The Regulation of Retail Trading Hours

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PREFACE

This report was originally commissioned as an Economic Review for the Home Office Committee of Inquiry into Proposals to Amend the Shops Acts, and was first published as Appendix 6 to the Committee's Report (Cmnd 9376). Our brief in providing the review was to assess the likely economic effects of liberalised trading hours, and in particular the effects on costs and prices, employment, and the structure of the retail trade. In order to complete this task, we collected a large data base relating to British retailing and constructed a computer simulation model.

The report contains considerable amounts of summary information on the structure and style of UK retailing as well as an attempt to provide answers to the questions raised above. It is hoped that it will prove a useful source for students of retailing as well as contributing to the policy debate.

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We should like to reiterate our thanks to the many people who have helped us in the course of our inquiry. We are particularly indebted to the Secretary of the Inquiry, Elizabeth Grimsey, for help, comment and support throughout. Chris Nicholson of the Department of Trade and Industry provided considerable assistance with the early investigation of available official statistics. Jan de Somogyi acted as consultant, particularly on international questions, in the early stages of the project. Lars Bespolka provided helpful background on Massachusetts. We are indebted to those organisations which conducted special analyses on our behalf: F. W. Woolworth, B & Q (Retail), Seven-Eleven, Asda Stores, Argos Distributors, Spar UK, Boots, the Co-operative Wholesale Society, Grand Metropolitan, the John Lewis Partnership, British Home Stores.

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CHAPTER ONE

INTRODUCTION AND PRINCIPAL CONCLUSIONS

1. The economic background of retailing today is very different from that which prevailed when the existing restrictions on shop opening hours were introduced. To what extent have these economic changes altered the rationale of these restrictions? To what extent would changes in the legislation on shop hours accelerate, retard or alter these trends in the structure of retailing in Great Britain? It is these questions which we seek to illuminate in this report.

2. Perhaps the most important influence on the development of modern retailing has been the increase in the range and complexity of goods available in shops. At first sight it seems surprising that this development was not associated with a corresponding increase in the skills demanded of workers in retailing. The reason is that it was accompanied by, and to some extent caused, a change in the relative significance of manufacturer and retailer. Increasingly manufacturers came to take responsibility, through branding and advertising, for describing, selling, and monitoring the quality of the product.

3. Thus in the late nineteenth century, the normal retail transaction was one in which knowledgeable shop assistants would select an anonymous product for the particular needs of a potential consumer. In the twentieth century an increasing proportion of sales were ones in which the consumer would come to collect and pay for a product which he had already identified for himself, possibly before entering the store. After the Second World War, self service became an increasingly common retailing style.

4. In the last twenty years, the retailer has regained some of the power which had been ceded in earlier decades to the manufacturer. Multiple retailers have greatly expanded their market share, especially in food and in clothing. They have used their resulting strength to negotiate favourable terms from their suppliers, and have, particularly by own-branding, reasserted the retailer's responsibility for the products which he sells. Because it is the retailing establishment which takes this responsibility, rather than the individual employee, the skills required in retailing employment have continued to decline. The trend towards fewer and larger retailing enterprises has been paralleled by a similar trend in retailing outlets, as the growth of car ownership has facilitated an increase in the size of stores, and often a movement in their location away from traditional sites in city centres.

5. In Britain in the 1980's, most goods are sold by multiple retailers. Retail outlets have increased in size, and their number has diminished. After many years of moderate growth, employment in retailing has for the last decade fallen more rapidly than employment in the economy as a whole. Compared with the labour force generally, workers in retailing are less skilled, either in terms of previous educational qualifications or training on the job, and worse paid. Retail employees are generally younger than other workers, more likely to work part time, and more likely to be female.

6. The principal purpose of this report is to consider, and to attempt to resolve, those economic issues which were the subject of extensive controversy in earlier discussions of the regulation of trading hours and in the evidence put before the Committee. What are the effects of regulation on costs, prices and margins in retailing? How does it influence the pattern of trading? Underlying all these questions is the basic one of the degree to which the current restrictions do indeed modify behaviour. How many more shops would open later, or on Sundays if they were free to do so? Our economic analysis concentrates primarily on the issue of Sunday opening in order to give a clear form to the discussion. Much, though not all, of the argument is equally applicable to other extensions to trading hours.

7. There is a limited scientific literature on the subject of the economic effects of restrictions on trading hours. A review of this literature was undertaken for the Committee, and a fuller discussion of the issues raised can be found in working papers available from the Institute. The principal conclusion reached is that it cannot be decided on a priori grounds whether the restrictions on consumer choice, inherent in limitations to trading hours, could nevertheless yield overall benefits. The fact that shops choose to open on Sundays does not guarantee that the gains derived from greater consumer choice will offset the additional costs involved. A final assessment must depend on an empirical study of the costs and benefits involved, and this has not been addressed previously.

8. The consumer surveys we describe below, including one commissioned specifically for this report, suggest there is a real, but limited consumer demand to shop in hours when trading is currently prohibited. However, the goods which people suggest they would be likely to buy on Sundays are, in the main, those which are already available on Sundays. This may be taken to indicate that the existing restrictions are not particularly irksome. It also illustrates the difficulty which confronts response to hypothetical questions – consumers find it easier to describe what they currently do than to imagine how they would react to options which are not at present offered to them.

9. It is clear that Sunday opening would be considerably less than universal even if it were permitted. However, the present intentions of retailers in relation to Sunday trading cannot be a decisive indicator of the likely outcome since, as most of them emphasised themselves, their decision would depend on the actions of other traders. Moreover this interdependence takes different forms for different commodities. In food retailing, the opening of one store on Sundays would tend to attract customers away from competing stores open at the same time; with many other commodities, where consumers may wish to look at the goods available in several retailers before deciding on their purchase, Sunday trading by one retailer might well attract custom to neighbouring shops which were also open. For these reasons, we expect that the likely outcome of de-regulation would be that some, but not all, food retailers would take advantage of it, while in other areas of trading we would observe clusters in which in some areas most stores were open while in others the majority were closed. This is the pattern currently observed in relation to evening opening and in other countries. In Chapter 3 we discuss the relative attractions of Sunday opening for different types of retailer.

10. On average, taken over all commodities and types of retailer, retailing costs currently account for approximately 28% of the net of tax price of goods sold. In Chapters 3 and 4 we report an analysis of retailing costs in Great Britain conducted with a view to estimating how these costs would be affected by an increase in hours of trading. This analysis draws heavily on the results of a computer simulation of retailing cost structures. The methods employed are described in some detail in those chapters. We have assembled a data base of some 150 model firms covering the range of retailing experience. For these firms we have estimated detailed cost structures and employment levels, taken from a number of different sources including published accounts, case studies, responses to questionnaires and special surveys. We have used special tabulations of the 1982 Retailing Inquiry (provided by the Business Statistics Office) to provide weights so as to ensure that different types of retailing are given their proper importance.

11. On this basis we have attempted to estimate how Sunday opening would affect retailing costs, prices and employment. The method we have used is that of comparing the structure of the retail sector in Great Britain as it would be if Sunday opening were generally permitted with that which would exist if Sunday opening were generally prohibited. The present reality is between the two, with some trade occurring on Sundays – in Scotland, where all Sunday trading is legal, and in England and Wales in both legal and illegal trading. We have not been able to describe the structure of that trade in any detail; still less have we been able to describe the trade which would take place if the present law were universally enforced. Our approach therefore measures the maximum impact on the structure of retailing which regulation or de-regulation might have. The actual effects of de-regulation would be smaller than this suggests because some of them have already occurred.

12. In understanding the ways in which the retail sector would be affected by extended hours of trading, it is essential to distinguish the immediate from the long run effects, and between the experience of an individual retailer and that of retailing as a whole. Our analysis suggests that most of the variable costs of retailing are increased with hours of opening and that labour costs, the most important single element of costs for all retailers, would increase more than proportionally with hours of trading. For an average shop eight hours of Sunday opening (which would increase trading hours by around 13%) would raise retailing costs in the short term by around 10%. Although this cost penalty would vary for different types of retailer this variation is less than might be thought. Where traders, or commodities, have relatively high margins more tends to be spent on all the cost elements associated with retailing and hence differences between retailers in the structure of their costs are less marked than changes in the levels of these costs. The overall rise in retailing costs would be substantially less than the figure of 10% above because not all retailers would open and because those who did would tend to have lower than average cost increases from doing so.

13. The evidence indicates that it is not at all likely that there would be an overall increase in retail sales commensurate with this short term increase in costs. As we explain, there is no inconsistency between this and the clear evidence that Sunday trading increases sales of particular commodities and for individual retailers; the majority of these sales would be drawn from other commodities, other retailers, or other days of the week. It follows that an

immediate consequence of Sunday trading would be an increase in retailing costs per unit of sales.

14. In the short run such an increase might either raise prices or reduce net margins in retailing. Our judgement is that the major part of this adjustment would fall on retail margins. The effect of extended trading hours is to increase the effective capacity of the retail sector in Great Britain by more than it would increase the demand for its services and in competitive conditions this will eventually reduce profitability. Even if consumers would be willing to pay extra for the benefit of Sunday shopping the only practical means of recouping these costs is by raising prices throughout the week. The competitive environment which makes this impossible for retailers now would remain – indeed be intensified – by the growth of Sunday trading.

15. Although there is a wide range of profitability among leading British retailers, neither the overall average nor the position of weaker firms is such that this reduction in profitability could be sustained without significant effects on the structure of the industry. The pressure on marginal retailing capacity would be intensified. This pressure could be expected to continue until overall capacity was reduced, by means of more rapid closure of secondary units and reduced investment in new stores by the stronger traders, and by exit from the industry by weaker units. For these reasons, we find that longer opening hours would be likely to lead to some acceleration of the trend towards the disappearance from the market place of independent traders and towards increasing concentration among multiple retailers. For consumers, greater choice of time could in some degree be offset by reduced choice of establishment.

16. At the same time, however, these reductions in capacity would have beneficial effects on the remaining traders. Just as the initial impact of extended hours of trading is to raise unit costs by increasing capacity more than it increases sales, so the secondary impact is to lower unit costs by reducing capacity more than it reduces the volume of sales. The major part of this reduction would, in turn, go into the restoration of retail margins, since the costs of both six and seven day traders would now be met from greater sales volumes. In the long term, rates of return in retailing will be set at the level needed to attract capital to retailing from other property investment or industrial activities, and may be expected to return to broadly their current levels.

17. The general direction of these trends is not in doubt. Their magnitude will depend on the extent of Sunday trading. If it were to be widespread, the effect on unit costs and on margins could be comparatively large. So too would be the ability of existing retail outlets to absorb additional weekday sales within their existing capacity, since the diversion of current trading to Sunday would be correspondingly greater. In the extreme case, if all shops opened for 15% additional hours, and 15% of all weekly trade occurred during these hours, weekday demand might be 15% lower and the existing volume of sales could be served by a retailing sector some 15% smaller. In reality, all these effects would be considerably smaller. For example if, as we suggest, up to 5% of food trade were to occur on Sundays if trading were de-regulated and the major part of this was sales which are prevented by the

present law, retail capacity in food might over a period of years be 3% lower than would otherwise have been the case.

18. The effect of these capacity changes is to increase the efficiency of the retail sector. This effect on efficiency arises from two sources. First, the trend from higher cost to lower cost retail outlets would be accelerated. Since cost differences are quite large, this effect may be substantial, although it is difficult to quantify, and the point must be modified by noting that high costs are often associated with a higher quality of service offered to consumers. Secondly, efficiency is affected by the reduction in capital costs per unit of sales resulting from the more intensive use of the 'plant' of retailing in the United Kingdom, which would now be available on a seven rather than a six day basis.

19. Thus the overall effect of lengthening shop hours on costs and prices in the long run depends on a complex balance of factors. Are the increased variable costs of extended opening more or less than offset by reduced capital costs from the more efficient utilisation of retailing capacity? The answer partly depends on the mix of fixed and variable costs in retailing, and partly on the extent to which potential Sunday trading draws sales from what would otherwise be peak or off-peak shopping hours. If Sunday sales are mainly what would otherwise be peak sales, then the scope for more efficient capacity utilisation as a consequence of Sunday trading may be relatively large. If those who shop on Sundays would otherwise do so at times when these shops are not particularly busy, then Sunday trading would not have any substantial effect on peak weekday requirements for staff or premises. In that instance a more likely outcome would be that trading on, say, Mondays would drop to levels at which the costs of opening might exceed the losses in sales resulting from closure on that day. In this case Sunday opening would lead to a shift, rather than an extension, in the trading week.

20. We could find no existing evidence on this question, and it was therefore an important part of our consumer survey to establish how extended opening might affect the pattern of demand in the course of the week. The evidence clearly suggests that Sunday sales would tend to be drawn disproportionately from what are currently peak shopping times, Friday for food, Saturday for most non-food items. This reflects the fact that it is those whose shopping opportunities are currently most compressed who would find an extension to trading hours advantageous. Respondents who were not in employment showed comparatively little interest in Sunday shopping.

21. In Chapter 4 we put these various elements of the picture together and suggest that in the long run, taking account of effects on both fixed and variable costs, the overall effect of Sunday trading would be to effect a small reduction in the aggregate costs of the retail sector. Our central estimate is that this reduction would be around 2% of costs equivalent to about 0.6% of retail turnover. Although the increase in concentration in the retail sector might lead to a small rise in profitability, this cost reduction would, if fully passed on in prices, lower the Retail Prices Index by approximately 0.4%.

22. The developments we have described above carry with them implications for retailing employment. In the short run, there are two conflicting effects. Sunday working itself would generate additional

employment. It would, however, reduce weekday demand and hence weekday manning requirements. In the long run, the reductions in retailing capacity which we anticipate would affect employment. On the one hand, the closure of marginal retailing capacity would reduce job opportunities; on the other, there would be more jobs available in existing establishments. In Chapter 5, we have attempted to quantify these effects using our computer models of retailing costs to predict employment levels. We suggest that Sunday working itself might create 70,000-75,000 additional full-time equivalent jobs on Sunday itself, with some 20,000 further jobs arising from the weekday consequences of Sunday trading. However this would be slightly more than offset by reductions in the demand for labour during the week. In the long run, some further reduction in employment might occur. On the assumptions we have made this would be equivalent to 15,000 full time jobs. The reason for this is the increase in the efficiency with which retailing capacity is used which we have described also leads to some increase in the efficiency with which labour is used.

23. There would at the same time, be a shift in the structure of employment in retailing. This would favour part-time at the expense of full-time working. There would also be an increase in the average rate at which retailing employment is paid. Overall then the short run effect would be a small decrease in the total number of jobs in retailing, while their aggregate remuneration and the total number of people employed actually increases. In the long run, although labour requirements would fall, the number of people employed in retailing would fall by less than this, and total earnings in the retailing sector would still rise because the average rate paid per hour would increase. The rise in earnings is substantial and one of the most certain consequences of Sunday trading.

24. Our analysis shows that although extensions to trading hours undoubtedly would have effects on retailing costs, prices and employment, these effects would generally be small; and in the case of factors which are the net outcome of a number of conflicting influences, such as the long run consequences for employment and costs, we can be more confident in asserting that they are small than in identifying the final direction of the changes. It is unlikely that in any of the areas we have considered – costs, prices, employment, trading patterns – there would be effects which would be of sufficient magnitude to be distinguished readily from the other changes which would be occurring as a result of other influences on the style and structure of British retailing.

CHAPTER TWO

RETAILING IN THE UNITED KINGDOM – THE ECONOMIC BACKGROUND

I. Retailing before 1939

25. Until as recently as one hundred years ago, retailing served its local community in ways which changed little. Many of the opportunities available to the consumer involved direct purchase from the producer – the boot and shoe maker, the tailor, the cabinet maker. Retailing was largely a matter of attendance at fairs and markets or purchase from small retail units like grocers, hosiers, drapers and chandlers. Very few chains existed; most shops were individually owned, and the owner would personally undertake their day to day operation, possibly with one or two assistants.

26. But if retailing was predominantly local and community-based, legislation about the hours during which it should be undertaken was centralised and well-developed. The first documented legislation on the subject of trading hours was the Fairs and Markets Act of 1448. This prohibited the showing of goods on Sundays and certain feast days. It was backed up by the Sunday Observance Act of 1627 – which prevented butchers from killing or selling meat on Sunday – and the second Sunday Observance Act of 1677, which added further restrictions to Sunday trading. Control of the hours during which traders could operate was extensive by the end of Victorian times.

27. Modern retailing began when large shifts of population led to the creation of large urban centres, and the newly developed canals, roads and railways were used to service these centres with goods which were increasingly produced some considerable distance away. The first chains of retail shops appeared in the 1850's, with names such as W H Smith and John Menzies, still to be found in every high street. The advantage of the chains was their capacity to organise purchase and distribution to and within the new urban areas. A different, but equally significant development was the growth of the Co-operative Movement. Each retail society had only a few branches. But through the Co-operative Retail Society, the co-operatives became the first organisation to enjoy substantial benefits from large-scale purchasing, and they extended this into the manufacture of goods for sale through co-operative shops.

28. With many of the retail outlets now owned by large companies, and against a background of new employee-protection legislation in other industries, the pressure grew for legislation to protect the new employed workforce and particularly young people. The Shop Hours Regulation Act of 1886 specified that persons under 18 employed in shops should not work more than 74 hours per week. This was followed by the Shop Hours Act of 1904 which gave local authorities powers to fix trading hours, provided they could get agreement from two thirds of affected traders, and the Shops Act of 1911 which specified that all employees must have a half-day holiday each week. Because shops were in general small, the scope for replacing the employee on the half-day holiday was also small. The Shops Act recognised this, and also the desirability of uniform behaviour, by stipulating that all shops, with a few exceptions, must have an early closing day.

