

Supermarkets and Employment in Small Towns

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This report remains the comment and opinion of the Author.

**For use in assessment of planning appeal P-PPA-200-2008 only in line
with national and local planning guidance**

Key Points

1. The aim of this report is to see if the types of jobs created by supermarkets can help reduce unemployment in small towns. The types of jobs in supermarkets are typically 72% part time and many of the posts created pay well below the UK average wage. Whilst on the surface the sound of this job creation could be welcomed, it has to be viewed in the context of the type of job and pay offered and if these can truly support the regeneration of a town in terms of reducing unemployment.
2. The UK Government's own research into the issue in 'The Impact of Large Food Stores on Market Towns and District Centres' points to research by The National Retail Planning Forum which key finding was that the opening of an out of centre foodstore resulted in the net loss of 276 full time equivalent jobs.
3. The UK Government report concluded that in the case studies they looked at there was no conclusive evidence of any significant positive or negative impact on the wider local economy as a consequence of new store openings. However, the Government report dealt with a variety of types of store while the National Retail Planning Forum stated that it was looking at out of centre stores.
4. With the retail trade there is often displacement (loss) of trade and jobs when a new supermarket opens. Some towns have lost an existing supermarket when other stores have opened an edge of centre or out of centre superstore. The loss of these existing jobs must be taken into account when considering the overall effect upon unemployment. Academic research points to supermarkets varying labour costs to match trade, as a way of maintaining profit. Hence stores that are impacted negatively by the opening of a new store will reduce staff numbers accordingly. It has been documented that existing supermarkets do close after a superstore opens, as was the case in 2 of the towns listed in this report.
5. This report looks at 6 towns in different geographical areas and looks at the unemployment figures in the towns before and after a supermarket opened a store. All reports on opening dates and job numbers are recorded from local media at the time.
6. The opening of supermarkets did not appear to boost the labour market of any of the 6 towns sampled in terms of claimant count unemployment, to any significant degree, despite hundred of jobs being claimed to be created. In 5 cases the trend locally matched the general local authority or regional trend and in 1 case the unemployment claimant count increased. This finding is supported by trends in numbers of all government benefit claimants in the towns studied.
7. It is possible that the part time nature of the posts which make up 72% of supermarket positions ('Part time workers in food retailing' Browell and Ivers, Managing Service Quality Journal 1998), along with the relatively low levels of remuneration on offer compared to the national average wage, means the jobs do not offer a viable means of leaving benefit for many.
8. The large numbers of students hired in the supermarket industry (Grugulis, Bozkurt, Clegg 2010) which has a very high staff turnover means that many jobs may be taken by students not by the unemployed.

Variations in Supermarket Staffing Levels to Match Trade

Academic research points towards supermarkets using staffing levels as a tool to minimise costs, altering the numbers employed at any one time to match sales levels at any one time, hence the ability to adjust staffing costs to match sales levels at a particular supermarket at a particular time has been established. Therefore it can be assumed that a sales impact of a certain percent by a new supermarket opening, upon an existing supermarket, will result in a reduction in staffing numbers of a certain percent, hence a clear displacement of jobs rather than solely net creation of jobs by the new supermarket.

Robin Price, in his 2006 paper 'Manning the Checkout,' reviewed all general literature on retail employment. Whilst the case study in the report was based upon a supermarket in Australia, much of the literature review covered work undertaken at the Institute for Retail Studies at the University of Stirling in the UK.

Price stated, "There was widespread agreement amongst retail industry scholars that controlling the cost of labour, the second largest cost behind the purchase of stock, was crucial to a retailer's success, hence using labour efficiently was a primary focus for retailers" (Baret 2000; Freathy & Sparks 1996a: 181, 1994; Walsh 1990; Wrigley & Lowe 2002: 96).

The report argues that, "it is well accepted that retail is a seasonal industry with variable trading patterns and hence there is a need within the industry for a degree of flexibility in employment. The demand for employees is linked to daily, weekly and yearly patterns of trade."

