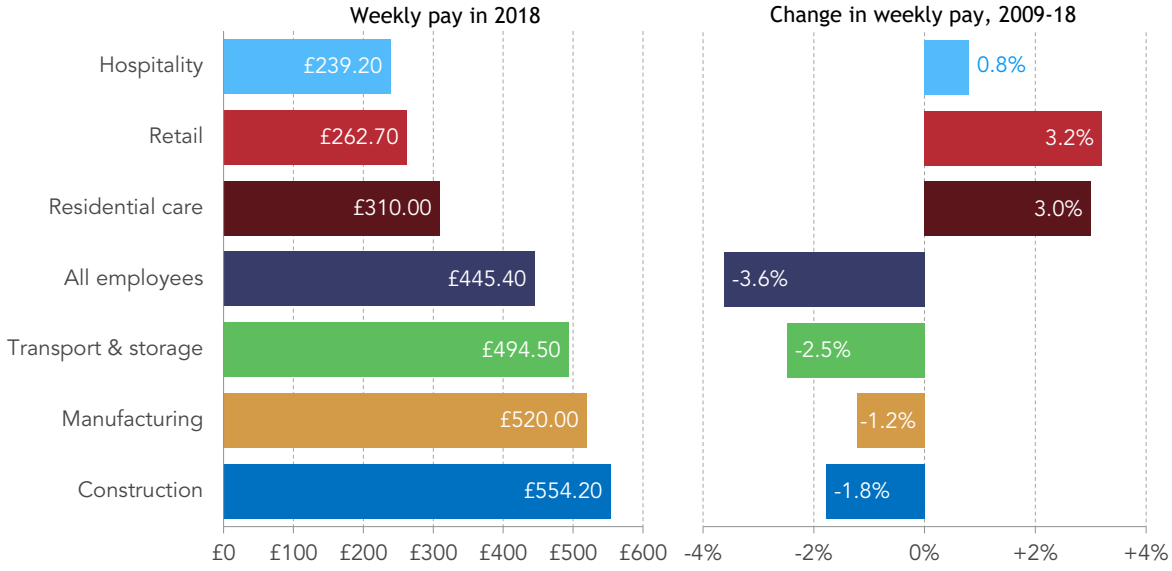
These words reflect the diversity of experience within retail work. They reveal how challenging retail work can be. But it's also worth noting that in both groups, when asked to consider their retail job in the round, the majority of participants felt more positive than

negative about their work. Some were at pains to emphasise that they 'love' their job – and wouldn't consider leaving or moving on. Shop closures in retail weren't just worrying because of the potential of a future job loss, but because it would mean people losing a job they were comfortable with.

The interaction of hourly pay and the number of hours worked means that the pay boost from the NLW is somewhat reduced when we turn our attention to weekly pay. Retail and hospitality are both still sectors in which real pay was higher in 2018 than in 2009, unlike economy wide weekly pay which had still not recovered to pre-crisis levels in 2018. However, as shown in Figure 16, weekly pay increases over this time period in these lower-paying sectors are more muted - at 3.2 per cent in retail and just 0.8 per cent in hospitality.

Figure 16: Weekly pay in retail and hospitality has increased much more slowly than hourly pay

Real median weekly pay (excluding overtime, CPIH-adjusted to 2018 prices), by selected industries: UK



Source: RF analysis of ONS, *Annual Survey of Hours and Earnings*

This smaller increase in weekly pay implies that hours have fallen in both sectors as hourly pay has increased. Data from the Annual Survey of Hours and Earnings shows that this is, particularly in the most recent year, certainly the case. The median number of hours worked in retail fell by 4 per cent between 2017 and 2018, from 32.0 hours a week to 30.8 hours a week. In contrast, median hours worked across all employees remained unchanged between 2017 and 2018 at 37.0 hours.

A number of the participants in our focus groups cited their salary, staff discounts or staff benefits as the thing they most liked about their retail job. That said, hourly pay increases

were treated with some scepticism by some of the retail workers we spoke to. Examples of benefits being cut back or teams getting smaller at the same time as pay increases were commonplace:

> *"If you get more money then they'll cut the staff, so you'll be doing twice as much anyway. If they lose on the roundabouts they gain on the swings."*
>
> *Male, aged 50-59, supermarket employee*

> *"Our store put pay up, but even though they put the pay up they cut back on other things. Sunday premium has been cut back, time-and-a-half to time-and-a-third. People thinking they've got more an hour, but in the bigger picture they haven't."*
>
> *Male, aged 16-29, supermarket employee*

This evidence suggests that the positive effects of the NLW are, to some extent at least, being counteracted by falling hours in low-paying sectors (even if weekly pay in retail is still increasing faster than in other sectors). The extent to which this trend is replicated in other surveys and the reasons for it – the mix between employee or employer decisions, for example – are all questions worthy of further research. This will be something that future Resolution Foundation research will investigate in more detail.

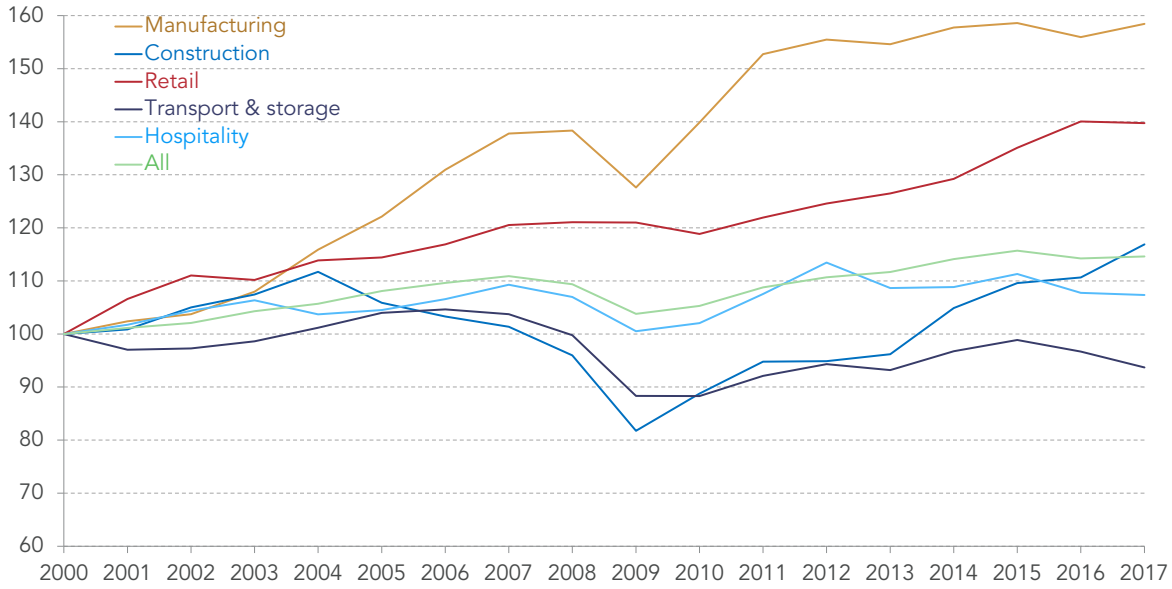
Alongside out-performing other sectors in terms of pay increases (if not levels), retail is also a strong performer, along with manufacturing, in terms of productivity growth. That these two sectors, in which employment is falling, have enjoyed the fastest productivity growth is indicative of a wider point that declining sectors in employment terms can often have well above average productivity rates.

Figure 17 shows that productivity in retail is was 40 per cent higher in 2017 than at the turn of the century – compared to a 15 per cent increase in economy-wide productivity over this time period.

Retail's productivity increases have continued in the post-crisis years even as a wider slowdown has taken place. The reasons for this strong performance are likely many. They may include workers themselves doing more for the same pay, for example with fewer middle-managers in stores; the impact of retail being a highly competitive sector that looks to have adopted new labour-saving technologies at a relatively fast rate; and less productive firms or workers are exiting the market.

Figure 17: Productivity has increased fast in retail since 2000

Index of output per head, by industry, chained-volume measures, 2000=100: GB



Source: RF analysis of ONS, *Regional gross value added reference tables*; ONS, Workforce jobs

Retail's decline, then, has gone hand-in-hand with fast growth in productivity and fast growth in pay. Industrial change doesn't have to be about sectors declining and their jobs getting worse at the same time, but can be a product of productivity growth reducing the need for labour, yet providing better pay for those who remain in the sector. The extent to which this happens will depend on who is able to capture productivity gains. Consumers have clearly benefitted in terms of lower prices, and it seems that with the help of the NLW workers in retail have been able to do so too. This may not have been the case in the absence of a higher minimum wage, not least because of the low trade union density in the sector.

Many of the retail workers that participated in our qualitative research had stories to tell about how a drive for fewer 'contract hours' at the store level had led to fewer staff doing the same work. Focus group participants couldn't cite much more technological innovation in the way they do their jobs than the advent of the self-scan checkouts. This suggests that – unless there's more new technology that employees haven't noticed – a substantial part of retail's productivity improvement is about working staff harder. Focus group participants made clear that these sort of productivity boosting activities can take their toll:

> *"I've been in retail so long, what first enticed me to the role was a team. Where they've cut hours, every year there's been cutbacks, because I've been there so long I know that I'm now doing the job of four full-time staff."*
>
> *Female, aged 16-29, department store employee*

"They used to have 12 people on a department on an afternoon, and now you've got two to three. Customers know there isn't enough people on the tills...They've cut a lot of hours and contracts. They do expect you to do a lot more, expect everyone to do different jobs – it used to be you worked on specific departments, for example menswear, womenswear et cetera, now you're just a team member. You're now expected to know everything...There is no such thing as a supervisor anymore, they've made the pyramid smaller."

Male, aged 16-29, clothing retailer employee

Despite little change in jobs numbers, there has been significant change in retail's sub-sectors

At a high level, retail's decline has not translated into a notable change in jobs in the sector, but this doesn't imply there have been no absolute employment reductions. Change can happen within companies and within sub-sectors, even if the overall number of employees remains unchanged.

We can split retail into six distinct sub-sectors in order to get a sense of sub-sectoral churn. We can't measure each individual restructuring or redundancy reported in the news, but we can identify which parts of retail have declined and grown.

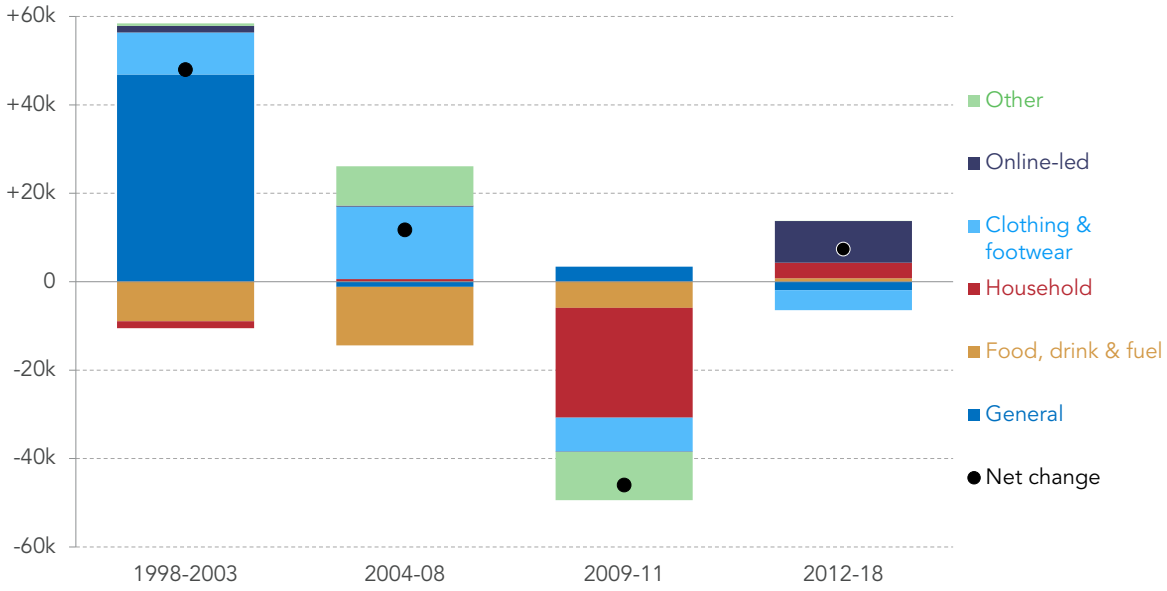
A study of sub-sector level change is best carried out within different time periods, in order that the wider post-crisis employment falls can be disentangled from change more closely related to retail's structural decline. As such, we have identified four separate phases of retail's changing employment mix in the years since 1998. The composition of the change in retail employment within each of these four phases is shown in Figure 18.

It is worth studying each of these phases in turn. First, between 1998 and 2003 when growth in retail employment was outpacing growth in employment more generally, almost all of the net job growth (which averaged 48,000 a year) in retail came from an increase in employment among general retailers. The bulk of this growth will have been a result of an expansion of large supermarket chains.

Second, between 2004 and 2008 when retail's employment share was declining at a slow pace, there was no change in employment in general retail – this being the most marked difference between the first and second periods. Employment in food, drink & fuel (that is, those stores specialising in the sale of just one of these sets of goods) fell by an average of 13,000 a year during this time period. Job losses were clearly a more common feature in this sub-sector of retail in the pre-crisis years than elsewhere.

Figure 18: There are four distinct phases of retail's changing employment mix

Average annual change in employee jobs in retail sub-sectors, various time periods: GB



Notes: Years run from Q4 to Q3, e.g. 2018 is 2017 Q4 to 2018 Q3.
Source: RF analysis of ONS, *Workforce Jobs*

Third, in the period 2009 to 2011 when retail's employment share was broadly flat, employment in retail fell by an average of 46,000 a year. Employment was falling across sectors in this time period as the effects of the financial crisis on the labour market were playing out across the economy. Employment in retail of of household goods shrunk the most, for example retailers like Comet, Habitat and Focus, all of which went bust in 2011.[12]

Fourth, from 2012 to 2018 when retail's employment share fell more rapidly, jobs growth in almost all of retail's sub-sectors ground to a halt despite strong employment growth for the economy as a whole. The exception here was online-led retail, which added an average of 9,000 jobs a year in this time period.

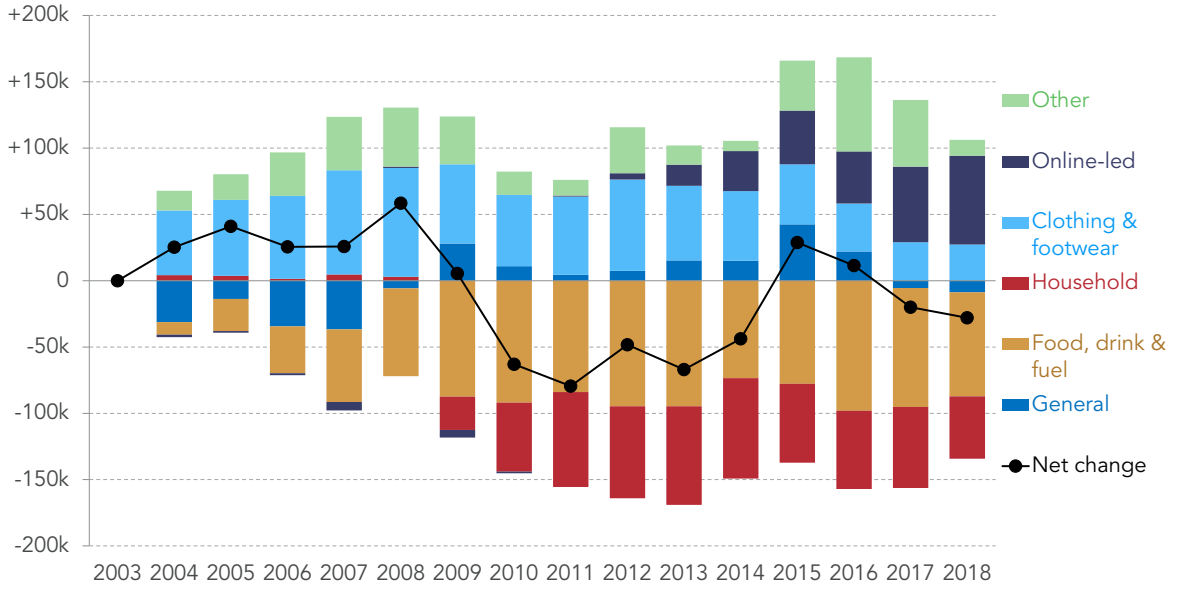
These patterns of change within specific time periods can be amalgamated into a cumulative change since retail's share of employees peaked in 2003, as shown below in Figure 19.