29. The period before the First World War saw a growth in the power of the retailer relative to the producer because of the growth of multiple-store chains. Although this trend continued between the wars, the pace of change was less rapid. Figures from Jefferys (1954) show that the number of firms with 10 or more branches grew from 471 in 1920 to 680 in 1939, and the average number of stores per firm rose a little, largely because of mergers and amalgamations. An important influence in the period was the emergence of centralised manufacturing. Partly because of the rapid technological progress which was taking place, the range of goods available increased rapidly. Man-made textiles, numerous drug and other pharmaceutical goods and many household durables such as electrical goods were added to the list available for consumer purchase. The practice of branding goods and the development of standards and trademarks grew rapidly.

30. With this growth in the importance of the identity of the manufacturer of the product came an extension of Resale Price Maintenance (RPM) by which manufacturers were able to control the final selling prices of their goods. Some practices of this kind had occurred in the nineteenth century, but it is estimated that the proportion of consumer spending represented by goods subject to RPM was only 2% to 3% in 1900. By 1938, the proportion had risen to 38%. These developments helped to sustain the independent trader. The multiple-store retailers responded to this coalition between manufacturers and independents by increasing their own manufacturing capability. By 1939 almost all food multiple chains with more than 100 branches distributed own-label products, and at this time the majority of these were produced in the retailer's own manufacturing facilities.

31. There were other economic influences on the development of retailing. Although the overall population was static there were major shifts in regional distribution with much the most rapid growth occurring in the West Midlands, and in conurbations generally. Retailing grew in turnover and in floorspace at a faster pace than the growth in population as the proportion of consumer needs which were purchased through retail outlets increased. High levels of unemployment and increasing female participation led to an increase in the underemployed labour force, and much of this underemployment was to be found in the independent retail sector.

32. For most of the 1920's the existing law, as consolidated by the Shops Act 1912, was considered sufficient regulation for retailing, but increased late-night opening and worries about nuisance in residential areas led to greater pressure for general restrictions to be imposed on weekday shopping hours. The Shops (Hours of Closing) Act of 1928 specified that most shops should close by 8 p.m., with one late night on which trading was permitted to 9 p.m. This Act was followed by a number of extensions to Sunday trading restrictions during the 1930's which extended prohibition to groups previously wholly or partially exempt.

II Post-War Developments : the Economic Background

33. While the late nineteenth century saw the growth of retail chains (and particularly the Cooperative Movement) and large-scale manufacturing increased in the inter-war years, the average size of retail outlets remained small. In 1950, out of the half million shops in Britain, fewer than 30,000 had

annual sales of over £25,000 and fewer than 10,000 had annual sales in excess of £50,000. Even the large department stores which had become an increasingly important part of inter-war retailing accounted for only 5% of retail sales by 1950.

34. The post-war era brought the most important changes in shopping habits since industrialisation and the associated concentration of population. Customers were increasingly able to travel in order to shop. Population census statistics show that there were 2.25 million cars in 1950; in 1981 there were 15.25 million, and 60% of all families had access to a car. The traditional urban centres declined. In 1951, 53% of the population lived in large towns and conurbations; now only 42% do so, and shops moved with them to the outer suburbs where floorspace was often less expensive. Shopping around became more worthwhile, as RPM came under pressure and was ultimately abolished. The growth in ownership of domestic refrigerators and freezers made it possible to shop less frequently. Commercial television at first increased the impact of brands, but gradually led to a concentration on a smaller number of national brands in contrast to the proliferation which had occurred between the wars. All these factors undermined the position of the traditional British retailer, the small independent trader in a city centre location.

35. More married women went out to work; figures compiled by Joshi, Layard and Owen, Centre for Labour Economics (1983), show that in 1951 only 24% of all married women below pensionable age were in the work force, full or part-time, but by 1981 this figure had risen to 57%. As we shall see later, retailing employment has itself been an important element in this change. Apart from contributing to an overall family income, the result has been an increased demand for shopping which is efficient in terms of use of time and to pressure for longer hours and more opportunities for shopping as a family.

36. Real per capita personal disposable income rose between 1950 and 1983 by 70%. As society became more affluent, so its consumption pattern changed. Table 2.1 shows how consumers' expenditure divided between the 10 main expenditure categories as recorded by the Family Expenditure Survey. Increased affluence has led to a reduced proportion of expenditure on essential goods such as food, which has fallen from 31% in 1962 to 21% of the average family's overall budget, and clothing (9.5% to 7.2%). Tobacco consumption has also fallen steadily. Housing, on the other hand, has become a larger proportion of overall expenditure. In 1962 the average family spent less than 10% of its budget on housing. Now it spends over 16%. There have also been rapid rises in expenditure on household durables, on transport and particularly on motor cars, and on services generally. The share of consumer expenditure devoted to retailed goods, which had previously increased steadily, began to fall. However, despite this relative contraction, growth in the economy was sufficient to ensure that retailing turnover has only recently declined. In constant 1980 prices, retailing turnover grew from £40.6 million in 1950 to £60.4 million in 1974 but was only £58.4 million in 1980 and £57.4 million in 1982.

Table 2.1

THE CHANGING PATTERN OF CONSUMERS' EXPENDITURE IN THE UK, 1962-1982

(a) Based on average weekly expenditure in current prices

	1962	*1972*	*1977*	*1982*
Retail Items				
Food	30.7	24.9	24.7	21.0
Clothing and Footwear	9.5	9.0	8.0	7.2
Durable Household Goods	6.8	7.4	6.9	7.2
Tobacco	6.2	4.0	3.6	2.9
Alcoholic Drink	3.8	4.7	4.9	4.6
Non-Retail Items				
Housing	9.7	12.6	14.5	16.6
Fuel, light and power	6.5	5.9	6.1	6.2
Transport and vehicles	9.7	14.2	13.5	14.8
Services	9.1	9.8	9.7	11.5
Miscellaneous and other	8.0	7.5	8.2	8.0
TOTAL	100.0	100.0	100.0	100.0

(b) Based on average weekly expenditure in constant 1982 prices

	1962	*1972*	*1977*	*1982*
Retail Items				
Food	32.4	25.5	22.0	21.0
Clothing and Footwear	5.4	6.0	6.1	7.2
Durable Household Goods	4.3	5.5	5.7	7.2
Tobacco	6.0	4.5	4.1	2.9
Alcoholic Drink	3.6	4.6	5.2	4.6
Non-Retail Items				
Housing	12.1	13.8	17.3	16.6
Fuel, light and power	8.7	7.6	7.2	6.2
Transport and vehicles	9.7	14.7	13.7	14.8
Services	10.5	10.4	11.8	11.5
Miscellaneous and other	7.4	7.3	7.0	8.0
TOTAL	100.0	100.0	100.0	100.0

Sources: Department of Employment. Family Expenditure Survey, 1982 Table 6, and other years Table 1.

37. With these changes came alterations in trading methods. In 1950 the norm was for goods to be traded through small outlets employing only a few staff and for most items to be collected and wrapped by the shop assistant, who was often knowledgeable about the goods he sold. The changes to structure of ownership, to the range of goods available and to the organisation of production which we have charted had still little effect on the way the customer was served. The experience of a consumer today is generally different. Most retailing is carried out in large stores, with self-service techniques, centralised advisory services and payment at a check-out or centrally located till. Most goods are pre-packaged and most consumers will not discuss their purchases with the retailer at all. Even the remaining bastion of the pre-1950 style of trading, the local general store, is today giving way to the small supermarket. Very recently there has been some reversal of these trends, with major grocery stores installing personal

service counters, such as delicatessens and in-store bakeries. There is also a growing number of small specialist stores whose very attraction to customers lies in the high degree of personal service they provide. Often these will be located near large stores or superstores, benefiting from the passing trade. Despite many statements to the contrary, there would still appear to be a future for the small independent retailer, as indicated by the success of these small specialists. The secret appears to lie in successfully locating a niche in the market which is not filled by the larger retailers.

38. The initial impetus to increased store size came from a shortage in manpower in the immediate post-war years, combined with general rebuilding after wartime damage. Growth was constrained, partly because of shortages of materials for new building or conversion of existing stores and partly because rationed goods could often not be sold under full self-service conditions, so that the fastest period of growth of the new supermarkets occurred in the late 1950's and through the 1960's.

39. Self-service came first to food retailing. Table 2.2 charts this growth and the later decline in outlets where 'counter sales' were the normal method of trading. The table shows that the initial growth was almost entirely confined to small retail outlets (below 2200 square feet) and that the main change which had occurred by 1960 was not a significant increase in average store size but a change in trading methods. The supermarkets, although roughly the same size in terms of floorspace as existing counter-service outlets in the early years, had considerably higher turnover per unit. Statistics quoted by Tounsey show that in 1950 they accounted for 1.4% of total grocery and provisions trade but by 1963 this had risen to 32.7%. Other types of retailer, in greater or lesser degree, followed the trend away from counter service towards self selection.

Table 2.2

THE GROWTH OF SELF-SERVICE SHOPS AND SUPERMARKETS, 1948 to 1980

	Self-Service Shops and Supermarkets	*Supermarkets* *	*of which: Cooperatives*	*Large Multiples*	*Small Multiples & Others*	*Dept. Stores*	*Counter-sales Shops*
1948	250						142,990 (1947)
1950	600						143,192
1952	1,250						
1954	2,150						
1956	3,000						146,652 (1957)
1958	4,500	175					
1960	7,100	367					140,678 (1961)
1962	11,850	996					136,000 (1963)
1964	15,680	1,268					
1966	20,500	2,500					
1968	27,000	3,300					
1969	28,062	4,400					
1972	32,000	5,140	1,200	3,270	575	95	
1974		5,800	1,562	3,578	660		
1976		5,890	1,674	3,500	716		
1978		7,160					
1980		7,000					

*Over 2,000 sq. feet of selling space (2,200 sq. feet to 1973)

Sources: IGD Research Services, Food Statistics Digest (1984) Table D6
R. G. Tounsey, (1964) Self Service Retailing, Table 1.1
No figure is shown where comparable data is not available.

40. A second phase of development produced substantial increases in the size of stores. Again, the trend was led by food retailers. In 1958, only 175 (3.8%) of the 4,500 self-service stores and supermarkets had a floor area of over 2,000 sq ft; by 1972 this had risen to over 5,000 (16%). Census of Distribution statistics show that average turnover per grocery outlet rose accordingly, from £105,400 in 1961 to £164,400 in 1971, and that labour productivity rose, with sales per employee rising from £28,000 to £32,000 (1982 prices).

41. The trend to increasing store size accelerated with the development of out-of-town supermarkets and superstores. Until the mid-1970's, retailing developments were either concentrated in town and city centres, or formed part of an integrated new community. However, the improvements to major roads in the 1970's, increasing congestion in the cities, and the growth of car ownership we have already noted, have paved the way for considerable changes in retailing. The Jordan Supermarket and Superstore Survey showed that at the beginning of 1981, there were some 327 superstores with a floor area in excess of 20,000 square feet, compared with 25 in 1971, and new superstores are being built at the rate of about 30 per year according to the latest Unit for Retail Planning Information statistics. In 1980, some 15% of all retail sales were conducted in stores of this size.

42. The cost advantages of the out-of-town superstore are considerable. Tesco described in their 1981 Annual Report the development cost of two stores of identical size, one in Hanley Town Centre and the other in an edge-of-town industrial area at Irlam.

> "In Hanley we paid £65,000 per acre for our site: in Irlam £27,500 per acre; in Hanley (including a three-storey car park for 504 cars) development costs have totalled £1,974,000; in Irlam (with a single-storey unit and parking for 875 cars) development costs total £950,000; in Hanley installations such as heating and ventilation cost £425,000; in Irlam they were £100,000 less. . . . Or to put it another way, Irlam will cost us £20 per sq. ft. to develop against £42 in Hanley."

43. The popularity of out-of-town superstores is partly the result of the low prices which these cost savings allow and partly of the availability of a wide range of commodities under a single roof. In 1975 the "Which?" shopping basket of branded groceries could be purchased at Asda, the leader in the development of out-of-town superstores, for about 10% less than at Tesco or Sainsbury's, and for 14% less than at an independent store which was a member of a voluntary chain. The 1982 "Which?" survey showed Asda still the cheapest, but the gap between them and these other large supermarket chains was now only around 4%, partly because the others had developed superstores as well but also because the multiples had become able to offer lower prices through all their outlets. The gap between the superstore and the independent trader remained much the same.

44. Although the development of the superstore has been the most obvious change to retailing in the 1970's, the general tendency towards an increase in size has been very marked. Table 2.3, also from Tesco's 1981 Annual Report, shows how their stores have changed between 1972 and 1981. In 1972, the

vast majority of their stores had floor areas below 5,000 square feet, whereas in 1981 only one third of their stores were in this size range, of which nearly 50 were "Home 'n Wear" only. The total number of stores operated by Tesco fell from 790 to 554 over this period and the average size increased substantially, from 3,700 to 12,300 square feet.

Table 2.3

TESCO: ANALYSIS OF STORE SIZE 1972-1981

Size in Sq. Ft.	*1972*	*1974*	*1976*	*1978*	*1980*	*1981*
Up to 5,000	518	471	417	340	189	177*
5,000–10,000	180	179	178	172	163	160
10,000–25,000	87	107	117	123	147	151
25,000 +	5	14	28	38	53	66
TOTAL	790	771	740	673	552	554

*46 Home 'n' Wear only
Source: Tesco Stores (Holdings) Ltd. Annual Report 1981.

III. Changes in Patterns of Retailing

45. We have described how the post-war period saw a move to self-service retailing, followed by an increase in the size of store and a movement away from city-centre locations, against a background in which the retail sector as a whole was no longer expanding.

46. Table 2.4 summarises the resulting trends in numbers of establishments of different kinds. In 1950 there were over 580,000 retail establishments of which 146,000 sold grocery and provisions and 138,000 distributed other food (bakers, butchers etc). By 1982, the number of outlets had fallen to under 350,000 with the decline largely concentrated in food and in clothing. Three quarters of co-operative outlets closed, while the number of stores owned by large multiples grew by 17%.

Table 2.4

RELATIVE NUMBER OF RETAIL ESTABLISHMENTS IN GREAT BRITAIN, 1950 to 1982

	1950	1961	1966	1971	1976	1980	1982
Multiples	53,949	66,701	73,852	66,785	70,238	65,241	63,208
Co-ops	25,544	29,396	26,684	15,413	11,117	8,556	6,945
Independents	503,639	446,204	403,876	390,793	309,781	274,804	279,503
	583,132	542,301	504,412	472,991	391,136	348,601	349,656
of which:							
Grocery & Provisions	145,709	146,777	123,385	105,283	69,833	56,560	54,234
Other Food	137,867	114,655	104,359	92,524	72,717	61,523	60,540

Source: CSO Annual Abstract of Statistics 1976 Table 311, 1980 Table 11–1 and 1984 Table 1.1.
Notes
1. Independents include multiples with less than ten stores and single independent stores.

47. However, with the large changes in turnover per store we have already noted, the number of stores provides only limited information about how the different types of retailer have fared. In Table 2.5 we present information on the shares of total retail grocery turnover of three categories of grocer. In 1950, the share of large multiples was below 22%; by 1981 it had risen to nearly 63%. As a result, the other two groups have fared badly, with co-operatives fading from a position of clear market leadership to 13% of overall turnover in 1972. Thereafter their position stabilised. The independent sector has declined steadily and now accounts for only one quarter of sales of groceries.

Table 2.5

SHARES OF RETAIL GROCERY TURNOVER IN GREAT BRITAIN
1950 to 1981

	Multiples with 10 or more stores	*Co-operatives*	*Independents and small multiples*
1950	21.9	24.2	53.9
1961	26.7	20.7	52.6
1966	36.9	16.9	46.2
1971	44.3	13.2	42.5
1972	46.4	13.0	40.6
1974	48.4	13.3	38.3
1976	49.4	14.0	36.6
1978	57.9	15.3	26.8
1980	60.9	14.2	24.9
1981	62.7	13.7	23.6

Source: IGD Research Services *Food Industry Statistics Digest* (1984) Table C4.

48. The growth of major multiple chains has come partly because of the economies of scale associated with the increased size of new stores and partly because of the economics associated with the increased buying power of large chains.

49. Not only has the share of multiple retailers increased, but so has concentration within the multiple retail sector, particularly in food. In 1982 the six largest multiples (including the Co-op) sold approximately three quarters of the packaged grocery market according to recent unpublished Audits of Great Britain Ltd statistics. Most of the growth of the leaders has been generated internally, although mergers and changes of ownership have been common among the second rank (in size terms) of retailers.

50. Consumer preferences and habits in retailing can be changed extremely quickly. The rewards for successful innovation have been large and the penalties for slow adaptation correspondingly severe. Home and Colonial Stores, Burton and Woolworth were among the leaders of the inter-war expansion of multiple retailing, but they failed to respond sufficiently to changed post-war conditions and were overtaken by rapidly expanding competitors such as Marks and Spencer and Tesco. More recently companies such as Asda and Comet have grown from a small scale to market leadership in a very short period of time by pioneering new styles of retailing. It is often

suggested that the day of the big department store, whose development was such a striking feature of retailing earlier in the century, is over. But the results of the annual Retailing Inquiry show that the category of 'mixed retail business' has continued to expand. (The results of the Retailing Inquiry are published by the Business Statistics Office in their SDA25 Business Monitor Series.) Marks and Spencer has moved from its strength in clothing to encompass a wide range of household goods, Boots has similarly built on its base in toiletries and pharmaceuticals, and the major grocers have widened the range of goods they sell. The most successful department stores, such as Harrods and John Lewis, have continued to thrive, but others, slower to respond to the trends we have described, have seen their market share diminish sharply. It is clear that retailing success is influenced by favourable or unfavourable changes in the economic climate, but is far more dependent on a capacity to detect these economic changes and react quickly to them.

51. In earlier decades, the Co-operative Movement was at the forefront of retailing innovation in asserting the buying power of the multiple retailer, in introducing own-branding, and in moving to self-service operation. Some 90% of the 600 self-service stores operating in 1950 belonged to Co-operative Societies. But subsequent developments in retailing techniques and methods passed them by, and their market share fell precipitately, as Table 2.5 illustrates. Only in the 1970's, with increasing involvement in out-of-town supermarkets and superstores, have they succeeded in stabilising their position.

