RETAIL THERAPY: WORKER DISPLACEMENT AND RE-EMPLOYMENT IN THE UK

Geraint Johnes
Lancaster University Management School
Lancaster LA1 4YX
United Kingdom

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ABSTRACT

Technological changes are impacting severely on the retail sector. In contrast to many other industries, recovery of the jobs market in this sector since the 2008 recession has been extremely sluggish. In the United Kingdom there have been several corporate failures and major restructures that have generated large scale redundancies, posing questions about the future of the high street. This paper examines the labour market transitions of workers displaced from jobs in the retail sector. Many return to work quite quickly, but most of these find new employment outside retail. Individual characteristics associated with a speedy return to work are examined in a competing risks framework.

JEL Classification: J63, J64, L81
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Introduction

The advent and advance of online commerce, combined with the effects of a severe recession, have had a particular impact on the retail industry. Depending on perspective, this impact is transformational or traumatic. As online purchasing has increasingly become the norm, the viability of traditional high street shops has come into question. This has widespread implications, ranging from the role of central business districts in providing community identity through the labour market implications for those workers displaced from employment.

It is this last issue that forms the subject of this paper. In the first few months of 2018, several thousand jobs have been lost in the retail sector in the United Kingdom following company collapses or restructures. These have included several major chains such as Maplin, Poundworld, House of Fraser, and Marks and Spencer. Yet retail goods and services are still being bought and sold. As high street stores vanish, large distribution centres appear. These provide alternative employment for some displaced workers, but by definition wholesale facilities are geographically more lumpy than retail; while such centres provide major employment opportunities in a few places, the loss of retail jobs is more spatially widespread. Little is known, however, about how workers displaced from employment in the retail sector adjust – how quickly they regain employment, the sectors in which they find new work, or the characteristics of workers that are most (or least) successful in managing the transition. This paper aims to fill that gap, drawing on both published data and statistical analysis of microdata from the Labour Force Survey.

The remainder of the paper is structured as follows. The next section provides a brief review of salient literature. This is followed by empirical analysis. The main findings are then pulled together in a short concluding section.

Received Literature

The high street has faced numerous challenges in recent decades, notably the creation of out-of-town malls and the growth of e-commerce and online shopping. Several studies, investigating the fortunes of different shopping centres in Britain, have been conducted, leading to insights concerning the characteristics that offer such centres resilience (Wrigley and Dolega, 2011; Deloitte, 2014; Department of Business, Innovation and Skills, 2014). The evidence suggests that centres located in a relatively thriving local economy, and large centres with a wide catchment area have tended to perform relatively strongly. There is some indication of a north-south divide, with centres in the south being more resilient than those elsewhere. Relatively weakly performing centres do not appear to be helped by offering a diverse portfolio of stores. Over the period of recession, declines were observed particularly in either generalist shops (department stores) or specialist shops offering luxuries and consumer durables; there are exceptions, however – for example, stores specialising in mobile telephony thrived as technological change led to increased demand for these products. Meanwhile small convenience stores – particularly the smaller outlets of grocery chains, often opened as a means of finessing Sunday trading laws - have flourished in town centres. Coffee shops too have fared relatively well. This has led some observers to argue that it is more accurate to describe the high street as being in a state of flux rather than in decline;

while that is a somewhat maverick view, it does serve to emphasise that the decline is nuanced.

Shopping centres have responded to the challenge posed by these changes in several ways, notably through the development of facilities, such as catering, that allow customers to regard shopping trips as leisure activities (Jones, 1999; Howard, 2007). Nevertheless, the rate of decline of traditional retail is noteworthy, and has clear labour market implications that have included significant redundancies (Butler, 2018). The labour market aspect of the challenge facing retail has received relatively little attention in the literature, however, and this forms the subject of the next section.