Overall, the household and food, drink & fuel sub-sectors have declined substantially. There are almost 130,000 fewer jobs in these parts of retail than there were in 2003. This is a significant fall in the number of jobs and highlights the importance of digging beneath overall sectoral trends.

[12] Centre for Retail Research, *Who's Gone Bust in Retailing 2010-2019?*, accessed 11/02/2019

Figure 19: There are 130,000 fewer jobs in the household and food, drink & fuel retail sub-sectors than in 2003

Cumulative change in employee jobs in retail sub-sectors since 2003: GB



Notes: Years run from Q4 to Q3, e.g. 2018 is 2017 Q4 to 2018 Q3.
Source: RF analysis of ONS, *Workforce Jobs*

However, by no means all of this decline is related to the sector's woes. For example, the 50,000 job losses in the household sub-sector are more a product of a crisis related shake-out than of factors specific to the retail sector.

Employment in food, drink & fuel has fallen considerably over the time period as a whole, largely as a result of declines in the mid to late 2000s. Overall employment in this sub-sector is 80,000 lower now than in 2003. It appears that this decline is related to a shrinking of this sub-sector following the expansion of supermarket chains in the early 2000s. The stylised example of the butcher and the baker closing up shop because of the rise of the large retailer does look to have played out in the data.

The quality of work in retail looks to have been affected by the pressure of economic change

Even in those sub-sectors in which employment hasn't fallen in absolute terms since 2003 it is still the case that the pressure retailers are under - both due to changing shopping habits and the competitiveness of the market – is having an impact on the quality of work in retail for some.

It's likely that some of the experiences of participants in our qualitative research are shared by workers in other sectors of the economy; on average, workplace intensity has increased substantially over the past 25 years.[13]

[13] F Green et al., *Work Intensity in Britain: First Findings from the Skills and Employment Survey 2017*, Centre for Learning and Life Chances in Knowledge Economies and Societies, UCL Institute of Education, 2018

In addition, the increased use (relative to pre-crisis levels) of zero-hours contracts has been widely documented across the labour market, not just in retail.[14]

A number of participants cited the tendency of retail employers to offer a low number of contracted hours alongside an expectation that when needed, a relatively high number of overtime hours would be worked:

> *"I'm only contracted to eight hours a week, I can go from doing eight hours one week to a 42 hour week next week. I've asked can I have a set thing of around 20-25 hours, but our area manager has said no... [even though, if they needed me to] they'd more than likely make me work more than eight hours. It is strongly implied that you have to work extra hours [when they're offered by managers]. They have got rid of people at my work for not doing overtime."*
>
> *Male, aged 16-29, clothing retailer employee*

> *"I was on a zero-hours contract but I was working 44-48 hours a week. Then they got youngsters in and my hours went down to 12. You say look, you gave me 44 last week and now you're giving me for, they just say 'well you're on a nought hours contract'."*
>
> *Female, aged 50-59, department store employee*

> *"When I first started in retail I was working 40 hours a week that was my contract, then it got cut to 32, then 28. Then you'd have to get a second job to fill those hours. Every year you'd have a cut again, they'd get rid of people and they'd cut again. They'd call you in the office, and you'd either have to sign that contact or leave. You'd be expected to work 40 hours but not get a contract for those hours."*
>
> *Female, aged 30-39, clothing retailer employee*

On the other hand, this aspect of retail work – low contracted hours with the opportunity for overtime – was a positive for those for whom extra hours weren't usually needed but could be worked as and when required:

> *"When I went to uni I needed a job that fitted around my uni schedule, and I've been there five years now. It's always something I can chop and change in terms of hours. I can reduce my hours right back if I need to or I can work six days a week. I've learnt how to make it flexible. With the processes they have in place, at different times of the year you can change contracts."*
>
> *Male, aged 16-29, clothing retailer employee*

[14] S Clarke & N Cominetti, Setting the record straight: How record employment has changed the UK, Resolution Foundation, January 2019

"I'm contracted for 16 hours, if I was to ask for overtime I could have it. I can have overtime whenever I want."

Female, aged 30-39, supermarket employee

"[My supermarket] has been quite flexible. I've got two little ones as well. Sometimes when you've got to go to the school, if I wanna go I can go in a bit later or change my day. I'm only contracted full time, I was contracted full time but I cut my hours because of the little ones. I can top my hours up with overtime."

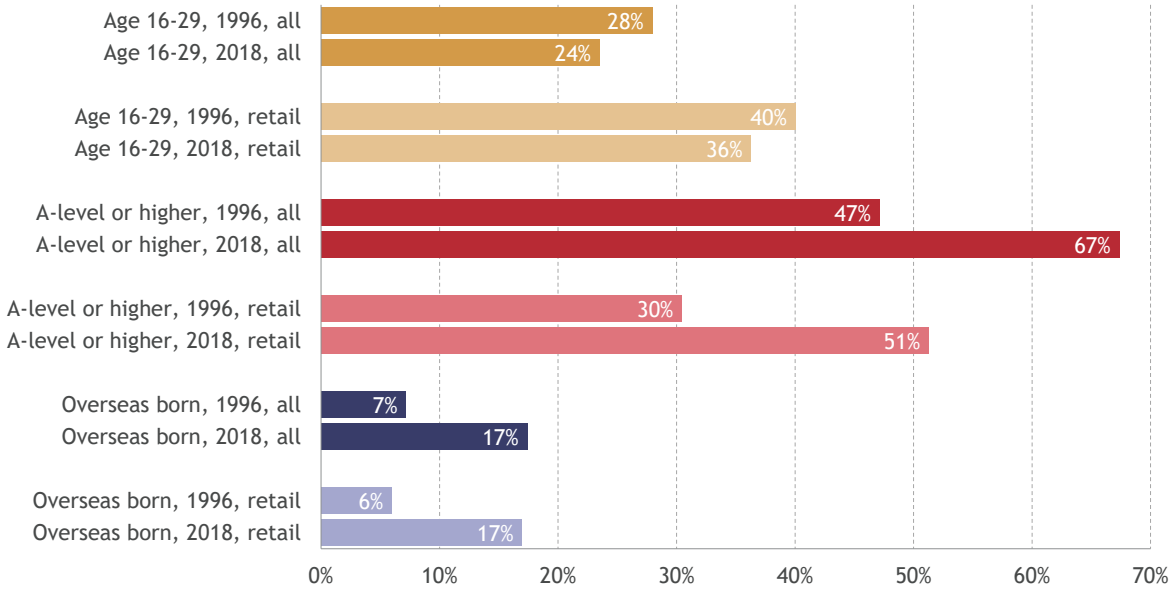
Male, aged 16-29, supermarket employee

In a number of ways the retail workforce has changed in line with wider trends

The composition of employment within retail has also changed substantially as the sector has declined. In many mays this is to be expected – the UK population has aged, has become more highly educated and has more migrants, and so has retail's workforce.

Figure 20: In line with wider trends, retail is older, better educated and has a larger migrant workforce

Share of employment by various individual characteristics, all industries and retail: UK



Notes: Years run from Q4 to Q3, e.g. 2018 is 2017 Q4 to 2018 Q3.
Source: RF analysis of ONS, *Labour Force Survey*

Figure 20 shows how the share of those in employment with three selected characteristics has changed between 1995 and 2018, in both the labour market as a whole and specifically in retail.

It shows, first, that retail was – and still is – a young sector. In 1996 the share of retail's workforce that was under 30 was 1.4 times higher (40 per cent vs 28 per cent) than the share in the workforce as a whole. That ratio changed little in the subsequent 22 years – in 2018 it was 1.5 (36 per cent vs 24 per cent).

Figure 20 also shows that both retail and the workforce as a whole are significantly more qualified than in the mid-1990s. The share of those employed in retail educated to A-level or above has increased from 30 per cent to 51 per cent, as it has increased from 48 per cent to 67 per cent in the workforce as a whole.

The share of employment in retail that is accounted for by those born overseas has changed almost exactly in line with the overall trend (an increase from 7 per cent to 17 per cent between 1995 and 2017). The share of retail's workforce born overseas underwent a very similar increase – from 6 per cent to 17 per cent.

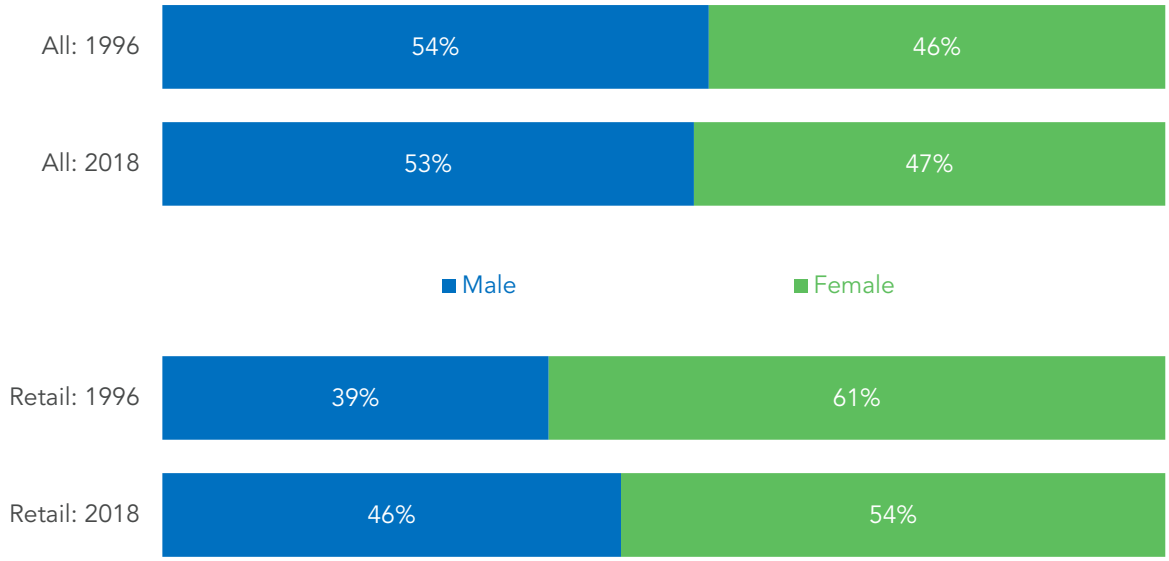
In some important respects, the composition of employment in retail has moved in the opposite direction to economy-wide trends

Not all changes in the composition of employment in retail have been in line with wider trends. In some ways there has been a significant, and important, divergence – in ways that act to challenge the stereotype of a 'typical' retail worker. First, the retail workforce is increasingly less female.

Much of the increase in female participation in the workforce in the UK took place prior to the mid-1990s, and continued equalisation in participation rates has been slower in the years since. Women accounted for one percentage point more of the workforce in 2018 (47 per cent) than in 1996 (46 per cent).

Figure 21: In contrast to wider trends, the share of men in retail has increased

Share of employment by gender, all industries and retail: UK



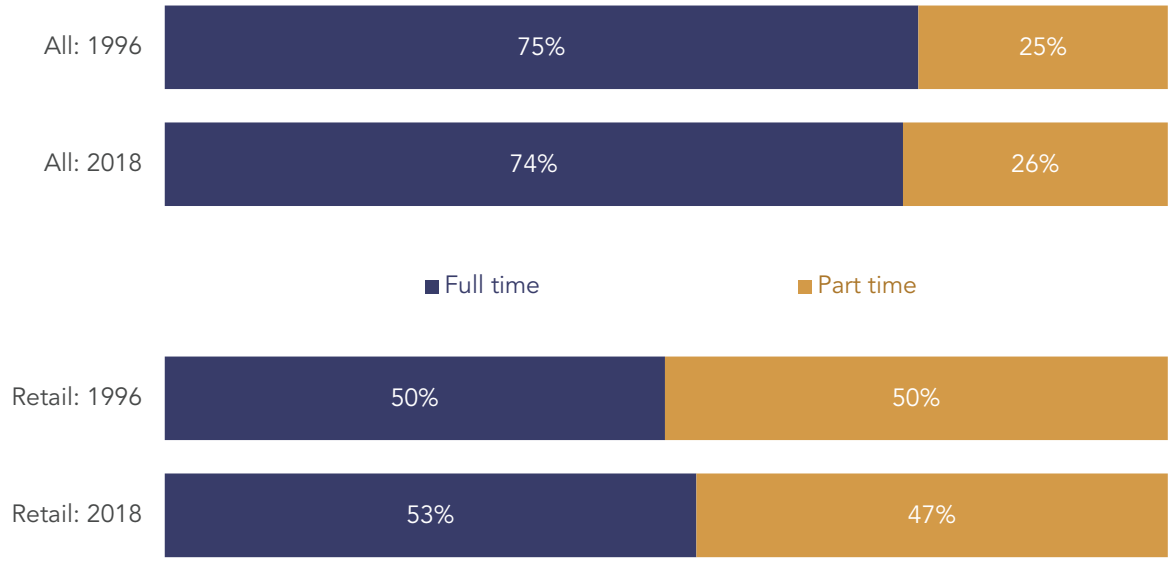
Notes: Years run from Q4 to Q3, e.g. 2018 is 2017 Q4 to 2018 Q3.
Source: RF analysis of ONS, *Labour Force Survey*

This shift was not reflected in retail. In fact, as shown in Figure 21, 61 per cent of retail workers were women in 1996, compared to 54 per cent in 2018. This reflects a welcome move towards gender equality in our labour market, with lower-paid jobs in sectors like retail more equally shared between genders.

This more equal distribution of retail work between genders is reflected in analysis of part-time and full-time working patterns. Across the wider labour market the share of part-time working was slightly higher in 2018 than in 1996 level, as shown in Figure 22. As well as being a product of more women (who are more likely to work part time) entering the labour force, this overall trend will also be a result of part-time working increasing after the 2008 financial crisis and remaining at an elevated level since.

Figure 22: In contrast to wider trends, the share of full-time workers in retail has increased

Share of employment by full-time/part-time status, all industries and retail: UK



Notes: Years run from Q4 to Q3, e.g. 2018 is 2017 Q4 to 2018 Q3.
Source: RF analysis of ONS, *Labour Force Survey*

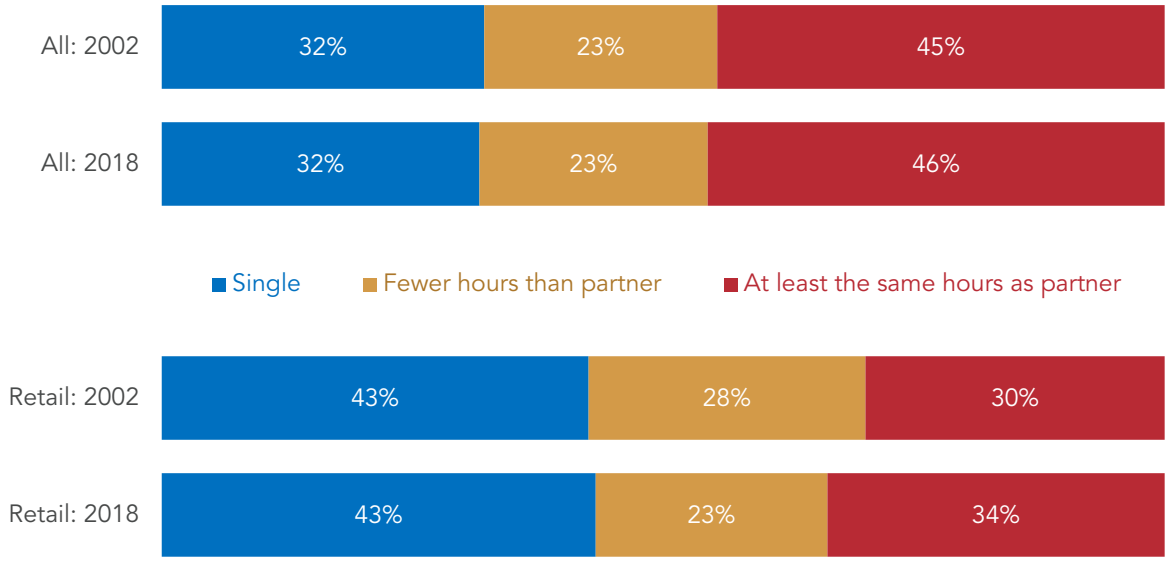
Contrary to wider trends, however, part-time working has fallen in retail over the past two decades. In 1996, 50 per cent of retail workers were part time, by 2018 this share had fallen to 47 per cent. The impact of more men (who are more likely to work a higher number of hours) entering retail is clearly playing a part here.