52. The decline of the independent retail sector and in consequence of the independent wholesaler would have been considerably faster if they had not responded to these pressures by developing new voluntary agreements between wholesalers and retailers. These have taken two main forms. In the first the retailer agrees to accept a minimum quantity from the supplier and that at a specified minimum charge. The wholesaler accepts a slightly reduced margin generally varying with order size. The retailer agrees to pay promptly, usually within seven days, in contrast to the lengthy periods of credit which are common in other areas of the retail trade. The second form of agreement, now more common, is for groups of retailers and wholesalers to form themselves into a voluntary chain. The idea originated in the United States in the immediate post-war years, and the first voluntary chain of any size to operate in Europe was the Spar Chain. Spar (Great Britain) Ltd was set up in 1956. Other chains followed suit, as reported in Table 2.6.

Table 2.6

RETAIL MEMBERSHIP OF VOLUNTARY CHAINS

	1964	*1975*	*1984*
Mace	4,712	4,800	3,800
Wavy Line		1,790	
Spar (GB)	3,574	4,000	3,200
Vivo	1,930		
V G Management	2,911	3,340	N/A
Centra	2,500	N/A	N/A
Luxury Line	1,382	1,790	—
A & G	1,300	1,300	—
4-star Independent	—	3,650	—
APT	—	1,700	1,100
Bob Group Ltd	N/A	N/A	1,500
Londis	—	—	1,250
Maid Marion	—	—	1,000

Source: Grocer Marketing Directory, 1984.
Commission of the European Communities, *A Study of the Evolution of Concentration in the Food Distribution Industry for the United Kingdom*, Table 6.9.

53. As well as reducing costs for the retailer, the new voluntary chains provided assistance with the management of the small retail outlet. Most of them advise on shop layout and stock presentation, and in the siting and design of new stores as well as day-to-day problems of stock control and costing. Much promotional material is centrally produced. As the chains developed, they began to produce own-brand products and today many of the staples sold in such outlets are own-brand products. The formation of these groups also permitted wider advertising on television and in the press than would have been possible for an individual retailer or even wholesaler.

IV. Shop Hours Since the War

54. In the years since the War, there has been a steady increase in weekday opening hours, so that traders are now often opening to the limits of existing legislation and sometimes beyond. This is by no means universal however; in many places late-night shopping is limited to one night a week. Food shops and shops in London are more likely to open late. In evidence submitted to the Committee many instances of illegal opening were cited. In 1983 the majority of these were DIY stores: for example, five of the large DIY multiples (with a total of 289 outlets) had 185 opening illegally on Sundays, and a further 60 were closed due to local enforcement of the legislation. Other examples of illegal opening were also provided, including supermarkets, clothing, electrical and furniture chains, and numerous local home improvement centres.

55. The tendency to lengthened opening hours is the result of several trends, social and economic. We have already noted that increased female participation in the workforce has left less time for shopping during traditional trading hours. A measure of the extent of this is given in Table 2.7. 30% of respondents normally buy food in late night shopping or on Saturdays; almost half the population normally buy their clothes at weekends. The shift in consumer expenditure towards major purchases like furniture and other durables has led to an increasing desire for the family to shop together.

Some retailers who trade on Sundays asserted that shopping trips made on that day are family events.

Table 2.7

DEMAND FOR LATE NIGHT AND WEEKEND SHOPPING

	% of respondents		
	Food (a)	*Clothing (b)*	*Clothing (c)*
Late nights	16	3	2
Saturdays	16	29	47
Sundays	—	2	1
Weekdays	57	66	46
Do not buy/Not stated	15	2	8

Questions asked in MORI poll:
(a) "When do you tend to buy most of your food and groceries?"
Base: all respondents
(b) "When did you buy most of the clothes which you bought last week?"
Base: all those who bought clothes last week
(c) "When do you tend to buy most of your clothes?"
Base: all those who have not bought clothes in the last 7 days

Source: MORI Research Study conducted for the Institute for Fiscal Studies, 1984.
Note: Percentages may add to more than 100 as in a few cases respondents entered multiple answers.

56. As we examine in more detail in Chapter 4, the change in the style of retailing may also have influenced trading hours considerably. In 1950, the individual employee was central to the operation of the small shop, and early-closing legislation, with its roots in employee protection, seemed to be the only way to guarantee employees a half-day off. Today the larger stores have a changing personnel, with far more part-timers, and rostering is common. In traditional retailing, the opening hours of the shop were also the working hours of most of its employees, but this is no longer generally true.

CHAPTER THREE

THE IMMEDIATE EFFECT OF SUNDAY TRADING ON RETAIL COSTS AND PRICES

I Retailing Costs in the United Kingdom

57. The analysis of retailing costs generally begins with the calculation of the gross retail margin. This is the difference between buying and selling price, expressed as a percentage of the selling price, net of VAT. Thus if a retailer purchases an item for 70 and sells it for 100, the gross retail margin is 30%. There is considerable variation between commodities in gross margin. In the 1982 Retailing Inquiry produced by the Business Statistics Office, the average gross margin for food retailers was 20.0%. For retailers of clothing and footwear the margin was, at 40.6%, twice as great. There are similarly large variations in labour costs. If we examine employee remuneration relative to turnover as reported in the published accounts of major retailers the figures range from 5.3% for Kwiksave (a discount food store) to 28.2% for Horne Brothers (a retailer of menswear). The net margin, profit as a percentage of turnover, is what remains after all costs have been deducted.

58. Since extended hours of trading would be likely to change the balance between different elements of retailing costs, it is important to establish the way in which different cost items contribute to the overall gross retail margin. Although the Retailing Inquiry reports gross margins it does not seek any further breakdown of retailing costs and very little published data on this subject is available. This is in contrast to the position for manufacturing industry, where much more comprehensive statistical information is normally available. We have therefore constructed an extensive database on retailing costs. The information which this contains is derived from a number of sources. A number of retailers, large and small, provided us with detailed analyses of the structure of their costs on bases which we had agreed with them. About 30 stores were covered in this way. Although this sample is small, this data is the most reliable available on the subject since the difficulty of compiling such information on a constant and comparable basis is considerable. In particular, accounting measures of retailing costs generally underestimate capital costs, but by arbitrary and variable amounts. We discuss this issue further in Appendix B. In what follows we define net margin as profit after full deduction of the capital costs of retailing. Basic cost information about an additional 60 retailers was provided by responses to a questionnaire which we despatched to a selection of large and small retailers whose names and addresses were drawn from trade directories. A survey of retailing costs in Scotland in 1979, undertaken by the Fraser of Allander Institute, provided some additional assistance. Analysis of the published accounts of 45 companies principally engaged in retailing yielded further information about cost and asset structures, mainly for multiple retailers.

59. The regular Retailing Inquiry conducted by the Business Statistics Office provides estimates of the distribution of retail sales by turnover and category. This is used to take into account the relative importance of the different sized retailers in each retail category. Hence by weighting the individual cost structures that we identify, we obtain an approximate picture of the overall cost structure of the retail sector in Great Britain.

60. Although there is considerable variation in the level of gross margin between retailers, the structure of costs within the gross margin shows much less variation. Retailers who have high costs tend to have uniformly high costs, as Table 3.1 shows. This table is derived from the database described above and gives an average breakdown of cost structure for six different categories of retailing. We have also estimated the current average opening hours of each type of retailer. This is based on the average reported by a group of 44 retailers (counting each multiple retailer as one). Average trading hours weighted by turnover are currently just under 60 per week. The majority of retailers trade for 50-55 hours per week but the average is raised by the extended opening hours of food and confectionery, drink and tobacco outlets.

Table 3.1

RETAIL MARGINS AND COSTS

Margins and Costs Expressed as a % of Turnover

TYPE	*Gross Margin*	*Labour*	*Premises*	*Energy*	*Services & Transport*	*Stockholding*	*Net Margin*	*Average Opening Hours*
Food	20.72	9.85	5.92	0.86	3.94	0.13	0.04	67
Clothing and Footwear	39.76	18.26	14.07	2.05	8.16	0.50	−3.29	52
Drink. Confectionery and Tobacco	25.66	9.71	6.40	0.84	6.42	0.20	2.09	61
Household Goods	32.23	12.59	9.89	1.67	6.74	0.45	1.89	55
Mixed Retail	31.82	12.96	8.63	1.48	5.47	0.27	3.01	52
Other	35.01	14.05	7.49	1.42	5.04	0.47	6.54	52
All	27.64	11.79	7.78	1.22	5.29	0.26	1.30	60

Source: IFS Retail Cost Model.

61. The average gross margin for all retailers was 28% and the average net margin 1%. The net margin is lower than conventionally reported because it includes an allowance for all capital costs of retailing. (For more detail on this problem see Appendix B.) When costs are fully allocated, some retailers continue to make substantial net profits while others make a loss. In 1982/3 Sainsbury's reported profits before tax of £109 million, equivalent to a return on capital employed of 20%. On the other hand, Owen Owen earned £0.48m on employed capital of £21m, a return of 2.2% on capital, and probably less than the current market rental of their freehold and long leasehold assets. Some retailers earn returns on goodwill acquired from their past trading reputation. Companies also differ in their management capabilities and in their success in adapting to a changing trading environment, and these differences are reflected in profitability. Retailers who earn less from trading than the market value of their premises must, in the long run, expect either to improve their trading performance or contract their activities. In fact the net margin for the clothing sector as a whole is negative, indicating that there is still excess capacity in this branch of retailing and that the marked contraction in the number of clothing outlets which we noted in Chapter 2 has not yet come to an end. For food, on the other hand, the average net margin is close to zero; but the variety of profit rates is such as to suggest that some further redistribution of capacity in favour of the multiples is likely. We return later to the implications of these factors.

II The Short Term Effect of Extended Opening Hours

62. In Table 3.2 we show the cost breakdown given in Table 3.1 in relation to gross margin. Labour costs are more significant for food and clothes retailers than for others, and premises costs are high for clothes retailers, reflecting in part a concentration in central locations. Extended opening hours would be likely to affect each of these different elements of cost in different ways. In Table 3.2 we have made brief comments on the likely effect on each item, assuming for the moment that there are no compensating adjustments to costs during existing opening hours as a result of shifts in the pattern of trading. We are therefore considering only the immediate short-term effect on costs of a decision to open on Sundays.

Table 3.2

RETAIL COST STRUCTURE BY SECTOR

Cost Element	*As % of gross Margin*					*Comment*
	Food	*Clothing*	*Drink Confectionery & Tobacco*	*Household Goods*	*Mixed*	
Labour	47.74	45.66	39.90	39.22	41.01	Labour costs more on Sunday
Premises	28.56	35.38	24.95	29.76	27.11	No change in fixed costs
Energy	4.31	5.10	3.04	4.88	4.34	Partly fixed, partly related to sales.
Services & Transport	20.33	20.39	22.80	19.64	16.33	Slightly affected by hours.
Stockholding	0.68	1.27	0.81	1.42	0.85	Largely proportional to sales volume.

Source: IFS Retail Cost Model.

63. Labour costs are the largest element of overall cost, apart from the cost of goods sold, and the one likely to be increased most by Sunday trading. We discuss in Chapter 5 the methods used to staff Sunday operations and their impact on labour costs. Other elements of cost, such as rent and rates of premises, would not be affected by the number of trading hours. Some, such as stockholding costs and some elements of labour cost, depend on the volume of sales rather than the number of hours of operation. Others, such as energy costs, could be expected to rise but less than proportionately to the number of hours of opening.

64. Opening for eight hours on Sunday would increase average trading hours by 13%. Eight hours of Sunday trading may be more than many retailers contemplating Sunday opening would ideally envisage; certainly most retailers who currently open on Sunday start trading later on that day than on weekdays. However current Wages Council Orders, which require spells between four and a half and eight hours to be paid as for eight hours, mean that the cost saving from shorter periods of trading is small. In Table 3.3 we provide estimates of the likely effect of eight hours trading on each major element of costs. The exercise is necessarily a speculative one, and there is some uncertainty about each element of it. This uncertainty has been used in evidence to the Inquiry as a basis for both ridiculously high and ridiculously low estimates of the additional costs of Sunday trading. We have tried to take a balanced view in each individual case.

Table 3.3

ESTIMATED COST INCREASES WITH EIGHT HOURS OF SUNDAY TRADING

Cost Element	Food		Non-Food		All	
	% increase in existing level	*change as % of Gross Margin*	*% increase in existing level*	*change as % of Gross Margin*	*% increase in existing level*	*change as % of Gross Margin*
Labour	19.24	9.18	23.58	9.66	21.77	9.46
Premises	—	—	—	—	—	—
Services & Transport	2.40	0.49	2.96	0.55	2.73	0.52
Energy	7.20	0.31	8.88	0.38	8.18	0.35
All	9.98	9.98	10.59	10.59	10.33	10.33

Source: IFS Retail Cost Model.

65. We have been guided in this by very detailed costings provided by retailers who have stores which operate on a six day basis and other similar stores which open, either in Scotland or illegally in England and Wales, on a seven day basis. For reasons of confidentiality their particular figures cannot be reproduced here. We have also discussed the probable effect of Sunday opening with other retailers who have experience of Sunday trading although not in directly comparable establishments, and with others who have considered the implications of Sunday opening for their costs although they are currently unwilling or unable to open on that day.

66. Most retailers who discussed their Sunday operations with us emphasised that with a premium on Sunday wages, they would economise on staff employed on Sundays. For example, cleaning, shelf-stocking and certain clerical and managerial functions might not be undertaken on Sundays, but left to be carried out in relatively slack periods during the week at lower wage rates. We have allowed for this dual structure of cost increases in our computer simulations of likely cost changes.

67. Table 3.3 summarises the predictions of our cost simulation model for the likely short-term effects on a retailer's costs of opening for eight hours on Sunday. We estimate that additional labour requirements on Sunday (assuming a Sunday wage of twice the weekday wage in line with existing Wages Council Rates) would add 21.8% to total labour costs for such a retailer, including a small allowance for additional weekday costs of deferred working, equivalent to 9.5% of gross margin. In addition, service transport and energy costs will, we estimate, add less than 1% of gross margin to total costs bringing the total to 10.3%. Labour costs are much the most important element. If the Sunday premium were only 1.5 times weekday pay rates, the addition to costs would, we estimate, be around 8.7% of gross margin. Conversely if the premium were to be 2.5 times, the short run addition to costs would rise to 12.5% of gross margin.

III The Effect of Sunday Trading on Overall Sales

68. We have shown above that an extension of trading hours to Sunday could, in the absence of any other changes, increase the costs of a retailer by as much as 10% of gross margin. This can only be the beginning of the story since, in the absence of any other changes, it would certainly not pay to open in the face of such a cost penalty. The actual effect of Sunday trading on costs,

prices and margins, and the other changes in retailing costs which would certainly follow from it, depend on the effect of extended opening on both the volume and pattern of retail sales. This needs to be considered both for the economy as a whole and for individual retailers.

69. The evidence submitted to the Committee contained a wide range of contradictory assertions about the likely effect on overall sales of an extension of trading hours. Individual retailers with experience of Sunday opening provided evidence that their sales had increased as a consequence. However this cannot be taken as evidence that general Sunday opening would increase sales generally, since one retailer opening on Sundays is likely to enjoy some benefit to sales at the expense of his competitors, especially in a context in which Sunday trading is relatively uncommon. For similar reasons, the pattern of trading over the week observed by those retailers who do now open on Sundays cannot be taken as an indicator of the likely pattern of demand if Sunday opening were general, and will tend to overestimate the demand by consumers for Sunday trading.

70. Retail sales currently amount to about 60% of total consumer expenditure. The remainder goes on housing, on utilities such as electricity, gas and telephones, on services such as holidays and meals away from home. Any increase in retail sales would therefore have to be at the expense either of these items or of a reduction in the savings rate. In Table 3.4 we report recent trends in the composition of personal saving in the United Kingdom, which has averaged around 10% of disposable income.

Table 3.4

PERSONAL SAVING IN THE UK AS A % OF PERSONAL DISPOSABLE INCOME, 1970 to 1980

	1970	1975	1980
Committed saving			
Life insurance and superannuation	4.3	5.6	6.4
Loan repayments (mainly mortgages)	5.0	4.0	3.2
Other	0.3	0.3	0.5
Total committed saving	9.6	9.9	10.1
Acquisition of capital assets less borrowing (mainly house purchase)	0.3	–1.0	–1.0
Discretionary saving	0.3	5.6	6.3
Unidentified	–0.9	–2.1	0.4
Total saving	9.3	12.4	15.8

Source: Derived from S. Toland, Committed and Discretionary Saving, Economic Trends, Nov. 1981, Table B

71. There is a very extensive body of economic research on the determinants of consumer expenditure. There is in this overwhelming support for the view that the main determinants of such expenditure are levels of national income and wealth; recent work has also shown that other factors such as inflation expectations may play an important role. There is very little evidence to support the proposition that consumer expenditure is significantly affected by

purchasing opportunities of the kind represented by comparatively minor limitations such as restrictions on trading hours. Indeed analysis of what determines consumer expenditure has suggested that the overall volume of such expenditure is surprisingly robust even to very substantial changes and restrictions on what is offered to consumers, such as the limitations both in the availability of goods and the times available to purchase them implied by the exigencies of war.

72. Some further sources of increased retail demand were suggested in a number of the submissions made to the Committee. The first was that an increase in trading hours would cause a shift from 'non-retailed' to retailed items within an overall total of consumer expenditure. Some DIY suppliers, for example, claimed in evidence that their main competitors were not so much other retailers as the suppliers of package holidays. Much of non-retailing expenditure is difficult to vary in the short run; a high proportion of it is on housing, but some is not. But such effects could not be large. To set the possible magnitude of these changes in perspective, if British tourist expenditure abroad was to be cut by as much as 25%, the resulting increase in spending power would be equivalent to a 1.3% increase in retail turnover.

