

Job Creation Claims in New Supermarket Retail Developments

“350 Tesco jobs hopes for Middleton” 2nd March 2010 (www.middletontoday.co.uk)

“Morrisons creates 800 jobs with new stores” 25th January 2010 (www.thisislondon.co.uk)

“300 new jobs as Asda gets go-ahead” 9th January 2009 (www.wiltshiretimes.co.uk)

1.0 Introduction

Job creation figures often hit the headlines during supermarket planning campaigns. Even during prosperous times, claims regarding significant increases in local employment are surely persuasive as planning applications cross the desks of council officials up and down the country. Moreover, as the UK economy continues its tentative crawl out of a damaging recession, and the onus is put on the private sector to provide employment while the public sector contracts, common sense tells us that any opportunity to improve the local labour market deserves proper consideration. Therefore, while the positive impact of genuine job creation within local economies will not be disputed here, this report will critically assess the methods used to calculate prospective job creation in supermarket developments within the context of a changing planning policy environment and the extent to which job creation claims made during the planning process are realised.

2.0 The Planning Policy Context

Planning policy suggests that, in a perfect world, regional and local bodies should work collaboratively to create and regularly update Local Development Plans (LDPs) which determine the existing economic situation and forecast future need for retail development within their jurisdiction. Submitted planning applications can then be determined on the basis that they have applied either within or outside the assessed need. However, with planning policy documents conceding that applications are often made outside of a LDP, it must be accepted that in some areas LDPs may not exist or may not be up-to-date. Indeed, rapid economic changes in a locality can have wide ranging effects (Sparks, 2000; Thorpe, 1999) that result in obsolete plans that are only technically up-to-date. It is within this context and with a significant imbalance in the time and money available to supermarket planners compared with planning officials (Friends of the Earth, 2006), that planning applications for supermarket developments are often received, packed full of citations from the most recent planning policy and bursting at the seams with examples of how the new development adheres to each of the points laid out. With PPS4 suggesting that the primary consideration for assessing whether an application contributes to economic development is whether the proposed development provides employment opportunities, it is clearly very important that all stakeholders are aware of the reality of the job creation claims that are put forward and how these can be objectively assessed.

3.0 Job Creation in Theory and Practice

There is lively debate regarding job creation in the context of retail development within academia and between practitioners on different sides of the argument. This discourse has existed since supermarket development first began to spread through the UK in the 1980s. It was inspired and continues to be fired by the issuance of seemingly impressive job creation claims by supermarkets. In the 80s, these claims received high profile media coverage, providing a refreshing counterpoint to the heavy redundancies being suffered at the time in the manufacturing industry (Sparks, 2000). As cuts in the public sector hit the headlines, it seems to be the “good news” aspect of job creation claims that superstores continue to push despite the increasing body of evidence suggesting that the methods they use to arrive at these claims and the ways in which they predict wider impacts are at best flawed and at worst deceptive.

4.0 Measuring Jobs Created

Data quality and approaches to measurement of job creation have proved a constant challenge within this debate. Although early studies attempted to understand the employment impacts of supermarket developments, researchers were frustrated by a lack of consistent data available at local level. The conclusion—that no well reasoned argument could be supported—led to a 10 year gap in research on this topic. However, throughout this period, supermarkets continued to use job creation claims to champion their cause with planning officials and the media. Since academics returned to the debate in the 1990s, it has been defined by the drawing of battle lines. Academics, along with practitioners on both sides of the fence, have been fiercely contending the issue ever since. The contention lies in a number of specific areas.

4.1 Predicting Employment

The supermarket claims themselves, as well as pro-supermarket reports, quote prospective head count figures. This indicates the anticipated number of people employed but does not take into account the sorts of jobs created. Bearing in mind that 49% of retail jobs are part time (Labour Force Survey, 2007), it is clear that a supermarket claiming a head count of 300 jobs created will be referring to a large number of part time jobs within that figure. With part time work having been defined as “employment for shorter than usual, collectively agreed or statutory working hours” (Akehurst and Alexander, 1995) these jobs could represent as little as two or three hours of work within a week, meaning that head count figures can give an extremely distorted view of the positive employment impact that can be expected when measured in terms of direct job creation. This is particularly worrying in light of recent evidence suggesting that the total number of people working part time because they can’t find full time work has reached over a million – the highest number on record (Institute of Public Policy Research, 2010).

Academics and practitioners sceptical of tenuous job creation figures counter supermarket claims by citing Full Time Equivalent (FTE) positions. In order to measure in this way, the total projected hours worked by the supermarket labour force are calculated in order to establish how many full time jobs this would equate to. It is argued persuasively (Thorpe, 1999; Sparks, 2000) that although imperfect, FTE provides a much more representative view of the employment that will be created, and when considered along with the head count figure can provide very interesting insights into the shortcomings of the headcount figure when considered in isolation. Despite this shift in preferred methodologies, supermarkets continue to highlight the head count figure in their planning campaigns.

4.2 Measuring Local Employment Impact

Aside from assessing the claims regarding initial job creation, another important factor to consider here is the net effect that supermarket developments have on employment in the local areas in which they are built. Unfortunately, this topic currently seems to be considered mainly after the store has been built. This is largely because it is still a great challenge to predict employment impacts. Having said that, there is some provision for this in planning policy.