The trend towards a more male, and more full-time, retail workforce has changed the demography of retail work in another important respect: a larger number of couples are now more reliant on the wages earned in retail than was previously the case. We can see this in particular though an analysis of the hours that couples work. A larger share of couples are more reliant on hours from retail now than in the past.

Figure 23 splits the workforce into three groups. Singles (with or without children), individuals in couples who work fewer hours than their partner and individuals in couples who work at least the same number of hours as their partner. This latter group includes those who are in work with an out-of-work partner.

Figure 23: In contrast to wider trends, the share retail workers that work more hours than their partner has increased

Share of employment by relationship status and hours, all industries and retail: UK



Notes: Years run from Q4 to Q3, e.g. 2018 is 2017 Q4 to 2018 Q3.
Source: RF analysis of ONS, *Labour Force Survey household datasets*

The proportion of the workforce as a whole that falls in to each of these categories is almost entirely unchanged since 2002. However, the share of the retail workforce that works more than or the same hours as their partner has increased, from 30 per cent in 2002 to 34 per cent in 2018. This implies that an increasing proportion of families with a retail worker are reliant on the wages from that retail job.

We have shown how retail has become more 'full time' and, relatedly, that the sector is now a larger contributor to the living standards of more couple families. Both of these trends make the job losses we have already witnessed in retail, and the job losses that may be to come, a more important issue than may have otherwise been the case

Recent Resolution Foundation work has shown how significant – and negative - the well-being effects of a job loss are.[15] This effect is likely to be even more pronounced where other family members are more reliant on the wage provided. The living standards reduction from a main earner losing their job is larger than that from a second earner suffering the same fate.

[15] G Bangham, *Happy now? Lessons for economic policy makers from a focus on subjective well-being*, Resolution Foundation, February 2018

More generally, a job loss that results in a swift move into new employment is much less damaging than one that results in lengthy unemployment and a struggle to find new work. The next section focuses on this, providing an in-depth look at the changing nature of flows into and out of retail – furthering our understanding of the impact of retail's decline on the individuals effected.

Section 4

Retail's leavers

The previous section looked at aggregate change in the retail sector. To understand how much and what aspect of economic change we should care about, we need to know how this aggregate change has come about. In this section we address this question in terms of the dynamics of people moving into and out of retail jobs. We find that pre-crisis, changes in inflow rates to sectors generally had a stronger bearing on sectoral growth or decline than changes in outflows rates. But in the retail sector over the past decade, outflows have been somewhat more important at the same time as churn has increased. Retail's outflow rate is up by a fifth since 2009-10, the biggest increase of any sector.

Shining the spotlight on these people leaving work in retail, we find that the jobs that people who leave retail for employment in other sectors go into don't appear to have worsened. But there are three (related) worrying trends elsewhere that were not present pre-crisis. First, retail has experienced an increase in redundancies; and second, retail's outflow rate to unemployment has increased. On both these measures, retail's rate is now highest of all sectors. Third and finally, unemployed ex-retail workers now have the second-highest unemployment durations of any sector.

These retail leavers to unemployment or after redundancy are equally as likely to be male or female. But they are disproportionately young – three-fifths of those exiting to unemployment are aged under 30 – indicating one area where current or future policy thinking ought to focus.

Changes in inflow rates usually play more of a role in driving sectoral change, but retail's churn, and therefore outflows, are up

Changes in the overall level of employment – in the economy as a whole or in any particular sector – between two points in time can only be driven by either people entering the work in question, or people leaving it.

Surveys that follow the same individuals over time – as the panel element of the LFS does – can therefore lift the lid on the question of how sectoral growth or decline comes about.

Answering this question using this dataset is not a definitive exercise. This is due to a number of properties of the data itself, including the fact that the survey is not designed as a panel so longitudinal analysis should be interpreted with caution;[16] that it only covers the population below the old State Pension Age (60 for women and 65 for men); and that there is an unavoidable break in sectoral definitions in 2009,[17] meaning we cannot draw definitive conclusions about whether current flow rates are higher or lower than their pre-crisis levels, for example.

Beyond these notes of caution regarding the data itself, previous analysis has highlighted the complexities inherent in relating net changes in sectoral employment to labour market flows. Sectors experience very high levels of churn both within and between them, with only a very small proportion of gross flows contributing to net changes. And even declining sectors experience massive inflows, including from expanding ones.[18]

With these factors borne in mind, we begin with an indicative assessment of the role of overall sectoral inflow and outflow rates in driving the industrial change that the UK has experienced over the past couple of decades.[19]

Figure 24 presents these two measures across sectors, expressed in terms of the quarterly inflow rate (people entering a sector over a quarter as a proportion of everyone not employed in that sector in the previous quarter) and the quarterly outflow rate (people leaving a sector over a quarter as a proportion of all those employed in that sector in the previous quarter).

[16] While the LFS conducts interviews with households repeatedly over five quarters, it is not designed as a longitudinal survey and, as such, respondents are not asked to cross-check their responses against those given in previous quarters. As a result, individuals' responses over time can appear inconsistent; for example, they may report that they work in a different sector to their response in the previous quarter, but their employment tenure responses suggest they have not actually changed jobs.

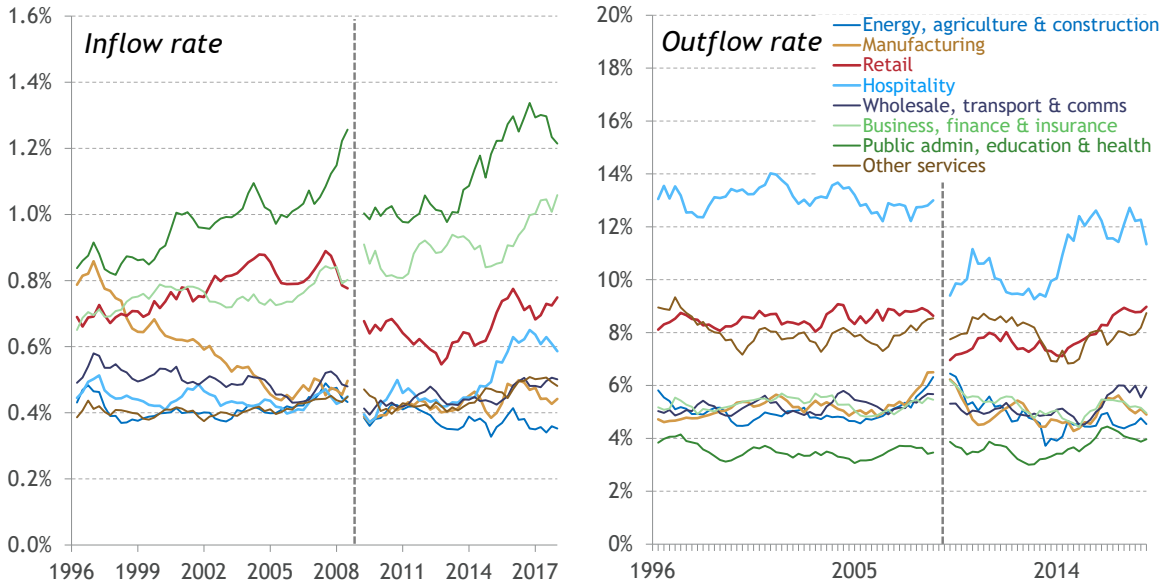
[17] In the first quarter of 2009, the LFS switched from the 1992 to 2007 Standard Industrial Classification. We are unable to span this break using probabilistic mapping techniques, because the historical industry variables in the longitudinal datasets are not provided at a sufficient level of detail.

[18] D Greenway, R Upward & P Wright, *Sectoral Transformation and Labour Market Flows*, University of Nottingham, July 2000

[19] Throughout the analysis in this section, neither inflow nor outflow measures take account of reported employment tenure (the 'emplen' variable in the LFS). This could mean that some flows are the result of response error (for example, respondents reporting that their job is in a different sector to the response they gave for that same job in the previous quarter). We have taken this approach because the employment tenure variable's derivation means that it is possible for some respondents who have changed jobs since their previous interview to bypass the 'employed for under three months' category, rendering it problematic. Reassuringly, flow measures cross-checked against the employment tenure variable – while somewhat lower across the board – show similar trends over time.

Figure 24: Retail has high inflow and outflow rates

Quarterly inflow and outflow rates, by sector: 16-59/64 year olds: UK



Notes: Four-quarter rolling average. Vertical dashed lines represent a break in the series due to changes to the sectoral classification in 2009q1. Due to the limited coverage of the longitudinal datasets, this analysis covers women aged 16-59 and men aged 16-64. A sector's inflow rate is the number of people entering the sector over a quarter as a proportion of all those not working in the sector (due to working in other sectors, unemployment or economic inactivity) in the previous quarter. A sector's outflow rate is the number of people leaving the sector over a quarter as a proportion of all those working in the sector in the previous quarter.
Source: RF analysis of ONS, *Labour Force Survey two-quarter longitudinal datasets*

Three points are worthy of note from this figure:

- First, retail has consistently had among the highest inflow and outflow rates of any sector. In 2018 it had the third-highest inflow rate and the second-highest outflow rate. Composite quarterly churn (the sum of inflows and outflows in the quarter as a proportion of total employment) in retail is high at 19 per cent; only the hospitality sector has higher churn (25 per cent). In short, the retail workforce is constantly changing.

- Second, across sectors, both inflow and outflow rates (and therefore also churn) have risen since 2013. This corresponds with the increase in employment over the past six years,[20] in line with previous research which found that gross sectoral flows are pro-cyclical (and therefore do not in themselves tell us anything about the growth or decline of individual sectors).[21] So the implication is that a tight labour market means that in retail – as in other sectors – rates of turnover are currently around their highest.

[20] For more information on recent employment growth in the UK, see: S Clarke & N Cominetti, *Setting the record straight: How record employment has changed the UK*, Resolution Foundation, January 2019
[21] D Greenway, R Upward & P Wright, Sectoral Transformation and Labour Market Flows, University of Nottingham, July 2000. This tallies with past Resolution Foundation research detailing the pro-cyclicality of job-to-job moves. See: P Gregg & L Gardiner, *A steady job? The UK's record on labour market security and stability since the millennium*, Resolution Foundation, July 2015

- Third, the inflow rates in the left-hand panel of Figure 24 appear to display somewhat greater upward or downward trends than the outflow rates. In particular – recalling the overall changes in sectoral employment shares in the previous section – the decline of manufacturing between the mid-1990s and the mid-2000s corresponds with a near-halving of its inflow rate, with apparently less variation in outflow proportions. The growth of publication administration, education and health over the same period also appears to correspond more with inflow rate growth that outflow rate declines. Post-crisis changes are a little harder to discern given the general upward trend in both inflow and outflow rates across sectors since 2013, but, in some sectors at least, there again appears to be more inflow variation.

It is worth considering this last point in more detail. A common view is that sectoral declines are in themselves a problem because they mean a large number of workers being ejected from the sector and needing to quickly adapt their skills to other sectors, or face unemployment. Recent coverage of the high street's woes has often taken this tone,[22] and it is a common focus of discussions of how retraining policy should respond to the fourth industrial revolution and the threat of technological unemployment.[23]

But this tentative analysis suggests that such concerns might be overblown, because sectoral changes tend to happen more through the margin on entries rather than that on exits. Table 1 delves into this point in more detail by considering proportional change in inflow and outflow rates from each sector over two periods of time, before and after the financial crisis (and the break in sectoral definitions).

Table 1: Inflows often do more of the work in driving sectoral change

Change in employment, inflow and outflow rates by sector, 16-59/64 year olds: UK

	Change in sectoral employment share	Change in sectoral inflow rate	Change in sectoral outflow rate	Change in sectoral employment share	Change in sectoral inflow rate	Change in sectoral outflow rate
Energy, agriculture & construction	+4.7%	+0.9%	+2.8%	-8.7%	-7.8%	-19.8%
Manufacturing	-33.9%	-42.8%	+21.5%	-8.2%	+13.8%	-6.5%
Retail	+0.2%	+24.9%	+4.1%	-7.2%	+10.1%	+21.8%
Wholesale, transport & comms	-5.2%	-7.0%	+8.0%	-4.5%	+18.7%	+14.2%
Public admin, education & health	+16.9%	+24.8%	-9.6%	-3.0%	+25.6%	+11.4%
Other services	+6.1%	+5.8%	-9.3%	+13.2%	+15.8%	+1.3%
Business, finance & insurance	+16.1%	+19.6%	+0.9%	+13.6%	+22.5%	-10.4%
Hospitality	-3.2%	-8.4%	-5.3%	+15.2%	+49.9%	+18.8%

Notes: See notes to Figure 24.
Source: RF analysis of ONS, *Labour Force Survey two-quarter longitudinal datasets*

[22] For example, see: S Hayward, *'28,000 jobs lost in high street massacre - and a staggering 40,000 more set to go this year'*, The Mirror, 9 June 2018; S Begum, 'More high street job cuts on the horizon after 150,000 lost in 2018', Manchester Evening News, 27 December 2018
[23] For example, see: K Ahmed, 'Bank of England chief economist warns on AI jobs threat', BBC News, 20 August 2018; I Klugman, *'Why governments need to respond to the Fourth Industrial Revolution'*, World Economic Forum, 14 September 2018

Some of the changes presented in Table 1 are confounding or confusing, given volatility in the flows measures derived from the LFS and the fact that they don't always neatly map onto aggregate employment changes.[24] In addition, the overall increase in churn in the post-2013 period makes the right-hand panel harder to interpret. Nonetheless, trends in most sectors support the observation that inflows do more of the work in driving sectoral change, at least in the pre-crisis period. For example, inflow rates in public administration, education & health, and business, finance & insurance, change much more than the outflow rates do.[25] The growth in the hospitality sector post-crisis has corresponded with a 50 per cent increase in its inflow rate.

Prominently, the decline in manufacturing's inflow rate in the pre-crisis period is twice the size of the increase in its outflow rate, a finding that is reflected in the literature on the decline of the manufacturing sector in Germany.[26] This kind of pattern – inflows doing the work – might make us less worried about sectoral declines. But it also means we can be less sure about what is happening to those affected, because we can't 'see' those affected by a reduction in entry opportunities in the way that we can follow those exiting a sector.

Pushing back somewhat against this general finding, Table 1 provides some evidence that in retail in particular, outflows might have become more important in driving sector change in recent years. Retail's outflow rate increased by one-fifth between 2009-10 and 2017-18, the biggest increase of any sector and also the biggest uplift on the corresponding inflow rate change. The suggestion (again – interpreting these changes is tricky, with the direction of changes in some sectors out of kilter with their overall growth or decline) is that outflows have become a more important driver of change in the retail sector in recent years. This is in contrast to some other sectors, and in particular to the drivers of manufacturing's large decline during the 1990s and early 2000s.

Because churn is up, and there is evidence that recent changes in retail have been disproportionately about outflows, there are reasons not to be completely relaxed about these shifts. In particular, we need to understand what is happening to this increased volume of people leaving the sector. The remainder of this section focuses on who they are, and where they are leaving to.