73. Sunday retailing might also compete for the "Sunday Pound" with other ways in which time and money can be spent on Sundays, for example in public houses and restaurants. Once again, however, the effect on total retail trade is not likely to be large. Analysis by the Food Economics Unit (Ministry of Agriculture, Fisheries and Food 1984) shows that in 1978 approximately 32% of Sunday family expenditure was on food (including restaurants) and alcoholic drink. If as much as half of this were to be redirected towards retailing, the total increase in retail turnover would be approximately 2%.

74. It is also suggested that foreign tourists, particularly in London, who may only be in the United Kingdom for one weekend, may spend more if an additional day is available for trading. It is difficult to know how far foreign tourists set a total for expenditure on their holiday and pack their spending into the time available or how far they will be influenced to spend more, or to redirect their spending towards retailed goods. Again to put the matter into perspective, foreign tourist expenditure, including business tourists, in the United Kingdom in 1982 was £3,184 million, and some 36% of this was spent in shops. As total retail turnover in 1982 was £69,784 million, a 25% increase in tourist expenditure in shops would only lead to a 0.4% increase in retail turnover. The effect on particular retail outlets well known to foreign visitors, such as Marks and Spencer's Marble Arch branch or Harrods, could of course be much more substantial if these stores decided to open.

75. While there is no decisive evidence, it is in our judgement inconceivable that extended trading hours would produce an increase in overall sales volume in any way commensurate with the increase in trading opportunities. An increase of 13% in retail sales, with expenditure on other items unchanged, would more than eliminate all discretionary personal saving in the United Kingdom. But in any event, the level of retail sales is only a

short run influence on the level of retail costs. If there was to be a large increase in retail sales, because of extended trading hours or for other reasons, then over a period of time retail capacity would be expected to increase to meet that demand (either by extended trading hours or otherwise). There is no evidence to support the proposition that unit costs in retailing are lower in countries where per capita sales are higher, either because of higher incomes or lower savings rates. The view that a variable volume of retail sales is to be spread over a fixed volume of retailing capacity is one which can be true only in the very short term. We return to this issue further below.

IV The Demand for Sunday Trading

76. A survey undertaken by MORI for the Multiple Traders Association in November 1983 gave an indication of demand for evening and Sunday trading under existing law (Tables 3.5 and 3.6). This showed that the most popular shops for evening visits are supermarkets, take-away food shops and off-licences. On Sundays on the other hand, it is newsagents and local grocers, and DIY and garden centres that are the most popular.

Table 3.5

STORES USED CURRENTLY IN THE EVENINGS, NOVEMBER 1983

Q3. "And which, if any, of the types of store on this list do you ever go shopping in, in the evening, nowadays?"

	Shop in nowadays
	%
Supermarkets	40
Take-away food shops	31
Off licences	31
Chemists	18
Local grocers	13
Newsagents	14
DIY stores	9
Bakers	3
Greengrocers	4
Butchers	2
Department stores	4
Electrical goods stores	2
Garden centres	3
Bookshops	1
Clothing stores	2
Furniture shops	2
Carpet retailers	1
Sports shops	1
None of the above mentioned	33
At least one of above mentioned	67
At least one food shop	59
At least one household store	11

Base: All respondents, quota sample of 1,892 adults in GB
Source: MORI Public Attitudes Toward Shop Opening Hours. November 1983.

Table 3.6

STORES USED CURRENTLY ON SUNDAYS, SEPTEMBER 1983

Q2. "Which of these stores do you shop at on Sunday?"

	All	England & Wales	Scotland
	%	%	%
Newsagents	49	50	36
Local grocer	31	31	28
DIY stores	27	25	48
Garden centres	23	23	24
Off licences	22	24	1
Chemists	9	9	4
Greengrocers	7	7	1
Supermarkets	7	6	11
Furniture shops	5	4	16
Bakers	3	3	1
Stores like Woolworth	3	3	4
Bookshops	2	2	2
Carpet retailers	2	1	7
Clothing stores	2	1	5
Department stores	2	2	4
Electrical goods shops	2	2	6
Sports shops	1	1	1
Butchers	–	–	1
None of these	13	14	8
Any food shops	41	41	41
Any household stores	39	37	55

Base: All who ever shop on Sundays (542)
Source: MORI Public Attitudes towards Shop Opening Hours, September 1983.

77. Evidence provided to the Committee by both opponents and supporters of general Sunday trading suggested that it might stimulate demand for certain types of goods. These fell into two main categories. One consisted of goods which are complementary to leisure activities, of a type frequently undertaken on Sunday. Examples included DIY and gardening materials. The second category was goods whose purchase requires a substantial input of time, either for purposes of comparative shopping or in order to evaluate the product; major household items or fitted furniture were examples cited.

78. Supporting evidence for these opinions is provided by the observation that it is in relation to goods in this first category that the existing law seems to be under greatest pressure. The second category of goods raises more complex issues, because comparative shopping may be easy only if a high proportion of retailers are open on Sundays and because purchases which require detailed consideration by the purchaser are also those which tend to demand relatively large product knowledge on the part of the salesman.

79. A survey undertaken by MORI for this inquiry sought to establish what goods consumers would be likely to buy on Sundays if the opportunity were available. The survey used a representative quota sample of 1,964 adults interviewed at 172 sampling points throughout Great Britain, and the results are shown in Table 3.7. The goods which are most in potential demand on Sundays, DIY type materials and garden products, are in fact those which are

already widely available on Sundays, in one case as a result of illegal trading, and in the other mostly illegal trading. It seems probable that there are two factors at work here. One is that these types of stores have opened because consumers really are more anxious to be able to buy garden and DIY materials on Sunday than other commodities. Another is that respondents find it difficult to imagine how their shopping habits would change in a different trading environment. When asked to specify what goods they would be likely to buy on Sundays, they therefore tend to specify those which they are already accustomed to buying on Sunday, or which they know would be available on that day.

Table 3.7

POTENTIAL SUNDAY DEMAND FOR DIFFERENT GOODS

"If all shops were open seven days a week, including Sundays, which of these products do you think you personally would be likely to buy at least occasionally on Sunday?"*

	%
DIY/Decorating materials etc	40
Garden products	38
Books/cards/stationery	21
Toiletries/cosmetics	17
Carpets/furniture	13
Records/cassettes	12
Electrical items large	7
Electrical items small	7
Sports equipment	7
Lamps/lampshades/pictures etc	6
Curtains/bedding	6
Antiques	6
Toys	6
Stereo units/TV's/cassette players	5
Cameras/photographic equipment	5
China and glass	4
Utensils/hardware	4
Other	4
Wouldn't buy anything	23
Don't know/not stated	5

Source: MORI Research Study conducted for the Institute for Fiscal Studies, 1984.
*Food and clothing were not included in the responses to this question since they were the subject of more detailed enquiries reported below.

80. In view of this, it is interesting to note that the next items in Table 3.7 are books/cards/stationery and toiletries/cosmetics. Neither of these groups of commodities can legally be on general sale on Sundays but both are widely sold in newsagents and pharmacies, whose principal commodities can be sold on Sundays. It is therefore possible that the effort of imagination required to envisage Sunday shopping is smaller in these cases. It is also possible that it is in relation to these commodities that consumers are most likely to have experience of being told by a shopkeeper that sales are not permitted under existing law. For these reasons, some reservations are appropriate in assessing answers to hypothetical questions, and it is possible that surveys of current consumer intentions underestimate the demand for Sunday trading which would exist once habits had adjusted fully to a different legal framework.

81. Similar caveats apply in estimating the amount of trade in particular items which would take place on Sundays. Nevertheless we can make some tentative estimates. In our survey respondents were asked to indicate their current levels of expenditure on food and clothing, and the proportion of this expenditure which they would plan to undertake on Sundays if the same shopping opportunities existed on that day as on other days of the week. From these answers, we calculate that if all shops were open on Sundays consumers' present intentions would be to buy 9% of their food and 16% of their clothing on that day. This implies that shopping for food, which other surveys have indicated consumers regard as a chore, appears less likely to be planned for Sunday than for other days of the week. Shopping for clothes, which has some of the attributes of a leisure pursuit, is more likely to occur on Sundays.

82. The demand for Sunday shopping comes mostly from those who are working full-time, and from the young, as Tables 3.8 and 3.9 show. The elderly, and those who are not working or are unemployed, are relatively unlikely to want to shop on Sundays; presumably existing trading hours are sufficient for most people in this position. This has important implications for the likely effects of Sunday shopping on weekday demand patterns, which we consider further in Chapter 4.

Table 3.8

DEMAND FOR SUNDAY TRADING BY WORKING STATUS

Working Status	*Total*	*Full Time*	*Part Time*	*Not working/ unemployed*
% of respondents who would buy food on Sundays	31%	39%	30%	24%
% of respondents who would buy clothes on Sundays	30%	41%	30%	21%

Table 3.9

DEMAND FOR SUNDAY TRADING BY AGE

Age	*Total*	*15–24*	*25–34*	*35–44*	*45–64*	*65 and over*
% who would buy food on Sundays	31%	38%	48%	33%	25%	9%
% who would buy clothes on Sundays	30%	43%	44%	34%	23%	5%

Source: MORI Research Study conducted for the IFS, 1984.

83. We have also examined regional variations in response, shown in Table 3.10. From the table it can be seen that for food and clothing the demand for Sunday trading is significantly greater in London and the South-East than elsewhere in the country. For some of the smaller furnishing items demand in the London area is not so high, as against the South-East where demand is uniformly high across all product categories. Wales and the North on the other hand show a generally low preference for Sunday trading. Demand in

Scotland is slightly above the average for Great Britain. This regional pattern of demand for Sunday trading follows closely the pattern of economic activity for women across Great Britain. The latest Regional Trends, published by the Central Statistical Office, shows that in 1981 over 48% of adult women were in the labour force in the South East, the North West and the West Midlands. Wales and the North on the other hand, had much lower female economic activity rates, at 42.1% and 45.9% respectively.

Table 3.10

REGIONAL BREAK-DOWN OF SUNDAY DEMAND

% of respondents who would buy on Sundays, at least occasionally, the following items:

	Food	*Clothing*	*Carpets/ Furniture*	*DIY/ Decorating Materials*	*Lamps/ Lampshades/ Pictures*	*Large electrical items*
Scotland	30	37	15	28	6	9
North	21	13	6	16	2	3
North West	32	31	16	38	7	5
Yorkshire & Humberside	32	29	13	43	10	11
East Midlands	29	29	20	42	5	10
West Midlands	28	24	15	45	6	6
Wales	22	17	7	30	3	3
South West	30	33	16	41	8	8
East Anglia	25	34	19	37	4	4
GL – South	38	44	9	44	5	3
– North	38	35	7	33	3	4
South East	42	40	19	57	8	10
All	30	31	13	40	6	7

Source: MORI Research Study conducted for the IFS, 1984.

84. Although there is little to suggest that Sunday trading would have any substantial impact on overall sales levels, the evidence above provides some support for the view that Sunday trading might lead to some redistribution of consumer spending across commodities. If total expenditure remained unchanged it necessarily follows that other items of spending would be reduced. This reduction might affect directly competitive pursuits, for example other leisure activities such as sports. The redistribution of spending for items such as groceries, may occur not as a result of direct substitution but as a consequence of overall budgetary pressure on consumers. It is therefore possible that in some areas of consumer expenditure, such as food, general Sunday trading would be likely to lead to a reduction rather than an increase in overall sales volume.

V. Sunday Trading and Individual Retailers

85. Whatever legal framework is imposed Sunday trading would not be universal. Most multiple retailers with experience of Sunday trading have chosen to open some outlets on Sundays but not others. Of Asda's eight superstores in Scotland, five are open on Sundays, two have never opened on Sundays, and one was closed after a period of Sunday opening. Of 109 B&Q outlets, 63 are open on Sunday, 30 have been closed under threat of proceedings, and 16 are closed by commercial decision. The shops which would not open on Sundays would tend to be those which would suffer the greatest cost penalties, or smallest gain in sales, if they did so. Indeed at first

sight the cost estimates above, which indicate that on average costs would increase by an amount substantially in excess of any likely gain in sales, would suggest that it would pay few if any retailers to open on Sundays.

86. This conclusion is, however, mistaken. It might pay many individual retailers to open on Sundays even though it would pay all retailers collectively to shut on Sundays, and it is very likely that this is in fact the case. Indeed it would otherwise be difficult to explain why many retailers appear to support legal restriction on their opening hours. The reason is that the loss of sales which any individual trader would suffer as a result of a decision to close his store on that day would be large, even though the loss of sales for the retail sector taken as a whole would be small, because the majority of these lost sales would be gained by others.

87. The worst case assumption for any retailer is that the whole of potential Sunday sales would be lost if he were shut on Sundays. For some retailers, eg. those entirely dependent on passing trade, this may indeed be the case. In most cases, however, at least some of these Sunday sales would be recouped during the week. At any particular location, the decision whether to open on Sunday would, among other things, depend on the degree of customer loyalty – the extent to which sales would be retained if opening hours were restricted. This would depend partly on the style and reputation of the retailer concerned and partly on the extent of Sunday trading itself; in general, the larger the number of other shops open on Sundays the more likely would be a disappointed customer to satisfy his requirements on Sunday at another store rather than at the same store on another day.

88. There is therefore a variety of factors which might indicate the likely extent of Sunday opening if all shops were free to do so. We have attempted to ascertain retailers' intentions, both as expressed in evidence to the Committee and as reported to us. However, we can attach little weight to the evidence so generated. Many traders were reluctant or unable to express a view on how they would react in a hypothetical situation in which their responses would in any case depend on the actions of their competitors. While others found it hard to distinguish the issue of how they would react if Sunday trading were permitted from that of whether they thought such trading should be permitted.

89. We can identify from our data on cost structures and on consumer preferences those areas of retailing where it is likely that Sunday opening would be profitable. In some, there is already substantial evidence of consumer demand, currently met legally or illegally. These include newsagents, garden centres and DIY shops. In others, evidence of latent demand is provided from consumer surveys; among the goods which are not a present widely available on Sundays, toiletries and stationery items emerge both from our survey and from others as the largest source of frustrated demand. Sunday opening would also be relatively more attractive to retailers who experience a low degree of customer loyalty. Thus within particular sectors, such as clothing or department stores, Sunday opening would tend to be more profitable for retailers who do not have a strong or distinctive image in the minds of consumers. Sunday opening would also be more profitable in areas where weekday competition is intense, mainly conurbations where multiple retailers have found Sunday opening advantageous.

90. In evidence to the Committee, it was frequently argued both that competitive pressures would lead to a widespread extension of Sunday opening and that Sunday opening would be more likely to be profitable for an individual retailer, or for the first retailer to open on Sundays, than it would be for the retail trade taken as a whole. At first sight, these two propositions are clearly inconsistent with each other. If Sunday opening is more profitable for the first retailer to open than for the second and subsequent retailer, then the more outlets which are open on Sunday the less attractive will it be for any further outlets to follow. Thus widespread opening would reduce rather than increase the incentive for any further retailers to open.

91. For food retailing, there seems little doubt that this would in fact be the case. It is possible that the initial period after de-regulation would be one in which all major retailers would be reluctant to disturb the status quo, but that if one major group were to do so others would follow. However since the evidence to the Committee indicates that at least one group would be likely to open many of its stores on Sunday if permitted, the probability of such a tacit understanding persisting, regardless of its possible illegality as a restrictive trade practice, seems low.

92. In some other forms of retailing, however, consumers commonly "go shopping" as well as go to a particular shop. This means that one retailer who would open on Sunday might generate additional custom for others as well as himself. This would create a greater degree of instability in the number of retailers likely to open. If no shops were open, then the first retailer to do so might attract few customers, and so experiments in opening would not prove very successful. This has been the experience of some retailers with bank holiday opening. If all shops are open, the pool of potential customers is large and the penalty for shutting considerable. Thus positions with very few shops open, or with very many shops open, might both prove stable. For commodities like food (or gardening products, or DIY materials) the probable outcome is that a proportion of outlets across the country would open. The likely development in major shopping centres is that some centres would see very widespread opening and trading while others would see little of either.

93. Thus there is an interesting and important difference in the ways in which extended opening would affect behaviour in different sectors of retailing. When major stores began opening in Oxford Street on Saturday afternoons almost all outlets adopted six day trading after a comparatively short period. This was true in other parts of the country also. Many stores open late for one evening a week, and for most shops in a locality it is the same evening. By contrast, the extension of opening hours in food retailing has been a gradual one. The trend has been general, but its pace has varied between different multiple retailers and different parts of the country. We believe similar trends would be observed in relation to Sunday opening. Some shopping centres would be mainly open including some city centre locations, which would benefit from the greater availability of time to travel to them and the lower levels of congestion experienced on Sundays, as well as out of town centres; it is in intermediate cases that Sunday opening would be less probable. In food retailing, the outcome would be more uniform across the country and more patchy in any particular area of it. In most localities, there would be some stores that were open and others that were shut. The

difference between, on the one hand, shopping that is practical and functional, and on the other hand comparative shopping more akin to a leisure pursuit would be reflected in differences in the pattern of response to opportunities to Sunday trading; this expectation is reinforced by experiences so far of de-regulation in Massachusetts.

94. We have used our computer simulation model to estimate the break-even point at which the trading benefit from Sunday sales would outweigh the immediate cost disadvantage. This is where the profit from sales gained through Sunday trading is exactly equal to the cost penalty associated with it. For the vast majority of retailers, this break-even point is between 10% and 15% of total sales. The interpretation of this number requires some care. It does not mean that overall sales would need to increase by that amount for Sunday opening to occur. Nor does it mean that if Sunday accounted for 10%-15% of total retail demand all or most shops would open.

95. A break-even point of say 12% means that an individual retailer contemplating Sunday opening or closing would find it profitable to stay shut on that day unless such a decision would cost him 12% of his total sales. Suppose, for example, 5% of all clothing was sold on Sundays. But because only one third of clothing outlets opened on that day Sunday trading would account for 15% of the weekly sales of those shops which were open. A shop which considered closing on Sunday would be unlikely to lose a full 15% of its trade. Some of its customers, perhaps one third, would come on another day. In that case the loss of sales would be only 10%. A break-even point of 12% implies that Sunday opening would not be worthwhile for this shop. The effect of Sunday trading on an individual retailer's sales depends partly on the extent of overall demand for Sunday shopping, partly on the number of other outlets which are open on Sundays, and partly on the loyalty of its customers.