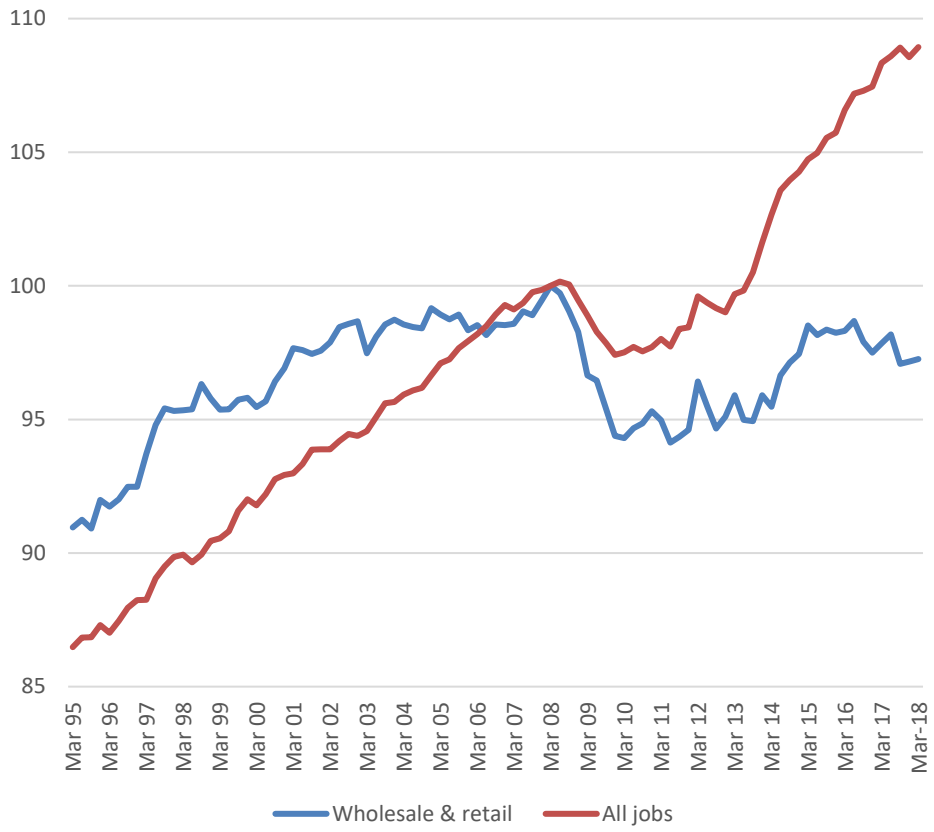
Analysis

Figure 1 illustrates the change in job numbers in the retail and wholesale sector and compares this with corresponding data on all jobs in the economy over the period since 1995. Over this period there has been a 6.9% increase in the number of jobs in retail; since the start of 2001, however, there has been no gain. In contrast, the total number of jobs in the economy has risen by 26.0%. In the years to 2000, the lines are roughly parallel. Growth in distribution flattened out somewhat in the years leading up to the 2008 recession. The recession then hit jobs in distribution particularly hard – falling from a high of 5.1 million in the first quarter of 2008 to 4.8 million in mid-2011. Some 38% of all jobs lost in this period were in distribution, despite the fact that the sector only accounts for about 16% of the total number of jobs in the economy. Since 2011 employment growth in the economy as a whole has been strong, but in distribution it has virtually flatlined – and since mid-2016 it has declined.

The flattening of the line for distribution around the turn of the century is consistent with the advent of online shopping services. The severe shake-out of distribution jobs during, and slow recovery since, the recession is consistent with the demise of zombie firms that had struggled to sustain themselves up to that point.

Figure 2 shows the time path of redundancies in the distribution sector, and compares this with the picture for the economy as a whole. The series for wholesale and retail coincides with that observed for the whole economy during the recession, but otherwise generally lies below. This confirms that the distribution sector was particularly hard-hit by the recession.

Figure 1 Total jobs and jobs in distribution, UK, 1995-2018 (index)



Source: ONS labour market statistics.

Figure 2 Quarterly redundancies in distribution and all industries, UK, 2001-2017 (index)

Source: ONS labour market statistics.

A relevant question thus concerns the destinations of workers in the distribution sector that are displaced. Many will suffer spells of unemployment, but what determines how long such spells last and what their ultimate destination will be? To examine this, we use longitudinal data from the Labour Force Survey (LFS) to evaluate a variety of duration models where, for retail sector workers becoming unemployed, the hazard of escape from unemployment into various regimes – including return to work (i) in or (ii) out of the retail sector – is examined over the entire length of individuals' appearance in the panel.[1]

Once selected to participate in the LFS, households remain in the sample for five quarterly waves of the survey, forming a rolling panel. We select workers whose first wave is between the second quarter 2012 and the first quarter of 2017 – that is, five full years of entrants into the survey - who, in their first wave, are employed in the retail sector (SIC 47), and who either switch to a job in a different (three digit) industry or become unemployed in one of their subsequent waves. Some of the latter subsequently re-enter employment before their final wave – either in the retail sector or in some other industry, and the survey provides information about these. Others will remain unemployed, and (since they might re-enter employment after the fifth wave) these observations must be treated as right censored. Our focus is on modelling how quickly workers with different characteristics return to employment, and on how these characteristics explain the propensity with which that employment is in the same (retail) sector as they have left.