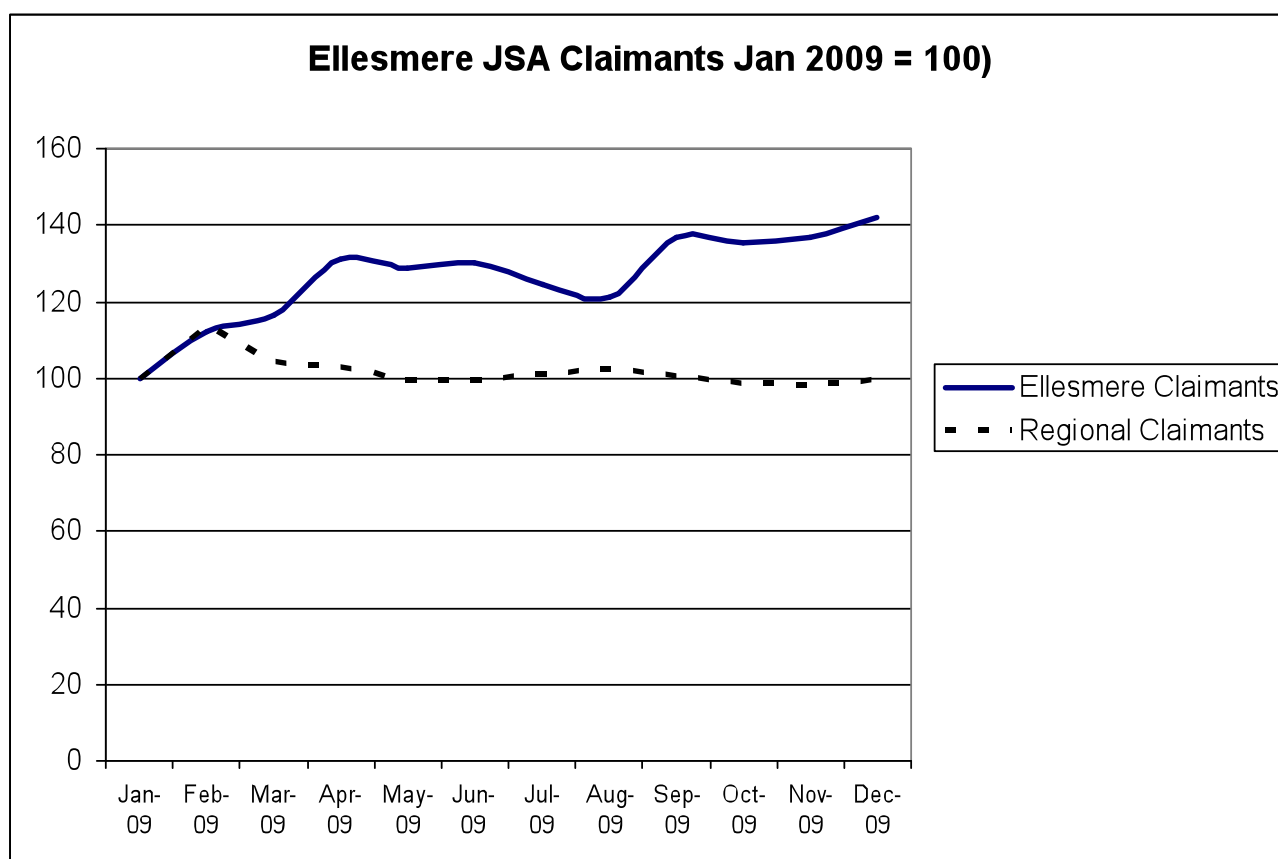
"Given the highly competitive nature of the retail industry, most retailers set wage cost targets in order to contain staffing costs. For most retail outlets this target is expressed as a percentage of sales (Walsh 1990: 519). When a retail organisation is not meeting these targets it has two elementary choices, to increase sales or cut costs (Sparks 1992: 12). It is easier and quicker to minimise costs by adjusting staffing levels than it is to increase sales."

"The structure of employment within the retail industry is, therefore, a consequence of retailer decisions to match customer demand with labour usage. So, while Penn (1995: 238) asserts that functional flexibility is the most common form of flexibility, the majority of researchers are more likely to argue that numerical flexibility is the most common form of flexibility within the retail industry (Jamieson & Webber 1991: 61; Perrons 2000: 1724; Walsh 1991: 105)."

