



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Economy and Fair Work Committee

**Wednesday 27 April 2022**

**Session 6**



The Scottish Parliament  
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - [www.parliament.scot](http://www.parliament.scot) or by contacting Public Information on 0131 348 5000

---

**Wednesday 27 April 2022**

**CONTENTS**

	<b>Col.</b>
<b>DECISION ON TAKING BUSINESS IN PRIVATE .....</b>	<b>1</b>
<b>TOWN CENTRES AND RETAIL.....</b>	<b>2</b>

---

**ECONOMY AND FAIR WORK COMMITTEE**

**11<sup>th</sup> Meeting 2022, Session 6**

**CONVENER**

\*Claire Baker (Mid Scotland and Fife) (Lab)

**DEPUTY CONVENER**

\*Colin Beattie (Midlothian North and Musselburgh) (SNP)

**COMMITTEE MEMBERS**

- \*Alexander Burnett (Aberdeenshire West) (Con)
- \*Maggie Chapman (North East Scotland) (Green)
- \*Jamie Halcro Johnston (Highlands and Islands) (Con)
- \*Fiona Hyslop (Linlithgow) (SNP)
- \*Gordon MacDonald (Edinburgh Pentlands) (SNP)
- \*Colin Smyth (South Scotland) (Lab)
- \*Michelle Thomson (Falkirk East) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

- Ruth Boyle (Close the Gap)
- Joanne Cairns (Union of Shop, Distributive and Allied Workers)
- Paul Gerrard (Co-operative Group Ltd)
- David Lonsdale (Scottish Retail Consortium)
- Martin Newman (KPMG/Ipsos Retail Think Tank)
- Bryan Simpson (Unite Hospitality)
- Maxine Smedley (Boots UK Ltd)

**CLERK TO THE COMMITTEE**

Anne Peat

**LOCATION**

The James Clerk Maxwell Room (CR4)



## Scottish Parliament

### Economy and Fair Work Committee

*Wednesday 27 April 2022*

*[The Convener opened the meeting at 09:30]*

### Decision on Taking Business in Private

**The Convener (Claire Baker):** Good morning and welcome to the 11th meeting in 2022 of the Economy and Fair Work Committee.

Agenda item 1 is a decision on taking business in private. Are members content to take item 4 in private?

**Members** *indicated agreement.*

## Town Centres and Retail

09:31

**The Convener:** Agenda item 2 is the continuation of our evidence gathering for our town centres and retail inquiry. Our focus today is on the new realities for the Scottish retail sector, with evidence from two panels.

I welcome to the meeting our first panel: Paul Gerrard is campaigns and public affairs director at the Co-operative Group Ltd; David Lonsdale is director of the Scottish Retail Consortium; Martin Newman is a member of the KPMG/Ipsos Retail Think Tank; and Maxine Smedley is head of stores Scotland for Boots UK Ltd. I thank the witnesses for attending.

As always, members and witnesses should keep their questions and answers as concise as possible. Not every question will be directed to every panel member, but everyone will have an opportunity to contribute.

My first question is for Paul Gerrard and Maxine Smedley. The retail sector has had a difficult time during the pandemic. As we start to emerge from Covid, what do you see as the main concerns for the retail sector? How has the experience been, and how is the recovery?

**Paul Gerrard (Co-operative Group Ltd):** Thank you for the opportunity to give evidence to the committee.

The Co-operative Group is a United Kingdom-wide business but, proportionately, we have a bigger presence in Scotland; 15 per cent of our stores are in Scotland, and we are probably more important to many Scottish communities than we are to other parts of the UK. Eleven of our 12 lifeline stores are in Scotland, and 20 per cent of our stores in Scotland are the only food retailer in the community. During the pandemic, the importance of Co-operative Group stores and, indeed, other co-op stores, such as Scotmid ones, became really clear, as we were the only places where people could shop and get food. Co-op Group stores and food stores like them, such as Scotmid ones, were really important.

As we come out of the pandemic, there are three challenges that we are very focused on and which apply to Scotland. First, it is clear that online business has grown significantly. In 2019, we had a very small online presence—around £4 million-worth—across the UK. In 2021, the figure was £200 million-worth of business across the UK. Online business has grown, and I think that it will continue to grow. How that is delivered varies—in Scotland, there is a brilliant model of delivery—but online business is certainly important.

Secondly, there are burdens on businesses that will prevent them from investing in communities, stores and colleagues, if we are not careful. Rates are an obvious example of that.

As we think about online business and the burdens on businesses, a third issue arises. The importance of bricks-and-mortar shops to communities was never seen more than it was during the Covid pandemic. We have to tread really carefully in supporting the growth of online business, because we also have to protect anchor institutions, which is what retail stores very often are. As I have said, 20 per cent of the Co-op Group's stores in Scotland are the only food retailer in communities, and that is significantly higher than the figure for the rest of the UK. Balancing the ease of online shopping with the importance of physical shops to communities is really important.

**The Convener:** Maxine, would you like to respond? I should say that one of your store managers attended our round-table session in Dumfries this week and gave us some insight into Boots's experience during Covid. Do you want to say a bit more about the retail sector's recovery?

**Maxine Smedley (Boots UK Ltd):** Yes. Good morning, everybody. I will add to what Paul Gerrard said.

Boots stores are on every high street and in every town centre in Scotland. We have 274 stores across Scotland, ranging from our smallest store to our biggest flagship stores.

Because of our pharmacy business, we were classed as an essential retailer and were therefore open throughout the pandemic. It is clear to see the impact that the pandemic has had—it has definitely accelerated changes that were happening beforehand.

Town centres are really important to us and are a big part of our future, but some customers have diverged away from using town centres. That was particularly the case during the pandemic, when people sought open spaces and out-of-town retail. Not all of those customers have returned to town centres, and we have seen the impact of that, particularly in our largest city centres such as Glasgow and Edinburgh, where we previously benefited from a lot of office workers and the working population.

However, we continue to bounce back. We sustained growth in the previous quarter—we were up 22 per cent on quarter 2—but there is a need to diversify our business. Previously, we had a less experiential model, but we now provide more experiential beauty and healthcare models, which definitely fit our customers' needs.

We are also seeing a real polarisation between value and premium. Because the spending of a lot of our core customers is much diminished, the value proposition is really important to them. Conversely, there are people who have not had opportunities to spend their free income, so that has had an impact, too.

I will touch on some other points. Larger retailers are subject to a higher property supplement. It is clear that, in some of our locations, we are overspaced. We have tried to take advantage of that, particularly with the growth in online sales. During the pandemic, some of our businesses changed to almost online warehouses, which protected jobs and helped us to diversify our stores.

We need to make our customers more confident. Consumer confidence, particularly in our high street locations, is really important to us, and anything that stimulated that would really make a difference for us.

**The Convener:** I will bring in David Lonsdale next. Paul Gerrard and Maxine Smedley have talked about their shared experiences, and the committee is familiar with the big issues that have arisen from Covid and the retail sector's struggles. Have you had a chance to look at the Government's recently published retail sector strategy? Has the Government chosen the right areas to focus on to aid recovery and support the sector?

**David Lonsdale (Scottish Retail Consortium):** Thank you for the invitation to come here. It is lovely to be here in person at a real live meeting—it is great.

We have had a look at the retail strategy and other parallel strategies that have been published in recent weeks. There was one on city centre recovery and, a couple of weeks ago, there was the joint strategy on town centres from the Scottish Government and the Convention of Scottish Local Authorities.

In recent years, one of our big asks has related to policy coherence, and a lot of the building blocks are now in place. The outstanding issue that has not been addressed in the different strategies is the cost of doing business, which Paul Gerrard and Maxine Smedley touched on. That issue is very much to the fore, given business costs and households being affected by the cost of living.

There are a lot of positives to highlight, and I am happy to go into the detail of the retail strategy itself. I think that ministers were very clear—*[Inaudible.]*—process that they would not be addressing the issue of non-domestic rates in the strategy. Certainly, there was a lot in there that we supported. There was a prominent and upbeat

recognition of the sector's social and economic contribution. In Scotland, there is a strong collaboration between Government and industry, which is positive. I am conscious that there are former ministers on the committee, and they will know about some of the discussions that we have had over the piece.

The industry has quite a good story to tell about issues such as net zero. We published a net zero by 2040 roadmap about 18 or 20 months ago. The retail strategy is really about how we can get more retailers to participate in that net zero journey. We are up for that and we are already doing a lot in the net zero space to help our members and retailers on that journey.

**The Convener:** The retail strategy is, as it says, a strategy—in other words, it sets longer-term ambitions. Is enough being done to respond to the immediate pressures facing the retail sector? The committee was in Dumfries on Monday. Although the area has a positive story to tell with Midsteepie Quarter, its High Street, like many high streets, has large vacant units that are a struggle to let out. This morning, we heard on the radio about rising costs for businesses, including energy costs, which are going up at such a fast rate. Is enough being done to support businesses with the shorter-term pressures that they are facing?

**David Lonsdale:** Over the past two years, there has been very substantial and swift support from Government to aid the business community, and retail in particular, in getting through the Covid crisis. We have been making the point that retailers are more than happy to pay their fair share of taxes—and, indeed, they do so. Obviously, business rates have been reinstated from the beginning of this month, and it is worth pointing out that they have been reinstated at a 23-year high. In our written submission, we put forward some suggestions about how that could be addressed. We have also been quite clear about the need for some short-term actions to stimulate the return of commuters and office workers to our city centres and to bring in tourists to try to get footfall back up.

We monitor a suite of surveys and data on retail sales, empty units, retail premises and shopper footfall. Last month, retail sales got back up to pre-pandemic levels for the first time, but shopper footfall is still well short of that. We have just had Easter and tourists are coming back. When I was coming in from Stirling this morning, I noticed that the train seemed to be full. Those are all positives, but there are still issues. Because of the cost of living and other factors, there is a real question about how sustainable the return of demand will be over the months ahead.

**Colin Smyth (South Scotland) (Lab):** We recently took evidence from Professor Leigh Sparks, who said:

“We have spent at least 50 years damaging our town centres.”—[*Official Report*, 30 March 2022; c 3.]

Do the witnesses agree with that? More important, how do you think that damage can be reversed? I appreciate that you have touched on some of those ideas already, but do you have any other ideas on how we could reverse that damage? Do you agree with Professor Sparks's commentary about what we have done over the past 50 years?

I will ask Martin Newman to start the discussion.

**Martin Newman (KPMG/Ipsos Retail Think Tank):** Thank you for giving me the opportunity to contribute to the conversation.

I think that we have done as has been suggested. There are a number of factors at play and a number of things that we need to look at addressing in order to create an environment where consumers want to spend time. If we think back to what retail and the high street used to be about, they were just about shops, and the relationship was a very transactional one. First of all, retail has to up its game and retail environments need to become a bit more experiential than they have been previously.