4.2.1 Predictions

PPS4 suggests the use of a number of data sources to understand the employment situation in a locality, including ONS data regarding occupations, unemployment and worklessness, and states that applications should be assessed regarding the impact they will have on employment in the area. However, it is possible to conceive of a situation where ONS data suggests that there is a high degree of unemployment coupled with a high proportion of those in employment working in the retail sector within the catchment area of a proposed development. The location of the development could lead to a loss of full time jobs for those in employment nearby and a gain in part time jobs for those qualified to work at the superstore, resulting in a net loss of jobs. Although this example is simplistic, this highlights the weaknesses in the data available and the ways in which it can be exploited depending on the context in which it is presented.

To better predict and interpret local employment impacts, headcount employment figures should be adjusted to account for the kind of scenario described above. In fact three factors have been identified that could help planners to better predict the local employment impact associated with head count job creation figures (Signet Planning, 2010):

Deadweight: This is the amount of employment that would be expected to be generated by the site if used for its originally designated purpose.

Leakage: This refers to the number or proportion of the head count jobs that would actually be taken up by people who do not live locally.

Displacement: This is the number of jobs that would be lost if the planned development went ahead. This includes considering jobs 'lost' because existing businesses decide not to expand or to delay employment because of the development as well as those jobs lost through redundancy.

Accurately predicting the local employment impact is fundamental to putting job creation claims in perspective. The measures described above highlight the fact that when considering the employment impact of a development, head count job creation figures are really only beneficial as a starting point from which to consider the issue.

4.2.2 Evaluations

The late 1990s saw the release of the first high-profile assessment of the net employment impacts of supermarkets. It achieved notoriety for claiming that, counter to the job creation figures quoted by supermarket planners in the lobbying process, developments actually generate a net loss of, on average, 276 jobs (Porter and Raistrick, 1998). The work reviewed multiple cases across the UK over a 15km catchment area and an 18 month time span. A counter report released a year later from a group

working on behalf of Tesco poured scorn on the original piece and reworked the figures suggesting an increase in jobs of 236, using a longer time span and a 10km catchment area (EDAW, 1999). Crucially, the two reports took different approaches to calculating jobs. Predictably, the Tesco report used head count figures, while the original report used FTE. Subsequent reports attempting to mediate the argument have also suggested FTE as a more accurate figure (Thorpe, 1999; Sparks, 2000), with Thorpe (1999) suggesting that over some periods covered by the studies, employee numbers remain stable while FTE plummets.

While the unreliability of available data sources is again highlighted, this sequence of events also serves to underline the importance of questioning prospective head count employment figures over both the short and long term. Although reports on both sides of the argument have been released subsequently, the core areas of discrepancy remain the same; Superstore planners continue to promote and defend the use of head count figures and academics and practitioners increasingly recommend the use of FTE figures.

5.0 Wider Contributing Factors

5.1 Trade Diversion

Trade diversion effects felt by local businesses are very much interlinked with employment impact. Trade diversion results in reduced turnover and reduced profits making knock on effects in employment impacts inevitable. In 2006, reported claims by Tesco that the introduction of a store in Stalham had increased footfall to town centre businesses was countered by a local entrepreneur recreating a 1996 council "health check" measure. The businessman generated results that suggested footfall in every area measured had diminished significantly since the opening of the Tesco store with the greatest reduction measured at 87%. He also noted a 50% reduction in his turnover alone. It is clear that such detrimental effects imposed on local businesses will have significant employment impacts. By highlighting the after effects, this example underscores the need for objective assessment of impact over a range of indicators at the application stage in order to understand the context in which job creation claims should be understood.

5.2 The Importance of Entrepreneurs

Figures used in retrospective impact studies often fail to take account of the effects on the self-employed. The importance of entrepreneurialism in local economic development should not be underestimated or marginalised. Indeed, if the new Government's declared approach to entrepreneurs and small business holds true, the protection of such enterprises should be high on the agenda of planning decision makers. The loss of one job, if belonging to an entrepreneur in the local community, could have wide ranging detrimental effects throughout the networks in which they are involved (Ring et al, 2010).

6.0 Conclusions

The assumption that job creation figures can be taken as an indicator positive employment impact is fundamentally flawed and needs to be addressed through a number of approaches:

Systematic Use of FTE

Head count job creation figures are misleading. Although standardising the implementation of FTE to measure job creation is not without its challenges, the body of evidence from academics and practitioners supporting the use of FTE calculations is overwhelming. This shift would contextualise head count job creation figures and enable planners to appreciate the reality of expected employment.

Implementation of an 18 Month Time Frame over which Employment Impacts are Considered

Employment impacts take place over a sustained period. All of the retrospective studies considering employment impacts take a period of 12 to 18 months from the store opening to evaluate the impact on local jobs. Encouraging planners to consider employment impacts over an 18 month period from store opening at the planning stage will help to mitigate against the short-termism of head count job creation figures and allow the incremental effect on existing businesses to be considered.

Standardised Methodology for Calculating Job Losses

Job losses caused by new developments are difficult to predict. However, the development of a standardised methodology to calculate the anticipated job destruction associated with a development is clearly key to ensuring that approving an application will not be detrimental to the vitality and viability of the local area.

Job creation is clearly high on the agenda of many planning authorities looking to stimulate economic development. However, when assessing applications, planners should be extremely cautious of being seduced by the promise of job creation in hard times. Not only are these figures misleading but the reality could actually be a net loss in jobs down the track and the destruction of small businesses and entrepreneurs capable of generating exactly that economic development.