Ellesmere – Shropshire

Tesco opened a supermarket in Ellesmere, Shropshire in July 2009, claiming the creation of ‘up to’ 150 jobs. The mainstream recruitment as reported in the press was begun in March 2009.

The 1991 Frozen Ward boundaries of Ellesmere rural west, Ellesmere urban and Colemere were used as the boundaries of the town. There were 90 Job Seeker Allowance claimants in January 2009, by July this had risen to 112 and by December to 128. Whilst it is important to understand that unemployment was rising nationally for much of 2009 and there are not seasonal adjustments in this dataset, in the West Midlands as a whole, claimant figures in December 2009 were lower than in January; in Ellesmere they were 42% higher. While there are obviously other local employment issues to consider, there was clearly no major fall in claimants around time of recruitment or opening of the store.

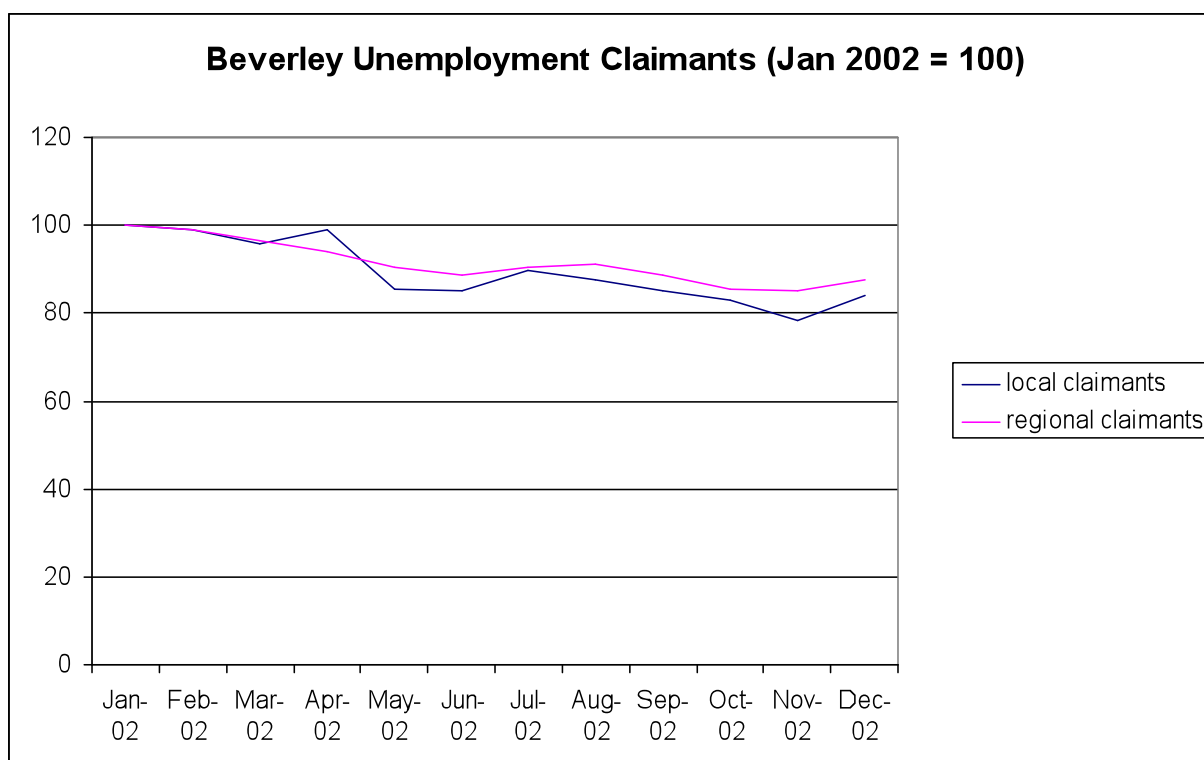


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It is important to consider that job seekers may be on other forms of benefit. By analysing quarterly data on the total number of working age people in the town on any national benefit (this includes Income Support, Job Seekers Allowance and other benefits), it can be seen that there were 475 claimants in February 2009, rising to 500 in May 2009, with the August and November counts both showing a figure of 495. This dataset was not available using the 2001 frozen Ward boundaries, hence these data are for the 2003 CAS Wards of Dudleston Heath, Ellesmere and Welshampton, Hordley, Tetchill and Lyneal.