96. The average break-even point is lowest for confectionery, tobacco and drink outlets, and, because these are heavily reliant on casual trade, their sales are likely to be roughly proportional to their opening hours. This suggests that it would pay most retailers in this category to open on Sunday. Food also has a relatively low breakeven point, at 10.6%. Our consumer survey indicated that with general opening only 9% of all food sales would be made on Sundays, but if not all retailers opened then some would do better than this. Clothing has a higher break-even point, at 12.5%. Although we estimate that if all clothing shops were open on Sundays, some 16% of total trade might take place on that day, consumer loyalty to particular outlets is such that it is unlikely that a trader who remained shut would lose as much as 16% of his sales.

97. In Table 3.11 we reproduce the distribution and the average of break-even points for the different retailers we have modelled. We have also suggested for each commodity group the possible loss of sales to any individual retailer if he were to close on Sunday. By comparing this figure with the break-even point, we can determine whether Sunday opening would or would not be profitable for any particular retailer. For clothing, comparatively few retailers would find that Sunday opening paid; this partly reflects the relatively unfavourable cost structure of this type of retailing, and

partly an expectation that a significant proportion of frustrated customers would return on another day. For household goods and for confectionery, drink and tobacco, both cost and demand factors are favourable to Sunday opening. We expect that most outlets in these categories would be under pressure to open.

Table 3.11

BREAK-EVEN POINTS FOR SUNDAY TRADING

	Proportion of retailers with break-even sales volume of:*			*Assumed sales loss from Sunday Opening*
	5-10%	*10-15%*	*Average*	*%*
Food	46	54	10.6	10
Clothing & Footwear	10	90	12.5	12
Drink, Confectionery and Tobacco	35	65	10.0	15
Household Goods	22	78	13.0	20
Mixed	15	85	12.4	10
Other	0	100	13.3	10

*Expressed as a % of the total turnover of that sector.
Source: IFS Retail Cost Model.

98. After ascertaining for each type of retailer whether Sunday opening would or would not be profitable, we have weighted each by the proportion of total retail sales currently occurring in outlets of that type. The results of this analysis are shown in Table 3.12. For clothing and footwear, shops accounting for 23% of present sales might find Sunday opening attractive if permitted. For food retailing, the corresponding figure is 46%. Most retailers of household goods and of confectionery, drink and tobacco would be likely to open. We do not expect 100% opening in reality, partly because some locations would not find Sunday opening attractive and partly because we expect some retailers, especially in family businesses, would stay closed even if it would be profitable to open.

Table 3.12

POSSIBLE EXTENT OF SUNDAY OPENING

	Assumed sales loss from Sunday opening (%)	*Potential extent of opening weighted by current turnover (%)*	*Resulting percentage of trade on Sunday (%)*
Food	10	46	5
Clothing and footwear	12	23	3
Drink, confectionery and tobacco	15	100	15
Household Goods	20	100	20
Mixed	10	15	2
Other	10	0	0
All	12	48	7

Source: IFS Retail Cost Model.

99. Although the qualitative pattern presented by this analysis is, we believe, a robust one, the particular numbers derived from it are subject to considerable margins of error. Nevertheless some estimates of the probable extent of Sunday opening are necessary to any consideration of the various assertions made about its impact on costs and prices. In Chapter 4 we consider the sensitivity of our conclusions to changes in these, and other, assumptions.

CHAPTER FOUR

THE MEDIUM AND LONG RUN EFFECTS OF SUNDAY SHOPPING ON RETAIL COSTS AND PRICES

I. The Effect of Sunday Trading on Weekday Demand

100. Any variation on trading hours would be likely to have substantial effects on the pattern of demand during existing opening hours. The extent to which retail capacity is utilised varies considerably by time of day and day of week. Food shopping reaches a peak on Thursdays and Fridays when weekly paid workers receive their wage packets and households stock up for the weekend. For most other commodities, the profile of demand is more uneven still and Saturday is the peak shopping time. Figures 4.1a and 4.1b illustrate typical sales distributions for food and non-food items respectively. These distributions should be regarded as representative rather than as being the experience of any particular retailer or averages over the whole retail sector. They are based on detailed confidential analyses provided to us by a number of individual retailers and on estimates obtained through our questionnaires from a wider range of outlets.

Figure 4.1

DISTRIBUTION OF SALES BY DAY OF WEEK

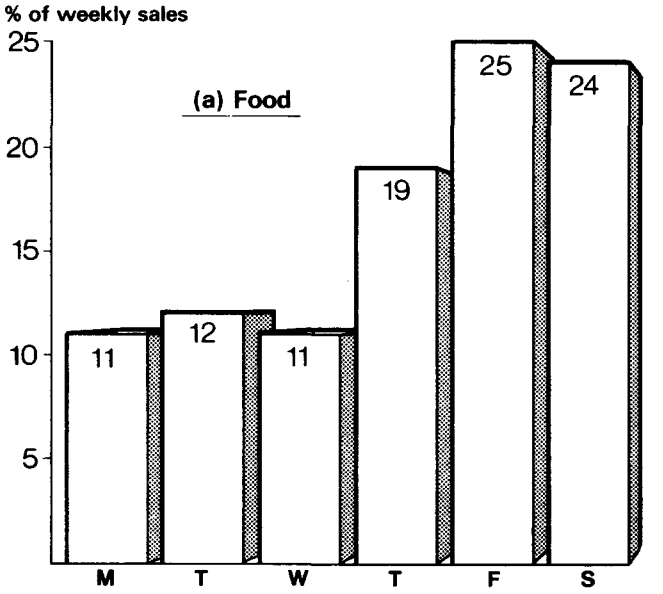
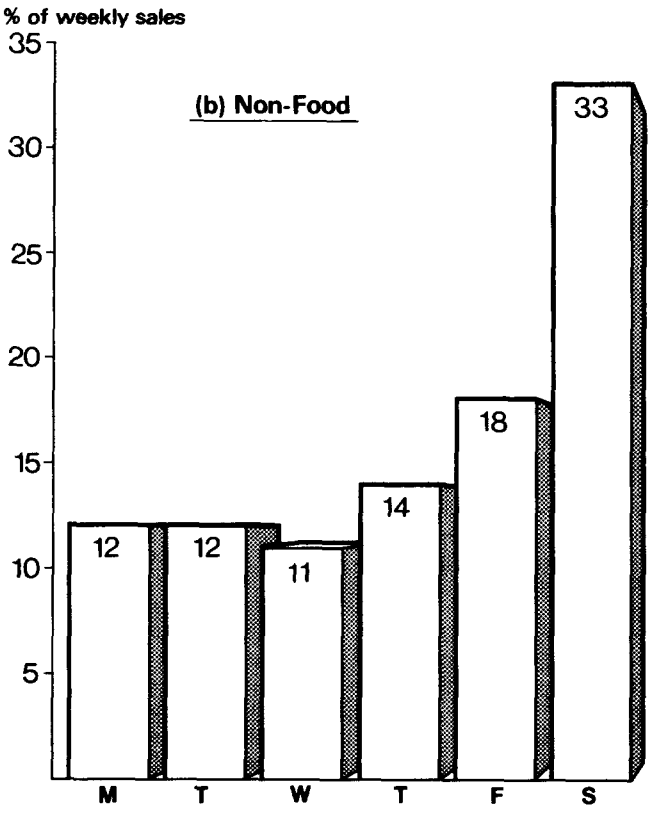


Figure 4.1 (continued)



101. The difference in the characteristics of demand reinforces the observation noted in Chapter 3 that there is a distinction between certain kinds of shopping which are seen as a household chore and others which are a leisure activity. Table 4.1 shows how Friday is the main shopping day for what consumers see as 'household shopping', even for women in full-time work, while Saturday is the principal occasion for personal shopping.

Table 4.1

PATTERN OF HOUSEHOLD AND PERSONAL SHOPPING IN 1970

Proportion of Shoppers whose main shopping day is:	*Household Shopping**		*Personal Shopping*	
	All	*Full-time Working Women*	*All*	*Full-time Working Women*
Monday	1	—	5	5
Tuesday	6	4	9	5
Wednesday	3	2	6	5
Thursday	12	14	7	6
Friday	30	41	7	4
Saturday	22	35	44	59
Sunday	—	—	—	—
Any day	38	19	33	24

Source: Bradley & Fenwick, *Shopping Habits and Attitudes to Shop Hours in Great Britain*, Tables 4(iv), 5(iv) and 32(i) (1975).

*Two main shopping days were allowed for household shopping.

102. Retailers who currently trade on Sundays provided evidence for the Committee on how this had affected their pattern of trade. In many cases, they reported that Sunday was their second busiest trading day. But as we have already observed, the experience of retailers who already trade on Sundays cannot be representative of, and is likely to be more favourable than, the general experience if such trading became widespread. It is important to establish the likely extent of demand for Sunday sales and the way in which this would be likely to affect demand on other days of the week. Neither current experience of Sunday trading, nor reports from other countries with different social habits, could provide satisfactory evidence on this.

103. For this reason, our investigation of consumer preferences was particularly concerned to established the way in which weekday demand would be affected by Sunday shopping. In our survey we therefore asked potential Sunday shoppers when they currently did most of their shopping. Table 4.2 shows that potential Sunday food shopping would be significantly drawn from existing evening opening hours. More than a third of those who would plan to buy all or most of their food on Sundays currently obtain it during the evenings, while those who are not interested in Sunday shopping now shop mainly during the day on weekdays. On the basis of the information given by potential Sunday shoppers about their current expenditure levels and shopping habits we estimated the likely distribution of sales over the week which would result from general Sunday trading, and the results are shown in Table 4.3. This confirms that Sunday food shopping would be drawn disproportionately from evenings and from existing Friday/Saturday trading.

Table 4.2

DISTRIBUTION OF CURRENT SHOPPING TIMES FOR FOOD ACCORDING TO SUNDAY SHOPPING INTENTIONS

Current Shopping Times	*All*	*Sunday shopping intentions* *Most*	*Half*	*A little*	*None*
Mon to Friday, day	39	30	41	58	63
Mon to Fri Evenings	42	30	34	16	17
Saturday	19	28	20	21	13
Don't know/No Answer	—	12	5	5	7
	100	100	100	100	100

Source: MORI Research Study conducted for the IFS, 1984.

Table 4.3

THE DISTRIBUTION OF FOOD EXPENDITURE BY DAY OF WEEK

	Mon to Thurs	*Friday*	*Mon to Fri Evenings*	*Sat*	*Sun*	
Currently	43	21	19	17	—	100
If all shops open on Sunday	41	19	16	14	9	100
% reduction in trade	–5%	–9%	–16%	–19%		

Source: MORI Research Study conducted for the IFS, 1984.

104. In Table 4.4 we reproduce the results of a similar exercise for expenditure on clothing. The estimate of current Saturday demand which appears there suggests a demand pattern even more peaked than that which is actually observed. The probable reason is that we thought it unlikely that consumers could accurately report the distribution of their expenditure by day of week and instead asked them to tell us their normal shopping day. It appears likely that people who *normally* buy clothes on Saturday are more likely to buy some clothes on other days than are people who normally buy clothes on other days to make some purchases on Saturdays. Hence the Saturday peak is exaggerated. Nevertheless it seems unlikely that this affects the main conclusion of Table 4.4, which is that Sunday shopping for clothes would tend to be drawn more from Saturday than from other days of the week. It seems reasonable to expect that something similar will be true for other commodities which are most usually bought on Saturdays.

Table 4.4

DISTRIBUTION OF CLOTHING EXPENDITURE BY DAY OF WEEK

	Mon to Thurs	*Friday*	*Mon to Fri Evenings*	*Sat*	*Sun*
Currently	35	8	1	57	—
If all shops were open on Sundays	30	7	1	44	16
% reduction in trade	–14%	–13%	—	–23%	

Source: MORI Research Study conducted for the IFS, 1984.

105. The results we describe above are a natural consequence of the evidence we put forward in Chapter 3 that potential Sunday shoppers are likely to be young and in full-time employment. Sunday trade would be disproportionately drawn from those periods during which such households are particularly likely to shop: in the evenings and on Friday for food, on Saturdays for other items. This has a number of implications. Because relatively little Sunday trade would come from off-peak shopping hours, it is unlikely that Sunday opening would change very much the economics of closing during part of the normal working week, an option which a diminishing number of traders now exercise. It follows that it is unlikely that Sunday trading would substitute for, say, Monday trading, and hence Sunday opening would be likely to produce an extension of the trading week rather than a shift in it.

106. For food, where trade is already more evenly distributed over the week, Sunday opening would to some extent compete with late evening opening and would, if it were general, provide a rather dull trading day. For other commodities, potential Sunday demand is probably no less than on other days of the week and any satisfied Sunday demand would be likely to be drawn disproportionately from the existing Saturday peak.

II. The Effect of Sunday Trading on Weekday Cost Levels

107. If Sunday trading accounted for 5% of total retail turnover, and overall sales remained constant, there would be a 5% reduction in the level of weekday demand. This would be felt by all retailers, whether or not they opened on Sundays. The outcome is that both peak and average sales levels would fall; peak sales, according to our evidence, by rather more than 5%. This would lead to reductions in the demand for labour in retailing during the week. The labour needed to staff a store depends partly on the size of the store, partly on the average level of sales being made in the store, and partly on the peak level of sales in the store. Retailers with large units have considerably more flexibility in adapting staff levels to current demand, although this depends on the type and style of retailing. We discuss this issue in more detail in Chapter 5. Other cost elements would also be affected. The extent of these reductions would depend on the extent of Sunday trading; the more shops were open on Sundays, the larger would be the impact on weekday demand and so the larger the reduction in weekday costs.

108. There are thus two groups of retailers. Those who would open on Sundays would increase sales above present levels, but would have higher costs because the additional costs of Sunday trading would normally outweigh the savings from lower sales achieved during the week. In some cases, costs per unit sale over the week as a whole would rise as a result of the balance of these factors; in other cases they would fall. Those who would remain shut on Sundays would lose sales, but this implies some reduction in their costs. However in almost all cases costs per unit of sales would rise for these firms. Not all of these cost effects would be derived immediately; labour cost reductions in particular would take some time as staffing levels were adjusted to the new pattern of retail sales. We note in Chapter 5 that labour turnover in retailing is higher than in most sectors. The factors we have described are similar to the cost changes which would be likely to occur during the first year or two of Sunday trading, in which retailers would be exploring the new market conditions which had been created.

109. In Table 4.5 we examine the changes in retailing costs per unit of sales which our model suggests would result in the medium term from the extent of Sunday opening described in Chapter 3. The medium term is the period in which weekday staffing levels have been adjusted to the changes in weekday demand, but there have as yet been no changes in capacity or in investment in the retailing sector. For retailers accounting for around 90% of current sales, the medium term effect would be to increase costs per unit of sales. This is true even though Sunday opening would be profitable for many of these retailers; costs per unit of sales would be less than they would be if *that* retailer closed on Sunday but higher than they would be if *all* retailers closed on Sunday.

Table 4.5

THE MEDIUM TERM EFFECT OF SUNDAY OPENING ON RETAILING COSTS PER UNIT OF SALES: NET COST IMPACT

Sector	*-1 to 0%*	*0-0.25%*	*0.25-0.5%*	*0.5-1%*	*1-2%*	*2-3%*	*Average*
Food	—	10	63	26	—	—	0.41
Clothing	18	—	27	56	—	—	0.46
Drink, Confectionery and Tobacco	—	2	39	30	28	—	0.77
Household Goods	—	—	15	5	68	12	1.40
Mixed	9	62	29	—	—	—	0.17
Total Retail Sector	11	16	40	20	12	1	0.50

Source: IFS Retail Cost Model.

110. Indeed the increase in costs per unit of sales would be highest for those sectors, drink, confectionery and tobacco and household goods, in which Sunday opening would be most attractive. This is because Sunday opening would be widespread but for the sector as a whole there would be no increase in sales commensurate with the increase in costs attributable to Sunday trading.

111. Table 4.5 shows the likely distribution of changes in unit retailing costs per unit of sales; a change of 0.5% in this figure implies, if prices remained the same, that net margin would be reduced by 0.5%. It shows that although most retailers would experience increased costs in the medium term, the cost increase would be generally small, equivalent to an average of 0.5% of turnover or 1.8% of gross margin.

III. Sunday Trading and Retail Margins

112. The discussion above leads to the conclusion that Sunday trading would be likely to raise retailing costs in the medium term by around 1.8% of gross margin and 0.5% of turnover. Such an increase in costs would lead either to an increase in retail prices or to a reduction in net margins, or to an element of each. The extent to which one or other would happen would depend on the nature of competitive conditions in retailing, and on the extent of Sunday trading itself. Again we consider food separately from general retailing.

113. Food retailing in the United Kingdom has been subject to intense price competition since Tesco began a round of rigorous price cutting in 1977. Although half of retail food sales are now in the hands of the four largest

traders, there have also been considerable changes in market shares, as Table 4.6 shows. Moreover it is clear that these market shares are highly sensitive to price levels. Under these conditions, it would clearly be difficult for retailers faced with extra fixed costs of Sunday trading to pass these into prices.

Table 4.6

CONCENTRATION IN FOOD INDUSTRY
% Share of Packaged Grocery Market in Great Britain, 1977 to 1982

	Tesco	*Sainsbury's*	*Asda*	*Co-op*	*Total*
1977	10.0	8.7	5.7	19.0	43.4
1978	12.3	10.6	6.0	17.9	46.8
1979	13.5	10.9	6.3	17.6	48.3
1980	13.8	12.2	7.7	17.7	51.4
1981	13.6	13.5	7.9	16.9	51.9
1982	13.8	15.0	8.5	15.9	53.2

Source: Retail Consortium, unpublished evidence to the Committee of Inquiry.