09:45

A positive thing is happening in housing. Historically, we used to move out to the suburbs, but with the increase in single dwellings, more people want to live in and around our town centres. As a result, the population will move back near to where our retail stores are. However, the experience has to be better.

We also need a better mix. The empty spaces in our high streets at the moment need not be taken over by retail stores. We need entertainment and the right mix of food and beverage opportunities. We need to make parking accessible or give consumers the ability to get into town centres in a more cost-effective way. The environment has to be better and the mix of experience has to be better, but given what is happening with the population trend, we should be confident about what the future looks like.

Perhaps I can highlight one brand to show how things might be changing. Ikea has recently announced that it is closing its big out-of-town Tottenham centre in Edmonton in London and has taken over the old Top Shop store in Oxford Circus. It is saying, “We want to be closer to where our customers are, and we see that as being in town centres.” There is a real opportunity to encourage some bigger retailers that previously did not take up spaces on our high streets to be

where the customers are, but we need to create better environments.

**Colin Smyth:** Perhaps I can follow that up with David Lonsdale. Martin Newman has just said that bigger retailers, many of which I suppose are your members, are now more interested in the high street. Is that what you are seeing? We have spent a lot of time allowing out-of-town developments, which, arguably, have had a devastating impact on town centres. Are your members taking an interest in the town centre again and wanting to reverse that trend, or do we have to take further action to stop out-of-town developments?

**David Lonsdale:** We have a large number of members. They tend to be larger retailers, but we have a number of smaller retailers and, if you like, subsectoral trade associations that represent smaller retailers in our membership, too.

The diverse nature of the industry is such that retailers often have a foothold or stake in different retail destinations: town centres, city centres, online, out-of-town retail parks, shopping centres and all the rest. They want retail destinations that are healthy and vibrant and which have a successful ecosystem of different types of businesses and lots of reasons for people to visit.

On my travels to see members, I quite often ask them what the best destinations are, and they will often reel off the obvious places in Scotland that have reasons for people to visit: the Merchant City in Glasgow, with its high-end fashion, the Italian centre et cetera, and Edinburgh as well as St Andrews, Nairn, Peebles, Oban and Fort William, where obvious particular niches such as outdoor activity or tourism are covered. Most of our retailers have a stake in such areas and want them to be successful. Those areas have, if you like, a little more money; they might be more affluent. Tourist destinations or market towns tend to be particularly good for retailers.

As for Professor Sparks's comments about the damage to town centres, I would say that a range of challenges faced by town centres predate Covid. I would highlight, for example, the rise in car ownership; the move from food to non-food items that supermarkets made many years ago; and the fact that out-of-town developments were given consent by councils, for very understandable reasons. The range of factors will possibly include online shopping, too.

Professor Sparks chaired the town centres action plan review, which reported early last year and to which COSLA and ministers responded a couple of weeks ago. I reacquainted myself with Professor Sparks's review before coming along today and, interestingly, it explicitly says that the cost of doing business in town centres is "too

expensive" and that it has "restricted" economic activity. That is something for the committee to bear in mind.

**Colin Smyth:** I think that another member will ask about business rates soon. I know that you will have strong views on that.

I want to bring in Maxine Smedley. Please feel free to comment on what Leigh Sparks said, Maxine, but I also want to ask about your comment on the need for action to stimulate consumers coming back to the high street. What type of action would you like?

**Maxine Smedley:** Martin Newman brought the issue to life well. There is no one size that fits all in our town centres. As David Lonsdale has said, as a big retailer, we have representation out of town, in small communities and in town centres.

Let me use an example to try to draw out or bring to life what would help. Privately owned shopping centres are commercial businesses, but they do very well in increasing consumers' dwell time. That multicentre inclusive approach involving retail, hospitality, leisure and in some cases residential aspects really helps to increase dwell time and attract consumers. We are definitely still seeing a trend of consumers visiting less often, so anything that encourages them to come out of the house and spend some time in such locations would be welcome.

Another issue that is important in considering our town centres is digital accessibility. We know about the growth in online sales, but there is definitely an omnichannel approach—people want to look at reviews and so on while they are shopping. Therefore, digital infrastructure in town centres is really important.

I have alluded to town centre locations and office workers. Given that, as we know, the hybrid way of working will stay, anything that at least encourages people to spend part of the working week in a town centre will be welcome. Flexible working spaces, for example, would help bring in people in a different way that we have not thought of previously.

**Colin Smyth:** That is helpful.

My next question is for Paul Gerrard. You talked about how Scotmid weathered the pandemic storm and, in many ways, delivered in our town centres. What will help to ensure that that continues?

**Paul Gerrard:** For the Co-op Group and indeed for our friends at Scotmid, I would say a couple of things. I agree very much with Martin Newman that food stores need to be close to our customers. As Maxine Smedley has said, there is no one size that fits all, so, in city centres, the approach might focus on office workers and

commuters. However, the fit might be slightly different where, say, a business is very tourist focused or where we are the main store in a community.

It is absolutely true that we need to be closer to our customers and members. We know that, where we invest in stores and make sure that they provide services to our customers and members, they become successful and become real anchor institutions. You have mentioned the rates system, which I am sure we will discuss further, but the fact is that that system, along with other things, does not incentivise investment in stores to increase their value to communities and to town and city centres.

Here at the Co-op Group, we are, as David Lonsdale has said, happy to pay our fair share—indeed, we hold the fair tax mark—but the issue is also about fairness and our ability to invest in stores and in our colleagues and communities so that the stores become really viable anchor institutions within communities.

**The Convener:** I remind members that they do not have to address their questions to every panel member. If you name a panel member, that will help us to complete the session in time.

Jamie Halcro Johnston is next.

**Jamie Halcro Johnston (Highlands and Islands) (Con):** That is me duly warned, convener.

Good morning to the panel. We have heard that there is no one size that fits all. I represent the Highlands and Islands, where every community is different. I have a fairly general question that I will direct to Martin Newman and then David Lonsdale. What does a successful town centre look like now? What examples are there from across the United Kingdom? Also, what will successful town centres look like in, say, 20 years? Are there particular UK or Scottish examples that are on the path to making the necessary improvements?

**Martin Newman:** It is hard to find any perfect examples at the moment, as we are at a stage of evolution in which, sadly, lots of our high streets still have empty spaces. If you are asking me to paint a picture of what I think things need to look like and where we are going, I would go back to the good point that Maxine Smedley made about the omnichannel proposition. The best way of thinking about this is to understand that consumers are now empowered; the internet changed things by taking power away from retailers, to some extent, and putting it into the hands of consumers. If you have a bad experience in physical retail, you can turn to the 10,000 immediately available online choices.

If we understand that and understand how people shop—that is, they go online for convenience, but they still like to enjoy a good experience—we will also understand that, as Maxine Smedley suggested, we must do anything that we can to increase dwell time and create an environment that people want to spend time in.

That is how we have to think of our high streets. It is not enough to have just retail stores—we need the right mix of retail stores and work environments, with flexible working spaces and food and beverage, hospitality and entertainment opportunities. All those things will bring people in, because they will want to spend time there. If they do not want to spend time there, they will just go online.

There is also the rise of this thing called the metaverse, which we will probably talk about some other time but which is essentially the virtual equivalent of the physical world. That is coming down the line, too. As for the question of how we create these sorts of environments, that will require you, those at Government and local authority level, retailers, landlords and consumers to come together as a conglomerate of entities and work out what sort of environment will be relevant in the short and longer terms, taking into account how consumer behaviour is changing.

On a positive note, I definitely envisage more and more people living in and around town centres. As a result, the addressable market for retailers will increase in the future, because more people will be living in and around their stores. The more we can do to encourage landlords in that respect, the better. For example, retailers used to be tied into ridiculously onerous and very expensive 10 or 20-year leases, and we now need turnover-based leases that reflect a store's profitability and turnover and give someone a better opportunity to make money instead of being tied to a noose around their neck.

Moreover, if we can do something about business rates, which I know that we will come on to talk about, I think that—this brings us back to earlier points made by David Lonsdale and Paul Gerrard—we can create a profit and loss model that, from a cost point of view, is more attractive to retailers and will allow them to run stores efficiently and profitably.

**David Lonsdale:** I defer to Martin Newman on the metaverse, but he has touched on most of the correct points, such as people living in towns, having good reasons to go and visit and having an ecosystem that is mutually reinforcing and beneficial to shops, with hospitality, culture, leisure and other opportunities that give people reasons to go there.

I will add a couple of points over and above the issues of tax, parking and transport links, which have already been mentioned. I know that building standards and the planning system sound incredibly dry—and they are not my area of expertise—but I understand from members that they can get shops up and trading more quickly south of the border than they can in Scotland, because they can crack on with the work while they are applying for a building warrant. Indeed, they can even choose whom they want to verify their building control or standards.

In Scotland, however, you need a warrant in your hand before you can get somebody in to do the work to open a new store, to make substantial refurbishments or to put in signage, toilets or new seating. Those are the sorts of low-level practical things that the committee could look at or which I would recommend for further investigation.

I have already touched on what makes places successful: they become destinations and they give people good reasons to visit. Obviously, an affluent catchment will provide certain structural benefits. If we can get the economy motoring and more buoyant, retail should be lifted by that naturally. There are a number of policy levers that could be pulled to make a positive difference, and we tried to articulate that in our submission to the committee.

10:00

**Jamie Halcro Johnston:** We have heard a lot about the shift to online retail. At the beginning of the pandemic, a lot of small businesses that were not online had to get online quickly and offer delivery at timescales of three to five working days, and so on. We have seen an increase in app-based delivery for small superstores and a promise that your shopping can be with you in 40 minutes. Will smaller retailers on the high street use that as an opportunity to boost and support their online sales, which might keep them on the high street?

On a wider point, we also talk about empty stores. Do our high streets have too many shops or retail spaces? Will we need to see a reduction and a focus on certain shopping streets in communities? Can you see that happening?

**Martin Newman:** Those are great questions. I will take the second one first. We need to think about the mix of retail propositions. It is not necessarily true that we have too many stores. As we have said, it is about creating an environment that pulls people in, and I would argue that, if a place has only retail stores, that will not be enough. We need the right mix of food and beverage, entertainment and hospitality, and everything else to go alongside that.

I am on the board of a charity and I am all for the charity sector, but empty spaces in a lot of high streets tend to be taken up by a plethora of charity stores. Although that might be great for the charity, it is not necessarily the proposition for which the consumer is looking. We need to think about the mix of retail and other propositions.

Can you remind me what your first question was?

**Jamie Halcro Johnston:** Online shopping is seen as a danger to many businesses but there is potential for it to be a supporting factor. If you order something from a well-known online shop, it could be there the next day, and we can now order some things and receive them from a local store within an hour or two through certain delivery methods. Is that an opportunity?

**Martin Newman:** Sure—it is an opportunity. When I talk to retailers, there is a focus on what they call the cost to serve. Retailers need to make a bit of a mindset shift and think about not only the here and now but how to build true loyalty and customer lifetime value. How do they turn customers into fans? We might not like the idea of having to continue to add all the propositions that consumers are looking for, but the reality is that there is demand for them.