Beverley - East Yorkshire

Tesco opened a superstore in Beverley in July 2002, again claiming the creation of hundreds of jobs. Using the Wards of Minster North, Minster South, St Mary's East, and St Mary's West to represent the town, there were 357 claimants in January 2002, 303 in July 2002 and 317 by January 2003. Whilst this shows a small fall in unemployment claimants it must be viewed in the context of general economic growth in that period. The fall between January 2002 and January 2003 was 11.2% of claimants, while for the East Riding as a whole the fall was 10.8%. Hence there would appear to have been no significant change in unemployment due to the store opening.



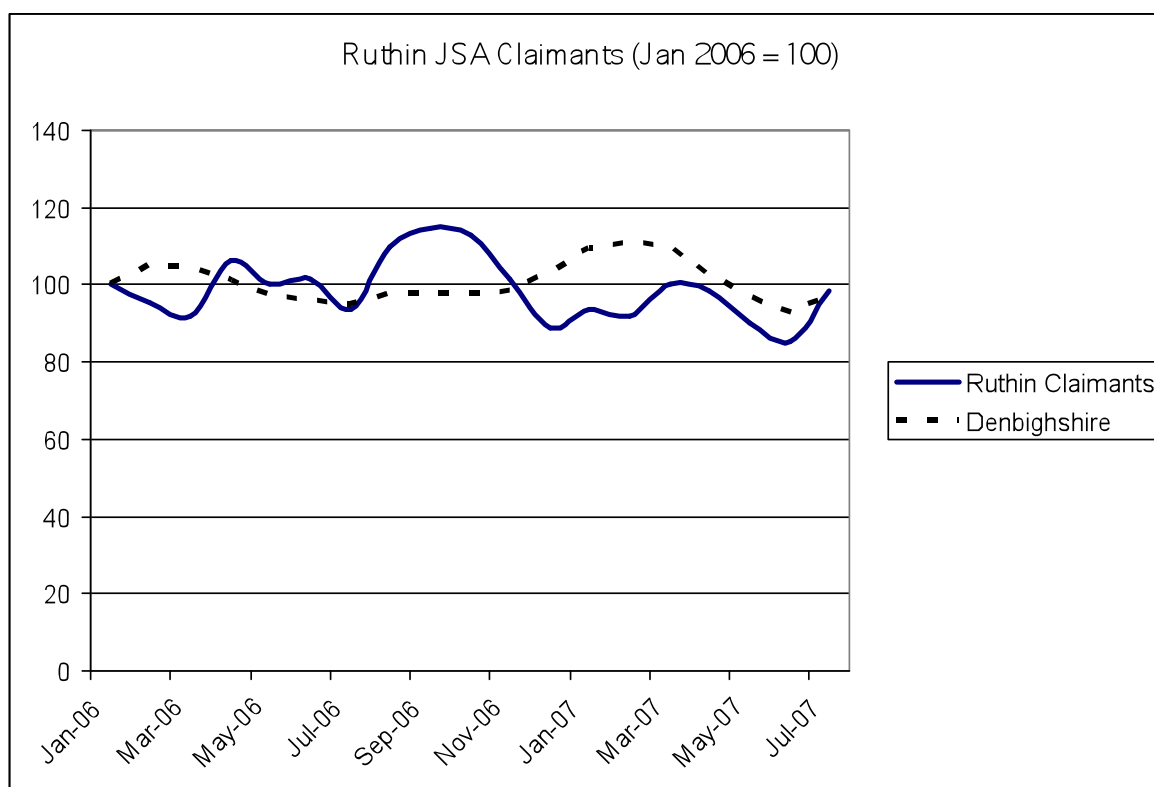
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Using the 2003 CAS Wards of Minster and Woodmansey St Mary's, the number of total working age for all national benefits was 1735 in February 2003, in May this was 1770, in August was 1795 and in November was 1775.