The jobs that people who leave retail for employment in other sectors go into don't appear to have worsened

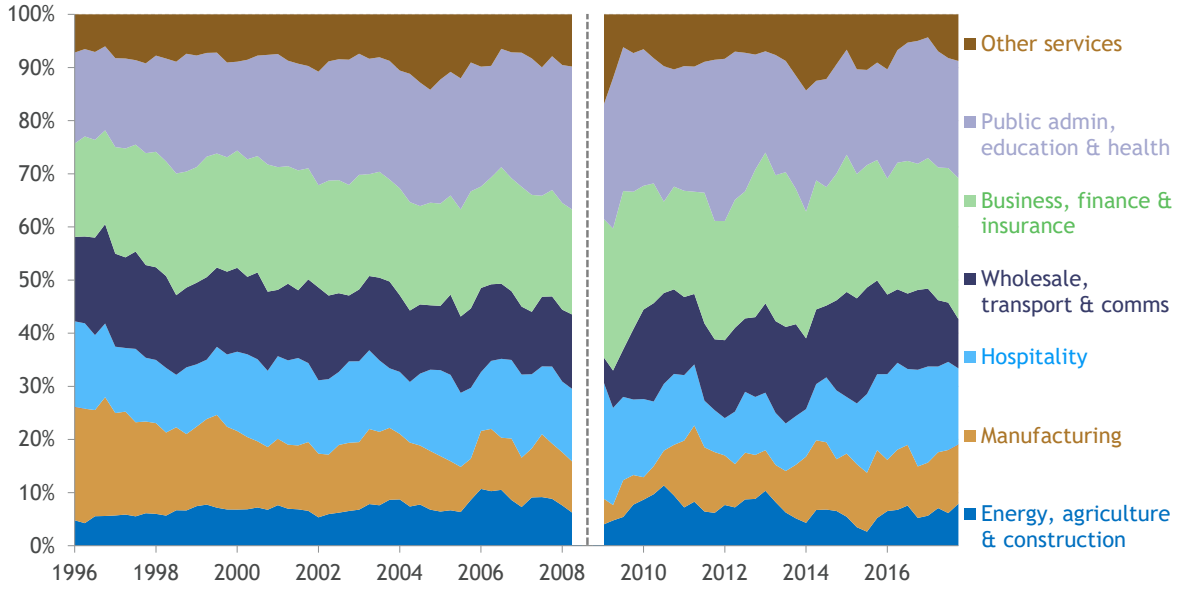
If elevated outflows and churn in retail are the result of disruptions to (certain types of) retail businesses in recent years – as we documented in Section 2 – then we might expect

[24] Specifically, the LFS appears to consistently produce slightly higher inflows to sectors, or lower outflows from sectors, than the levels that would match the aggregate (cross-sectional) changes in employment numbers from quarter to quarter. This may be related to a greater chance of attrition from the panel associated with employment exit than employment entry.
[25] Previous research into flows into and out of unemployment has established that comparing the absolute values of the proportional changes in inflow and outflow rates over a given time period is an appropriate way to determine the relative role of inflows and outflows in driving net changes in stock. See: Smith, *The Ins and Outs of UK Unemployment*, University of Warwick, April 2011
[26] For example, research in Germany found that the shift from a manufacturing to a service economy had not been driven by incumbent workers who smoothly change jobs from manufacturing to services. Observed shifts were almost entirely due to young entrants taking a first job in different sectors than they might otherwise have, or to unemployed workers returning to work in a different industry. See: W Dauth, S Findeisen & J Suedekum, *Trade and Manufacturing Jobs in Germany*, IZA Institute of Labor Economics, January 2017

those leaving retail to have experienced a worsening of their situation (if cross-sectoral moves were forced upon them suddenly by impending shop closures, for example). To investigate this hypothesis, we begin by focusing on the roughly one-third of retail leavers who are in jobs in other sectors in the following quarter. We find little evidence that their destinations have shifted. Figure 25 shows that retail's leavers have always spread out across the economy, and that the sectors they enter haven't changed much in recent years. Longer-term changes correspond with the overall shifts in different sectors' employment shares documented in the previous section.

Figure 25: The sectors retail leavers to other employment move into haven't shifted over time

Proportion of outflows to employment from retail, by destination sector, 16-59/64 year olds: UK



Notes: Four-quarter rolling average. See notes to Figure 24.
Source: RF analysis of ONS, *Labour Force Survey two-quarter longitudinal datasets*

Most sectors contain both high- and low-paying (and secure and insecure) jobs, so this analysis of sectoral destinations could mask a worsening of outcomes for people leaving retail to jobs in other sectors. However analysis of the occupations retail leavers go into and the pay they receive after leaving both show no signs of worsening in recent years either. Ranking detailed (two-digit) occupations by their typical pay ratio to overall median pay, we find that the average occupational destination of retail leavers has moved in line with leavers from all sectors in recent years. Retail workers on average move into below-median-paying occupations – lower down the scale than all sectors except hospitality – but the retail sector has always been in this position. And examining the actual pay of people currently employed outside of the sector they were in a year ago, we find that, over the past decade, ex-retail workers have consistently had pay between 75 and 95 per cent of the median for all leavers, roughly the same as leavers from the hotel and restaurants sector throughout the period.

This not-overly-concerning picture of leavers from retail to jobs in other sectors was reflected in our focus groups. While some were wistful for their retail jobs and in particular the better pay levels associated with them, people who had left retail described a number of positive factors of the jobs they had moved into. In addition, current retail workers commented that staff were leaving their firms more than they had in the past – perhaps reflecting the tightness of the labour market:

"My pay is worse than it was in retail."

Female, aged 30-39, ex-retail worker

"The pay was better in retail than what I'm getting now, the hours are better now though. I get longer holidays, I don't work weekends. It's a bit of both."

Female, aged 50-59, ex-retail worker

"I left to go into care just for better wages (weren't much better mind) and for better hours and more hours than in retail."

Female, aged 40-49, ex-retail worker

"In the last year and a half in [my supermarket] there's more that's given in their notice and gone for other jobs than in the nine years that I've been there."

Male, aged 50-59, supermarket employee

The pick-up in retail redundancies and exits to unemployment is more worrying

To understand what happens to retail leavers who don't go straight into other jobs, Figure 26 summarises the immediate destination of people leaving the retail sector (left-hand panel) and exits from all sectors in the economy (right-hand panel). It splits these according to both the economic status people move into immediately (within a quarter), and, in the case of unemployment outflows, whether the exit was associated with a redundancy.[27]

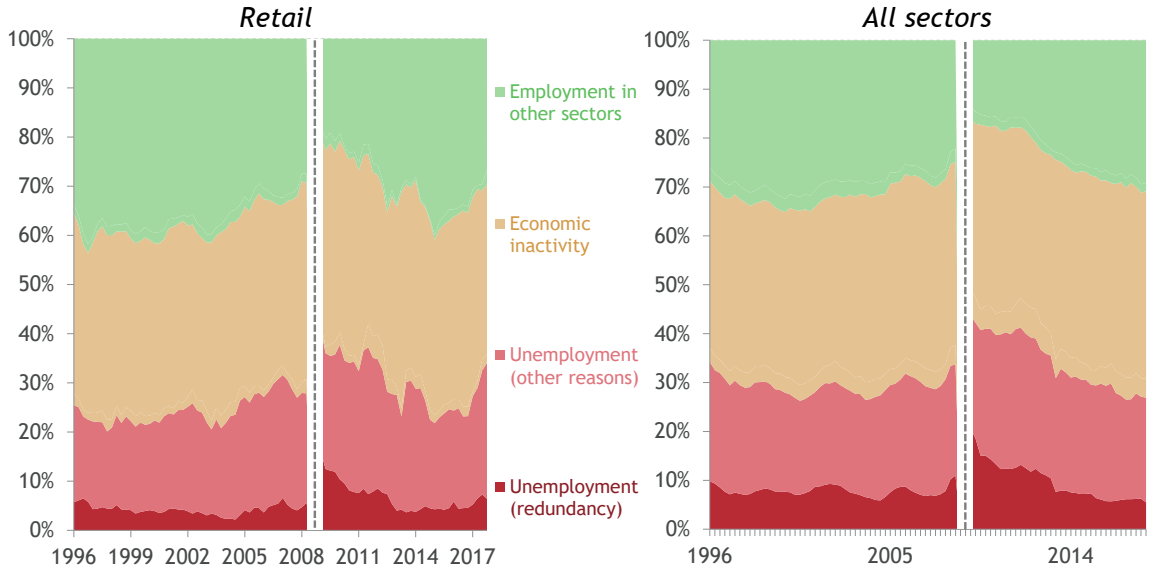
We find that for the most part retail mirrored trends across the economy before the crisis, although exits from retail to unemployment started ticking up in the mid-2000s, whereas unemployment exits from all sectors remained flatter. This is likely to be associated

[27] The measure of redundancies used in this analysis is based on the 'redylft'/'redyl11'/'redyl13' variables in the Labour Force Survey, which have somewhat wider coverage than 'redund' due to redund's derivation meaning that it is possible for some respondents who have changed jobs since their previous interview due to redundancy to bypass it. We show only the intersection between redundancy and unemployment because only a very small proportion of the other two economic status destinations are associated with redundancies. This is because the majority – around three-fifths – of outflows from retail following a redundancy move immediately into unemployment.

with the start of the decline of retail's employment share from 2003 onwards. A more marked divergence between retail and other sectors is apparent in recent years, with the proportion of outflows going to unemployment (including those associated with a redundancy) rising in retail since 2015, but continuing to fall across sectors. The headline unemployment outflow rate has increased by 38 per cent in just two years, and is almost back to its levels during the financial crisis.

Figure 26: Outflows from retail to unemployment have recently picked up

Sectoral outflows by destination and whether made redundant or not, 16-59/64 year olds: UK



Notes: Four-quarter rolling average. This measure only covers outflows for which a reason for leaving previous job is recorded. See notes to Figure 24.
Source: RF analysis of ONS, *Labour Force Survey two-quarter longitudinal datasets*

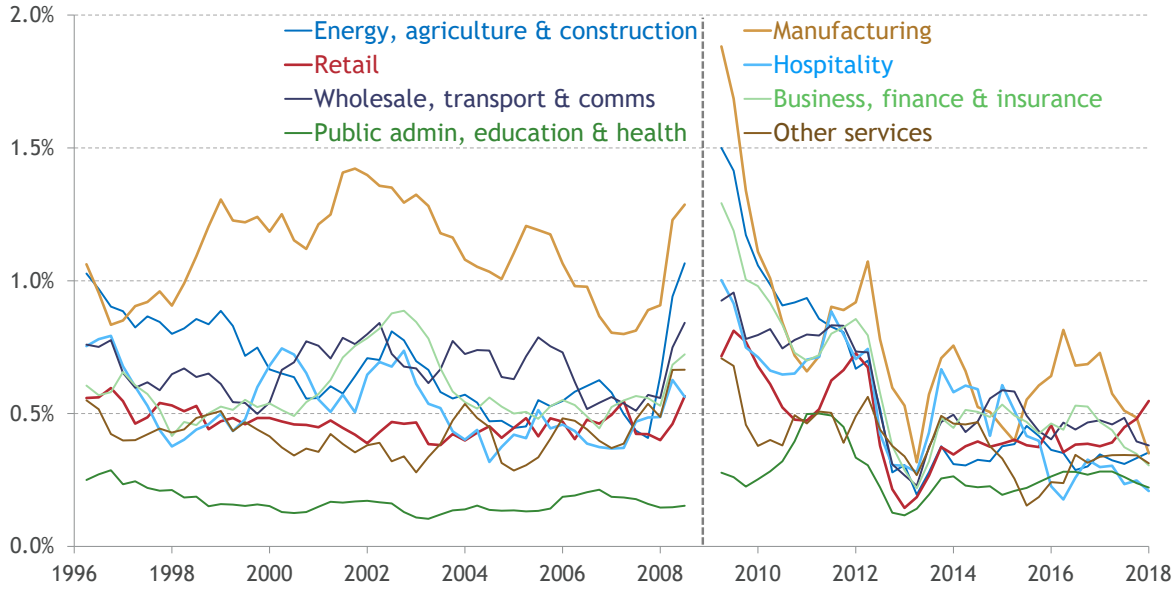
Figure 26 shows only those redundancy exits that precede a spell of unemployment – around three-fifths of all redundancies in retail. This reflects the fact that unemployment is around twice as likely if a worker leaves a sector due to a redundancy than if they leave for other reasons: in 2017-18, 58 per cent of retail redundancies were followed by unemployment in the next quarter, compared to 31 per cent of exits from retail for other reasons. In short, one reason why redundancies are a concern is because they double the risk of unemployment.

Figure 27 broadens out from redundancies followed immediately by a spell of unemployment to all redundancies, showing the likelihood of workers employed in a sector at each point in time leaving this sector following a redundancy over the following quarter.[28] Retail is now the sector with the highest outflow rate due to redundancy, a divergence from the pre-2015 pattern when its redundancy outflow rate was at or below the cross-sectoral average.

[28] Because this measure only includes people who have both been made redundant and left their sector (to work in other sectors, unemployment or economic inactivity), and because is based on a slightly broader measure of redundancy (redylft'/'redyl11'/'redyl13' rather than 'redund' – see footnote 23), this analysis differs from the (now discontinued) ONS redundancy tables, in which retail had a slightly lower redundancy rate relative to other sectors than our measure shows.

Figure 27: Retail is now the sector with the highest outflow rate due to redundancy

Outflow rates due to redundancy by sector, 16-59/64 year olds: UK



Notes: Four-quarter rolling average. A minority of outflows are missing information on the reason for separation, so this measure is likely to understate the redundancy rate somewhat. See notes to Figure 24.
Source: RF analysis of ONS, *Labour Force Survey two-quarter longitudinal datasets*

Multiple ex-retail workers in our focus group had experienced redundancy. While not necessarily a shock given the performance of their businesses, changes were often announced suddenly with minimal time for adjustment. And redundancies had been experienced by those who had cycled between jobs in retail, as well as those who had left the sector altogether:

> *"I [saw] it on the news first, they were getting rid of us one at a time until there was only four of us left with the manager. We were doing the whole store, so it was ridiculous hours. Then the just got rid of us all in one day. I knew it was closing because of all the sales, they gave us a date and that was that."*
>
> *Female, aged 16-29, ex-retail worker*

> *"I was made redundant..., I didn't want to go back into retail but it got to May and I just really needed a job...I found out from the news that we were closing down – I went home from work and my parents knew before I did."*
>
> *Female, aged 30-39, ex-retail worker*

While redundancies might represent the most acute or unwanted form of separation, our focus groups confirmed that a larger share of exits are likely to be related to business cut-backs or impeding store closures, for example because people leave when it is clear their

employer is in trouble even if not yet laying people off. More generally, retail workers in our focus groups were aware that they work in a sector in which job losses are common, and this clearly affected feelings of workplace security as well as having an effect on the expectations and demands of employees:

> *"It's always in the back of your mind, is this shop going to shut? Is it stable enough?"*
>
> *Female, aged 50-59, department store employee*

> *"With [my store] a lot of what we do now is when someone leaves the company they don't replace them. Like you were saying earlier about having the workload of a load of people, it's a little bit scary because if something happens and I want to change something about my contract, and I want to cut my hours down or anything, are they just going to go 'No, you can just go' because there's no hours in retail anymore."*
>
> *Female, aged 16-29, clothing retailer employee*

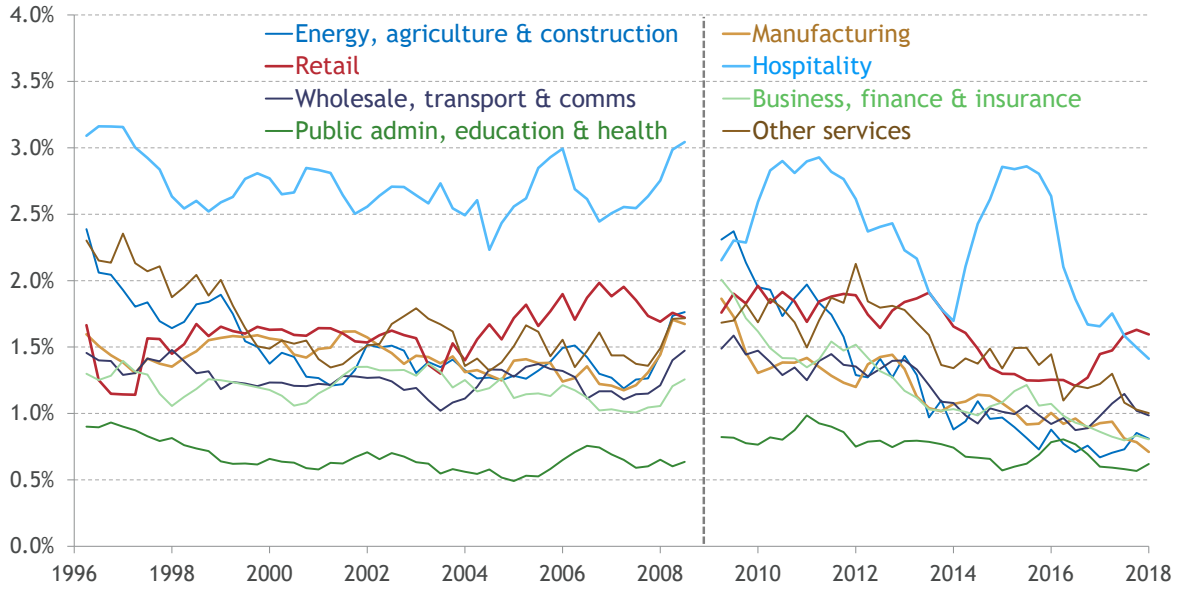
On this basis, redundancy outflows will likely understate the implications of staff reductions or firm closures for workers. A broader – and, as we have discussed, correlated – measure of 'negative' exits is the chances of people in a sector exiting to unemployment, shown in Figure 28.