We have recently seen the growth of what we call on-demand delivery through applications such as Gorillas and Getir, which are enabling grocers initially to fulfil from dark stores that consumers cannot walk into. They are used as fulfilment centres and products can be delivered within 15 minutes, half an hour or 40 minutes. I do not think that such services are going to go away, but they could provide an opportunity for local retailers.

The one thing that local retailers and many independents did incredibly well, as did some of the nationals during lockdown—Paul Gerrard talked about the importance of Scotmid—was that they became service providers. They were able to help housebound people or people who were isolating by delivering products to them. Sometimes they did not even charge people; they just got in their cars and took shopping to people, because they saw it as an important part of what they had to do to support their local community.

As we continue to work from home, or use a hybrid model, that will also present an opportunity for local retailers. The more we do to encourage local independent retailers as well as the bigger national chains to offer that type of service, the more consumers will engage with it.

**Maggie Chapman (North East Scotland) (Green):** Good morning to the panel, and thank you for joining us. I have a couple of questions, but I will first follow up on Jamie Halcro Johnston's questions. All the witnesses have talked about the

need to diversify and not just focus on certain individual elements of retail, and the expectation that that will happen. We have talked about hospitality and entertainment, and culture and leisure can also pull people into town centres and keep them there.

I want to ask Martin Newman about the barriers to diversifying. What are the blockages—the things that are preventing people from using the bricks that they have in a range of different ways?

**Martin Newman:** That is a very good question. The profit and loss model of a retail business means that, to an extent, it is limited to the hours for which it is able to open. I cannot remember the name of the business in question, but I did some high street videos in Colchester in Essex, of all places, where there was a great little store selling vintage wear. It had set aside part of the store, where people—[*Inaudible.*—]—as well as listen to music and buy products and, on a Friday night, the floor was cleared and a band played on a stage at the back.

Are our local authorities enabling retailers to have multipurpose units? The more we can do with such environments, the more chance we have of encouraging people to spend more time there, to dwell there and to come back for different reasons. That will help to make those spaces more profitable for the retail businesses that inhabit them in the first place. We need to do anything that we can do at a local authority level to remove restrictions.

I think that the landlords have had a big wake-up call over the past few years and have realised that their traditional model will probably not be fit for purpose in the future. However, there is still a job to do there. Like David Lonsdale, I am not a planning expert, but I wonder whether planning needs to be looked at in order to enable spaces on our high streets to be more accessible to different brands and sectors, such as the entertainment and food and beverage sectors. The planning consent that is needed to open up a restaurant is different from the planning consent that is needed to open up a retail store. Maybe there is an opportunity to make that process a little less onerous and a bit more attractive.

Ultimately, a lot of this comes down to the cost. If the cost is an issue, that is detrimental. The more we can find ways of turning such spaces into multipurpose environments, the more attractive they will become to the people who hold the leases. Whether it is a retail premises or a restaurant, the more they can do with the space and the more profitable they can make it, the more attractive it will become and the quicker we will fill the empty spaces.

**Maggie Chapman:** Thank you—that was very helpful.

I will bring in Paul Gerrard on the same question.

**Paul Gerrard:** I am not sure that there is much that I can add on diversification.

I would like to pick up the question about online retail, because it is an important issue. At the Co-op Group—I am from the Co-op Group rather than Scotmid—online has grown significantly. Essentially, our stores have become micro hubs. We do not do dark stores. All the stuff that we deliver or provide through click and collect comes from our stores. That means that those stores have become micro community hubs, where people come to collect their food or it is delivered from there.

Online growth does not necessarily result in a reduction in physical stores. In a number of stores where we have launched the online platform, revenues have grown by 30 per cent. We are not cannibalising our existing customers; we are adding new customers. As Maxine Smedley and Martin Newman said, we are giving customers more of an omnichannel proposition.

On the cultural piece, the only thing that I would say is that we know that our stores that are in tourist and cultural hotspots are very seasonal. We need to be able to complement activity there with those seasons. In our tourist stores, we will double revenues during those seasons. Increasingly, one of the challenges that we face is getting colleagues to cover those seasonal peaks.

I apologise—that is not an answer to the question that you asked, but I wanted to pick up those points.

**Maggie Chapman:** That is helpful—thank you.

I will stay with you, Paul, but change tack a little. As part of our work in this area, we have heard from witnesses about the tension that exists between the pressure on margins and profitability, and improving standards of fair work. There are horror stories about how hospitality workers and other workers have been treated. Can you give us any suggestions about how public agencies and public bodies can support people in our town centres to support fair work and decent pay and conditions?

**Paul Gerrard:** The Co-op Group is a big employer in Scotland; we employ almost 7,000 people, and all our colleagues are paid at least the Living Wage Foundation living wage. Government, civic society and the public sector should celebrate and halo those businesses that invest in their colleagues. As I have said, we pay the foundation's living wage, and we have increased wage levels for all colleagues by 25 per cent since

2018. I am sure that Maxine Smedley will be able to say absolutely the same thing about a great company such as Boots, but those wages go alongside a package of low-interest loans, high-interest savings accounts, advances et cetera. Government should celebrate and halo organisations that do the right thing, because a lot of this—particularly now, with inflation going up 5.9 per cent over the recent period—has to be about the wages that we pay.

I am sure that we will come on to this, but it is important that we have the opportunity to invest in stores in town centres. A great example is a store of ours in Pitlochry that needed investment; we put that investment in, and it has absolutely flown ever since. The opportunity to invest will bring vibrancy to old town centres.

The only other point that I would make—we might come on to it later—is about the role of local suppliers. They can help to grow the economy; after all, as David Lonsdale has said, this is ultimately an economic thing. We have a very broad range of local suppliers, from distillers to bakers and suppliers of ambient goods, and I just wonder whether Government can find a way of incentivising use of local suppliers. After all, we know that Scottish members and customers, in particular, are very keen for the goods that they buy to have Scottish provenance.

I spent 20 years in Government before I joined the Co-op, and my view is that, as I have said, Government needs to do more to celebrate and halo businesses that invest in their colleagues, stores and the communities they serve and point to them as leading practice.

**Maggie Chapman:** Thank you very much.

**The Convener:** I call Colin Beattie, to be followed by Gordon MacDonald.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** At last we come to non-domestic rates.

What are your views on the non-domestic rates system? I would also like to hear about the benefits of the small business bonus scheme, which takes more than 100,000 businesses out of the rates system and supports them. Are reforms needed? If so, what would they look like?

Perhaps I can bring David Lonsdale in first.

**David Lonsdale:** Sure, but let me very quickly pick up the fair work issue first. I am happy to put something in writing to the committee, but I can say that the vast majority of retailers subscribe to better pay and conditions. Indeed, Office for National Statistics data suggests that retailers in Scotland pay above the so-called real living wage. Admittedly, it is a little bit above the standard living wage at about or just over £10. I think I am also

right in saying that retail is the fourth or fifth largest sector of the 18 that were signatories to the Scottish Government's business pledge, which covers pay and the other aspects that go along with that.

We need a debate about fair work that is more rounded and does not take a binary view of the pay rate, given that most retailers, particularly our members, offer a range of other benefits over and above that. Moreover, a more rounded debate would include the costs that employers have to pay on top, a number of which have increased in recent times. The apprenticeship levy has been introduced; employers' national insurance contributions are going up this month; and we have seen a couple of hikes in the statutory minimum pension over the past three or four years.

We supported the small business bonus scheme, which has been helpful to many retailers. However, as far as the wider debate is concerned, it is an implicit and, indeed, explicit recognition that cost is an issue for retailers. As for other things that could be done in this space, we covered that in our submission. As I said earlier, business rates have been reinstated at a 23-year high with regard to the poundage or tax rate. That is more than one fifth higher than it was at the beginning of the last decade, so we think that there is an opportunity. We appreciate that there is a fiscal issue for the finance secretary—if she does anything on that—but we think that it needs to be addressed. I think Maxine Smedley talked about the higher property rate earlier.

10:15

Basically, the long and short of it is that retail premises and other types of business that are subject to the higher property rate are paying a slightly higher tax rate than they would on comparable premises down south. About 12,000 premises in Scotland are liable for the higher property rate, and a quarter of them are retail premises. The SNP Government said that it is looking to restore a level playing field by the end of this parliamentary session. It will not surprise you to hear that we think it should move faster. That issue was raised by the Barclay rates review; four or five years ago, it recommended that that be in place by 2020.

**Colin Beattie:** Okay. Martin—would you like to comment? Bear in mind that nobody likes to pay taxes—this is a question of how we collect the taxes—and that Governments everywhere are under pressure on their revenues.

**Martin Newman:** Absolutely. I have a couple of things to say, and I want to address that issue. This tax works a bit like the way in which landlords

charge for their leases. If we are going to charge a tax based on the property value—which is, ultimately, the long and short of business rates—we impede the opportunity for reuse of spaces by other retail categories.

We do not have a lot of big department stores any more, so a big store could be repurposed to sell a product at a much cheaper price point. It might be occupied by an independent business or by lots of independent businesses. The current system stifles opportunities to repurpose those stores. If we tie the tax only to the value of the property, we will make it far too onerous for smaller businesses to set up their business on the high street, whereas if we find a way to tie it to what they are selling, profitability and sales, we can create a fairer environment in which those spaces can be used by a broader range of propositions and brands.

If you do not mind, I would like to address the fair work question, because I did not get a chance to talk about that and I am quite passionate about it. I started my career in retail 40 years ago, which I know you will be surprised to hear because I look 28, in my father's retail optical practices in and around Glasgow—sunny Paisley and other places. Retail used to be a career. I do not believe that it is a career for most people who start on the shop floor now, and one of the gaps is that we probably do not do enough to train and develop our people.

I celebrate the Co-op and other brands that are paying people the right wage, but we need to go further than that. In the past, when you entered the retail sector, you could see that there was a career ahead of you, that you could succeed and go into other roles and that the business would take the time and effort and meet the cost to invest in you. Rather than looking at things like the apprenticeship levy, how about we start putting money aside—be that from retailers or from Government—to encourage learning and development for people in retail businesses so that they start to see retail as a career and not as something transient, which most people today see it as.

**Colin Beattie:** Can I ask Maxine Smedley how non-domestic rates should be reformed? If that is the correct route to go down, how would you see it happening? There are obviously difficulties in having an turnover tax in relation to retail. Equally, a lot of people would argue that a property-based tax of some form is still the fairest. Maxine, how do you see it going?

**Maxine Smedley:** I am definitely not the expert on business rates; David Lonsdale's answer was probably more comprehensive than the one that I will give. However, I emphasise the point that I made earlier about large retailers being subject to the higher property supplement. Obviously, being

a UK-wide business, that means that we have much higher rate bills in Scotland, and—given that we have a number of properties that fall under that bracket—that has an impact on us.