Ruthin – Denbighshire

Tesco opened a supermarket in Ruthin in July 2006, claiming the creation of 180 jobs. The Wards of Efenechtyd, Llanarmon-yn-Ial, Llanbedr Dyffryn Clwyd, Llanfair Dyffryn Clwyd, Llanynys and Ruthin were chosen to represent the town. In January 2006 there were 62 claimants, in August, the month after the store opened there were 68 claimants, the following January there were 58 claimants.

Once again the local trend mirrored the trend for the general economy (in this case the whole of Denbighshire) and there was no big fall in unemployment claimants as a result of the store opening.



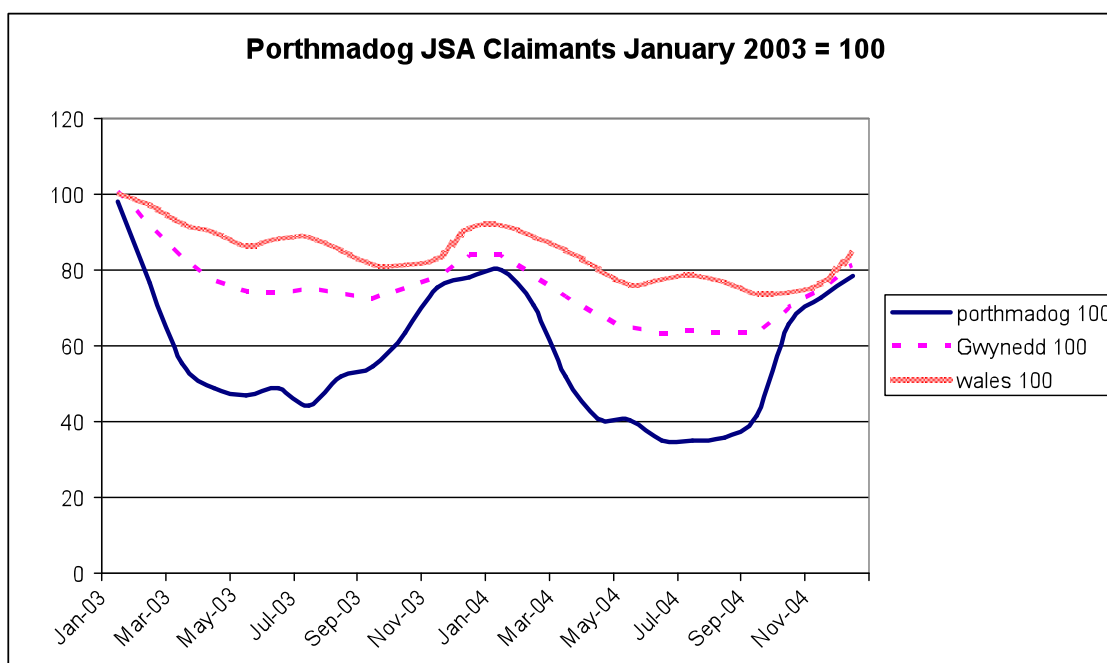
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In terms of all working age government benefit claimants, for the 2003 CAS Ward of Ruthin, there were 310 claimants in February 2006, in May 2006 there were 310, in August 2006 there were 295 and by November there were again 310 claimants.

Porthmadog – Gwynedd

Tesco opened a store in Porthmadog Gwynedd in January 2004 with 150 jobs announced in the press. The claimant count unemployment figures for Porthmadog are interesting as they show the seasonal nature of claimants in a seaside tourist economy. The wards of Criccieth, Dolbenmaen, Gest, Llanarmon, Llanystumdwy, Porthmadog East and Tremadog were used to represent the town. The trend in the town is for a big fall in claimants in the summer months followed by a rise in the winter. The winter 'peak' in January 2004, when Tesco opened, was lower than in January 2003, though this 20% fall was only slightly larger than the 16% fall experienced across the whole of Gwynedd in the same period. By December 2004 the number of claimants in the town was marginally higher than December 2003 just before Tesco opened.