Outflow rates from retail to unemployment were fairly flat before 2003, before rising up to the financial crisis, when retail's employment share began declining. Because outflow rates to unemployment across sectors are cyclical, the key shift shown in Figure 28 is retail's *relative* position in comparison to other sectors, however. Retail has gone from having a roughly typical outflow rate to unemployment in the mid-1990s compared to other sectors, to having the highest unemployment outflow rate of any sector in 2017-18. In the same vein, retail's unemployment outflow rate has fallen more slowly than the rate in any other sector between 2009-10 and 2017-18 (by 16 per cent, compared to a fall of 39 per cent in hospitality and 59 per cent in manufacturing).

Putting the outcomes shown in Figure 27 and Figure 28 together, we find that around half the increase in unemployment outflows appears to have been driven by redundancies, with the other half associated with separations for other reasons.

Figure 28: Retail is now the sector with the highest outflow rate to unemployment

Outflow rates to unemployment by sector, 16-59/64 year olds: UK

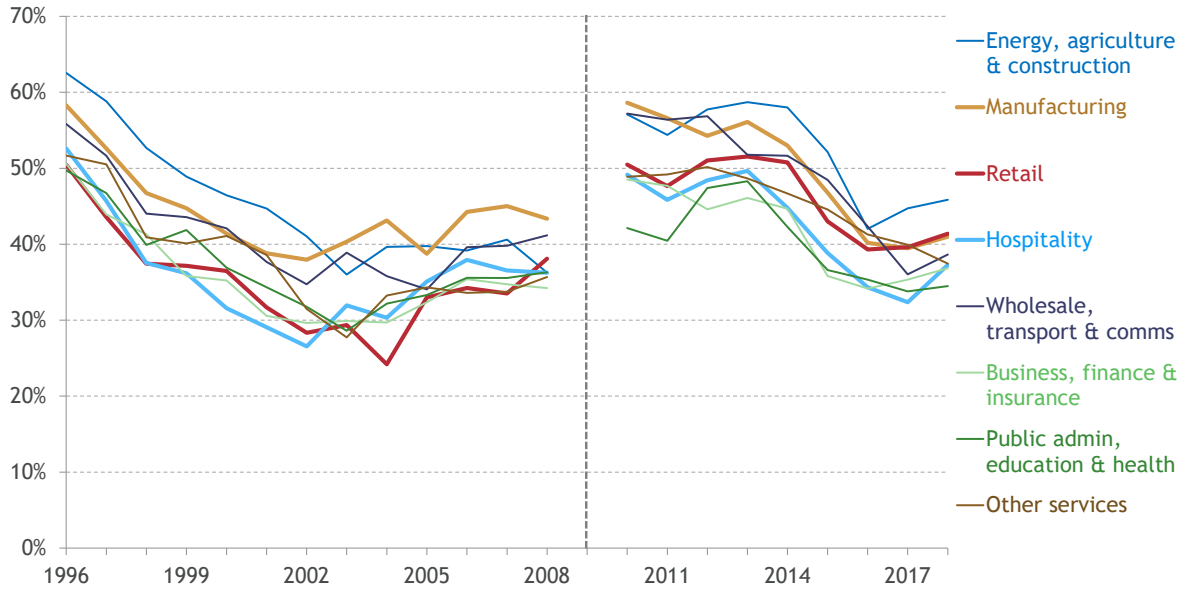


Notes: Four-quarter rolling average. See notes to Figure 24.
Source: RF analysis of ONS, *Labour Force Survey two-quarter longitudinal datasets*

Worries about people exiting the retail sector in recent years don't stop at their initial destination. Figure 29 shows that unemployment durations for those exiting retail have trended up relative to other sectors.

Figure 29: Ex-retail workers now have longer unemployment durations than workers exiting most other sectors

Share of unemployed who have been unemployed for six months or more by industry of previous job, 16-64 year olds: UK



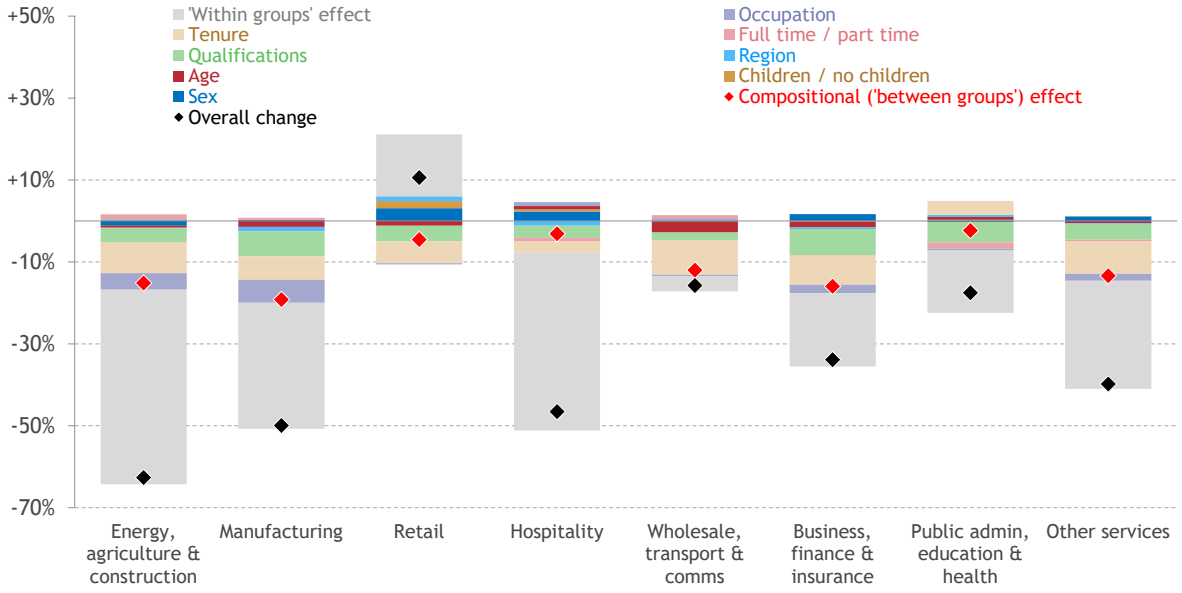
Source: RF analysis of ONS, *Labour Force Survey*

Having had among the lowest unemployment durations of any sector during the 2000s, unemployed ex-retail workers are now more likely to have been unemployed for six months or more than unemployed exiters from any other sector except energy, agriculture and construction. 41 per cent of unemployed ex retail workers have been unemployed for six months or more, compared to a cross-sector average of 38 per cent.

Given the shifts in the retail worker population described in the previous section, it's worth considering whether the concerning picture on retail's redundancy outflows, outflows to unemployment and unemployment durations is affected by the changing characteristics of its workforce. Decomposition analysis suggests that this is not the case. Figure 30 shows our results in relation to the change in the unemployment outflow rate in retail over the past two decades, in comparison to changes in other sectors.

Figure 30: The uptick in retail's outflow rate to unemployment relative to other sectors is not driven by changes to the composition of its workers or jobs

Compositional effects on change in outflow rate to unemployment by sector, 16-59/64 year olds: UK, 1996-98 - 2017-18



Notes: To calculate compositional effects, we estimate a regression equation to determine the unemployment outflow mark-up for various characteristics, including a quarterly time dummy to capture time-specific effects. We do this separately for each sector of the economy. We then calculate the effects of compositional changes in the workforce by applying the estimated coefficients to the profile of employee characteristics each quarter. In other words, we apply the unemployment outflow mark-ups to the employee mix to assess whether compositional changes are predicted to result in rising or falling unemployment outflows, controlling for time-specific effects. Finally, we compare the estimated compositional effects to actual unemployment outflow changes to derive the relative contribution of 'within group' effects and compositional effects. This analysis unavoidably ignores the discontinuity in sector definitions in 2009. We judge this to be acceptable as retail's outflow rate to unemployment doesn't appear to display much of a discontinuity, and discontinuities will have more of a bearing on the residual ('within groups' effect) than the compositional effects that are the focus here.
Source: RF analysis of ONS, *Labour Force Survey two-quarter longitudinal datasets*

We find that while some compositional changes have pushed up on the unemployment outflow rate in retail more than in other sectors (principally the rise in male retail workers), the overall compositional effect in retail is negative, and similar to that in other sectors such as hospitality, and public administration, education and health. In retail as in other sectors, the underlying ('within groups') effect dominates compositional changes.

In other words, the different direction of travel of the unemployment outflow rate in retail to that in other sectors appears to be about what's going on in the retail sector itself, not the changing mix of people who work in it. Our analysis of compositional effects on redundancy outflows and unemployment durations leads to the same conclusions.[29]

So a degree of concern regarding outflows from the retail sector who experience redundancy or move immediately into unemployment appears warranted, and related to the sector itself. These experiences are a minority of all outcomes at present, and a key question is whether are likely to become more common in future, given continued warning signs around the viability of well-known high street stores.

Answering that question is beyond the scope of this report, but we can gain insights into how the workers in question might respond from the views of today's retail leavers. What stood out in our focus groups was that retail leavers who have experienced redundancy or spells of unemployment were to some extent open-minded about the jobs they might do. But jobs in hospitality – the other major sector that exists in most places and offers lower-paid jobs with few entry requirements – were largely out of the question (and this feeling extended beyond just work in bars and pubs). Set in comparison to the alternatives that might be available to them, many current or former retail workers reflected on the positive aspects of their retail jobs:

> *"The hours are better for retail than bar work – obviously nights don't work if you have kids. So retail was better for me in that way."*
>
> *Male, aged 16-29, supermarket employee*

> *"Pubs are all closing too...and it's hectic on the weekend isn't it."*
>
> *Female, aged 40-49, ex-retail worker*

> *"No one would choose to leave retail to work in hospitality...it's out of the frying pan and into the fire...[Retail's] a good job to be in at the end of the day."*
>
> *Female, aged 16-29, department store worker*

There may therefore be a tension between the jobs unemployed ex-retail workers want and the jobs available to them, perhaps contributing to their worsening unemployment durations. The following section picks this question up in relation to the places where retail's decline might be having the greatest impact.

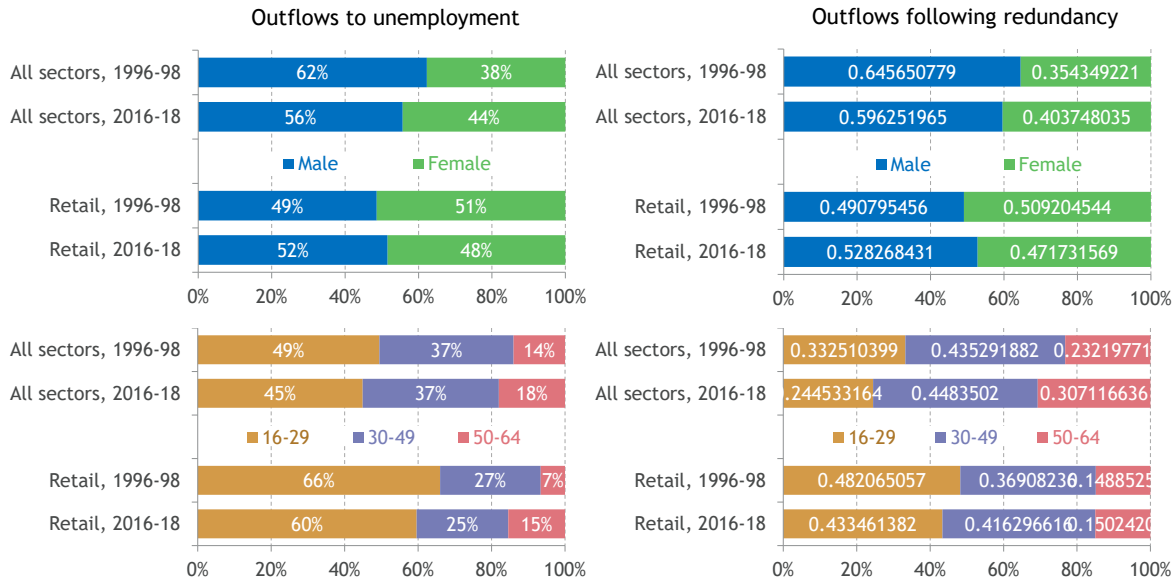
[29] As well as decompositions like that shown in Figure 30 – which hold the effects of characteristics constant over the time period – we have tested the effects of worker characteristics on these metrics (unemployment outflows, redundancy outflows and unemployment durations) using regressions with rolling window dummies. These allow us to – to some extent – account for the changing role of characteristics over the time period, and lead to very much the same conclusions as the decompositions.

Retail's uptick in outflows to unemployment is being driven by younger workers

If there are reasons to be concerned about a minority of retail's outflows, then a key question is who these people are. Figure 31 summarises the sex and age of the redundancy and unemployment outflow populations, comparing retail to all sectors across the economy.

Figure 31: Retail's leavers to unemployment are disproportionately young

Proportion of outflows from sector by sex and age, 16-59/64 year olds: UK



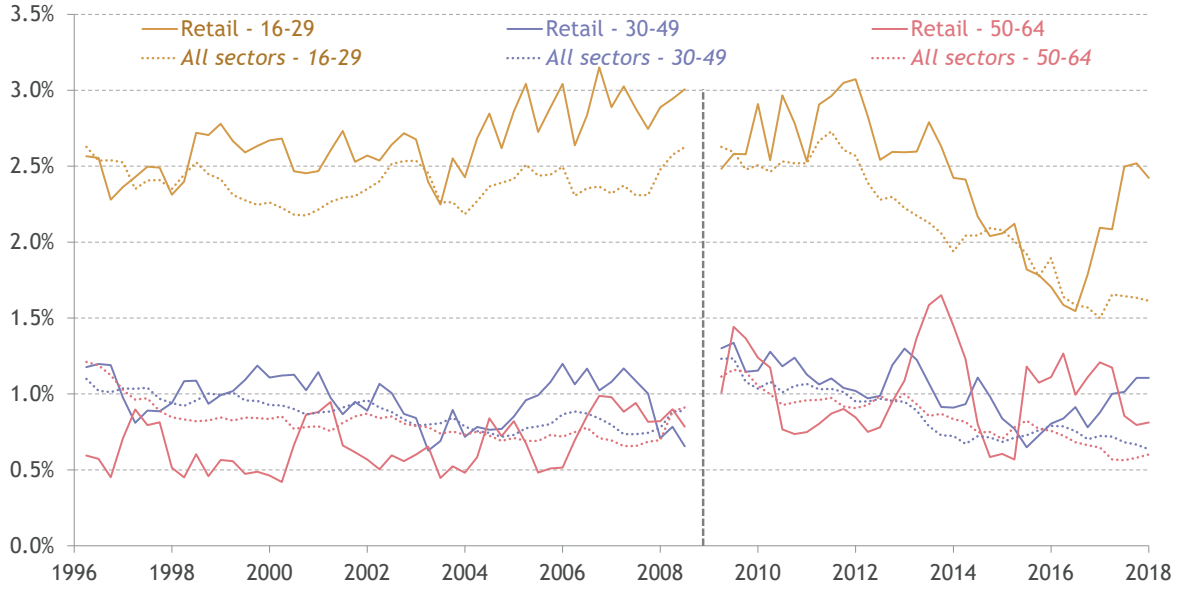
Notes: A minority of outflows are missing information on the reason for separation, which will affect the outflows following redundancy measure. See notes to Figure 24.
Source: RF analysis of ONS, *Labour Force Survey two-quarter longitudinal datasets*

Considering the sex of retail's leavers first, we find that outflows to unemployment and those following a redundancy are roughly balanced between men and women. They are slightly more likely to be male, despite the fact that retail workers overall remain slightly more likely to be female (as we saw in the previous section), because men across sectors have always been more likely to become unemployed or be made redundant.