We definitely welcomed the business rates relief that was provided during the pandemic, but the reversal of that only adds to the operating costs in our town centres. We have spoken quite passionately about how we can support our town centres.

Overall, if we could just lower the burden of rates, bringing that higher supplement into parity with England, that would support our recovery. I am not an expert on what we should do instead of that, but that is definitely what would have the biggest impact on us as a business. David Lonsdale has given a wider answer on retail as a whole.

**Colin Beattie:** Paul, do you want to quickly comment on that?

**Paul Gerrard:** I will just make three points. In the past 10 years, we have seen a 45 per cent increase in real terms in our rates bill—in our rates liability. As David Lonsdale said, that is not sustainable—

**Colin Beattie:** Is that across the UK or just in Scotland?

**Paul Gerrard:** That is in Scotland. There is an increase across the UK; it is a slightly bigger increase in Scotland. There has been a 45 per cent increase in Scotland in the past 10 years, partly driven by the revaluation, because we have a lot of large stores, and partly driven by the lack of transitional relief.

Secondly, you asked about possible reforms. I find it peculiar—and I spent my 20 years in the UK civil service mostly in and around the Treasury—that the rates system penalises investment being made in stores. For example, if we put an ATM in a store, that increases our rates bill. If we put closed-circuit television in a store to protect customers—I gave evidence on violence against shop workers in support of Daniel Johnson's member's bill on the protection of workers—that increases our rates bill. It seems peculiar to me that making investments in a store, and in the assets of the community in which that store is, attract a greater rates bill.

Thirdly, we absolutely have to pay our fair share—I agree. However, at the minute, there is a really uneven playing field, with bricks and mortar businesses such as ours and Boots paying business rates and online businesses paying virtually nothing. Something needs to be done to level that playing field between online and physical retail, which is why we welcome the idea of an

online sales tax that is hypothecated to reduce the business rates burden on physical retailers.

**The Convener:** I will bring in Alexander Burnett, as he is planning to ask about online sales, which Paul Gerrard has just mentioned.

**Alexander Burnett (Aberdeenshire West) (Con):** Thank you, convener. That leads nicely to my question. As Paul Gerrard mentioned, one solution in relation to plugging the gap for any reform in non-domestic rates and levelling up the retail playing field is a digital sales tax.

I think that you mentioned that your online sales have jumped from £4 million to £200 million. I do not know whether you will be able to share any detail on margins and profitability to give an idea of what scope there is in relation to a digital sales tax, but would you like to expand on the prospect of an online sales tax and also touch on some of the problems that might arise in trying to implement it? You talked about click and collect, where there is a crossover, with people buying stuff online but collecting from physical stores.

**Paul Gerrard:** We have certainly seen our online business increase rapidly since 2019. As you say, it has gone from £4 million to reach £200 million last year and it is expected to grow further. I will not go into margins and so on in a public environment, if you do not mind.

What I would say is that how that online business is fulfilled is quite varied, particularly in Scotland. In some places, Deliveroo and Gophr do the last mile; sometimes, we do it ourselves. In more remote communities in Scotland, it is often a delivery service by the Co-op, so there are lots of different mechanisms for that.

We are not alone in this; a number of big retailers in Scotland and across the UK are in favour of an online sales tax. Again, as I said, I spent 20 years in and around the Treasury in London, so I have some idea about how you construct a fiscal regime. You can have bare minimum levels; you might want to exclude click and collect because it uses a physical building. There are ways to manage it. I think that that is what the consultation that the Treasury in London is running at the minute is about. However, there are ways to construct this that will enable a revenue-neutral approach by raising money at a relatively low level—2 or 3 per cent on online sales—in order to reduce the rates bill by probably 20 per cent.

That would level the playing field between online and physical trading. Importantly, given the subject of the inquiry, it will protect physical town centres. We have seen during Covid how important those physical communities are. The convener said that the committee was in Dumfries, so you will have seen that. Levelling the playing field will help to

protect those physical communities. I understand the fiscal pressures that all Governments are under. This could be done in a revenue-neutral way by creating an online sales tax with de minimis levels and some exclusions to hypothecate a reduction in business rates. It is not only the Co-op group that supports that; a number of big national and Scottish retailers are also in favour of it.

**Maxine Smedley:** As Paul Gerrard said, there is a need to recognise multichannel businesses. It is not a case of one thing or the other—it is not bricks and mortar or online only. We have seen a drastic increase in our online sales; they are double what they were two years ago and now represent 15 per cent of our total sales. We expect to see that trend continue.

Similarly, in some locations, we have begun offering a within-the-hour delivery service with a partner to ensure that we are meeting consumer demand.

We still see a need for the retail experience. The future will definitely be omnichannel. In that context, any debate should be really carefully considered. We would support an online sales tax only if it levelled the playing field and reduced the overall burden of taxation in the retail industry. We need to avoid a situation in which multichannel retailers have an increased burden and should look instead at commensurate business rates reductions.

Because we operate across the UK, we would prefer a UK-wide decision and we are engaging with the Treasury to assess the pros and cons of introducing an online sales tax.

**David Lonsdale:** I will reel the film back slightly. As I understand it, a number of premises and sectors are exempt from the rates system for laudable and understandable reasons and—going back to an earlier question—there are also various rates reliefs. As I understand it, a minority of premises pay the majority of business rates. I think the Barclay review of business rates had some statistics on that.

The review of the town centres action plan that was led by Leigh Sparks talked about other parts of the economy that are also going through profound digital change. The review made reference to businesses such as Airbnb and Uber taxis. Retail is not the only sector that is going through change.

We are in the process of collating member input and views on the Treasury's consultation. The closing date is 20 May. We are bringing members together and will put in a response. I have had a look at the consultation. There are 40 questions about the scope, design and potential impact of an online sales tax. There is a heck of a lot involved

in that nowadays, when ordering a coffee online and going into a cafe to pick it up might conceivably be liable for those duties. There are also issues about how that fits in with the current cost of living.

It is a bit early to say, as we have yet to put in a full response, but my sense is that there is a diversity of views in the industry on the issue; there is not really a consensus. I am happy to share our submission with the committee once we have finalised it. There is alignment and a consensus that property taxes should be reduced.

10:30

It strikes me that the Treasury consultation includes an explicit tie to cutting business rates. However, that applies to England. As I understand it, if the tax was introduced, the receipts for it would be Barnettised for the three devolved Governments. I have read the Scottish Government's "Framework for Tax 2021" and the town centres action plan that was published a couple of weeks ago, but there is no mention in them of what would happen to the receipts. Paul Gerrard said that the money would need to be used to cut business rates, but I am none the wiser from reading those two documents as to what would happen with the receipts north of the border. I think that I am right in saying that the SNP manifesto made reference to using the cash to support city centres and, perhaps, town centres but it would be useful for the committee to get some clarity on that.

If there was, indeed, a digital tax, would the revenues be committed to cutting business rates north of the border? What would that reduction in business rates look like? I guess that people such as Paul Gerrard and Maxine Smedley would be keen that their firms—larger firms—would be recipients of that reduction but, if I can be so bold, convener, that is something about which the committee could ask ministers over the coming weeks.

**Gordon MacDonald (Edinburgh Pentlands) (SNP):** I will ask about how we tackle the blight of empty retail units. We have already identified one issue, which is absentee landlords, and Martin Newman touched on some of the topics that I want to ask about, such as commercial leases. What are the stumbling blocks in commercial leases that prevent premises from coming back into use? Another topic is the town planning classification system. What changes need to happen to local development plans?

I ask you to respond first, Martin, and highlight what needs to change in commercial leases. You mentioned that you would like there to be turnover-related leases. Many companies are tied

into leases at the moment, so how do we unblock that situation to bring property back into use?

**Martin Newman:** We need to consider shorter-term leases. We need to do what we can to encourage landlords to recognise that the days of being able to get somebody to commit for 10 or 20 years are gone.

The question is how we enable other retailers to have pop-ups, for example, to use the space for a temporary period. That approach has increased. It is a great way of encouraging larger businesses to take smaller-format stores and to encourage independent retailers who, historically, might be reluctant to move from the one or two stores that they have because of the onerous nature and cost of taking on additional leases. If we can make such spaces available on short-term lets and leases, and if landlords provide that flexibility, they will find that they fill those spaces much more quickly and for longer. However, we need to help landlords to understand that the days of 10, 20 or 25-year leases are gone.

I am not massively close to the planning consent side, but we should do anything that we can to ensure that spaces can be readily made accessible to brands, whether they are retailers or food and beverage businesses. We have seen a big increase in gyms, fitness centres and other health and wellbeing businesses opening up on our high streets. Anything that we can do to encourage those other sectors to take vacant spaces, to make it easier for them to do so and to remove as much red tape as possible—which also helps the landlord to make the spaces available—will be the way to go, because the more quickly we fill them, the more quickly we encourage people to go back to the high street.

The problem is what has happened in the past five years. In certain town centres, when more than one or two, or three or four, spaces are empty and vacant, people suddenly stop going to that part of the high street and it becomes difficult to convince them to come back. It is important that those empty spaces are filled and that we make it as easy as possible for the landlords to fill them.

**Gordon MacDonald:** I want to bring in Maxine Smedley. In recent years, Boots has closed a number of stores across the UK. What difficulties has it had in getting out of those leases? Boots has talked about town planning needing to be "more agile". Will you expand on what was meant by that?

**Maxine Smedley:** On closures, like any business, we constantly review the locations that we are in, and the leaseholds would definitely be a factor in that. We have certainly seen changes in our consumers from a pharmacy and a retail perspective. In Scotland, we have not had a huge

number of closures, which is encouraging, and we have definitely been able to protect our businesses with some of the things that I talked about earlier, such as online shopping and warehouses.

I am sorry, but what was the second part of your question?

**Gordon MacDonald:** In the written evidence that Boots submitted, it said:

“town planning needs to become more agile”.

Will you expand on what was meant by that?

**Maxine Smedley:** Essentially, it is the point that I alluded to earlier: there is no one size that fits all. We are represented in almost every town centre, but there needs to be a recognition that retail has already moved away from some town centres, so out-of-town or edge-of-town locations can be just as big a focal point. The issue is how we are able to influence that at the local level.

Earlier, I alluded to how we approach the issue in a diverse way. We have certainly tried to diversify within our four walls, and we are looking at different opportunities to become an anchor in communities. We have the ask for ANI—action needed immediately—initiative, Macmillan Cancer Support for cancer patients, and hygiene banks. There are lots of reasons why people would come to us other than for shopping. The question of how we can encourage more of that in our town centres and more understanding of the third sector or different reasons to come in is really important.

**Gordon MacDonald:** My next question is for David Lonsdale. How can we change the planning system and the consent system? The City of Edinburgh Council has more than a dozen classifications. How can we encourage use of empty premises when there is a long-winded and expensive process to go through?