Again, though jobs have been created by Tesco there has been no significant improvement in the labour market of Porthmadog. Indeed it is noted that the local supermarket in Porthmadog closed following the opening of Tesco



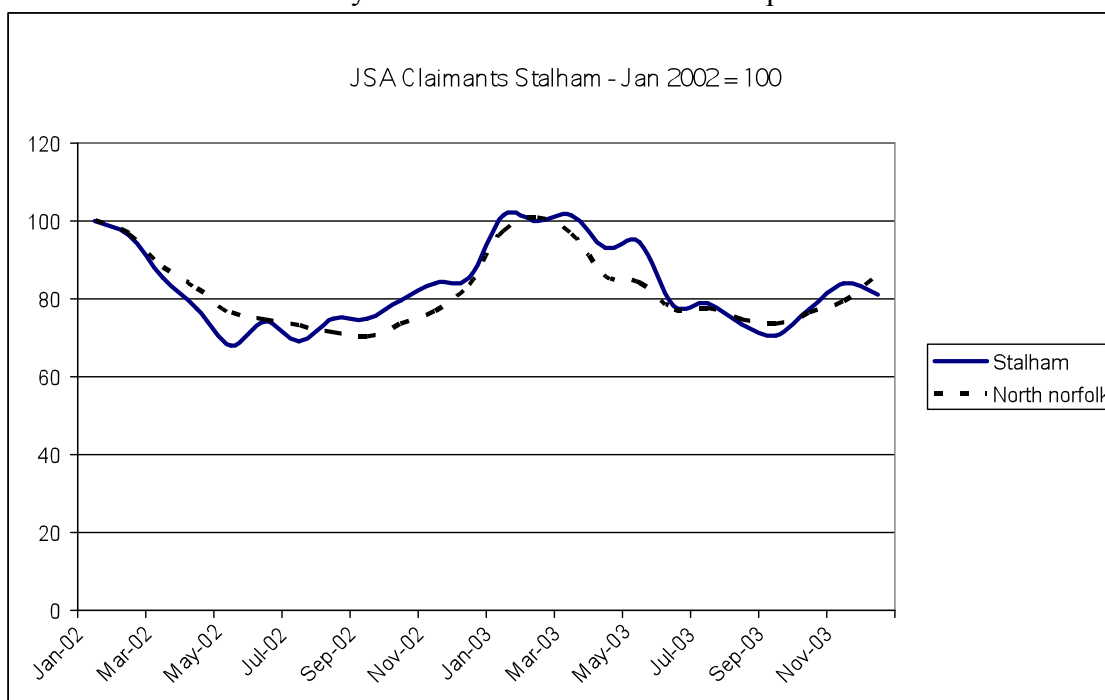
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In terms of all working age government benefit claimants, for the 2003 CAS Wards of Porthmadog East, Porthmadog West, and Porthmadog – Tremadog there were 350 claimants in August 2003, in November 2003 there were 365, in February 2004 there were 345, May 2004 there were 330 and by August 2004 there were 325 claimants. This represented a fall of 25 claimants, or 7% compared to a fall of 4% for the whole of Gwynedd.

Stalham – North Norfolk

Tesco opened a superstore on the edge of the town of Stalham, Norfolk in November 2002 again with the creation of 150 jobs announced. The wards of Catfield, Happisburgh, Hickling and Stalham were used to represent the town.

In August 2002 there were 107 claimants; by December 2002 this had risen to 122 claimants. The following August there were 105 claimants. It is worth noting that in Stalham the opening of the Tesco store was followed by the closure of a town centre supermarket.