114. At present, a number of small retailers employ a trading strategy based on long opening hours and prices significantly higher than those of their major competitors. In London certain larger chains trade in this way. Would it be possible for a major firm to follow this lead, in more modest degree? If only one major retailer opened on Sundays, Sunday trading would not only constitute a disproportionate share of his overall sales but also one which would be less sensitive to prices than his weekday trade. Hence it would be possible for him to achieve a given market share at a rather higher price level than would be attainable with six-day trading, and recover part or all of the higher cost of Sunday trading through prices. The greater the number of retailers trading on Sundays the smaller would be this effect. In the extreme case where Sunday trading was universal, the choice between price and market share confronting each firm would be exactly the same as at present, except that the resulting trade would be spread over seven days rather than six. The result, despite the higher costs would be a price level similar to that prevailing at present, and the strain would mainly be taken on net margins.

115. We showed above in Table 4.5 that the initial effect of the immediate increase in costs per unit of sales is to reduce retail margins most substantially in those areas where Sunday trading is widespread, confectionery, drink and tobacco and household goods. In Table 4.7 we provide the average gross margin as reported in the 1982 Retailing Inquiry and our estimate of net margin. The relative impact of these cost increases on net margins is quite large. In Table 4.7 we also show how these margins, as calculated in our cost analysis in Chapter 3, would be affected by these developments. The likely effect of these changes on the structure of retailing are considered further below.

Table 4.7

THE EFFECT OF COST INCREASES ON MARGINS

Industry	*% of Turnover*		
	Gross Margin (Current) %	*Net Margin (Current)* %	*Change in Net Margin* %
Food	20.0	0.04	–0.41
Clothing & Footwear	40.6	–3.29	–0.46
Drink, Confectionery and Tobacco	15.1	2.09	–0.77
Household Goods	31.7	1.89	–1.40
Mixed Retail	32.9	3.01	–0.17
Other non-food	31.0	6.54	0.00

Source: 1982 Retailing Inquiry, Table 5
IFS Retail Cost Model.

116. Market shares are less sensitive to price in sectors other than food where there are greater differences between products and trading styles. Here there may appear to be greater scope for passing increased costs of Sunday trading into prices. However this would be decidedly limited. Those retailers who, initially, would choose to open on Sundays will do so because it would lower the unit cost of sales to them, even though the cost of sales might be higher than it would be if no retailer opened on Sunday. Those who would not would find the unit cost of sales increase; but this increase in cost, resulting from a fall in demand, would put downward pressure on margins rather than upward pressure on prices. Those who respond by themselves opening on Sundays would restore profits through increased sales rather than increased margins. The basic problem, as in food retailing, is that an increase in fixed costs attributable to a given sales volume could not readily be recovered in higher prices. For these reasons, we expect that the major effect of any net increase in costs resulting from extended opening hours would in the first instance be a fall in retailing profitability.

IV. The Effect of Extended Opening Hours on Retail Capacity

117. We have seen that Sunday opening would be likely to put pressure on margins in retailing. The underlying reason for this is a simple one. The effect of Sunday trading would be to increase the effective capacity of the retailing sector. Using the 48% opening derived in Table 3.12 on page 40 (by comparing break-even sales levels with the sales losses arising from remaining closed on Sunday), and assuming that retailers open for 13% more hours we see that shopping opportunities rise by around 7%. The reduction in margins we have identified would be the result of the availability of this increased capacity to meet a fixed volume of sales. It is also the mechanism by which, over a period of years, that increased capacity would be eliminated.

118. It is not easy for individual retailers to adjust the size of their stores in line with changes in demand. Indeed in many cases the size of a store is fixed by the exigencies of available space and sites, and the retailer's decision is essentially that of whether to have a store in that particular location or not. But it is clear that the long-term effect of these individual decisions is to match retail capacity to retail demand. A detailed examination of several

towns of varying sizes indicates that lower demand is partly reflected in representation by fewer major stores, partly in smaller sizes of these stores.

119. In Tables 4.8 and 4.9 we show the growth of the capital stock of the retailing sector in the United Kingdom. This stood at £24 billion in 1982. This figure excludes the value of land used for retailing, which is considerable. This capital stock has grown substantially since the Second World War. While capital employed in retailing increased by a factor of 6 between 1947 and 1982 the corresponding figure for manufacturing industry is only 3. New investment in the retail sector in 1982 represented around 7% of the existing capital employed of which around half was a net addition to the capital stock.

Table 4.8

THE CAPITAL STOCK OF UK RETAILING (1982) (£m)

	Net capital stock	*Gross capital formation*	*Net capital formation*
Construction	13,291	684	484
Plant	8,607	638	299
Vehicles	2,048	311	–39
Total	23,946	1,634	734

Source: Central Statistical Office, unpublished estimates.

Table 4.9

CAPITAL FORMATION IN UK RETAILING, 1947 to 1982 (£m, 1980 prices)

		Over Previous Five Years		
	Net Stock	*Gross Capital Formation*	*Net Capital Formation*	*% Growth of net stock*
1947	3,346.4	—	—	—
1952	3,792.8	1,161.5	446.4	13.3
1957	4,840.7	1,973.1	1,047.9	27.6
1962	7,019.7	3,470.6	2,179.0	45.0
1967	10,142.5	5,006.2	3,122.8	44.5
1972	14,065.7	6,532.8	3,923.2	38.7
1977	17,864.3	7,331.7	3,798.6	27.0
1982	21,630.4	8,174.7	3,766.1	21.1

Source: Central Statistical Office, unpublished statistics.

120. Capacity in food retailing has grown more slowly than in other types of retailing. This reflects the diminishing share of food in total sales, but is also a consequence of the transfer of market share from small retailers to large, who average higher sales per square foot. However, multiple retailers themselves have achieved greater sales per square foot through extensions to trading hours. The experience of retailers currently operating both six and seven day stores indicates that sales per square foot are on average 20% higher in seven day than in six day stores.

121. The long term result of the widespread adoption of extended trading

hours would be a reduction in retailing capacity, as measured by floorspace or capital employed. This reduction would be achieved partly by a fall in new retailing investment, and partly by a more rapid rate of closure of existing less economic stores. In the following section we consider the likely effects of this on the pattern and on the efficiency of retailing; effects which would themselves have consequences for the level of retailing costs and prices, and for the range of consumer choice and opportunities. Here however we note that a fall of 1% in retailing capacity would lead, in the long run, to a fall of around 1% in the capital costs of retailing. There would also be effects on other cost elements. We noted that labour costs were partly dependent on store size; thus a move to more effective utilisation of floorspace would lead to some reduction in weekday labour requirements. Energy and some other costs would be reduced.

122. We should stress again that these cost savings would not be achieved by retailers trimming the size of their existing stores. Indeed the effect on the individual retailer would not be at all obvious. The cost savings would be achieved in the following way. The cost and competitive pressures of extended opening would push high-cost retailers out of the market more quickly than would otherwise have occurred. This would lead to an increase in sales levels throughout the week for those retailers who remained in the market.

123. Because of the lower levels of weekday demand brought about by Sunday trading, this increase could be met without requiring increased capacity and would lead to an overall increase in sales per square foot. The effect is similar to the way in which existing seven day traders have achieved higher rates of sales per square foot at the expense of their competitors. The other way in which retailing capacity would fall would come from a reduction in pressure for store extension or expansion, which results from lower levels of weekday trading, especially at peak times.

124. If Sunday opening were extensive, it would therefore lead to significant changes in the size and structure of the retailing sector. Since entry to and exit from the retail trade, either by new operations or by the expansion or contraction of existing ones, is relatively easy, we would not expect extended opening hours to have any significant effect on net retail margins one way or another in the long run after appropriate adjustments had taken place; the returns required are set by the levels needed to attract capital investment into retailing. Just as we would expect the major part of the cost increases resulting from extended hours to be borne by retail margins, so we would also expect the cost savings resulting from reduced capacity to operate to restore retail margins. These savings would mainly take the form of increased sales volume at given cost levels, or of lower fixed costs, either of which would benefit margins.

125. How large a reduction in retailing capacity could be expected? When would contraction stop? Capacity is determined by a balance between the supply of and demand for the services of retailing. The cost of supply is set by the price of new or extended stores; demand by the sales which could be achieved in them. The precise changes which would occur as a result of Sunday trading are difficult to assess, but we have assumed that they would reflect broadly the same balance of demand and supply as now. This means

that retailing profitability would return to its present level, and that weekday sales achieved per square foot would also be the same as now. These two criteria between them determine the effect of Sunday trading on retail capacity and on prices; they set what the extent of the contraction of the retail sector is likely to be and the associated impact of that contraction on retailing costs.

126. Because the reduction in weekday sales would not be uniform, it is necessary to consider whether it is average or peak sales that principally determine retail capacity. It is evident that there is considerable excess capacity in retailing at off peak times, and that demand could increase at these times without requiring existing traders to extend their stores, although it might encourage previously unrepresented retailers to construct new ones. We have therefore made a central assumption that capacity is equally determined by peak demand and by average demand.

127. In Table 4.10 we provide estimates of the capacity changes implied by these assumptions. There is a major effect in the drink, confectionery and tobacco sector. The reason is that we anticipate that Sunday opening would be widespread in this sector, and a substantial proportion of sales would occur on that day. If the number of outlets did not contract, then each individual retailer would face higher costs for the same volume of sales. This could not be met by higher prices. If prices did rise substantially then gross margins, and so the profitability of incremental sales to individual retailers, would be correspondingly greater and there would be a downward pressure on prices. The attraction of cutting prices to obtain additional sales would be obvious to every trader in a competitive environment. The inevitable outcome would be lower profitability and ultimately less new entry and more rapid exit of marginal outlets.

TABLE 4.10

OVERALL EFFECT OF SUNDAY TRADING

		Changes in costs as a % of Gross Margin		
Industry	*Estimated % Reduction in Capacity*	*Cost Saving from reduced capacity*	*Increased Variable Cost of trading*	*Overall Effect*
Food	5.8	2.56	2.03	−0.53
Drink, Confectionery and tobacco	17.6	7.52	3.04	−4.48
Clothing and Footwear	3.4	1.79	1.18	−0.61
Household Goods	30.0	13.75	4.18	−9.57
Mixed Retail	2.0	0.82	0.50	−0.32
Other non-food	—	—	—	—

Source: IFS Retail Cost Model

128. The effect on the household goods sector would be even more substantial, mainly because the effect of Sunday trading would be so considerable and the existing Saturday peak would be doubled in length and intensity. However it is important to note that our figures exaggerate the impact of de-regulation from the present position. This is because they are

based, as we have already observed, on a comparison between Sunday trading and no Sunday trading, and in both these sectors a good deal of Sunday trading already occurs, legally in some cases, illegally in others. Nevertheless, de-regulation could bring marked changes in these sectors.

V Retail Costs and Prices

129. Retailing is a competitive industry, and hence any change in costs would in the long run be reflected in a corresponding change in the prices faced by consumers. It follows from the nature of this competition that the initial effect of a rise in average unit costs resulting from extended opening hours would be a cut in retail margins, and that the long term consequence of any cost change would be a fall in prices. If the whole of the cost savings described in Section IV, including subsequent reductions in capacity, were passed on to consumers, the effect would be to reduce average retail prices by 0.6% and the Retail Prices Index by 0.4%. We should acknowledge two complications in this proposition.

130. One would arise if extended opening were ultimately to reduce effective competition in retailing. This might occur from a reduction in the number of smaller outlets competing with a single multiple retailer in a particular locality (although the prospect of this affecting prices is reduced by the national pricing policy adopted by most multiple retailers). Alternatively, the withdrawal from marginal outlets by major retailers might in some areas reduce competitive pressures on smaller shops.

131. A second complication is the problem of rent. Changes in retailing profitability would give rise to changes in the rentals of retail premises. The effect would be likely to be most marked where, as with superstore sites, values are principally determined by competition between retailers themselves. It would be less important where, as with city centre locations, retailing competes for space with other commercial activities, such as those of banks, building societies, estate and travel agents. But gains and losses would be incurred in relation to particular premises, and factors which depress retailing profitability would tend, on balance, to depress retail rents.

132. For a number of reasons, we have not thought it appropriate to take explicit account of these factors in our analysis. Most importantly, there is no practical means of quantifying an effect which we suspect is on balance rather small. The most important owners of retail premises are retailers themselves, and therefore the division between retailing profits and rental levels is of more limited significance.

VI Sensitivity Analysis of the Results

133. The likely chain of consequences we have described is a lengthy one, and the likely final effects are the product of the whole series of links in the chain. It is therefore important to assess the sensitivity of the eventual outcome to the varius asumptions involved. In particular, our assessment of the likely extent of Sunday opening is inevitably a speculative one. It could be expected, however, that changes in this percentage would not have a very substantial effect. The reason is that all the three components of the cost

change (new Sunday costs, adjustments to weekday costs and the long run reduction in costs), would broadly be multiplied or divided by a similar amount, and hence the direction of change would remain the same.

134. In Table 4.11 we report the results of a detailed sensitivity analysis of the results generated by our computer model. In each case, we have run through all the steps in the preceding two chapters varying just one assumption. We focus in this table on key variables for four different groups of retailers: the (turnover weighted) percentage who would be likely to open, the expected reduction in capacity, and the price changes which would follow this reduction while restoring net margins to the pre-Sunday-opening position.

135. The first line of Table 4.11 presents the results as reported for our central set of assumptions, described in detail above. The main assumptions employed there are that wages on Sunday would follow existing Wages Council rates (generally, be double their weekday level), that capacity reductions would reflect an equal mix of the reduction in average sales during the week and peak sales, that there would be no increase in overall retail sales, and that weekday labour, in line with evidence from case studies, would mostly be determined by average sales during the week.

136. In this base case, our expectation is that just under half of all food retailers (by turnover) would open, and almost all household goods and drink, confectionery and tobacco would do so, while less than one quarter of clothing retailers would open. With these opening levels, the resulting reduction in retail capacity would be some 6% for food, nearly 30% for household goods and 3% for clothing. For all four types of retailing these capacity reductions would be sufficient to allow current margins to be earned at somewhat lower price levels.

137. Case 2 examines the effect if retailers were less pessimistic about the effects of Sunday closing on their sales. So, for example, food retailers would expect to lose only 5% of weekday sales by Sunday closing, rather than 10% in the base case. Here no food retailers open (their required sales volumes to offset cost are tightly bunched in the 8-12% range), only 23% of household goods retailers, 26% of drink, confectionery and tobacco and no clothing retailers. Capacity reductions and price changes, still negative, are correspondingly small.

138. Case 3 examines the effect of weekday labour requirements being determined by peak, rather than average, sales during the rest of the week. Opening remains the same, the retailers' initial decision is unchanged, but offsetting cost reductions are slightly greater. However, this makes little difference either to capacity reductions or to eventual price changes. This robustness carries through into cases 4 and 5, which examine the effect of overall retailing sales increases of 1% and 5%. These also offset the cost penalty from opening, mitigate the capacity reduction slightly and permit slightly larger price falls. But it is important to note that the long run effect of Sunday trading is not greatly influenced by whether or not it leads to an increase in overall sales volumes.

TABLE 4.11

SENSITIVITY ANALYSIS

	FOOD			*HOUSEHOLD (including DIY)*			*DRINK CONF. TOBACCO*			*CLOTHING*		
	% open	*% reduction capacity*	*final change in price as % of turnover*	*% open*	*% reduction capacity*	*final change in price as % of turnover*	*% open*	*% reduction capacity*	*final change in price as % of turnover*	*% open*	*% reduction capacity*	*final change in price as % of turnover*
1. Base	46.2	5.8	−0.12	100.0	29.9	−3.24	100.0	17.6	−1.18	22.6	3.4	−0.23
2. Sunday sales x ½	0.0	0.0	0.00	22.5	3.3	−0.28	26.2	2.3	−0.06	0.0	0.0	0.00
3. Labour 90% peak	46.2	5.8	−0.31	100.0	30.0	−5.36	100.0	17.5	−1.60	22.6	3.4	−0.44
4. Sales inc 1%	46.2	5.4	−0.18	100.0	29.6	−3.30	100.0	17.0	−1.24	22.6	2.9	−0.36
5. Sales inc 5%	46.2	3.4	−0.40	100.0	28.0	−3.55	100.0	15.4	−1.46	22.6	1.0	−0.85
6. Labour premium 1.5	86.1	10.8	−0.37	100.0	30.0	−4.04	100.0	17.6	−1.18	94.4	14.2	−0.98
7. Labour premium 2.5	4.5	0.5	−0.01	83.2	25.0	−2.24	35.4	6.2	−0.40	17.8	2.7	−0.10
8. Capacity 100% peak	46.2	7.0	−0.22	100.0	40.0	−4.80	100.0	20.0	−1.46	22.6	4.1	−0.37
9. Capacity 100% weekday sales	46.2	4.7	−0.01	100.0	20.0	−1.69	100.0	15.0	−0.90	22.6	2.7	−0.10

Source: IFS Retail Cost Model

139. In cases 6 and 7, we examine the effect of variations in the labour premium. This is the simplest way of allowing for error in our estimates of the costs of Sunday opening. A low premium – say, Sunday workers would receive 1.5 times the weekday wage – would reduce significantly the cost of Sunday opening and therefore the level of sales required to make it profitable. A high premium would have the opposite effect. Because of the bunching of the break-even sales percentage among food retailers, this change has dramatic effects on the percentage which open; in the first case, some 86% are predicted to open while in the second less than 5% are. The high premium reduced opening in household goods to 83% and in drink, confectionery and tobacco to 35%. It is striking, however, that the long run effect on prices is very little changed even by these very substantial variations in the assumed impact of Sunday opening. The reason is that the greater (or lower) costs of Sunday opening are offset by the smaller (or larger) numbers of traders who are persuaded to open.

140. Cases 8 and 9 examine alternative assumptions about capacity reductions. In the base case we have attributed equal importance to the peak and average levels of sales during the week. If capacity were entirely dependent on peak demand, the reduction would be greater than if it were entirely dependent on average sales. With a higher reduction in capacity, the scope for price falls is correspondingly greater.