**David Lonsdale:** I must admit that the planning system is not my area of expertise. However, as Martin Newman said, the more things we have that can make it easier for businesses to trade and take up the opportunity to trade the better.

We capture quarterly data on shop vacancies. The most recent figures, which cover the tail end of last year, have improved, but that was in the lead-up to Christmas, when there are more pop-up shops and all the rest of it.

I go back to the point that I made earlier about building standards and building control. I regularly hear from retailers about whether we can make the approach more flexible and less time consuming to get permissions, consents and building warrants in order to get stores up and running as quickly as possible and generate revenues.

The planning system has been raised with me less in recent years because, although there are retailers that are expanding their property footprint, that is perhaps happening less so than it has historically. There was the space race, as it was called, maybe 10, 15 or 20 years ago, but those days have somewhat ended. Ultimately, we are looking for a system that is flexible and able to respond to changes.

**Fiona Hyslop (Linlithgow) (SNP):** Good morning, everyone. I, too, am interested in buildings and their use. When we were in Dumfries, we were very struck by the fact that it is a large town, but there are vacancies across the second and third floors of all the retail premises, whether or not they are filled. If we want people to live and work in town centres so that they get a great experience as customers on the doorstep, how can we tackle vacancies above the first floor?

I will go to Maxine Smedley first. What has been the experience of Boots stores? What is done with the properties in our towns that have second or third floors? Just-in-time supply means that properties that have previously been used for storage do not need to be used for that. What is preventing you from helping or enabling those properties to be put to residential use? It might now be in your interest for those to be used if you want people to live in town centres.

**Maxine Smedley:** Our properties are primarily leasehold and so in most locations that would be a landlord issue. However, I recognise the point in your question that we have retail units that are overspaced. For example, Dumfries has two floors and we open both as retail units, but there are also large staff areas.

What we have done with our online business really brings that to light. I do not know who mentioned dark stores earlier; we do not operate dark stores, but we have online warehouses in some of our retail units. That is within our control. The biggest issue for us is where we have adjacent properties—properties above our units—that are leasehold and are, unfortunately, outwith our control. In our estate, where there is the opportunity to do so, we have diversified into online warehousing. We have had huge success in doing that.

**Fiona Hyslop:** Martin Newman, can you talk us through the implications for absentee landlords that we are able to contact and leaseholds? Is there any creative way of incentivising the use of those upper spaces that would benefit the retailers underneath?

**Martin Newman:** From a retailer point of view, bearing in mind what I said at the get-go—*[Inaudible.]*—otherwise why do we go there? It is fine if it is more convenient because that is where

we live, but if it is more convenient to buy online, we will buy online.

Maxine Smedley talked about the use of stores for click and collect and as fulfilment centres. That is one thing, but perhaps we should make them more experiential. If I were Boots, I might be thinking about creating events on the upper floor of the store. Maybe I would clear some of the floorspace and get people in to talk about health and wellbeing, and I would encourage customers to come and spend some time there to learn more about how they could improve their health and wellbeing through vitamins and supplements and all the other great products that Boots sells.

We need to ask what we can do to turn those environments into places where people want to go and spend time. That is what I would be doing, because that encourages people to come back, it encourages dwell time and people will spend while they are there. I do not know what landlords could do to contribute to that, but I am certain that they would be interested in that—even if it were a pop-up—if they thought that it was a concept that would encourage footfall and had a service-led proposition.

Traditionally, retail was about selling stuff. In the future, it has to be much more about being a service provider, as well as selling the products that we want to buy. We need to take a more holistic approach by thinking what we can wrap around the products that we sell to make it a more engaging experience for consumers.

**Fiona Hyslop:** To be fair to Maxine Smedley, she explained what Boots was doing with Macmillan and others in relation to service provision.

David Lonsdale, can you future think about this, too? I know that people are focused on running their businesses and are under a lot of pressure, especially given that the cost of living crisis might affect people coming into their businesses. If we want our town centres to be places where people will spend time, is there anything that can be done with landlords to enable that to happen? Your membership may have little influence on that, but they have an interest. Is there something that we can do collectively to bring back vibrancy to our town centres, above the first floor? What is preventing your members from doing that?

**David Lonsdale:** We talked earlier about the various strategies, and at the heart of those strategies is the issue of collaboration between the various public and private stakeholders. I hope that that will be taken forward. An industry leadership group will be set up under the retail strategy. I am not fully aware of how that will be made up and I am also not sure whether there will be an equivalent group for town and city centres.

We support there being more people living in the spaces above shops. There is a broader question about what it means for public services if more people live in our towns and city centres. Will it help the schools, general practitioners and so on to survive and have sufficient customers, for want of a better phrase? Would we need additional capacity in public services?

10:45

Martin Newman has talked about retailers using those spaces. In the years leading up to Covid, experiences, events or even theatre were talked about as one of the great hopes for the industry. Of course, that has been somewhat kiboshed by Covid, because we have tried to avoid bringing people together. Nevertheless, two or three weeks ago I visited a well-known book retailer, which is restarting its programme of authors' book talks and music nights in its upstairs space. Pre-Covid, a very prominent department store here in Edinburgh was having cinema nights. Who knew? There are many such opportunities, and Martin Newman is right to suggest that businesses need to think more holistically about that sort of thing.

At the same time, Ms Hyslop, you, too, are right. Given the travails of the past couple of years, the response to the rules and regulations around Covid, the ways in which retail is changing and attempts to grapple with all the pressures at the moment, I would say that the one constant for the industry over the past few years has been enormous disruption and change from the on-off of Brexit and no deal, the beast from the east, the rise of online retail, the Covid pandemic and now the cost of doing business crisis and the cost of living crunch.

It has been absolutely relentless, and trying to do more over and above providing a quality service and quality prices is frankly challenging for most retailers. However, I am sure that, if they had the opportunity to lift their eyes a bit, they would be up for taking up the ideas that Martin Newman has articulated.

**Fiona Hyslop:** What about your members' relationship with landlords? What is your overview of the pattern of activity of landlords of and investors in properties occupied by your retailers? They might have been sitting on properties for a long time, because they thought that they would sell for a higher price in the future, but that prospect has perhaps diminished more than ever. What are your members saying about that?

**David Lonsdale:** One of the early challenges of the past two years was the fact that large swathes of the industry were not able to open, because of the national effort to combat the Covid virus. We had a couple of Scotland-wide lockdowns and

local lockdowns in west central Scotland, and a lot of so-called non-essential retailers—I hope that we do not go back to that terminology—could not open and were unable to trade. They did not have any revenue, and they had to look to their landlords for a delay in or deferral of rent payments, let alone look to Government for rates support. Actually, the vast majority of the feedback that we got from our members was that landlords were up for those discussions. Obviously, some were less keen, but my understanding is that in the majority of cases landlords have been flexible.

Of course, part of the challenge now is that retailers are having to pay back the rents that were not paid during the period when they were unable to trade. Given the plethora of costs and cost pressures from taxes and regulations from Government to supply chain pressures and commodity prices, those payments only add to the mix of the current challenging situation. However, I understand that the vast majority of landlords have been good to work with; they understand the pressures facing the industry and want to get a good resolution at the end of the day. I also think that some of the processes for resolving some of these difficulties have been changed at UK level.

**The Convener:** I call Michelle Thomson.

**Michelle Thomson (Falkirk East) (SNP):** There always seems to be a bit of serendipity when I am last to ask a question, as a panellist inevitably leads on to the area that I want to explore. David Lonsdale has just done so this time.

David, this question is for you and perhaps Martin Newman. Having listened to the discussion, I have been struck by the many different areas where we have touched on the wider economic macroenvironment, which, as we are aware, is facing significant challenges.

I read a paper on the KPMG/Ipsos Retail Think Tank website that quotes Ruth Gregory and discusses the level of consumer debt and how much it rose in quarter 1 of this year. I will perhaps put my question to David Lonsdale and Martin Newman initially, but other panellists may also wish to comment. Have we reflected the challenges for consumers enough in the terms of reference and scope of our inquiry, given what we have heard about the energy crisis, the cost of living crisis, Brexit starting to hit home, wage depression and so on? It is all very well to have grand ideas and reflect on business owners but, if consumers do not have money to spend, we need to factor that in as well.

I see Martin nodding. Perhaps he would like to comment first, as the paper that I mentioned is on his website.

**Martin Newman:** That is a great point. David Lonsdale articulated those points very well. There has never been a harder time. Retailers are incredibly squeezed, but we all need to do everything that we can to support people at this time. Unfortunately, when times get tough, the least well off are often the hardest hit. We need to look at that and address it.

Interestingly, we have never saved more money than we have during the pandemic. Many of us were not going into the office or into work, and some of that pattern of behaviour has continued with the hybrid working-from-home model. Household savings have been significantly higher than they have ever been previously. However, my instinct is that, because of the massive concern about the cost of living increases, energy costs, supply chain issues and everything else, which is not just media hype, people are squeezed and they are reluctant to tap into that money. Certain pockets of society have access to cash, but they will keep it for emergencies. They might well need it to pay their fuel bills over the next year or two.

We need to look at everything that we can do to help people because, at the end of the day, they need our help. There are a lot of marginalised people in society who are living below the breadline and cannot afford to put food on the table. What can we do to help them? What can retailers do to give back to the neediest?

**Michelle Thomson:** I suppose that fiscal drag is going to kick in as well. I am probing whether we have considered that enough in the visioning that we do on town centres. I agree with what you have said about multi-unit flexibility, a move away from full repairing and insuring leases and so on, but there is a cost associated with that flexibility for retailers. Quite often, the business model that they choose to adopt is to target a certain sector or socioeconomic profile. I am trying to join the dots between the complexity of that and the cost, because that represents a risk for retailers when we have these challenges for certain sectors of our society.

**Martin Newman:** You are absolutely right. There will be fiscal drag, and the big unknown—the million-dollar question—right now is how long we will have that for. We do not know the answer to it. My instinct is that we are in a two-year cycle. I hate to be pessimistic, but I feel that we are probably going to be in this position until the end of next year. I probably see a brighter time from 2024 onwards. I believe that Ruth Gregory, my colleague on the Retail Think Tank, has forecast increases in interest rates until October this year, which will automatically have a further knock-on effect for consumers.

I would not necessarily change what I have suggested because, at the end of the day, we are

going to come out of this. There is often opportunity for retail businesses in times of adversity. In a number of cases, retailers have pivoted really well during the pandemic because they had to fundamentally change their business models and rethink. They asked what the use of stores is if they cannot let people in, and they started to use them for the fulfilment of products more locally.

Retailers are adept at adapting to changes. However, it is important that they put in place now the building blocks that will put them in a stronger position when we come out of the current economic crisis, however long it happens to last for.

**Michelle Thomson:** Do David Lonsdale or our other panellists have any final comments? Are there things that we have not had a chance to discuss today? Given the economic crises that we are facing across a range of areas, is there anything else that it would be useful for the committee to hear?

