

Thousands of jobs to go as UK retail chains rationalise operations

By Barry Mason
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Retail chain store House of Fraser (HoF) has announced plans to close 31 of the 59 department stores it operates throughout the UK. The closures mean the loss of jobs of 2,000 employees directly employed by HoF, with a further 4,000 workers employed by in-store concessions under threat. It also plans to close a depot in Milton Keynes operated by an outside contractor. Included in stores slated to be closed by next year is its flagship shop on Oxford Street in central London.

HoF's announcement came the same week as budget retailer Poundworld filed an intention to appoint administrators—a legal step just short of liquidation—putting the jobs of its 7,000 workers in jeopardy.

HoF began as a single drapers (cloth and clothing) store in Glasgow in 1849 when it was owned by Hugh Fraser and James Arthur. In the 1950s, it was still owned by the Fraser family and began to expand its chain of shops, including acquiring London's luxury Harrods department store. In 1985, the chain was bought by the Egyptian businessman Mohamed Al-Fayed. In 2014, the House of Fraser chain was sold to the Chinese Nanjing Xinjiekou Department Store Co.

HoF currently employs 5,000 directly with 12,500 concession staff depending on it for employment. Its annual sales figure is over £1 billion, but it faces rising costs, especially rent and business rates and losses of £44 million last year—after shop sales fell by 2.9 percent and online sales by 7.5 percent. The current owners plan to sell the business as part of a restructuring deal.

Chinese fashion conglomerate C.banner, based in Nanjing, plans to buy a 51 percent stake in HoF. However, C.banner is only prepared to go ahead if a

company voluntary agreement (CVA) can be reached. CVAs are complex insolvency procedures, which are becoming more commonly used. They allow a company to dispose of expensive assets while remaining in control and avoiding administration or liquidation. Normally CVAs would only involve the disposal of a small portion of a business, but that proposed by HoF is on an unprecedented scale.

As part of its CVA plan, HoF is seeking a 70 percent reduction in the rent of the 31 stores it plans to shut in the period leading up to their closure. It is also seeking a 25 percent rent reduction for 10 of the stores it intends to keep open. To reach a CVA, a company must get approval of 75 percent of its creditors, including landlords. HoF's creditors are due to vote on its CVA on June 22. Failure to agree to the CVA could see HoF go into administration and its entire staff facing the loss of their jobs.

HoF's announcement came the same week as budget retailer Poundworld filed an intention to appoint administrators. According to the Press Association (PA), Deloitte will handle the administration process. Poundworld is owned by US-based TPG Capital, which had previously considered using a CVA to rescue the company, but then tried to sell the business. In the 2016-17 financial year, Poundworld announced losses of £17.1 million, up from the previous year's losses of £5.4 million.

The latest threats to retail jobs come after a series of closures and retrenchments in the retail and food industry. In 2016, British Home Stores closed with the loss of 11,000 jobs in the biggest retail collapse since the closure of Woolworths stores in 2008—which saw 30,000 workers lose their jobs.

Already this year, it is calculated that up to 35,000 retail jobs have disappeared or are at risk.

Among the losses and cutbacks in January were those at the UK largest supermarket chain, Tesco, where 1,700 middle-management jobs will go. At another supermarket chain, Sainsbury's, thousands of management positions will be lost or downgraded. In the same month, 12 Jamie Oliver-owned Italian restaurants closed.

In February, Morrisons supermarket chain announced the loss of 1,500 management jobs, while Debenhams departments store got rid of 320 management posts. Toys retail chain, Toys R Us, closed with the loss of 3,000 jobs as did electronics goods dealer Maplins with 2,500 jobs lost.

March saw fashion retailer New Look announce plans to close 60 of its outlets obliterating 980 jobs. In April, Carpetright, a large chain selling flooring products, announced it was closing around a quarter of its more than 400 stores with the loss of 300 jobs.

In May, department store chain Marks and Spencer announced a restructuring programme, which would mean the closure of 100 of its stores with around 1,500 associated jobs to go by 2022. The same month, mobile phone retailer Carphone Warehouse said it will close 92 of its 650 outlets, citing the fact that phone users were hanging on to their current model longer.

This month, as well as HoF and Poundworld, the baby and expecting mothers chain Mothercare announced cutbacks. Mothercare plans to close more than a third of its 137 outlets with the loss of 800 jobs.

Closures and job losses in retail are expected to continue. In May, the Centre for Retail Research issued a report stating, "2018 will probably be the worst year for bad retail news since the recession in 2008, when Woolworths collapsed. In the first 100 days of 2018, 18 large and medium-sized retail companies collapsed into administration involving almost as many stores and certainly more jobs (13,500) than in the whole of 2017. Six retailers are using CVAs to close 286 stores (6,000 employees at risk), the Homebase group has been sold for £1 (11,500 jobs at risk) and other retailers including M&S daily announce closures and partial retreat... the government seems passive about the whole thing, uncertain what to do about the potential closure of thousands of shops, redundancy for hundreds of thousands of employees and despoilment of town centres."

Retailers are being hit by the fall in spending power

of workers due to low wages and inflation, with a Trades Union Congress report in May noting, "A decade on from the financial crisis, real wages today are still worth £24 a week less than they were in 2008. By the time they're forecast to return to their pre-crash level in 2025, real wages will have been in decline for 17 years—the longest period since the beginning of the nineteenth century."

In addition, the fall in home ownership, as more workers are unable to afford to save to get a mortgage, has impacted sales of bigger items.

Retailers facing increasing rent and business rate costs are abandoning the high street, with many towns experiencing a proliferation of shuttered shops. Around 20 percent of retail spending is now online. Retail businesses operating online can avoid high town centre rents by creating Amazon style "fulfilment centres" and are able to increase the rate of exploitation of their workforce.

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