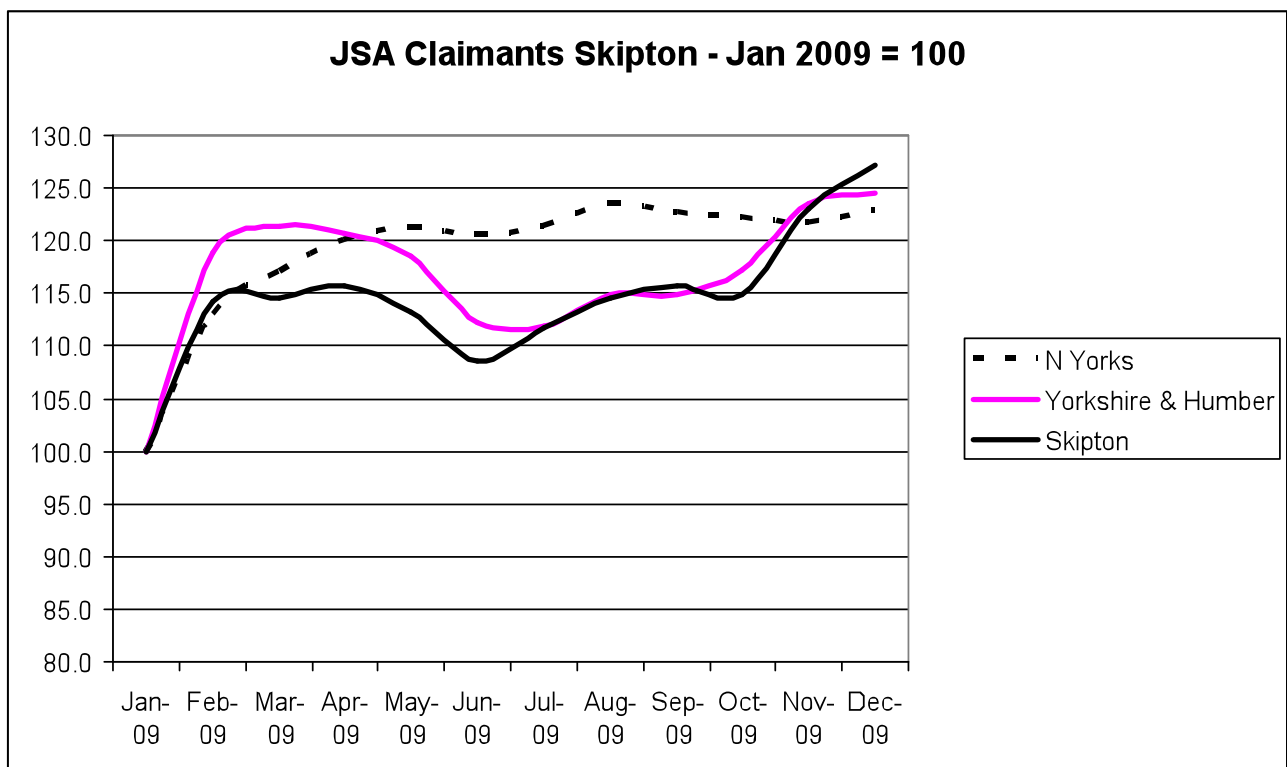
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In terms of all working age government benefit claimants, for the 2003 CAS Wards of Stalham and Sutton, and Waxham there were 485 claimants in May 2002, in August 2002 there were 500, in November 2002 there were 495, February 2003 there were 535 and by May 2003 there were 515 claimants.

Skipton – North Yorkshire

Tesco opened a new superstore in Skipton in North Yorkshire in at the end of August 2009 after closing its old site. The new store offered an increase of 140 new jobs. The Wards of Aire Valley, Glusburn, Skipton East, Skipton North, Skipton South, Skipton South-West, Skipton West and West Craven were chosen to represent the town.

In June 2009 there were 344 claimants in Skipton, this rose to 367 by September 2009 and further to 403 by December 2009. Whist JSA unemployment figures were also rising regionally the rate of increase in Skipton was faster between June and December 2009 than the regional increase. There was nothing to indicate a positive impact upon the JSA claimants due to the opening of Tesco.



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In terms of all working age government benefit claimants, for the 2003 CAS Wards of Skipton North, Skipton South, Skipton East and Skipton West there were 1105 claimants in February 2009, in May 2009 there were 1050, in August 2009 there were 1090, November 2009 there were 1105 and by February 2010 there were 1115 claimants.