**David Lonsdale:** There are a heck of a lot of things that I could mention, but I will pick just a couple. I think that I said early on that the data that we publish shows that, last month, retail sales in Scotland were back up to pre-pandemic levels for the first time, although I caveated that by saying that there is a big question mark over what consumer demand will look like going forward.

We also publish a shop prices index each and every month, and shop prices are at their highest level for 11 years. They are up by, I think, 2.1 per cent. That is quite modest compared with overall inflation, but it is obviously in retailers' interests to try to keep prices down in order to attract customers. As Paul Gerrard said, inflation is a touch higher when it comes to grocery retailing, because of its nature.

I would probably err on the more optimistic side, in that retailers at least have the ability to trade at the moment, and they did not have that for large swathes of the past couple of years. As we have seen over the past couple of years, they are a pretty resilient and agile bunch. They are good at responding quickly to not being able to trade and open their shops. They have gone online and found new and innovative ways to reach their customers.

In that sense, I am pretty optimistic, but Martin Newman is absolutely right: it is going to be another difficult period. Just as consumers have debts, as we talked about a moment ago, retailers are trying to pay back the deferred rents that they have accumulated over the past couple of years. There were also various tax deferral schemes and Covid loan schemes with fancy names that I

cannot remember off the top of my head, and retailers are also having to pay that money back.

I round off with a plea to the Governments and Parliaments here and at Westminster to give the industry a bit of a chance and a breathing space over the next couple of years as it tries to recover and get back to some sort of health.

**The Convener:** Thank you. Given that the issue was raised right at the end of our session, if you would like to add any comments about the cost pressures that have arisen due to the pandemic, please send them to us. That will be helpful.

I will bring the session to a close. I thank the four members of the panel for their contributions, which are very much appreciated. We will have a brief suspension before the next panel comes in.

10:57

*Meeting suspended.*

11:04

*On resuming—*

**The Convener:** I welcome our second panel: Ruth Boyle is policy and parliamentary manager at Close the Gap; Joanne Cairns is head of research for the Union of Shop, Distributive and Allied Workers; and Bryan Simpson is industrial organiser for Unite Hospitality. I ask members and witnesses to keep their questions and answers as short and concise as possible.

I will ask the first questions, which I will address to Joanne Cairns. Will you outline the impact of the pandemic on retail workers? How has retail changed in recent years? Will you also give us an idea of the size of the sector in Scotland? I think that the Co-op Group said that it employs 7,000 workers in Scotland. Will you say a wee bit about what the sector looks like in Scotland?

**Joanne Cairns (Union of Shop, Distributive and Allied Workers):** Thank you for the invitation to give evidence. As is recognised in the Scottish Government's strategy, the retail sector is a very important employer. In Scotland, 240,000 people work in retail. It is the largest private sector employer, and it employs large numbers of women and young people in particular. Across Scotland, USDAW has about 40,000 members, the vast majority of whom work either in the retail sector or in a closely related sector such as transport and distribution.

The future of the retail sector is obviously very important to our members. The pandemic has had a big impact on them, pretty much wherever they work. For our members who work in non-food retail, the lockdowns and the shift to online retail as a result of the pandemic have had an impact on

their job security in a number of cases. The committee will be aware that we lost household names such as Debenhams, in the Arcadia Group, from the high street in 2020 and 2021. In Scotland, 15 Debenhams stores closed, which led to about 700 direct job losses. However, those anchor stores in town centres often contribute to footfall, so their closure has a wider impact.

Figures from PWC show that four shops closed every day in Scotland in 2021 and that there was a net loss of 751 stores during that year compared with a net loss of 652 stores during the previous year. Closures therefore accelerated.

A large number of our members continued to work throughout the pandemic, because a large number work in essential retail and were therefore key workers. As the committee can imagine, that was extremely challenging and difficult for many of our members. One of the worst aspects for our members was an increase in violence and abuse. Their having to implement social distancing measures and face mask requirements, and their having to deal with product shortages sometimes, often led to customers taking out their frustrations on them, as shop workers. That has been, and continues to be, a major challenge—it is not solely pandemic related, although that exacerbated it. There continue to be flashpoints for violence and abuse, particularly around age-related sales, for example. That continues to be an issue for our members.

**The Convener:** Thank you.

Joanne Cairns referred to job losses in the sector due to the closure of some large stores. Ruth Boyle, will you talk about that and about the changes that we are seeing in the sector? In relation to jobs, in which areas are we seeing growth and in which areas are we seeing reductions?

**Ruth Boyle (Close the Gap):** Thank you very much for inviting Close the Gap to give evidence. I am delighted to be here.

As we have heard from this morning's session, the pandemic exacerbated existing trends in the retail sector. We have seen growth in online sales as a percentage of overall sales. We are also interested in how the pandemic might interact with automation in the sector.

Joanne Cairns highlighted some of our concerns about the increase in harassment that was experienced by workers during the pandemic.

Research by USDAW highlighted that there were issues for pregnant women and women on maternity leave in the sector during the pandemic. The research found that there was a lack of understanding among employers about pregnancy and maternity rights, and a failure to conduct risk

assessments or find appropriate alternative work for workers.

One of the pivotal structural shifts that Covid has exacerbated relates to online sales. The rise in online sales means that it is likely that there will be a decline in the number of customer-facing roles, the majority of which are held by women. The labour force survey data for September 2021 shows that women accounted for 64 per cent of sales and retail assistants and 73 per cent of retail cashiers and check-out operators. Those roles are on the shop floor and involve interaction with customers. Although the number of such roles is likely to decline, we are likely to see an increase in the number of new roles around logistics and fulfilment, and in the number of technical roles associated with online retail. Those roles are more likely to be held by men. In the longer term, that might change the overall gender breakdown of the sector. At present, more than 60 per cent of the retail workforce is female. However, over time, that might change.

Given the changing nature of work in retail, we need gender-sensitive upskilling and reskilling support for women who are at risk of job disruption. We need skills support to allow women to move into high-growth jobs in the retail sector. We also need support for women who might have to leave the retail sector because of the decline in the number of jobs.

As Joanne Cairns outlined, prominent stores such as Debenhams, in the Arcadia Group, have closed. Some retail store closures were anticipated, but the pandemic definitely sped up that process. Across the UK, 25,000 jobs were lost in Debenhams and other Arcadia stores alone. Estimates claim that about 80 per cent of those jobs were held by women, which means that the closure of those stores alone resulted in the loss of about 20,000 jobs for women. That underscores the point that women's jobs in retail are disproportionately at risk from the rise in the prominence of online retail. Overall, the rise in online retail is likely to create jobs for men but result in job losses for women.

The British Retail Consortium estimates that about 60 per cent of jobs in retail are at risk due to automation, and the Office for National Statistics estimates that about 65 per cent of retail cashier and check-out operator time could be automated. Again, those jobs are more likely to be done by women.

There are concerns that Covid might have increased the pace of automation in the retail sector, because history shows that automation tends to happen in bursts, often in the waves of economic shocks. In the context of the Covid crisis, consumer preferences might have changed as a result of social distancing and the fear of

contracting the virus. For the foreseeable future, consumers might come to prefer automated services as opposed to face-to-face interactions. That means that businesses now have an incentive to invest in new technologies that perhaps did not exist before.

For retail workers, there is a high outflow into unemployment, which has real implications for our employability and skills provision. We need to think specifically about how those policies and interventions are meeting women's needs. We know that generic interventions merely reinforce occupational segregation and women's disadvantage in the labour market. Given that women's employment in retail is disproportionately at risk because of those structural shifts and labour market changes, we need to ensure that our policies are meeting women's needs.

We also know that low-paid workers are more likely to be in in-work poverty. Indeed, women across Scotland are more likely to experience in-work poverty than men. Given that retail work is low paid, women are less likely to have savings to fall back on if they experience disruption to their working hours or their earnings. Not only does that have implications for women's financial security but, given the close links between women's poverty and child poverty, it could have implications for Scotland's ability to meet its child poverty targets. Covid has exacerbated pre-existing trends in the retail sector. We are concerned, because those trends are likely to hit women's employment the hardest.

11:15

**The Convener:** Bryan Simpson, do you have anything more to say in answer to that question? Also, David Lonsdale, who was on our first panel, referred to the retail industry leadership group. I got the impression that the membership of that group has not yet been decided. Have the unions been approached? Do they have any knowledge of the retail industry leadership group? Have you been asked to become involved in that?

**Bryan Simpson (Unite Hospitality):** Thanks for having Unite Hospitality here. It is a pleasure to be part of the evidence session.

To my knowledge, which may not be as deep as we need it to be, Unite has not been approached to be part of that group. I have to make a disclaimer and say that I am representing 27,000 members across the hospitality sector. We have not been approached to be part of that group.

Do you want me to talk specifically about how Covid has affected the hospitality sector?

**The Convener:** If you would like to and if you have anything to add to what Joanne Cairns and

Ruth Boyle said. It may be that the industry leadership group is at an early stage and that no one has been invited to take part yet. The committee can follow that up.

**Bryan Simpson:** To demarcate the two sectors, although a lot of people think of bars, restaurants and hotels as being part of retail, hospitality is a separate sub-sector within the Scottish economy. The impact of Covid on hospitality has been very different. I am not going to repeat what the other panellists have said.

Fourth, which is the most trusted data software in the industry, estimates that the size of the hospitality workforce—those working in bars, restaurants, hotels, cafes and casinos—shrank by 26 per cent between 2020 and 2021. That would mean 650,000 job losses across the UK, or 58,000 job losses in Scotland. I am not playing Top Trumps to say which industry has been most affected, but hospitality has undoubtedly been massively affected.

As Ruth Boyle and Joanne Cairns said, low pay is pervasive in the sector: 60 per cent of those in the industry are paid less than the real living wage. There is continued precarity: 25 per cent of those in the industry are on zero-hours contracts, which is three times the national average. The recruitment crisis that began with the reduction in the migrant workforce post-Brexit has continued and was massively exacerbated by Covid. On top of the cost of living crisis, we see a lot of workers not being able to make ends meet because they do not have hours and a wage that they can rely on.

I am conscious that we are short of time. I will leave it there but point out that we represent the hospitality side of the retail sector.

**Fiona Hyslop:** I thank members of USDAW and Unite for what they did during Covid.

Your members will be very close to customers and will have a view. Because of your role as industry leaders, they will inform you about what the sector will have to be like if we want to see vibrant town centres with vibrant retail and hospitality businesses. Other committee members will ask about your members' experiences; I will give you an opportunity to talk about what the ingredients would be and how you see the future of town centres. I put the question to Joanne Cairns and then to Bryan Simpson.

**Joanne Cairns:** One lesson that we learned from the pandemic was about the importance of retail in our communities. For many people, the shops that were able to stay open provided the only interaction that they had with anyone during the pandemic. Retail has a role as part of the community and is a major employer in many areas. It improves intergenerational

communication, reduces isolation and brings communities together, which is extremely important.