Retail exits to unemployment and following a redundancy are disproportionately young. For example, three-fifths of people moving from retail into unemployment during 2016-18 were aged under 30, compared to 45 per cent of unemployment exits from all sectors. Of course, this reflects retail workers being younger than workers in other sectors. But it is also partly driven by the fact that outflow rates from retail to unemployment have risen fastest (in percentage point terms) for those aged under 30, as Figure 32 shows. For workers aged 50 and over, by contrast, they have fallen over the past year.

Figure 32: Outflow rates from retail to unemployment have risen fastest for workers under 30 in recent years

Outflow rate to unemployment from sector by age, 16-59/64 year olds: UK



Notes: Four-quarter rolling average. See notes to Figure 24.
Source: RF analysis of ONS, *Labour Force Survey two-quarter longitudinal datasets*

It is these kinds of considerations that are important when thinking about what policy responses might be needed to the shifting sands under Britain's retail sector. Interventions targeted at young people experiencing separations from retail jobs – rather than retraining policies for older workers, for example – better reflect the volume of change in terms of who is feeling the effects of retail's decline.

We return to a brief discussion of these kinds of policy questions in the conclusion. In the following section we turn to where in the country the negative impacts of retail's decline on the people who are (or were) working in it are most likely to be felt.

Section 5

Retail's places

Thus far, we've demonstrated how the overall decline in retail's share has not equated to drastic falls in the number of retail employees at a national level. However, some worrying effects of retail's more recent decline have been identified when we zoom down to what's happening to the prospects of retail's leavers.

In this section we turn our attention to the geographical spread of these effects, providing a guide to policy makers seeking to assess the impact of retail's decline – or sectoral change more broadly – on particular places. We answer the question of whether retail's decline is already having an outsized effect on certain areas, and set out some criteria for assessing which places are most vulnerable to negative effects from past or continued reductions in retail's employment share. We find that 26 local authorities, including places as geographically diverse as Plymouth, Falkirk and Oldham have the worrying combination of a weak labour market and poor prospects job matching prospects for retail workers.

We also discuss the wider effects of retail's decline on a sense of place. This is on the basis that the decline of the high street doesn't just matter for those whose labour market prospects are affected – our communities and the way we feel about where we live are affected too.

The fall in retail's employment share is broad based

Retail's decline is substantial. As discussed in Section 3, the sector would have 320,000 more employee jobs today if it hadn't shrank as a share of the labour market over the past 15 years. But, the extent to which this has negatively affected the lives of those who are, were or might otherwise have been working in the sector is not necessarily uniform across the country.

In this section we take a detailed look at trends in retail employment, as well as a number of other local indicators, at the local authority level. In Box 2 we outline more detail on how, and why, we have taken this approach.

i Box 2: Local authorities and local data

In this section our main unit of analysis is the local authority. In order to understand what has happened to retail in different parts of the country, and to develop a guide as to how we might think about the impact of industrial change on local areas, we needed to be able to drill down into local differences in employment and labour market trends.

The local authority, at the district/unitary level, was chosen as our unit of analysis for this work because it is both not too small and not too large an area to focus on. Many analysts of local-level labour market indicators use larger 'travel-to-work areas' for this sort of analysis, that more closely match local labour markets. For example, someone living in one inner London borough can very easily commute for work to many other inner London boroughs – travel-to-work areas account for this.

However, our view is that travel-to-work areas are too large a unit of analysis for this work for two reasons. First, because a lower-level geography allows us to more closely identify those parts of the country where the 'high street' is struggling. Even though local authorities will also contain many town centres, they will at least contain a smaller – and less diverse – number than travel-to-work areas. Second, because retail workers have shorter average travel-to-work times than those working in almost any other sector, it seems reasonable to use a smaller geography given retail workers are the focus of our attention.

Of course, the labour market within which retail workers operate will not be congruent with these administrative geographies, but we think that local authorities do provide a reasonably close approximation.

To conduct the analysis at an even smaller geography, for example at postcode level, would have allowed for a granular level of detail as to the health of each and every high street, but this would not have allowed for analysis of local labour market trends on a consistent basis.

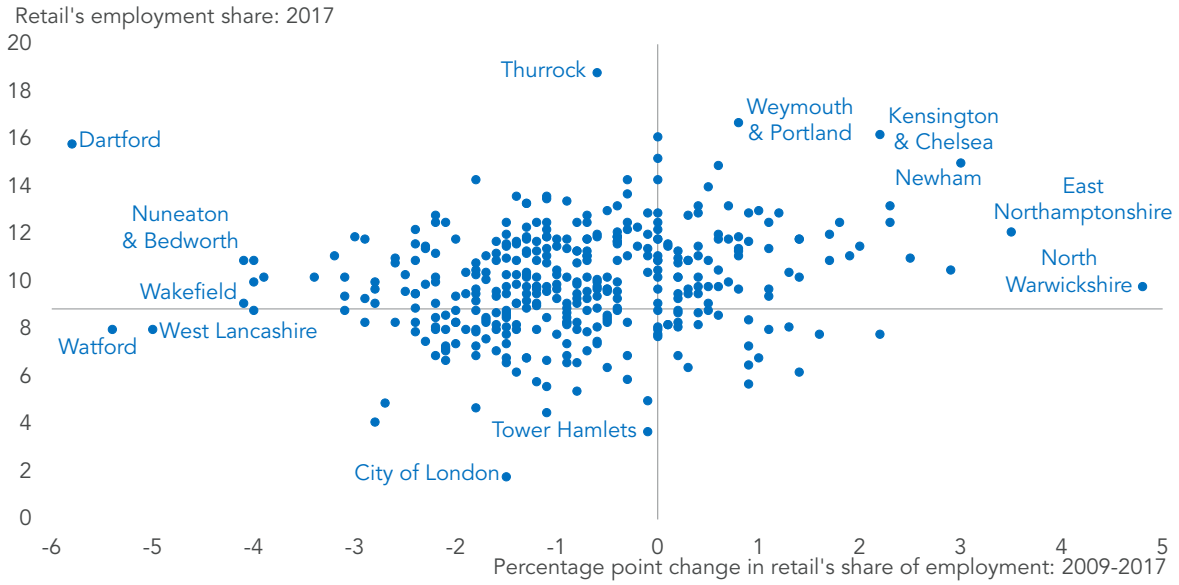
One important aspect of this analysis to bear in mind is that data on employment split by industry at local levels is drawn from the *Business Register and Employment Survey* and is therefore on a 'place of work' basis. In contrast, labour market data, from the *Annual Population Survey*, is collected from surveys with individuals and is therefore available on a 'place of residence' basis. For most places in the UK this will not substantially affect the ability to draw conclusions – people tend to work near to where they live. However, for some local authorities where the resident population is dissimilar to the workplace population, a perfect read across from our results to the people who live in those places will not be possible.

Before developing a framework for understanding which particular places are likely to be most affected by retail's decline, it's useful to look at the incidence of decline at the local authority level to date.

Figure 33 plots local authorities in Great Britain according to retail's share of employment in 2017 (vertical axis) and the percentage point change in retail's share of employment between 2009 and 2017 (horizontal axis). It shows that retail's decline is broad based – in 72 per cent of the 380 local authorities for which we have data, retail's employment share fell between 2009 and 2017.

Figure 33: Retail's share of employment has fallen in over 7 in 10 local authorities

Retail's share of local employment and change since 2009, by local authority



Notes: Three outliers are excluded from this chart. Two are Welwyn Hatfield and Broxbourne, the local authorities from which Tesco moved its head office into and out of respectively. Harborough is also excluded, because the jump in retail's employment share here was unexplainably large.
Source: RF analysis of ONS, *Business Register and Employment Survey*

The broad-based nature of retail's decline suggests that its drivers are not confined to particular parts of the country. This reflects the fact that the move to online shopping and the shift away from retail and into spending on services and activities are broad-based trends that have affected the majority of local areas. This tallies with the recent finding that almost every town centre in England and Wales has lost stores since 2013.[30]

Three other points are evident from Figure 33. First, in just under one-in-four areas (23 per cent of the total) retail's employment share has risen since 2009. Some of the areas with the largest increases, and the highest share for retail employment, are highlighted in the figure.

[30] J Holder, '*High street crisis deepens: 1 in 12 shops closed in five years*', The Guardian, 30 January 2019

Second, there is a large variation in the magnitude of retail's decline – with retail's share of employment typically falling by 1 to 2 percentage points, but falling by over 5 percentage points in Watford and Dartford.

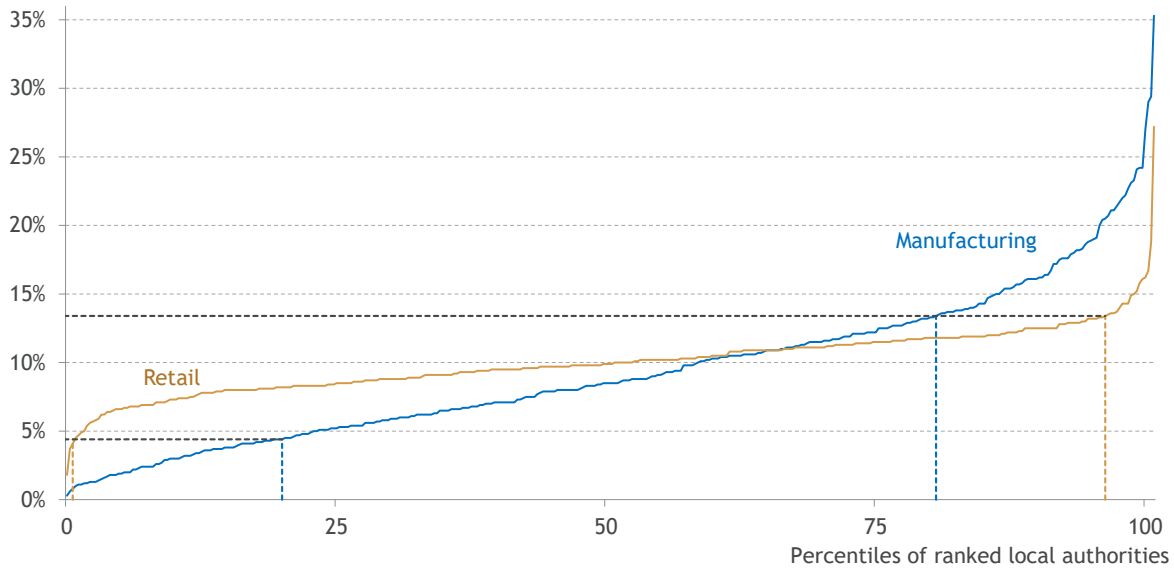
Third, there is significant variation in the level of retail employment at the local authority level (see the Annex for a full list of retail's employment share in each local authority). Inner London boroughs like the City of London and Tower Hamlets have a very low retail employment share. In contrast, Thurrock – which contains the large Lakeside shopping centre – has a retail employment share of almost 19 per cent.

Retail's industrial change is more diffuse than manufacturing's

While large, this variation in retail's employment share across local areas is smaller than that observed in manufacturing. As shown in Section 3, at the national level retail and manufacturing's employment shares have been falling broadly in line with one another since the financial crisis. However, the localised effects of such falls are likely to have been – and to continue to be – quite different from one another. A comparison of the geographical dispersion of employment in 2017 within these two sectors is provided in Figure 34.

Figure 34: Retail employment is more evenly distributed than manufacturing

Cumulative employment shares of manufacturing and retail at the local authority level, 2017: GB



Source: RF analysis of ONS, *Business Register and Employment Survey*

As shown in Figure 34, lower and higher employment shares are more common in manufacturing – a fifth of local authorities have manufacturing employment shares of less than 4.4 per cent, but only 1 per cent of local authorities have a retail employment share of less than this amount.

At the other end of the distribution, a fifth have manufacturing employment shares of above 13.4 per cent, and just 4 per cent of local authorities have a retail employment share higher than this amount. No local authorities have more than 30 per cent of employment in retail, but there are three – Barrow-in Furness, Pendle and Copeland – for which this is the case with respect to manufacturing.

The standard deviation (S.D.) of these employment shares provides a summary of the differences in dispersion across local authorities. The S.D. of the manufacturing employment shares is over twice as high (at 5.6) as the S.D. of retail's employment shares (2.4).

This implies that the impact of retail's employment share decline is likely to be more widely felt. The nature of the retail industry, and its proximity to all of us as consumers, means that retail employment has a much smaller variation across local authorities.

Despite little change in national employment in retail, in one-third of local areas the number of retail workers has fallen

Although retail's decline is an example of diffuse change, there will still be parts of the country that policy makers should focus on more than others. Diffuse change is by no means uniform.
Falling retail employment shares in and of themselves are not a concern, not least because they can actually be a sign of a surging local economy, with many jobs being added in both retail and other sectors, but just at a lower rate in retail than elsewhere. In general, this is what has happened at a national level.

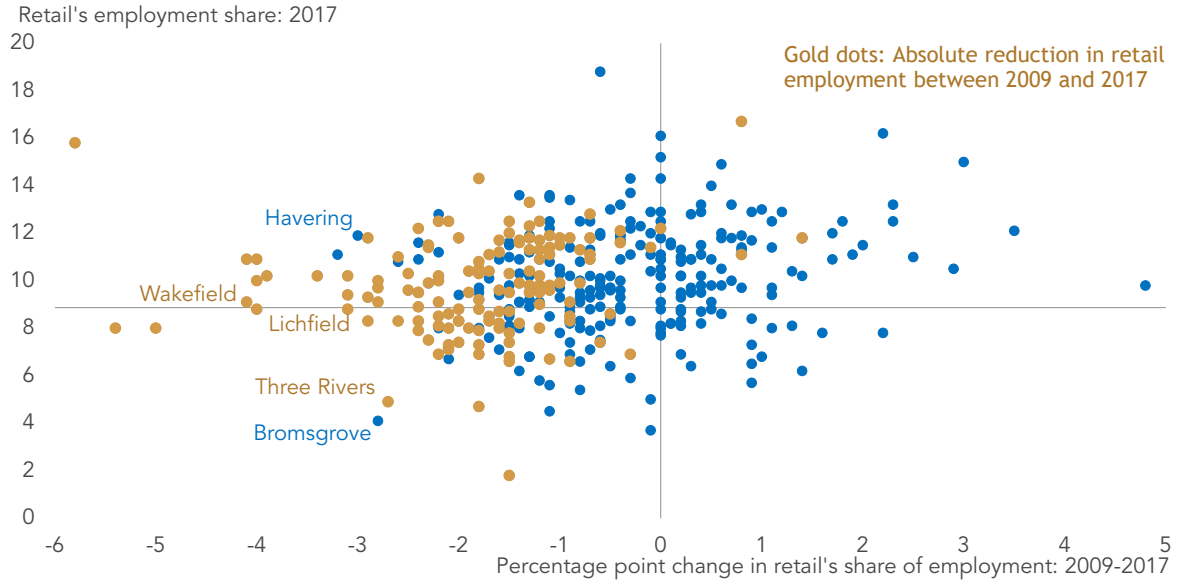
However, this is not the case everywhere. Figure 35 highlights those local authorities in which retail's employment share is falling and the number of people employed in retail has declined. We find that around one-third (36 per cent) of local authorities fall into this category.

This is an important finding, and should be placed in the context of the relatively benign flat-lining of retail employment over the past 15 years (see in Section 3). Even though retail employment is broadly flat nationally, the varied nature of this decline across the country means that in some local areas retail employment has fallen by a large absolute amount. For example, the number of people working in retail in Wakefield has fallen by 5,000 since 2009 – one of the largest absolute falls recorded at a local authority level.

Retail's employment share has fallen by around 3 percentage points in the four other areas highlighted in Figure 35. In two of these (Bromsgrove and Havering) the number of retail workers hasn't fallen, while in two others (Lichfield and Three Rivers) – in which employment growth has been weaker – this 3 percentage point fall corresponds with a fall in the number of people working in retail.