The sample comprises some 775 workers who, at the start of their engagement with the LFS are working in the retail sector and who move from their initial employment over the subsequent four quarters. Descriptive statistics for the main variables of interest in the analysis appear in Table 1. Other than age (which is measured in years) all variables are binary. The education variables signify the highest level of education completed.

Table 1 Descriptive statistics

variable	mean	standard deviation
male	0.3910	0.4883
age	39.2710	16.9952
degree	0.2000	0.4000
A level	0.3626	0.4811
GCSEs	0.2542	0.4357
white	0.9368	0.2435
London	0.0658	0.2481
manager	0.1226	0.3282
unhealthy	0.1368	0.3438

Around 64% of the sample of 775 workers (some 493) regain employment within their period of engagement with the LFS; the residual 282 workers remain unemployed at the end of their engagement with the survey (and are therefore right censored). To examine the factors that influence whether (and how quickly) workers return to employment, we estimate a Cox (1972) proportional hazards model. This allows construction of a baseline cumulative hazard

[1] The data were provided by the UK Data Archive, and analysed using the st suite of survival analysis routines in Stata.

(Figure 3) which shows the probability of escape from unemployment as a function of the time since last employed and a survivor function (Figure 4) which shows the probability of remaining in unemployment, again as a function of the time elapsed since last in work. As expected, the cumulative hazard rises (and the survivor function falls) over time, indicating that more displaced workers succeed in escaping unemployment as time passes. The horizontal axis in each graph is measured in days since displacement; changes in the probability of escape come in discrete jumps because employment status is measured only at quarterly intervals.

The hazard depicted here is known as a baseline because it can be shifted up or down by a variety of cofactors – in this case describing characteristics of the displaced worker. Hence, for example, we might expect the probability with which a worker regains employment quickly to depend upon the worker's age, gender, qualifications, ethnicity, health, occupation, or region of residence. The hazard ratios reported in Table 2 show how these variables affect the probability of escaping unemployment; values exceeding unity indicate a higher probability of escape while those below unity indicate a lower probability of escape.

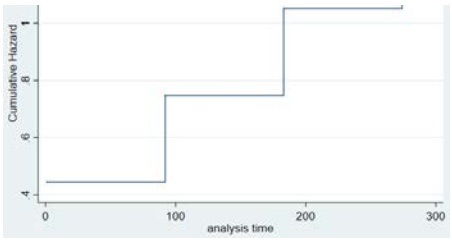


Figure 3 Cumulative baseline hazard

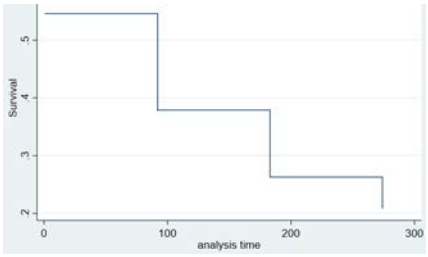


Figure 4 Survivor function

The results indicate that male workers, younger workers, and workers with a degree have a higher probability of escape from unemployment than do others, and the effect is statistically significant. Being a manager also increases the probability of escape, as does being healthy – although the estimated hazard ratios in these cases are significant only at generous levels. Ethnicity appears to have no effect.

The above results provide new information about the propensity with which displaced workers with different characteristics find new employment. Equally interesting, however, is the question of the propensity with which their new jobs are in the retail sector. This can be analysed by extending the duration analysis reported above in such a way as to accommodate competing risks (Fine and Gray, 1999).

Table 2 Results of Cox proportional hazards model: escape from unemployment

variable	hazard ratio
male	1.1935
	(2.26)**
age	0.9892
	(4.08)***
degree	1.3228
	(1.86)*
A level	1.0066
	(0.04)
GCSEs	1.0948
	(0.60)
white	1.1570
	(0.79)
London	0.8802
	(0.72)
manager	1.1138
	(1.07)
unhealthy	0.8500
	(1.17)
number of observations	775
log pseudolikelihood	-3349.36

Note: z values in parentheses. ***, ** and * denote significance at 1%, 5% and 10% respectively.