We need to have a town centre strategy and, more generally, a retail strategy that values the importance of face-to-face interaction—supporting experiential retail and investing in customer service skills and a skills framework for retail workers because, often, retail workers are overlooked when it comes to training opportunities and skills.

More emphasis needs to be put on the importance of dealing with a human, because we know that that is still very important to a lot of people. As much as there has been an increase in online shopping, many people still prefer to deal with a human being and to see somebody. According to a study that Deloitte digital Scotland released last year, 46 per cent of customers want to shop on the high street rather than online, and a quarter said that online shopping had not met their needs.

As much as it is important that we look at making our high streets vibrant, at how they will look in the future and at how we will use the space, the discussion often assumes that high street retail is a lost cause, and that we should just look for new uses for our high streets. There is still a role for high street retail and that needs to be at the centre of the retail strategy.

I come back on the retail industry leadership group. My colleague Tracy Gilbert, who is our Scottish regional secretary, is involved in the retail strategy steering group. As far as I am aware, the membership of the industry leadership group has not yet been confirmed, but we are hopeful that USDAW will be involved, and we think that it is important to ensure that there is a worker voice in that group.

**Fiona Hyslop:** Thank you, Joanne. Of course, it is a retail industry leadership group.

Bryan Simpson, we have heard evidence that the experience of town centres matters. I suspect that hospitality is the ultimate when it comes to experience. How do you see that helping our town centres, in the future?

**Bryan Simpson:** I heard positive things from David Lonsdale and Martin Newman about bars, restaurants and cafes being central to a thriving town centre and essential to a thriving high street. Obviously, to succeed, a thriving high street needs to be sustainable—to put money into the pockets of the workers who are customers themselves.

I have looked at the retail strategy. Getting the right change means creating better jobs—first and foremost, real living wage jobs. I am pleased to hear that the Scottish Retail Consortium and

representatives from the Co-op Group support that Scottish business pledge.

In the policy response, we are asked to look at how we would create a living and resilient town centre. First and foremost, we have to pay workers the real living wage and to give them the security that they need. By that, I mean contractual security.

I made reference to how insecure the hospitality industry is for workers: 25 per cent of those workers do not know from one week to the next how many hours they will get. They cannot plan. They cannot get a tenancy agreement for a lease, let alone a mortgage, because they do not have secure contracts.

In order to have a thriving high street and town centre, we need living wage jobs that give the security of guaranteed hours but also the sustainability that comes from giving people promotion opportunities, as someone said earlier, so that they see hospitality as a career, not simply as a job that people do in their twenties while they are at university, before they move on to a career. We want to make hospitality a career for people, and the best way of doing that is for them to be able to make ends meet while doing that job.

**Fiona Hyslop:** Unfortunately, many hospitality venues have said that they cannot open on certain days, because of a shortage of staff. That may be an opportunity to drive up wages, but there is a shortage of chefs or a shortage of labour and, obviously, we have had the impact of Brexit. Are you seeing any change, recently, post-Covid?

**Bryan Simpson:** We have seen a massive change. When, back in October, we surveyed more than 600 chef members, 48 per cent of them said that they had left the industry or would leave it in the next few months. If that were to come to fruition, as it probably has, and 50 per cent of chefs, who receive the highest and longest training, left the industry, it would collapse. What we have seen post-Brexit and now post-Covid is a huge recruitment crisis which, as you have said, is an opportunity to drive up wages. Frankly, the best way of incentivising these workers and attracting the very best talent in the industry is to pay them the wage that they deserve and give them security of contract.

What was the second part of your question?

**Fiona Hyslop:** I am very conscious of the time. I am happy with what you have provided, Bryan, and will hand back to the convener.

**The Convener:** I call Colin Beattie, to be followed by Michelle Thomson.

**Colin Beattie:** I also want to take this opportunity to pay tribute to the retail workers who worked so hard to support us during Covid.

It must have been three or four years ago now that our predecessor committee took evidence on a bill that was going through Parliament to support retail workers suffering harassment, mainly in convenience stores and so forth. Joanne Cairns has already touched on the issue of age-related harassment, but the idea was that strengthening support for retail workers in that way would reduce the harassment that they were encountering. How big an issue is this still? Has there been any improvement? I realise that the distortion of the Covid period might make it a wee bit difficult to tell, but has there been a reduction in harassment in the retail and hospitality sectors?

**Joanne Cairns:** Thank you for raising that issue which, as I have said, is extremely important for USDAW.

The Protection of Workers (Retail and Age-restricted Goods and Services) (Scotland) Bill, which was introduced by Daniel Johnson MSP, was a great step forward in recognising the impact of abuse and violence against shopworkers by making it a standalone offence, and in the first three months following its enactment, almost 300 cases of abuse were reported to the police. However, there is still a massive problem with underreporting, because retail workers do not believe that they will be taken seriously and there is also the idea that it is just part of the job. What we are trying to make clear to customers and staff is that violence and abuse are never acceptable.

According to our most recent survey, 90 per cent of shopworkers experienced verbal abuse at work last year, 64 per cent were threatened by a customer and 14 per cent were physically assaulted. Harassment is still extremely prevalent and there is still much more that needs to be done. However, the Protection of Workers (Retail and Age-restricted Goods and Services) (Scotland) Act 2021 is an important step forward.

**Colin Beattie:** Has the legislation had any impact?

**Joanne Cairns:** We have not had the opportunity to assess that. The survey results relate to 2021, and we are hoping to do some more survey work later in the year to get a better picture of the situation.

**Colin Beattie:** Bryan, would you like to comment on the situation in the hospitality sector?

**Bryan Simpson:** It is a good question, and I echo what Joanne Cairns has said. After getting the right wage and security of contract, the third biggest issue for hospitality workers is the abuse that they have to face. The harassment is not just verbal or physical; it is also sexual in a lot of cases. In a similar survey that we carried out of 1,200 of our women workers in bars and restaurants, 87 per cent said that they had

experienced sexual harassment during the pandemic. We have therefore launched the get me home safely campaign, which looks primarily at getting workers home safe past 11 o'clock at night and after the last train or bus has left. We are lobbying local authorities to ensure that licensing objectives allow or encourage employers to pay for transport home, for example. We are pushing for proactive sexual harassment policies not only so that women and men are protected in the workplace from the moment that they step into it but so that they can get home safely at night.

Harassment is a huge issue and will continue to be so. It is not only a Covid issue but will continue in an industry that is, to be frank, fuelled by alcohol and within which there is sexism. It is still a big problem.

11:30

**Colin Beattie:** Ruth Boyle, is there anything that the Scottish Government should do that it is not doing now to improve the situation in respect to harassment?

**Ruth Boyle:** I am glad that Bryan Simpson raised the issue of sexual harassment. At Close the Gap, we have a particular interest in the experience of sexual harassment of women working in retail and hospitality settings. A 2019 survey by USDAW found that 70 per cent of women who worked in retail had experienced sexual harassment at work. That is concerning, because sexual harassment is a form of violence against women. It is a violation of women's human rights and their health and safety protections. It is also a contributing factor to the gender pay gap.

There are things that the Scottish Government and employers can do better. As Joanne Cairns highlighted, two thirds of workers who had experienced sexual harassment at work did not report it to their employer. That points to negative employment practice around understanding what constitutes sexual harassment and how people should respond to disclosures.

On what retail employers could do, similar to the approach that Bryan Simpson outlined, we have called for employers to develop and implement a robust sexual harassment policy that recognises the gendered experiences of sexual harassment. They should also take practical steps to prevent sexual harassment in the workplace. That might involve building capacity in line managers so that they understand sexual harassment and can respond appropriately to disclosures. It might also involve awareness raising about what sexual harassment in the workplace is. We need that, as we know that there are higher rates of sexual harassment in workplaces where nothing is done,

because it signifies that that behaviour is normalised and will be tolerated.

On actions for the Scottish Government, as outlined, the 2021 act will help protect some workers in certain settings. However, we also need the reinstatement of protection from third-party sexual harassment in the Equality Act 2010. The UK Government has committed to doing that, but there is no timescale for that work. Therefore, there is a clear role for the Scottish Government to work closely with the UK Government to ensure that it happens timeously.

I hope that we will come on to talk about the retail strategy in a bit more detail, but more could be done on harassment, particularly sexual harassment, within some of the initiatives that are announced in that strategy. How will sexual harassment form a core aspect of the fair work agreement, for example, and the wider fair work employer support tools that will support the implementation of that retail strategy? It is a prevalent issue and it is important that we address it as we implement the retail strategy.

**Jamie Halcro Johnston:** I have a quick question for you, Joanne. You talked about the number of cases that have been brought under the protection of workers legislation. I think that you said that it was 300. What were the outcomes of those cases? How many convictions were there? Did they progress enough?

**Joanne Cairns:** I am afraid that I do not have any further information on that. That information is from a report that was published by, I believe, the Scottish Business Resilience Centre. It did not go into detail about convictions, but we will certainly follow up on that and watch it closely.

**Michelle Thomson:** Good morning, panel. It is nice to see you all.

My question follows on from our discussion of sexual harassment. I will focus on the gender pay gap, into which we had some insight in your introductory remarks. I would like to understand the situation a bit more. We can all see that a lot of work is being done on it, such as the Scottish Government's "A fairer Scotland for women: gender pay gap action plan", but I am interested in understanding what more practical solutions can be implemented, specifically by the Scottish Government, bearing in mind that there are systemic issues that are particularly prevalent in retail and hospitality—we all understand that. In other words, give us your bright ideas about what the Scottish Government can do as opposed to measures for which we would have to rely on the UK Government.

**Ruth Boyle:** First, we always ground our analysis on what can be done on the gender pay gap on the fact that the majority of the causes of

the gender pay gap are not unlawful and therefore sit outside of the remit of employment law. However, there are a number of things that the Scottish Government could enact immediately within its powers. We are very pleased with the publication of the first-ever gender pay gap action plan, which highlights the commitment to taking action on the gender pay gap in Scotland. However, that plan is continuing to have to do a lot of the heavy lifting in how we are prioritising action on the gender pay gap.

The retail strategy links to the gender pay gap, but there are no specific actions in that plan that are explicitly designed to promote fair work for women. Merely linking to the gender pay gap action plan is not always the most effective approach, because we know that, when gender is not explicit in the context of a plan, it is rarely prioritised in implementation. On the retail strategy specifically, there are a number of implementation groups and delivery agencies that will be taking forward the actions that are in the plan. However, if they are to look at the document itself, because gender equality is not necessarily a core aspect of the outlined interventions and actions, it will not be immediately apparent to them that gender equality is something that they should be considering in implementation.

To return to the earlier point about the industry leadership group, it would be very positive if there was gender competence on that group, and also the presence of equality organisations, because we are unclear how equalities organisations have, so far, been involved in the retail strategy.