141. The range of simulations we have described is only a selection of the many we have conducted. The majority of our conclusions seem robust to most reasonable changes in assumptions. It is unlikely that there would be universal opening of food stores, or widespread opening for the sale of clothing, and we can find no circumstances in which substantial long run effects on cost and prices would be likely. We have also identified some sectors for which there can be no doubt that Sunday trading would be important and would have significant effects; household goods and drink, confectionery and tobacco. The conclusion that the effect of Sunday trading on prices would be likely to be small is extremely robust and the majority of our simulations suggest a fall rather than a rise.

VII Effects of Sunday Trading on Different Retailers

142. With widespread Sunday opening, there would be a shift of demand from week-days to Sunday, and a significant reduction in peak demand during the week. The initial result of this would be to put pressure on those who do not choose to open (because the cost penalty they would face exceeds the likely benefit from increased sales on Sunday) by reducing their market share and consequently their net margin.

143. Because weekday sales would now be lower, sales per square foot during the week would fall. This would lead to higher overall costs. Unless consumers are willing, in the long run, to pay higher prices for lower weekday congestion, some reduction in this overcapacity would be inevitable. We have noted above that this reduction would take a number of forms. New supermarkets might be smaller, the least profitable outlets of large retailers might close or new outlets might not be built, and some retailers might be forced out of business.

144. We cannot hope to predict the extent of each of these forms of reduction in capacity or which individual retailers would be able to respond by improving, for example, on management practices. What we can do, however, is to examine, using our computer models and database, the profitability of existing retailers and the likely effects on the profitability of individual retailers of the complex chain of events we have described. Because much of our data was obtained on a confidential basis, the discussion that follows can only be in broad terms.

145. There are two types of retailer who would be likely to suffer particularly from Sunday trading. There are those who would experience above average increases in costs per unit of sales, and hence would find that the effect of extended opening hours on their profitability is markedly adverse. Such outlets could be among those who would open on Sunday or among those who would not; but would be most likely to be found among the latter group. The second type of retailer who would suffer would be those who are already marginal to the industry, those with the lowest existing level of profitability. These would come under pressure from any factor, not just extended opening hours, which reduced profitability and capacity in the retailing sector. We can look for these among relatively less profitable retailers, but even those retailers who are more than averagely profitable will generally have some units which are marginal.

146. The first of these groups, those who would suffer particularly substantial cost penalties as a result of Sunday trading, is probably of less importance than the second. The reason is that, as Table 4.5 on page 47 shows, the range of cost effects would be quite narrow; certainly very much narrower than the range of profitability itself. Although retailers with high labour costs would be at a disadvantage, all costs of such retailers tend to be high and hence their relative position would not be affected so adversely. For these reasons, we believe that levels of profitability would be more significant than changes in profitability in determining which firms contracted or left the industry as a result of the pressures on the retailing sector resulting from Sunday trading.

147. This point is particularly important for small and specialist retailers. We could find no evidence that the costs of Sunday opening were higher for small shops than for large; indeed the proportion of labour costs in total costs was if anything slightly lower for small traders. However the two sectors which would be most affected, household goods and confectionery, drink and tobacco, do have more small outlets than the multiple dominated food and clothing sectors. In addition many small shops have below average profitability and are hence vulnerable to any change which puts pressure on the less efficient parts of the retail sector. Sunday opening would accelerate trends which are evident in the retail sector in any event, one of which is the disappearance of small shops which have failed to find specialist roles.

148. It is not only small shops which have less than average profitability and which form part of existing marginal retail capacity, and it is to the identification of relatively weak traders generally that our attention has been principally devoted.

149. We noted in Chapter 3 some problems in examining profitability in retailing as it exists at present. Retailers who own the freeholds of their premises pay no rent; others who lease them may pay anything from a peppercorn to a full market rent. The economic cost of using premises for retailing, in all cases, is the amount which these premises could earn in other uses, and this is what should be considered in assessing the real profitability of retailing activities. Published accounts often give little indication of ownership structure or occupancy costs, and definitions vary.

150. To allow for these deficiences we have attempted to adjust the data derived from published accounts to approximate to a more economic concept of profit, while in other cases we have asked directly for the relevant information. The discussion which follows is therefore based on a concept of profit which takes account of all costs, including the use value of premises and fixtures owned, against revenue received.

151. As one might expect in a competitive industry, the average profit level once all costs have been computed is close to zero, with about half of all retailers making losses and half making profits. Some retailers make substantial losses which are not necessarily reflected in published accounts because during better times they have accumulated assets which they are now failing to maintain in real terms. In conventional accounting terms, we would find this reflected in a below-average return on capital.

152. In general terms those who are making losses in this sense are some of the small supermarket chains, small hardware and ironmongery chains, smaller clothing outlets (such as tailors, specialist shoe shops), and a number of large department store chains of traditional style. In other words, those who are revealed by this analysis as least fit to face fundamental changes to trading conditions are those who have suffered from the changes which have already occurred.

153. Examining the imputed change in profits after all these effects have been worked through, we find that the effects of Sunday trading would generally reinforce the changes which have been occurring over the last couple of decades. Those who would suffer most appear to be those with high gross margins in sectors where retailers with lower gross margins are moving to dominate sales. So pressure on profits would be greatest among older smaller supermarkets, traditional clothing outlets, smaller ironmongery, hardware and furniture outlets, and traditional department stores.

154. However, there are many exceptions to this general picture. Where the retailer occupies a particular market niche he is isolated from or even possibly advantaged by these wider changes. So we would not expect, for example, the changes to mean necessarily the demise of the small convenience food outlets. In Sweden (Appendix D) liberalisation of trading hours has been accompanied by a significant increase in the number of 'neighbourhood stores'. In any case, except under the most extreme assumptions, the effects on food retailing would be much less dramatic than in, say, household and DIY goods.

155. Similarly, any changes might take a very long time to happen. Retailers with large, wholly-owned capital assets could insulate themselves from moderate losses for extended periods during which they might change their retailing style and practices considerably. The period over which adjustment would take place is long, and the effects much smaller than has often been suggested. For most retailers, the penalty or gain from the changes imputed by our model lies between zero and 0.5% of turnover. We do not anticipate that changes generated by a change in trading hours would be anything like as significant as the large changes which are happening already. Sunday trading would accelerate trends already under way, but not to such an extent that they could not be accommodated in the way that existing changes already have been.

CHAPTER FIVE

THE EFFECTS OF SUNDAY TRADING ON EMPLOYMENT

I Introduction

156. The effect of extended opening hours on employment is subject to particular controversy. It could be measured in terms of the numbers of people employed in retailing, the number of full time equivalent jobs offered, or the total employee remuneration earned. Since changes in trading hours are likely to affect both the mix of part-time and full-time staff, and average rates of payment, these different measures are likely to be affected in different ways.

157. Because labour costs are the most important single component of overall retailing costs, there is inevitably a strong correlation between movements in labour costs and in total costs. This correlation was not reflected in the expectations of those making submissions to the Committee. The majority of those who expected costs to rise as a result of extended trading hours also thought that employment in retailing would fall. This could be true only if there was a marked fall in total retail sales, or a reduction in the share of labour costs in total costs, or a substantial rise in average earnings in retailing. The majority of those who expected costs to fall as a result of extended trading hours also thought that retailing employment would increase. This would be true only if Sunday trading led to a considerable increase in overall sales, or to a reduction in sales volume per employee. In what follows, we attempt to disentangle the various influences on retailing employment.

II Retailing Employment; Structure and Trends

158. The retail sector is a major employer. In 1982 the 2.2 million workers in retailing represented 9.5% of the total employed labour force in Great Britain, and retailing is a particularly important source of part-time employment, especially for married women. Table 5.1 shows the trend in retailing employment from 1950 to 1982, which is described in more detail in Table A1 on page 76, contained in Appendix A. From the end of the Second World War to the late 1950's there was considerable growth in numbers employed in retailing, reflecting the general expansion of retail sales. Retail employment then remained constant at approximately 2.5 million until the mid 1970's. However, from 1976 to 1982 there was a decline of 12% in numbers engaged in retailing, compared to a 4% decline in the total employed labour force over the same period. As retailing employs a large proportion of part-time workers the number employed does not provide a particularly good measure of labour input. A better measure is full-time equivalent numbers and these are shown in the second column of Table 5.1. This shows that although numbers engaged stayed constant between 1957 and 1976 labour input fell by 12%; this reflects an increase in the proportion of part-timers in the workforce.

Table 5.1

EMPLOYMENT IN RETAILING IN GREAT BRITAIN, 1950 TO 1982

	Persons Engaged in Retailing		*Total Employed Labour Force*
	Number	*FTE*	*Number*
	(Thousands)	(Thousands)	(Thousands)
1950	2392.2	—	22,680
1957	2529.6	2158.2	23,938
1961	2484.6	2158.8	24,046
1966	2555.7	2138.2	24,813
1971	2541.4	1995.4	23,858
1976	2503.4	1897.0	24,272
1977	2441.7	—	24,296
1978	2424.0	—	24,434
1979	2429.0	—	24,743
1980	2368.0	1780.0	24,629
1982	2202.0	1680.0	23,252

Source: Cencus of Distribution
Retailing Inquiries
NEDO – unpublished estimates
Annual Abstract
Robinson and Wallace, Pay and Employment in Retailing, Table 1.4
Note: FTE = Full-Time Equivalent (39 hours)

159. The decline in labour input in retailing was initially the result of rising labour productivity rather than declining retail sales. Labour productivity as measured by sales per full-time equivalent person engaged has continuously increased (Table A2 on page 77). We described in Chapter 2 the changes which took place after 1950 in the structure of the retail trade which led to this rise in productivity. The most notable of these changes was the growth of multiples, the trend towards fewer and larger shops and the development of self-service techniques. This increase in productivity has continued in recent years against a background of static or declining retail sales, and this has produced the marked fall in employment observed since the mid 1970's.

160. These changes have had major effects on the working environment of retail employees. Although it is still true that retailing is characterised by a large number of small independent traders each employing comparatively few workers, the trend over the last 30 years has been towards fewer and larger shops. The proportion of workers employed in multiples rose from 17% in 1950 to 49% in 1982 (Table A3 on page 77). There has also been a change in the number of persons engaged in different types of business. This is the result of changes in the retail trade brought about by changes in consumer expenditure patterns. Food retailing has provided a diminishing proportion of total employment; only one third of all retail workers now sell food (Table A4 on page 77).

161. Another consequence of the changing structure of retailing has been some further lessening in the skills needed by the retailing labour force. Fewer staff are required to have a specialised knowledge of the products they are selling or to provide customers with any substantial degree of personal service. Increasingly retailing labour has been used on relatively unskilled

tasks such as shelf-filling or till operation. The result has been a polarisation of the labour force towards a small number of specialised managers and a large number of single-grade unskilled workers. In 1974 over 70% of full-time employees did not have good specialised training and were without wide knowledge of their particular trade (Table A5 on page 78). Similar information is not available for more recent years but there is some evidence that the trend towards lower average levels of skills has continued. Retail workers have lower general educational qualifications than workers generally (Table A6 on page 78), and expenditure on training in the distributive trades is comparatively low – the average per employee is less than half that in manufacturing industries (Table A7 on page 78).

162. Modern retailing employment includes a disproportionately large number of women, part-time and young workers. Table 5.2 shows the breakdown of the labour force into male and female and full and part-time workers. (The table excludes the self-employed because, although this group makes up a high proportion of the total workforce, there is less detailed information available about them in recent years.) The table shows that the proportion of women and particularly of part-time workers has risen since 1957. At that time female employees made up 60% of the employed workforce but by 1976 this had risen to 66%. Over the same period the proportion of part-timers increased from 27% to 43%. This position has stabilised since 1976 and the proportions of both women and part-time workers have remained constant up to 1983.

Table 5.2

STRUCTURE OF RETAILING LABOUR FORCE IN GREAT BRITAIN
1957-1983

Employees	*1957* %	*1976* %	*1983* %
Male – Full-time	31.8	27.1	33.9
Part-time	8.5	6.6	
Female – Full-time	40.9	29.9	27.3
Part-time	18.8	36.4	38.8
	100.0	100.0	100.0

Source: Census of Distribution
Department of Employment Gazette, various issues

163. The retail sector is one of the most important sources of female employment. 66% of women sales assistants and 74% of women proprietors and managers are married, and these married women tend to be part-timers working between 8 and 30 hours a week. A large number of these married women have dependent children, but these are largely children over 10 years old enabling women to work at least part-time (Tables A8 on page 79, A9 on page 80).

164. The increase in the numbers of part-time and women workers in retailing over the period 1950-1976 was partly the result of general employment trends and partly the result of the different staffing requirements of new types of retailing. During the period increasing numbers of part-timers

and women entered the labour market and firms were keen to take them on. Changes in national insurance, taxation and employment legislation encouraged such employment, and the flexibility offered by the use of part-time labour was also an attraction. This was particularly true in the distributive trades where part-timers can ease the problem of scheduling staff to deal with fluctuations in demand over the week. As shop opening hours increased and the average working week fell, in retailing as elsewhere, this flexible use of part-time labour became increasingly important.

165. For similar reasons, retailing employs relatively large numbers of young people. In 1971 15% of males and 21% of females employed in the distributive trades were less than 19 years of age (Table A10 on page 80).

166. Labour turnover in retailing is also high. Even for full-time adults labour turnover in retail distribution is greater than that in all industries and services (Table A11 on page 80). The "Retail Distribution" Report by the Commission on Industrial Relations in 1971 showed that staff turnover was particularly high for Saturday-only employees, most of whom were still at school, at an average annual rate of over 100%.

III Earnings in Retailing

167. Pay levels in retailing in Great Britain are recorded in the New Earnings Survey 1983. Table 5.3 shows average earnings of full-time adults at April 1983. Retailing earnings are below the average for the economy generally, and this is true for all grades of workers. Full-time retail workers also work slightly longer average hours than in other non-manual occupations (Table A12 on page 81), but weekly earnings overall are still lower than average. One striking feature of Table 5.3 is the large difference between the earnings of men and women in retailing. In 1983 gross hourly earnings of women shop assistants were only 66% of those of male shop assistants. Table 5.3 only shows the earnings of full-time adults. Rates paid to young workers and part-timers are generally somewhat lower.

168. In comparison with other occupations little overtime is worked in retailing and consequently overtime pay makes up only a small proportion of total earnings. Women shop assistants are heavily dependent on basic pay and receive little in the way of overtime, payment by result or shift pay. In contrast, such payments amount to 18% of the weekly earnings of male shop assistants (Table A13 on page 81).

169. Retailing has traditionally been seen as a poorly paid sector with relatively weak trade unions. The principal shopworkers' union, USDAW, had 437,854 members in 1982 of whom one third were employed outside retailing. The remaining membership is heavily concentrated in multiple retailers and particularly co-operatives. Wages Councils were established in the late 1940's. A reorganisation in 1979 established the two Councils whose operations presently cover the sector, the Retail Foods and Allied Trades Wages Council, and the Retail Trades (Non Food) Wages Council, each of which governs pay, holidays and holiday pay for around half a million employees. Although there are small differences the minimum payments for equivalent grades in these two sectors of retailing move very much together.

Table 5.3

AVERAGE EARNINGS OF FULL-TIME ADULTS IN VARIOUS OCCUPATIONS IN GREAT BRITAIN – IN APRIL 1983

	Gross Weekly Earnings £	*Gross Hourly Earnings* £
MEN		
Managers – Dept. Stores, etc.	171.2	N/A
Branch Managers of other shops	162.4	N/A
Sales Supervisors	154.7	3.88
Salesmen, shop assistants, shelf fillers	118.8	2.89
Production and Works Managers	211.8	N/A
Supervisors of Clerks	167.7	4.39
General Clerks	130.6	3.36
All non-manual occupations	194.9	5.03
All manual occupations	143.6	3.19
All occupations	167.5	3.98
WOMEN		
Branch Managers of other shops	110.8	N/A
Sales Supervisors	95.5	2.46
Saleswomen, shop assistants, shelf fillers	73.4	1.91
Retail shop check-out operators	74.9	1.91
Office Managers	151.2	N/A
Supervisors of clerks	138.2	3.72
General Clerks	96.9	2.62
All non-manual occupations	115.1	3.09
All manual occupations	87.9	2.22
All occupations	108.8	2.88

Source: New Earnings Survey 1983 Part A Tables 8, 9

170. In Table 5.4 we report the results of a comparision for 1983 of Wages Council rates with information on the distribution of earnings in retailing from the 1983 New Earnings Survey. Wages Council rates effective from 4 April 1983 were £1.69 per hour in both food and non-food for the lowest-grade adult worker outside London. Average hourly earnings of males in retailing on 6 April 1983 were 76% above these rates for food and 92% for non-food, and only 6.5% of male workers in food and 3.4% in non-food earned less than £1.80 per hour. Women's wage rates, however, seem to be closer to Wages Council rates. Average female hourly earnings in food were only 17%, and in non-food, 34%, above the minimum, and some 41% of women in food retailing, and 22% in non-food, were paid less than £1.80 per hour. Many multiple retailers pay slightly more than the Wages Council rates (Table A14 on page 82). Although pay is in these cases not directly determined by the Wages Councils, the patterns of pay settlements in retailing both influences and reflects their activities. Increases in Wages Council rates are normally effective from a date in April of each year, and the settlement dates of most retailers are fixed at or about the same time. The rates operative in 1984 are shown in Table 5.5.