Of the 493 workers in our sample that gain new employment within the time frame of their engagement with the LFS, some 96 move (possibly after a spell out of work) to another job in retail; the remaining 397 move (again possibly after a spell out of work) to a job outside the retail sector.[2] So it appears that, while displaced workers in this sector are quite successful at finding alternative employment, only a minority do so in retail. Given the flatlining of the retail jobs series reported in Figure 1, this is perhaps not surprising.

Figure 5 shows the cumulative incidence functions associated with the outcomes of escape from unemployment into, respectively, a job in retail and a job elsewhere. While both functions rise with elapsed time (of course they cannot fall), the probability of securing employment outside the retail sector is considerably higher than that of doing so within the sector. A widening of the gap between the two lines would be consistent with displaced workers initially searching for employment in the retail sector, switching to a broader search strategy only as their unemployment spells lengthened – however we do not observe such a

[2] Of these, most end their period in the LFS sample working in health and social services (15.5%), miscellaneous services (14.2%), education (11.7%), or manufacturing (11.7%). Other common destinations include transport (11.3%), hospitality (9.6%) and finance and real estate activities (7.9%). In several of these destinations, workers may be utilising customer relations skills used also in retail. Omitting from the analysis those aged under 25 (who may never have regarded retail as their ultimate occupational destination), the corresponding percentages are 17.9, 11.5, 9.6, 13.5, 15.4, 6.4 and 7.7.

phenomenon, and it seems that displaced workers quickly recognise the opportunities in other sectors.

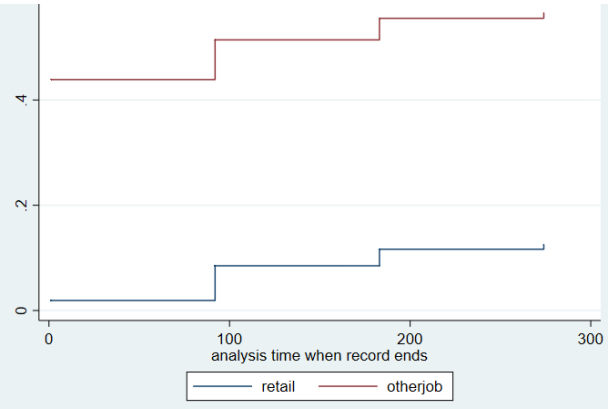


Figure 5 Cumulative incidence functions

The subhazard ratio estimates obtained from the competing risks model are reported in Table 3. These indicate that the significant impacts attributed to gender and age in Table 2 are primarily due to entry into sectors other than retail. Indeed none of the cofactors is significant in the equation for the retail sector – and gender is significant in the equation for other sectors only at generous levels. Subject to the caveat that the estimates are not statistically significant, an interesting observation from the results in Table 3 concerns the region in which respondents are located – compared to those living elsewhere, those in London appear to be more likely to gain employment in retail and less likely to gain employment in other sectors.

Table 3 Results of Fine and Gray competing risks model: escape from unemployment

variable	subhazard ratios for competing risk = employment in retail	subhazard ratios for competing risk = employment in other sector
male	1.0300	1.1478
	(0.12)	(1.47)
age	1.0004	0.9885
	(0.05)	(3.70)***
degree	1.3825	1.2136
	(0.75)	(1.12)
A level	1.3494	0.9628
	(0.69)	(0.23)
GCSEs	1.6341	1.0405
	(1.14)	(0.24)
white	1.1136	1.1380
	(0.20)	(0.60)
London	1.4658	0.8138
	(0.88)	(0.94)
manager	1.2849	1.0754
	(0.66)	(0.52)
unhealthy	0.5808	0.9452
	(1.27)	(0.38)
number of observations	775	
log pseudolikelihood	-640.73	-2837.83

Conclusion

The retail industry is undergoing dramatic change. This has clear implications for workers currently employed in this sector. Numbers of jobs in retail have stagnated in recent years; while the sector has struggled to recover from the 2008 recession, the genesis of the change can be traced to a few years before that. Most workers displaced from employment in the retail sector find new jobs reasonably quickly, but most of these are in other sectors – and this may be particularly true for workers located outside London. Men and younger workers are particularly advantaged in their search for new employment, particularly outside the retail sector. There is also some evidence that those with experience of management and those in good health are better placed to find new employment than are other displaced workers.

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