On practical policies that the Scottish Government could implement, fair work is a key aspect of that, and we are very supportive of the Scottish Government's continued focus on fair work in Scotland. However, we recently responded to the consultation "Becoming a fair work nation", and the main takeaway from our consultation response is that the fair work policy framework needs to be better gendered if it is to deliver fair work for women. We would like more prominence to be applied to flexible working as a core aspect of fair work, and to sexual harassment, as I have outlined. We would also like thought to be given to gender-sensitive training and upskilling initiatives. There is continued reliance on pre-existing interventions such as the flexible workforce development fund, individual training accounts and modern apprenticeships, but the design of those programmes is not well gendered, which means that they merely reinforce women's inequality in the labour market.

A key aspect of all that is to adopt gender mainstreaming approaches throughout all policy development. That is a tool to proactively embed gender considerations into the process of policy

making and it is required by the public sector equality duty. However, we do not yet see that being a consistent part of Scottish Government or local authority policy making. As a result, we get gender-blind policy making that does not take account of the differential needs of men and women.

A tool of gender mainstreaming is equality impact assessments, although, as I am sure that the committee has heard on numerous occasions, there is concern about the quality of the equality impact assessment in Scotland. Further, we see the assessments being carried out later and later in the policy process, when the potential for that equality impact assessment to influence policy direction is minimal. Changing the nature of policy making is an important starting point; the second point would be to think about the gender barriers that exist to fair work, which involves looking at women's lives and understanding how they are more likely to be primary caregivers or have multiple caring responsibilities. How does that enable them to involve themselves in training or access employability programmes, for example? It is about understanding the realities of women's lives and how that influences their input into the labour market.

**Michelle Thomson:** You have been very clear and have given a huge amount of information. Can I assume that everything that you have said is more than applicable to retail and hospitality which, arguably, as a sector, is symptomatic of all the issues, both in systemic terms and policy terms, that you outline?

This is my last wee question because I am aware of the time and the convener is giving me a warning look. I think that everything that you have said applies to retail and hospitality many times over. For the record, can you confirm that?

**Ruth Boyle:** Yes, definitely. We see acute patterns of occupational segregation within the retail sector. It is female dominated. We know that women in retail have less access to training. We see that retail work is increasingly precarious, which contributes to women's overall higher rates of in-work poverty and to wider inequality in the labour market. Those issues are absolutely and particularly applicable to the retail sector.

**Colin Smyth:** The Scottish Government's recent retail strategy highlighted the example of Scotmid and USDAW working together. What did that involve and how can we ensure that other retailers, pub chains and food and drink providers can follow that example?

**Joanne Cairns:** USDAW is recognised by Scotmid for collective bargaining purposes. We negotiate pay and conditions for members there, as we do with various other major employers,

including Co-op Group, Tesco, Sainsbury's and Morrisons.

My Scottish colleague Tracy Gilbert has been involved in discussions with Scotmid and in dealing with the issue of violence at work. We have regular consultations with the company about changes to the business. We would like to see a stronger emphasis on the importance of worker voice and engagement coming through in the fair work agreement, as well as an emphasis on the role that trade unions can play and the benefits to both workers and employers. We hope that that will be an important theme of the fair work agreement as it is developed.

I apologise for any background noise: there is some drilling going on outside my office. It is quite noisy. I apologise if that is coming through at your end.

**Colin Smyth:** That is the nature of online meetings. We are used to lots of noise.

Much of the evidence that we have heard so far highlights the fact that the future of our high streets may include fewer big retailers, a lot more smaller independent shops and growing online sales. What does that mean for trade unions, first on the issues of organisation and recruitment and then in supporting the fair work practices that are important to unions?

**Joanne Cairns:** In a number of cases, there have been changes to jobs and agreements in areas where we already organise. For example, we have seen more use of online orders to supermarkets, so we have more members working as dotcom pickers. Where we already have agreements that cover roles in stores or distribution centres where we organise, we can continue organising those groups of workers.

The increase in online deliveries often leads to greater use of the gig economy, which is far more difficult to organise. Those sectors are often not unionised and there are poor working practices, so there are concerns there. As Ruth Boyle said earlier, there are also concerns about the loss of women's jobs in retail as automation increases and employment shifts away from women.

**Colin Smyth:** We are told that the strength of the future high street will come from small independent shops. How successful are unions at organising in those shops, which do not have big head offices to contact or multiple branches across the country?

11:45

**Joanne Cairns:** It can be quite difficult to organise in those smaller retailers but, equally, it can be difficult to organise in bigger retailers when we are trying to gain recognition, because the

process for getting statutory recognition is quite arduous and difficult.

The retail sector changes all the time, but we have recognition in emerging retailers, such as B&M Bargains, and we are seeking recognition in Aldi and Lidl; although those are big retailers, there were not as many of them a few years ago. We are always looking to organise workers, wherever they are, but often people working for smaller employers do not know that they have the right to be a member of a union even if the union is not recognised. It is quite important that people are aware of their union rights—their right to be represented at work—even if they work for a small employer. The Scottish Government could do some more work on that.

**Colin Smyth:** I want to bring Bryan Simpson in on a similar point. Bryan, you mentioned the impact of the pandemic on the hospitality sector through job losses at a time when supporting fair work has probably never been more important. What impact has the pandemic and the changing face of our high street had on trade union representation and the fight for fair work? Has it made it more challenging for you to organise in workplaces?

**Bryan Simpson:** It is certainly challenging. It has been difficult to organise workers during the past two years, but if there is an upside to the pandemic, it has been that we have moved and are able to adapt to online organising. For example, when a very large hotel chain—which shall remain nameless—tried to terminate 95 per cent of its workforce, we very quickly got those workers on to Zoom calls and WhatsApp groups and organised them virtually. Ironically, we would not have been able to do that had we not been in a pandemic; we would have had to go to those workplaces and meet the workers face to face, because, frankly, as Joanne Cairns pointed out, some employers do not recognise unions and in some cases do not recognise the legal right of workers to be in them. There have been many instances when we have not even been allowed to enter hospitality workplaces. If there is one, the upside to organising in the pandemic is that we have been able to adapt quickly to organising online.

I should say that we also organise gig economy workers. For example, Unite is the union for Deliveroo and Uber Eats delivery riders. We have a few hundred across the country who have been able to organise successfully despite the disparate nature of the job. In that sense, technology and the remote nature of the job has actually helped in their organising, because they have been able to organise each other virtually rather than having to meet in person.

**Colin Smyth:** Could any Scottish Government policy enable the strengthening of that organising?

**Bryan Simpson:** Yes. We gave evidence to local authorities and this committee in which we spoke about things such as the union modernisation fund; Unite Hospitality was one of the central focuses of that. The Scottish Government has been incredibly supportive of ensuring that fair work is not only a tick-box procurement exercise, and that it is about reaching out to new workers—such as migrant workers and young women who have never been in a trade union before—and saying to them that a union is not only about going on strike but is about driving up standards and ensuring that people get treated fairly in the workplace.

A lot can still be done. As I said, we believe that the Licensing (Scotland) Act 2005 needs to be changed to put a bit more pressure on employers to adopt and embed the fair work agenda into everything that they do. For example, we believe that a liquor licence should not be given to a late-night venue unless it pays the real living wage and ensures that workers are given safe and free transport home after the last bus or train. Those requirements are very simple and not that costly and would transform people's lives.

**Maggie Chapman:** Following on from Colin Beattie's line of questioning on support for trade unions and their work, I note that I was pleased to be able to spend a little bit of time at the Scottish Trades Union Congress conference in Aberdeen yesterday, when one of the debates was on improving workers' conditions, employment rights and recognition of and support for trade unions.

Perhaps I can come to Bryan Simpson first with this question. One of the challenges that we have is that employment law is not completely devolved. We have voluntary schemes such as the campaign for the real living wage and the Scottish business pledge, but are they delivering for workers? If not, what more should we look at doing, within the constraints of devolved powers, to ensure that all employers take workers' pay and conditions seriously, particularly those of the hospitality workers whom you have talked about this morning?

**Bryan Simpson:** Frankly, I think that that is the most important question of all, because it is about how policy can deliver for working people. There is a lot that can be done on a local, regional and national basis to ensure that fair work is implemented. For example, we know that hundreds of millions of pounds is spent on procurement, and a lot of that public money is being spent in the hospitality and retail sector. The Government does what it can to ensure that the real living wage is paid and that zero-hours contracts are not being used, but that is just not

happening down the procurement supply chain, where a lot of workers are not being given guaranteed hours and, in some cases, are being paid age-discriminatory rates. They are being paid not even the national minimum wage, but below that.

As I have said, there is a lot that can be done. To be quite honest, I think that we should name and shame employers that receive public funds but do not, for example, close the gender pay gap or continue to use zero-hours contracts—or, indeed, low-hours contracts, because getting 10 hours a week can sometimes be just as bad as getting no hours at all.

On sexual harassment, we have lobbied for 10 years to get third-party harassment provisions reinstated in the Equality Act 2010. The Scottish Government could be making firmer statements and saying, “Look, if you want public money, you should be adopting and implementing proactive sexual harassment policies and providing safe and free transport home after the last bus, train or tram.” These things should not just be add-ons at the end but should be prerequisites and requirements for getting a liquor licence or receiving public money.

I want to keep this as short and sweet as possible, but I also support what Ruth Boyle said earlier. Equality impact assessments should be required of employers that are not of high enough quality; indeed, we need to make them almost a prerequisite of these contracts, and if those employers continue for two or three years to fail to close the gender pay gap or the migrant worker gap, they should be held to account and named and shamed.

**Maggie Chapman:** Thank you, Bryan. Joanne, could you respond to the question?

**Joanne Cairns:** I just wanted to point out one area where the Scottish Government has powers that it has not exercised: new year trading. USDAW has been campaigning for retail workers to have a longer break at Christmas and new year. The legislation on Christmas day trading allows the Scottish Government to require large shops to close on new year’s day and, after campaigning from our members, there was a consultation last year in which 94 per cent of the people who responded supported shops closing on new year’s day. It might seem like quite a minor thing, but it is really important to our members. We were therefore really disappointed that, after that process, ministers did not agree to make the change to the law that we were asking for. We do not think that it is too much to ask that retail workers get an extra day off for new year. It is just an example of an area where the Scottish Government could do something but, so far, has not done so.

**Maggie Chapman:** Thank you very much.

**The Convener:** I thank all three witnesses for the evidence that they have contributed to our inquiry. If you feel that you have anything that you were not able to share with us this morning, please feel free to send in a written response in addition to the evidence that you have already given.

I close the public part of the meeting.

11:55

*Meeting continued in private until 12:24.*



This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

---

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

---

All documents are available on  
the Scottish Parliament website at:

[www.parliament.scot](http://www.parliament.scot)

Information on non-endorsed print suppliers  
is available here:

[www.parliament.scot/documents](http://www.parliament.scot/documents)

For information on the Scottish Parliament contact  
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: [sp.info@parliament.scot](mailto:sp.info@parliament.scot)

---



The Scottish Parliament  
Pàrlamaid na h-Alba