Figure 35: In one-third of local authorities, retail's share and level of employment have declined

Retail's share of local employment by local authority, change since 2009, and absolute retail employment reductions



Source: RF analysis of ONS, Business Register and Employment Survey

In these places in which retail's employment was lower in 2017 than 2009 the localised effects of retail's decline will, all else equal, have a more substantial effect. These effects might include a greater likelihood of entering unemployment and spending longer out of work after leaving retail. Such a situation implies a greater number of people searching for the same type of jobs, either back in retail or in other sectors.

Economic change is likely to have more of a negative effect in places with weak labour markets and poor alternative prospects to retail

At a local level it's not just what happens within shrinking sectors that should be of interest to those seeking to understand where the impact of economic change may be most acute: wider labour market trends matter too.

We suggest that two broad elements of local conditions are important, and set out indicative analysis in order to identify which places should be our focus.

First, we consider the health of the local labour market. Where the local labour market is strong, those leaving retail or who might otherwise have looked for a job in the sector will have a relatively easier time finding employment elsewhere.

Second, the nature of local jobs growth. Some labour markets will provide better 'matching' than others for lower-paid retail leavers. In local areas where the number of jobs in the types of sectors that retail workers are likely to move to (e.g. with similar pay levels, similar commuting distances, or flexible hours) are growing, there will be relatively more options for employment than if these alternatives are also in relative decline.

There are a number of different ways to measure these two sets of local conditions. Here we assess local authorities as having a strong labour market if the local increase in the employment rate between 2009 and 2017 was higher than average and the local unemployment rate in 2017 was lower than average.

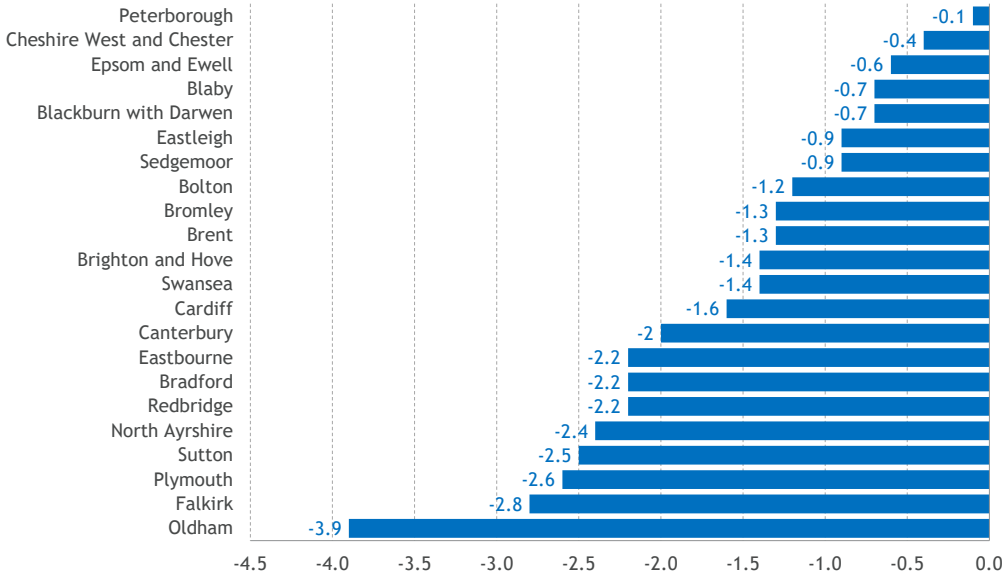
Section 4 demonstrated that hospitality and social care are both sectors to which retail workers are likely to move. On this basis, we assess places as having good alternative prospects to retail as being those where the growth in the employment share of these two sectors has been faster than average since 2009.

In all, there are 317 local authorities for which a comprehensive set of local data is available (all of which are listed in the Annex alongside the local data used in this section). We remove those local authorities in which retail's share is lower than in three-quarters of areas, leaving us with a total of 236 places.

Of these, 62 have 'weak labour markets', and of this smaller group 26 are also experiencing a relatively slow increase in employment in hospitality and social care. These 26 places, shown in Figure 36, are those in which retail's decline may be of most concern.

Figure 36: In some places, retail's decline will matter much more than in others

Percentage point change in retail's share of local employment, by selected local authorities with weak labour markets and poor alternative prospects: 2009-17



Source: RF analysis of ONS, *Business Register and Employment Survey*

It is likely that these are the parts of the country in which retail's decline has taken, and is likely to continue to take, the largest toll on current or former retail employees. Weaker labour markets and slower employment growth in sectors that provide well-matched job opportunities provide a worrying backdrop to retail's decline.

Shop closures, and elevated vacancy rates, have broader effects on a sense of place

The decline of retail also matters for the way that we feel about the places in which we live. Even if every ex-retail worker is quickly able to find a new job, it's still the case that the way our town centres are used – and how they feel – changes as a result of shops closing down.

The jobs that replace those in retail do not require the use of the same land as retail does, or they use it in a different way, and policy makers and experts are already very much alive to this issue. In Box 3 we survey Doncaster's response to retail's decline.

i Box 3: Doncaster's response to the decline in high street retail

Local authorities up and down the country are grappling with change on their high streets. Some, such as Doncaster Council, are taking the challenge particularly seriously.

The share of employment in Doncaster that is in retail (10.3 per cent) is similar to the average across all local authorities (10 per cent). However, this doesn't mean that Doncaster has a typical town centre. It is a local authority with a relatively low share of employment in business, finance & insurance – meaning that its town centre is dominated by retail, rather than office work. 19 per cent of units in Doncaster town centre are offices (compared to 50 per cent nationally), and 43 per cent of units are retail (compared to 26 per cent nationally).[31]

This retail dominance means that the town centre is particularly vulnerable to a reduced number of store-led businesses and jobs in retail. Rather than seeking to save retail jobs and businesses themselves, the town recognises that creating a space which other types of businesses will be more willing – and able – to move to is crucial.

It has developed a masterplan, focusing on transforming the centre of the town from one dominated by retail to one that is a 'focus for business and enterprise'.[32] This involves significant investment in physical infrastructure, with the aim of creating a town centre that is more concentrated, as well as better designed to support social interaction. The town is also taking a proactive approach to filling vacant units; it is one of the only places to have successfully filled the former BHS unit with a leisure operator.

Beyond a focus on businesses, the local authority has also identified a pattern that similarly emerged from our qualitative research – the link between the rise in homelessness and the way that we feel about our high streets. When we asked focus group participants about their local high street, one of the first things that came to mind was not shops closing down, but rising homelessness.

[31] Doncaster Council, *Doncaster Inclusive Growth Strategy 2018-2021*, 2018
[32] Doncaster Council, *Doncaster: A vision for the future*, 2018

Doncaster Council has developed a partnership working programme, the 'Complex Lives Alliance'.[33] This alliance seeks to support rough sleepers, and has already resulted in a reduction in rough sleeping in the town centre. There are many examples of town and city councils focusing on their town centres, and Doncaster is just one of these – but the evidence so far is that a proactive approach can bear fruits.

It's not just local authorities that are grappling with this issue, MPs have recently published the findings of an in-depth review into the future of high streets and town centres, proposing that an online retail tax is needed to 'level the playing field' and secure the future of our high streets.[34] Centre for Cities has highlighted the importance of office space in driving business activity on the high street, highlighting how successful high streets are the product, not the cause, of successful local economies.[35]

These conclusions and solutions are certainly worth considering, but what should also be considered is the importance of strong and vibrant high streets for how we feel about the places we live in.

Participants in our qualitative research were asked how they felt about their local high street. For some this was Cardiff city centre; others spoke of smaller urban centres on the fringes of the city as well as the centre of Newport.

No-one had anything positive to say about their towns. Words like "disappointing", "depressing" and "sad" were used to describe the feeling of having a town or city centre that that had become a shadow of its former self.

There was agreement that Newport's "vibrant" and "happy" town was no longer, and a real sense of sadness at the decline of communal, bustling district centres.

Of course, the experience of a group of people in one part of the country is not indicative of the experience everywhere. High streets are not in decline in every area.

But what our discussions with those living near a changed, diminished, high street revealed is that retail's decline has a clear effect on how we feel about the places in which we live:

> *"I can remember a vibrant town, with loads of people happy and smiling. Now people just go straight through…it's depressing."*
>
> *Female, aged 40-49, ex-retail worker*

[33] Doncaster Council, *The Doncaster Complex Lives Alliance*, June 2017
[34] Housing, Communities and Local Government Committee, *High streets and town centres in 2030*, February 2019
[35] R McDonald & P Swinney, *City centres: past, present and future: Their evolving role in the national economy,* Centre for Cities, February 2019

> *"I remember as a kid it used to be the place to go. It had everything down there but there's nothing down there anymore, just a couple of supermarkets for the students – that's it."*
>
> *Female, aged 16-29, ex-retail worker*

Just as economic change related to manufacturing's decline affected identity and place far beyond the direct impact on manufacturing workers, so has this more recent wave of economic change.

Section 6

Conclusion

The share of employee jobs in retail has fallen by 12 per cent since 2003. Although the drivers of retail's decline – long-term, gradual shifts in what we spend our money on and how we spend it – don't suggest that the sector will shrink as much as manufacturing and agriculture have, it's likely that retail's transformation will continue. Indeed some suggest that the pace of change will pick up, with the BRC projecting that retail employment will fall by hundreds of thousands in the next decade.[36]

It's hard to know exactly what the future will hold, but we can be sure of what has happened to date. This report has set out some things that we shouldn't worry about when it comes to retail's decline – overall job numbers and overall outflow rates. But it has also detailed areas of greater concern, including the increasing tendency for outflows from retail to be to unemployment, and for unemployment spells to last longer. It is these areas that should be the focus for policy makers, rather than simply trying to stop retail's decline in its tracks.

This 'save our high streets'-type of response to retail's decline is all too quickly reached for without first seeking a detailed understanding of what's happened – and what matters – when economic change occurs. Better than policy proposals centred on stopping economic change are initiatives, such as the government's Future High Street Fund, that focus on how our town centres can adapt to change. Understanding how funds such as this can work effectively is important.

High business rates have often been cited as one of the causes of the high street's decline, and to the extent that rents have failed to respond to reduced demand for high street space, there could be a case for looking again at business rate levels. Similarly, a wider discussion of the differential tax treatment of store-led and online-led retailers is needed. This is most obviously the case when it comes to business rates, but also the corporation tax treatment of different businesses, including multinationals.

While responses that focus on either funding to preserve or transform high streets, or tax treatment of retail businesses, are worthy of consideration, the fact that this is almost the totality of the policy debate so far renders it incomplete. These types of policy responses may slow the pace of change, but they don't get to the heart of what matters – the effects of retail's decline on particular people and particular places.

[36] British Retail Consortium, *Retail 2020: Fewer but better jobs*, February 2016

While this report doesn't offer a detailed set of policy prescriptions, its central contribution has been to set out in detail who those people and where those places are. In terms of people, we have shown how more of retail's leavers are entering unemployment now than in the past – and that this is a trend particularly affecting young people. In terms of places, we have set out a guide as to how to think through what matters when it comes to the effects of economic change on small geographies. Those places with weak labour markets and poor prospects for job matching are those where retail's relative decline is likely to have the largest negative effects – places including Plymouth, Falkirk and Oldham.

Our findings provide the basis for ongoing discussions about the changes taking place in the retail sector and what an appropriate set of policy responses might be.

Annex

Listed below are the 317 local authorities for which we have a full set of data such that we can categorise them according to how the experience of retail's decline is likely to differ.

As discussed in Section 5, we consider three metrics:

1. Retail's share of employment. We flag all those local authorities with a small share of employment in retail as 'green'. In these places, where retail's share was lower than in three-quarters of areas in 2017, retail's relative decline is likely to have smaller effects than elsewhere. All other local authorities are flagged as 'red'.

2. The health of the local labour market. Local authorities are flagged as 'red' if it is the case that their unemployment rate in 2017 was greater than the typical unemployment rate in 2017 (4.3 per cent) and the percentage increase in the local employment rate since the crisis (between 2009 and 2017) has been slower than the average increase nationally (5.0 per cent).

3. The prospects for jobs matching for workers affected by retail's decline. Local authorities are flagged as 'red' if the percentage increase in the combined share of employment in hospitality and social care was slower than the typical increase between 2009 and 2017 (8.1 per cent).

The local authorities in the table below are sorted alphabetically, with shading used to score them against the three metrics detailed above.

Table 2: The impact of retail's decline will differ across the country

Various labour market indicators at the local authority level, 2017 and 2009-17

Local authority	Retail's share of employment, 2017	Unemployment rate, 2017	Percentage change in employment rate, 2009-2017	Percentage change in hospitality and social care's share of employment, 2009-2017
Aberdeen City	6.9	3.7	-2.8%	2.8%
Aberdeenshire	8.6	3.4	2.4%	11.0%
Allerdale	11.8	3.6	8.3%	-5.0%
Angus	11.1	5.7	0.3%	11.9%
Argyll and Bute	8.8	2.2	3.1%	6.9%
Arun	14.9	5	7.7%	4.8%
Ashfield	7.4	2.7	-0.4%	16.9%
Aylesbury Vale	8.8	2.4	5.9%	-8.5%
Babergh	12.5	10.8	-6.0%	39.8%
Barking and Dagenham	8.9	9.6	9.1%	18.5%
Barnet	11.4	2.9	11.8%	-3.7%
Barnsley	10	5.4	9.9%	2.6%
Barrow-in-Furness	11.7	3.7	2.0%	-1.6%
Basildon	10.2	2.9	2.9%	24.1%
Basingstoke and Deane	9.5	2.6	16.2%	15.9%
Bassetlaw	12.2	3.9	4.0%	11.5%
Bath and North East Somerset	11.5	2.2	5.6%	5.3%
Bedford	9.1	2.6	9.2%	14.2%
Bexley	11.7	4.1	8.8%	-1.7%
Birmingham	8.3	8.3	6.7%	25.5%
Blaby	11.3	4.8	0.5%	-14.3%
Blackburn with Darwen	8.8	6.1	0.5%	-3.8%
Blackpool	11.7	6.7	5.4%	4.4%
Blaenau Gwent	12.5	4.7	17.1%	5.0%
Bolsover	8.1	4.6	1.5%	5.3%
Bolton	10.9	5.4	1.3%	-4.7%
Boston	10.3	4.7	-1.6%	25.7%
Bournemouth	11.8	4.2	12.5%	-5.3%
Bracknell Forest	9.5	3.7	3.6%	-11.2%
Bradford	10.2	5.9	1.6%	7.8%
Braintree	8.5	2.9	12.1%	7.0%
Breckland	12	4.5	-2.2%	22.3%
Brent	10.2	7.2	0.0%	-13.4%
Bridgend	10.3	5.4	5.6%	3.5%
Brighton and Hove	10.9	6.3	2.8%	1.9%
Bristol, City of	7.3	4.2	8.5%	5.7%
Broadland	9.8	2.4	4.5%	13.8%
Bromley	11.8	4.6	3.2%	-5.0%
Bromsgrove	4.1	3	-0.2%	-34.4%
Broxbourne	10.5	3.1	4.8%	38.1%
Broxtowe	11.8	2.1	11.6%	21.8%
Burnley	13.2	6.2	19.1%	-4.6%
Bury	11.9	3.9	7.2%	-9.7%
Caerphilly	9.3	7	11.3%	18.3%
Calderdale	6.9	3.3	9.3%	12.1%
Cambridge	8.6	2.8	-1.1%	62.7%
Camden	5.4	6.2	1.8%	-1.8%
Cannock Chase	11	3.8	26.4%	13.4%
Canterbury	11.8	4.4	3.5%	0.0%
Cardiff	8.7	6.7	2.9%	4.9%
Carlisle	11.9	4.3	0.8%	0.0%
Carmarthenshire	12.1	4.3	13.8%	12.0%
Central Bedfordshire	8.4	3.3	7.7%	12.9%
Ceredigion	11.1	5.7	0.2%	19.8%
Charnwood	8.8	6.1	-3.4%	37.6%
Chelmsford	10	4.4	6.4%	67.1%
Cheltenham	11.5	1.8	2.4%	6.9%
Cherwell	11.8	6.3	10.8%	5.0%
Cheshire East	9.3	1.2	4.3%	1.8%
Cheshire West and Chester	11.9	5.8	1.2%	-3.1%
Chesterfield	9.8	8.9	-5.7%	8.1%
Chorley	11.5	3	19.5%	8.4%
City of Edinburgh	8.4	2.6	5.0%	11.7%

