

## THE JOB CREATION FALLACY

### How many new jobs do supermarkets really create?

Every time a supermarket chain applies for planning permission for a new store, the local media is suddenly full of headlines about the hundreds of jobs that will be created. This of course shows a public relations company doing a professional job. We are all in favour of job creation. Only a churlish man dare argue against new jobs in his community, particularly in areas of high unemployment. Why wouldn't you be in favour?

One immediate point is that of course most of these jobs will actually be part time, sometimes as little as one shift a week. The headline figures in hundreds reduce to far fewer full time equivalent posts. And most of these jobs will also be low-paid.

It is also worthwhile pondering where these new jobs come from and what the repercussions are elsewhere in the local economy. Although not an exact correlation, in large retailers the number of paid staff hours relates to turnover. If sales go up, you need to serve more customers and shift more stock, with more shelf-fillers, checkout operators, cashiers – and even more supervisors to manage them and canteen staff to feed them. Large supermarket chains prosper in part because they have high staff productivity, so the converse is true. If sales start falling, then the number of shifts employed will go down.

By definition, the new store will be either creating totally new retail sales in the locality by persuading people to spend on things they would not otherwise have bought, or else taking sales from existing outlets. In most towns, where most people already have access to an existing supermarket, a high proportion of the new store's sales will be taken from existing supermarkets. These existing outlets, faced with a decline in sales, will have a manager faced with staff productivity targets. Staff hours have to be trimmed to match the new level of business. The impact will not be dramatic – existing staff will lose the odd shift, there will be not so many new staff taken on to replace those leaving, there may be fewer students taken on at peak times. This may be happening in a dozen or more different local competitors – the impact is spread.

When big supermarkets develop a new site, smaller convenience stores are obviously hit. Here the impact can be more severe. Sometimes their larger rival will drive them out of business. This may not happen for several years – the proprietor hangs on trying to make a go of the new circumstances, they may continue trading until their lease on the premises ends or cling on until they reach retirement age. Some will adapt and survive, albeit probably employing fewer staff hours than before.

Crucially, smaller shops usually employ more staff per £ turnover than large outlets. This is because small shops do not enjoy the same staff economies of scale as large outlets. In the long term, smaller shops must adapt their staffing levels to the turnover they are achieving – margins are too tight to employ more staff than turnover warrants. Hence, market share lost by small shops to a large supermarket could theoretically over the long term actually reduce total employment levels in the wider catchment area.

Smaller shops will typically buy more of their requirements locally. They will be buying stock from small local suppliers but also employing local tradesmen – electricians, window cleaners, etc. Typically far more of the turnover of a small local shop stays within the local economy than is the case for a large supermarket. Add in

the employment implications of this, and the case for supermarket job creation becomes even more muddled.

This is not an argument against supermarket developments. It is a plea for those setting policies in this area of planning and those involved in implementing them to be aware of the true situation. They need to look behind the big headline figures and see the actual dynamics involved. It is certainly a plea to treat some of the figures bandied about with a particularly large pinch of premium quality sea salt.