Clackmannanshire	12.5	5.5	4.2%	25.0%
Colchester	11.5	5	11.5%	18.1%
Conwy	11.6	4.4	5.2%	-6.5%
Copeland	6.6	5.1	3.1%	-9.7%
Cornwall	12.8	2.7	10.1%	13.7%
County Durham	10.5	6.3	7.1%	14.5%
Coventry	8	5.3	4.9%	5.1%
Crawley	8.3	3.5	20.0%	4.3%
Croydon	12.9	7.8	3.2%	8.3%
Dacorum	11.6	3	13.0%	19.4%
Darlington	10	6.1	8.6%	10.9%
Dartford	15.8	2.2	16.4%	8.4%
Daventry	8.1	7.6	-11.2%	21.5%
Denbighshire	9.5	2.7	9.3%	-6.7%
Derby	8.3	4.3	-0.7%	14.1%
Doncaster	10.3	6.5	12.2%	7.6%
Dover	8.3	3	5.8%	7.1%
Dudley	10.9	5.6	5.1%	24.5%
Dumfries and Galloway	11.7	2.1	3.1%	7.7%
Dundee City	10.4	3.4	-4.1%	27.7%
Ealing	10.1	4.5	17.9%	2.8%
East Ayrshire	10.5	7.5	5.5%	49.1%
East Dunbartonshire	13.5	3.2	0.0%	-7.7%
East Hampshire	9.8	3.7	-1.3%	21.4%
East Lindsey	11.4	4.6	6.9%	17.8%
East Lothian	9.7	4.5	3.1%	-3.0%
East Northamptonshire	12.1	5.2	5.1%	13.7%
East Renfrewshire	11.9	2.4	3.4%	-24.8%
East Riding of Yorkshire	9.7	3.3	4.3%	19.1%
East Staffordshire	7.8	3.2	9.6%	26.9%
Eastbourne	12.8	5.7	1.9%	6.4%
Eastleigh	13.4	5.2	0.1%	-9.0%
Elmbridge	9.7	5.9	-3.8%	14.3%
Enfield	11.3	6.5	12.8%	13.2%
Epping Forest	8.3	3.2	12.0%	14.3%
Epsom and Ewell	9.7	6.1	0.0%	-2.5%
Erewash	10	3.7	6.5%	12.6%
Exeter	9.7	4.9	4.3%	12.1%
Falkirk	9.1	5	3.4%	-9.4%
Fife	9.8	3.5	5.1%	-5.0%
Flintshire	8.1	2.1	3.1%	23.8%
Folkestone and Hythe	11.4	4	2.6%	11.5%
Forest Heath	9.3	4	1.0%	25.0%
Forest of Dean	7.4	6	8.1%	22.9%
Fylde	8.1	4.7	3.2%	5.4%
Gateshead	12.9	5.5	5.9%	15.1%
Gedling	12.5	3.3	-0.3%	22.7%
Glasgow City	8.6	5.6	6.8%	3.4%
Gloucester	11.1	4.7	2.9%	8.8%
Gosport	9.5	4.1	-13.4%	30.5%
Great Yarmouth	11.8	10.1	-0.9%	24.2%
Greenwich	10.3	6.4	15.4%	20.3%
Guildford	8.8	2	8.5%	7.9%
Gwynedd	11.3	2.4	10.5%	-5.3%
Hackney	6.5	2.5	7.2%	-5.5%
Halton	7.1	4.4	15.4%	1.1%
Hammersmith and Fulham	11.1	3.8	14.0%	8.3%
Harborough	7.1	2.6	10.7%	31.3%
Haringey	12.9	7.6	13.7%	-5.2%
Harlow	11.2	4.4	-1.3%	42.3%
Harrogate	9.5	4.4	3.1%	18.9%
Harrow	10.8	3.4	10.6%	5.6%
Hartlepool	11.7	11.2	3.1%	35.5%
Havant	13.6	2.3	0.9%	5.6%
Havering	11.9	3.9	7.4%	19.8%

Herefordshire, County of	10	2.7	2.9%	25.6%
Hertsmere	8.2	4.5	4.8%	7.9%
High Peak	8.8	1.8	-2.0%	29.3%
Highland	9.7	4.1	-1.0%	5.8%
Hillingdon	7.3	5.3	2.9%	21.8%
Hinckley and Bosworth	10.2	3.3	-0.1%	-1.7%
Horsham	10.9	3.6	3.9%	16.7%
Hounslow	6.7	8	6.4%	7.9%
Huntingdonshire	8.9	1.9	6.1%	20.4%
Inverclyde	11.7	5.8	8.8%	3.3%
Ipswich	9.6	4.2	0.1%	17.8%
Isle of Anglesey	11.8	3.1	11.0%	40.4%
Isle of Wight	14	4.9	11.3%	14.9%
Islington	6.2	3.6	17.9%	-7.0%
Kensington and Chelsea	16.2	7.8	8.1%	-16.9%
Kettering	9.6	3.4	-7.6%	25.7%
King's Lynn and West Norfolk	12.3	2.6	10.9%	26.1%
Kingston upon Hull, City of	9.4	7.9	13.7%	0.0%
Kingston upon Thames	11.5	3.2	2.7%	1.8%
Kirklees	11.6	3.9	1.6%	18.6%
Knowsley	9.1	3.9	11.1%	-30.2%
Lambeth	5.9	5	11.4%	16.3%
Lancaster	10.2	3.7	8.0%	2.1%
Leeds	7.5	4.3	9.9%	10.5%
Leicester	8.3	6	6.0%	16.1%
Lewisham	11.6	4	19.9%	10.6%
Lincoln	12.5	6.7	-4.2%	26.9%
Liverpool	10.1	5.8	12.6%	-1.4%
Luton	8.2	6	8.2%	14.3%
Maidstone	7.8	3.1	2.0%	-16.5%
Maldon	10.2	7.5	0.5%	33.6%
Malvern Hills	9.7	6.5	-11.6%	36.9%
Manchester	9.4	6.2	13.1%	-11.0%
Mansfield	12.5	8.1	13.8%	14.5%
Medway	10.8	5.5	13.0%	-4.9%
Mendip	15.2	5.1	-2.9%	9.2%
Merthyr Tydfil	11.9	6.5	14.1%	8.7%
Merton	10.8	2.3	8.9%	-23.2%
Mid Devon	12	2.7	9.5%	6.3%
Mid Suffolk	6.4	3.4	2.5%	4.5%
Mid Sussex	9.7	2.5	-1.6%	0.0%
Middlesbrough	9.5	7.3	3.1%	13.9%
Midlothian	12.9	1.9	5.2%	-0.8%
Milton Keynes	8.3	4.8	3.5%	-1.2%
Monmouthshire	8.8	2.5	8.4%	3.2%
Moray	11.1	5.2	-4.4%	13.0%
Na h-Eileanan Siar	6.7	2.9	13.9%	-1.7%
Neath Port Talbot	8.3	6.6	11.5%	7.0%
New Forest	9.7	1.8	7.6%	16.0%
Newcastle upon Tyne	9.1	6.2	11.7%	24.4%
Newcastle-under-Lyme	10.9	3.8	4.0%	6.5%
Newham	15	6.2	23.8%	9.8%
Newport	10.4	5	14.8%	13.2%
North Ayrshire	12.2	7.7	4.8%	-16.9%
North East Lincolnshire	11.8	5.2	1.6%	25.0%
North Hertfordshire	9.3	1.7	5.8%	14.9%
North Kesteven	7.1	2.6	3.5%	32.7%
North Lanarkshire	8	4.9	2.1%	-8.9%
North Lincolnshire	9.3	5.4	6.1%	-0.9%
North Somerset	10.2	3	6.6%	8.9%
North Tyneside	9.4	6.2	6.3%	6.5%
North West Leicestershire	5.6	2.5	6.8%	25.0%
Northampton	7.2	6.4	1.2%	17.9%
Northumberland	11.4	4.5	4.1%	32.0%
Norwich	12	7.5	-2.1%	18.3%

Nottingham	10.9	7.9	0.5%	-6.9%
Nuneaton and Bedworth	10.9	5.1	-0.7%	13.0%
Oldham	10.2	5.9	3.1%	-5.2%
Oxford	6.6	4.1	12.2%	-10.6%
Pembrokeshire	12.2	4.5	4.8%	13.9%
Pendle	10.3	6.1	7.0%	1.9%
Perth and Kinross	10.3	3.4	1.9%	4.3%
Peterborough	12	6	3.9%	5.3%
Plymouth	11	5.4	4.5%	4.4%
Poole	9.6	2.4	-1.2%	-6.5%
Portsmouth	10.4	3.4	4.2%	-1.7%
Powys	8.2	2.5	14.9%	6.3%
Preston	9.1	3	19.9%	-40.5%
Reading	10.8	2.6	3.3%	-5.2%
Redbridge	11.2	7	4.9%	-4.3%
Redcar and Cleveland	12.8	6.6	9.1%	42.7%
Reigate and Banstead	7.5	1.7	5.9%	-1.5%
Renfrewshire	10.5	4.4	6.0%	-10.5%
Rhondda Cynon Taff	11	5.5	13.0%	10.3%
Richmond upon Thames	9.5	3.5	0.1%	-17.1%
Richmondshire	11.1	6.4	-4.2%	12.1%
Rochdale	10.4	6.3	2.9%	-14.0%
Rother	8.3	4.4	0.9%	7.4%
Rotherham	9.8	4.9	12.5%	14.6%
Rushcliffe	8.3	5.7	4.5%	7.5%
Rutland	10.9	2.1	7.7%	43.2%
Ryedale	6.9	4.3	0.5%	0.7%
Salford	6.9	4.2	17.1%	-9.9%
Sandwell	8.1	8.4	7.7%	18.3%
Scarborough	11.6	4.3	11.6%	13.1%
Scottish Borders	10.9	4.2	-0.5%	-17.1%
Sedgemoor	10.2	6.4	-2.0%	-13.8%
Sefton	13	4.9	-0.3%	9.8%
Selby	6.2	5.2	19.4%	-12.5%
Sevenoaks	8	4.2	-3.4%	1.6%
Sheffield	9.8	6.4	7.0%	9.4%
Shropshire	9.5	4.1	3.2%	7.3%
Slough	8.4	4.2	6.3%	15.1%
Solihull	9.2	3.2	16.3%	-1.4%
South Ayrshire	13	4.4	4.2%	-3.8%
South Cambridgeshire	4.5	1.5	5.2%	18.7%
South Gloucestershire	9.9	4.7	-0.5%	9.5%
South Holland	8.5	4.8	2.4%	2.5%
South Kesteven	10.9	3.3	3.3%	8.3%
South Lakeland	12	1.8	10.6%	2.3%
South Lanarkshire	10.8	3.7	4.0%	7.1%
South Norfolk	8	2.5	-3.5%	35.5%
South Northamptonshire	4.7	5.3	9.2%	15.0%
South Oxfordshire	9.7	3.7	-6.4%	7.9%
South Ribble	8	3.6	13.0%	-14.2%
South Somerset	9.9	2.1	2.8%	20.4%
South Staffordshire	6.8	4.3	-2.4%	18.8%
South Tyneside	10.2	8.3	8.4%	20.3%
Southampton	9.8	3.7	7.2%	26.7%
Southend-on-Sea	10.4	4.2	6.5%	23.1%
Southwark	5	6.5	20.2%	-14.0%
Spelthorne	11.1	2.8	7.0%	15.6%
St Albans	9.3	3	4.1%	28.1%
St Edmundsbury	9.1	1.7	9.7%	1.1%
St. Helens	11.1	4.1	5.1%	-18.1%
Stafford	7.9	4.6	20.7%	-19.3%
Staffordshire Moorlands	7.8	4.3	-8.9%	37.6%
Stevenage	11.1	5.8	-1.5%	18.0%
Stirling	10.9	3.2	0.3%	17.9%
Stockport	9.9	4.2	5.9%	25.3%

Stockton-on-Tees	10.5	5	4.5%	14.8%
Stoke-on-Trent	9.2	5.8	8.2%	7.0%
Stratford-on-Avon	8.2	4	-3.0%	-0.6%
Stroud	8.5	1.5	6.3%	17.7%
Suffolk Coastal	9.4	2.9	2.6%	32.0%
Sunderland	9.8	6.3	6.1%	14.2%
Sutton	9.6	5.5	2.7%	1.9%
Swale	8.7	5.1	6.6%	-10.6%
Swansea	9.9	4.6	3.4%	4.5%
Swindon	10.2	5.3	3.0%	11.2%
Tameside	13.2	5	2.8%	19.8%
Tamworth	14.3	8	9.6%	8.3%
Telford and Wrekin	8	4.8	5.4%	15.7%
Tendring	12.5	6.7	1.0%	30.6%
Test Valley	10.2	3.1	6.7%	8.3%
Tewkesbury	6.4	1.8	11.7%	0.9%
Thanet	14.3	4.8	9.3%	11.0%
Thurrock	18.8	4.2	4.5%	20.4%
Tonbridge and Malling	10.2	2.7	-4.2%	11.8%
Torbay	12.5	4.1	7.5%	2.3%
Torfaen	9.5	4	22.9%	-17.2%
Tower Hamlets	3.7	9.7	4.5%	-3.8%
Trafford	11.4	4.4	9.7%	-6.7%
Uttlesford	6.8	2.9	-2.0%	11.3%
Vale of Glamorgan	11.5	3.9	4.3%	8.7%
Vale of White Horse	6.9	2.5	3.0%	-3.7%
Wakefield	9.1	6	5.1%	-2.7%
Walsall	9.7	5.7	11.4%	21.8%
Waltham Forest	11.1	3.9	19.8%	-9.5%
Wandsworth	9.8	2.2	2.8%	-6.3%
Warrington	8.8	3.3	4.0%	-12.5%
Warwick	6.8	1.9	14.2%	6.4%
Waveney	12.5	3.1	2.5%	18.4%
Wealden	8.5	2.8	-0.6%	-4.5%
Wellingborough	9.5	3.4	1.7%	7.6%
Welwyn Hatfield	27.2	3.3	9.3%	13.6%
West Berkshire	8.2	1.9	2.3%	1.0%
West Dorset	8.9	3.8	5.1%	16.4%
West Dunbartonshire	11.3	5	6.0%	20.4%
West Lancashire	8	5.2	-5.4%	53.5%
West Lindsey	8.9	5.2	2.9%	18.5%
West Lothian	11.8	3.3	7.0%	-2.2%
Westminster	8.2	6	-0.8%	-3.7%
Weymouth and Portland	16.7	4.9	14.9%	25.5%
Wigan	11.3	2.9	9.0%	-6.6%
Wiltshire	9.6	3.5	2.0%	15.2%
Windsor and Maidenhead	7.3	2.2	6.6%	1.8%
Wirral	11.3	4.7	10.7%	6.9%
Woking	8.5	2.8	6.8%	29.0%
Wokingham	5.8	2.8	4.0%	25.3%
Wolverhampton	9.8	7.8	6.5%	28.4%
Worcester	9.1	3.4	1.9%	2.1%
Worthing	12.2	2	12.9%	-3.7%
Wrexham	8.5	5	5.3%	0.0%
Wychavon	8.9	3.6	-2.5%	19.2%
Wycombe	10.5	2	8.6%	2.2%
Wyre	12.9	2.7	4.8%	-1.8%
Wyre Forest	12.5	4.2	10.8%	7.6%
York	13.2	2.9	2.7%	10.1%

Source: RF analysis of ONS, *Annual Population Survey*; ONS, *Business Register and Employment Survey*

Resolution Foundation

The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged. We do this by:

- undertaking research and economic analysis to understand the challenges facing people on a low to middle income;
- developing practical and effective policy proposals; and
- engaging with policy makers and stakeholders to influence decision-making and bring about change.

For more information on this report, contact:
Daniel Tomlinson
Research and Policy Analyst
daniel.tomlinson@resolutionfoundation.org
0203 372 2966