Table 5.4

WAGES COUNCIL RATES COMPARED WITH NEW EARNINGS SURVEY

Wages council rates effective 4th April 1983

£1.69 Retail Food Council
£1.69 Retail Non-food Council
} Lowest grade adult worker outside London

Wage Councils	Average hourly earnings excluding effect of overtime	Percentage with hourly earnings less than £1.40	£1.60	£1.80	Hourly earnings Lowest decile	Lowest quartile
MEN						
Workers covered by:						
Retail Food Council	2.98	—	—	6.5	1.93	2.28
Retail Non-Food Council	3.26	—	—	3.4	1.95	2.25
WOMEN						
Workers covered by:						
Retail Food Council	1.97	2.1	9.2	41.4	1.62	1.73
Retail Non-Food Council	2.27	1.1	3.0	22.1	1.71	1.82
OCCUPATIONS						
Men – Salesmen, shop assistants, shelf fillers	2.89	—	—	11.9	1.77	2.06
Women – saleswomen, shop assistants, shelf fillers	1.91	4.9	12.4	48.6	1.56	1.69
check-out operators	1.91	0.7	3.4	38.3	1.68	1.76

Source: New Earnings Survey 1983 Part A Tables 2, 3, 20, 21, 22 & 23
Note: Wages Council rates effective from 4th April 1983 were used for the comparison since the 1984 New Earnings Survey is not yet available.

171. Wages Council rates also govern minimum Sunday payments. These require that Sunday working in all retailing except retail newsagency, tobacco and confectionery outlets should be paid at twice the hourly rate prescribed by the rates of Table 5.5, which refer to a 39 hour week. For these others, the rules stipulate a 1.5 times premium. In addition, hours worked up to four and a half hours must be paid as for four and a half hours, while a shift of between four and a half and eight hours must be paid as for eight hours. These rules apply both to full-time and part-time employees. Broadly similar rules apply to working on a weekly rest day or a customary holiday. Wages Councils also specify overtime rates: hours in excess of 39 per week must be paid at 1½ times the basic rate. Saturday and overnight (8 pm to 6 am) working attracts a premium of 20% above the Wages Council minima.

IV Sunday Working in the Economy Generally

172. The latest survey to provide any detailed information on the nature and extent of Sunday working in the United Kingdom was conducted in 1975 by the Office of Population Censuses and Surveys, 'Labour Force Survey'. Around 15% of those in employment worked 'regularly' on Sundays and 19% worked 'occasionally' on Sundays. Unfortunately, these concepts were not quantified, but if we interpret 'regularly' as one Sunday in three and 'occasionally' as one Sunday in eight, around 1.7 million people, or 7.3% of the total labour force, might then have been working on any particular Sunday.

Table 5.5

WAGES COUNCIL RATES EFFECTIVE FROM 2 APRIL 1984

£ PER HOUR

	FOOD		NON-FOOD	
	London	Outside London	London	Outside London
Manager	1.98–2.13[1]	1.92 – 2.07	1.97–2.01[1]	1.90 – 1.94[2]
General Assistant				
Aged 19 or over	1.89	1.83		
18	1.61	1.54		
17	1.38	1.32		
Under 17	1.22	1.15		
Skilled Assistant				
Aged 19 or over			1.90	1.84
18			1.63	1.56
17			1.35	1.29
Under 17			1.17	1.10
Transport Worker				
Aged 19 or over	1.89	1.83	1.90	1.84
18	1.61	1.54	1.63	1.56
17	1.38	1.32	1.35	1.29
Any other worker				
Aged 19 or over	1.88	1.82	1.89	1.83
18	1.60	1.54	1.62	1.55
17	1.38	1.31	1.34	1.28
Under 17	1.21	1.15	1.16	1.10

1. Depends on weekly turnover
2. Depends on number of staff in the store

Source: Wages Council Orders
Retail Trades (Non-Food) NF (16) 27.3.84
Retail Food and Allied Trades RF (17) 23.3.84

173. Sunday working in 1975 was very much a male preserve, with males constituting 75% of the regular Sunday workforce and 82% of those who worked on Sunday occasionally (Table A16 on page 83). Sunday working in 1975 was mostly confined to service industries – transport, the Health Service, hotels and catering – with retailing a very small Sunday employer (mostly in newsagency and take-away food) (Table A17 on page 84). There seems to be little resistance to Sunday working in these industries, and several employers told us that it was taken for granted by their employees as an integral part of these employments. Double time is prescibed for Sunday working in retailing in general, although the rule for retail newsagency, where Sunday working is common, requires only time and a half. In the economy generally where Sunday working is unusual, double time is the common practice. In industries where Sunday working occurs more frequently, the premium is often lower. The Wages Council for the catering and licensed trades prescribes no premium for Sunday working, and in general none is paid.

174. 'Sunday only', or 'Saturday and Sunday only' working is relatively unusual in Great Britain. However it is notable that a substantial proportion of regular Sunday employment occurs in industries, such as the railways and health service, with a high degree of unionisation and relatively traditional labour practices. Retailing, by contrast, is characterised by less strong unions

and exceptional flexibility in the use of labour. Hotel, catering and licensed trades are more, but not at all closely, analogous.

V Sunday Working in Retailing

175. Several retailers who currently trade on Sundays provided details of the way in which they meet their requirements for labour on that day, either in evidence to the Committee or for the specific purpose of our inquiry. Broadly speaking, such requirements are handled in two ways. Weekday staff are rostered on a basis which makes provision for Sunday working, or part time staff can be recruited for this specific purpose. Both these approaches are adopted by major retailers. For example, most of Asda's Sunday staff work for the company on that day only, while Underwoods, which opens a number of Central London shops for the sale of pharmaceuticals, toiletries and some other household items on Sundays, does so on the basis of rosters which treat Sundays more or less the same as days of the week.

176. The difference between these two methods of staffing is, however, considerably less sharp than it might at first sight appear. Any retailer trading on a Sunday is likely to want some of his full-time staff present, either for their particular skills or expertise or in order to fill supervisory or managerial positions. In some cases this may be reversed; Underwoods employs some pharmacists in 'Sunday only' positions, while more junior staff may be full-time employees. Moreover, because part-time working in retailing is already so extensive, there is an infinite gradation of possible varieties of employment in between the polar cases of full-time 39 hour week employees and the Sunday only worker. It is possible for Sunday to be a major part, though not the whole, of an employee's part-time job; and it is likely that many workers currently employed on a Saturday only basis would wish to work on Sundays also, or instead, if such employment was available.

177. It is clear from the experience of those retailers currently opening on Sundays that the proportion of Sunday labour supplied by part-timers is substantially higher than the proportion of weekday labour so provided. For those retailers providing evidence to the Committee the average Sunday figure was between 70% and 85%, as against 41% for the retail trade as a whole over the whole week. A similar picture was painted by those retailers who currently open on Sundays and who provided information on their employment of part-time workers in response to our general retailing questionnaire. On average, these companies employed part-timers (below 30 hours per week) for 30% of their workforce during the week and 53% on Sundays. If this pattern was extended as a result of more widespread Sunday opening then the type of Sunday working which resulted would be significantly different from that in those non-retailing sectors where Sunday trading is already widespread, as described above.

178. The composition of Sunday labour also differs from that on weekdays. Because of the extra cost of Sunday working, a number of functions are generally restricted on Sundays and left to weekday opening hours. These include reception of goods (although this might change if Sunday opening became widespread), stock-counting, shelf-filling and most administration. As most of them appear to be related to the overall volume of sales, their non-performance on Sunday raises the requirement for weekday labour – but only to the extent that Sunday trading increases sales.

179. The level of skill of labour employed on Sundays is, on average, lower than that required during the rest of the week. This is principally because most management tasks are performed during normal working hours, and only basic supervisory functions are performed on Sundays. Skilled trades such as butchery and display are not normally exercised on Sunday. The average level of basic remuneration, before supplementation by premia for Sunday working, is therefore lower than the average for retail employment as a whole. Information on the pattern of employment provided by retailers with experience of both six and seven day trading shows a lower percentage of management, office and stock handling staff and a higher percentage of check-out operators working on Sunday as compared to Monday-Saturday.

180. Who would the new Sunday workers be? A variety of indications are available. First, and probably most important, are the employment practices of traders with experience of Sunday trading. We have already noted that these practices differ, with some retailers – like Asda – employing Sunday only staff and others developing – like Underwoods – roster systems. Of the new empoyees identified to us in case studies and to the Committee in evidence, over half were students or young persons and most of the remainder married women.

181. However, the present market for Sunday labour in retailing is not extensive in England and Wales, and the experience of those few retailers who do open may not be representative of those who would open following a relaxation of legislation. A second source of information might therefore be the employment experience of existing employees. We saw earlier in this chapter that the main Sunday employers, British Rail, London Transport, and hospitals, tended in 1975 (the latest data available) to employ predominantly males on Sunday and to avoid the employment of young persons. We understand that Sunday working, at a high wage, is often used as a reward for productive employees.

182. We consider incentives to Sunday working below. There are also fiscal disincentives. The marginal tax rate which would be levied on Sunday earnings is particularly relevant. Many wives of low-paid workers face extremely high marginal tax rates on their income; Family Income Supplement, for example, is withdrawn at 50% on all but the first £15 of wives' income, Housing Benefit at between 23% and 40%; income may also be subject to National Insurance Contributions and income tax. Young persons and students on the other hand would probably face much lower marginal rates on their Sunday working.

183. Information on who are the current Saturday only workers can also be used to give an indication of those who would be likely to be the Sunday only workers should trading hours be liberalised. The most recent information available on Saturday working in retailing is from a survey by the Department of Employment and Productivity in May 1968 reported in the December 1968 issue of the Department of Employment Gazette. They found that 75% of Saturday only workers were under 18 (of whom 64% were girls) and 87% were under 21.

VI Premia for Sunday Working

184. The pattern of double time for Sunday working in the retail trade is reflected in most collective agreements in the sector and in the practice of the majority of retailers who do not have collective agreements. The premium for for Sunday working is in some cases inflated further by the criteria for the calculation of Sunday hours. It is clear that the status of this 'double time' rule is essentially that of a well-established convention. It reflects, but does not necessarily measure, the inconvenience of Sunday working. The present premium for Sunday working is not necessarily that which would need to be paid to attract the amount of labour required to staff actual or prospective Sunday opening. We shall call this latter premium, which would depend on the extent of Sunday opening and which might be greater or less than the existing premium, the market premium.

185. The existence of a divergence between the conventional premium for Sunday working and the market premium has significant economic implications. The conventional premium might prove to be less than the market premium. In this case, Sunday opening could only be maintained by implied or explicit pressure on weekday employees, since the numbers coming forward voluntarily would be less than the number required to keep stores open. An extension of Sunday opening in these circumstances would be a disguised wage reduction.

186. Conversely, suppose the conventional premium exceeds the market premium. Then Sunday working would generally be sought after, and an extension of opportunities for employment on Sundays would have the effect of a wage increase – the additional earnings derived from Sunday working would more than compensate for the additional inconvenience involved. (The situation would be analagous to the common, but widely criticised, practice in which low basic wage rates are boosted by conventional or even artificial overtime practices.) Labour costs would rise, but mainly as a result of an increase in the real earnings of employees in the retail sector, and it is clearly important to distinguish between this form of increase and rising labour costs which would be the result of reduced efficiency in the employment of retailing labour. This appears to describe the present situation. Those retailers who do open on Sundays encounter little difficulty in obtaining labour and indeed several retailers used the opportunity to work on Sundays at double time as a means of rewarding deserving employees. With the present extent of Sunday working, the conventional premium exceeds the market premium.

187. In either case, there would be more wide ranging consequences. If unpopular Sunday opening were to be imposed on employees, retailing would become less attractive as an occupation and the need to attract staff would tend to raise the general level of weekday earnings. If, on the other hand, the opportunity to work on Sundays at high premium rates were welcomed by many employees, retailers would be under less pressure to increase the scale of basic pay rates.

188. Some of these effects can be seen in responses to Sunday working elsewhere in the economy. The 'double time' principle is commonly observed in areas of the economy where Sunday working is relatively unusual. Where there are in fact substantial requirements or opportunities for Sunday working, practice is more mixed. Premia in excess of double time are virtually

unknown, but smaller ones are not uncommon. This may be because double time is in fact above the market premium, and employers for whom Sunday working is a matter of importance have wished or been forced to adjust their Sunday premium to market levels. Or it may be because an unpopular contractual obligation to work on Sundays is partly reflected in a higher basic rate of pay. We would judge that there is some truth in both these explanations.

189. In any case, it is clear that if the conventional premium persists, its relationship to the market premium is an important element in the interpretation of the economic consequences of extended trading hours and in assessing the gains and losses to employees which would result. But is it certain that the conventional premium will persist, either because Wages Council rates might be changed or because Wages Councils might be abolished?

190. The relationship between the conventional premium and the market premium would certainly change if Sunday working became much more extensive. We have assumed for most of our analysis that the double time rule would continue. But current experience both in the retailing sector itself and in other areas of the economy where Sunday employment is substantial suggests that double time is more than is needed to attract the labour required. If that is so, then the growth of Sunday working would be equivalent to increasing wages in the retailing sector. It is important in assessing the overall effects to distinguish between volume changes and those which merely cause a transfer of resources. If more staff are needed to deal with Sunday customers then real economic costs are incurred; if the same staff are paid more this is merely a transfer from retailers to their employees. The same observations apply to premises. If smaller premises are required, then real savings have been made; if the rent of existing premises falls they have not been. This issue arises in paragraph 131 where we discuss likely movements in retailing rents. Some of the apparent costs of Sunday trading are simply increases in real wages. To this extent, the calculations of the additional cost of Sunday working which we undertook in Chapters 3 and 4 overestimate the real economic cost involved and understate the potential benefits of Sunday trading.

VII Labour Requirements in Retailing

191. The staffing requirements of retailing depend partly on the size of the store; partly on the average sales volume of the store; and partly on the peak volume of demand in the store.

192. There is no 'typical' store in this respect, since all retailers differ depending on the size and style of their operation and the commodities which they sell. We have carried out a number of case studies on the subject and interviewed experienced retailers with a view to establishing the importance of each of these factors. We found particularly helpful in this respect the extensive analysis carried out by Woolworths as the basis of their store staffing model; it formed the basis for our analysis of the determinants of retail employment by store.

193. On this assessment, it is evident that labour requirements in retailing

are now overwhelmingly determined by sales volume. We estimate that the elasticity of labour requirement with respect to sales, at given levels of the other factors we have identified, store size and peak demand, is between 0.8 and 0.9. By this we mean that if the overall turnover of a store of fixed size were to increase by 1%, the volume of labour employed in that store would increase by between 0.8% and 0.9%. This figure would not be significantly affected by the pattern of this turnover; it would not matter much whether the additional expenditure occurred principally at peak or at off-peak times, and we can find little evidence that the elasticity of employment with respect to peak demands on retailing is significantly more than zero. These results appear to hold even for the relatively small stores providing as few as six full-time equivalent jobs. Store size does influence labour requirements, independently of turnover, but not substantially. The elasticity of employment with respect to store size is in the range 0.05-0.1. The fact that the sum of the elasticities we have identified is slightly less than one indicates that there are some scale economies in labour requirements for retailing, although they do not appear to be great.

194. It appears that modern retailing methods have enabled the demand for labour to be more closely related to the average volume of business, and less to store size or demand pattern. This has been achieved by increasing the proportion of his or her time which any assistant spends in actually dealing with customers. Self-service provision enables each assistant to cover, or take money for, a wider range of goods. More flexible staffing practices have increased the extent to which staff on duty are present when customers require them rather than just when the store happens to be open. Smaller retail outlets have less scope for these methods but can achieve similar results in other ways; for example, by using spare time between customers for routine tasks such as shelf stocking.

195. These empirical findings yield an obvious conclusion. Changes in trading hours could have a significant effect on overall retailing employment only if they had a significant effect on overall retail sales. If, as we have suggested, this latter effect would be unlikely, there would be little overall change in retailing labour requirements as a result of changes in trading hours. There might be significant shifts within the total, so that opponents of extended opening would be able to point to job losses and supporters to job gains, but this would be within the context of a broadly static total. In order to determine this distribution we now consider more specifically how these changes might arise.

196. We have used the evidence described above, in conjunction with our retailing cost model, to estimate the likely effect of opening levels as generated by our 'main case' assumptions in which outlets representing some 48% of retailing turnover open. We have done this by using detailed information on the employment structure in each type of outlet and relating this to imputed movements in labour costs.

197. The total number of employees in retailing in Great Britain is around 2.2 million. Of these, an average of around one million are at work during weekday opening. Most employees work for less than the full trading hours of the shop in which they work and many for much less. To open rather less than half of the retail outlets in Great Britain on Sundays would therefore require

that rather less than half a million workers should attend on that day. In fact, the results of our detailed analysis, based on our retailing costs model, show that significantly less employment would be created than this rather crude calculation suggests. This is because those shops which would be likely to open on Sundays would be those which use less labour than the average – clothes shops, for example, are less likely to trade on that day, and within each sector high labour cost establishments are those which would find Sunday trading less attractive. Relatively few management and supervisory functions would be undertaken on Sundays, and a number of other tasks would be deferred in order to be performed more cheaply during the week. Overall, we estimate that about 350,000 workers would be needed to permit the degree of Sunday opening we have described. This is equivalent to approximately 73,000 new full-time jobs and, on the mixture of part-time and full-time workers we have assumed, would draw an additional 110,000 workers into retailing.

198. This is not, however, the end of the story. We noted in Chapter 3 that, with a premium for Sunday working, employers would economise on staff actually employed, and fulfil certain functions by employing additional staff, at normal wage rates, during the week. We estimate that these effects would, in our base case, add either 22,000 full-time equivalent jobs, or some 30,000 actual – part-time or full-time – jobs.

199. These gains would be offset, although not immediately, by a decline in weekday employment. Average weekday sales would fall as a result of Sunday opening and peak demand by rather more. The estimates in Table 5.6 assume that average demand during the week would fall by 7% and peak demand by 11%, implying a 5.9% overall fall in staffing requirements; but would be offset by a 1.3% increase in weekday demand as a result of functions deferred from Sunday such as clerical activities and stock-handling. Overall there would be a small decrease in the total number of full-time equivalent jobs, which translates into a small increase in the actual number of jobs. This is because a higher proportion of Sunday working than of weekday working would be provided by part-time labour. The effect on earnings would be substantial and positive. Assuming double time is paid for Sunday working, the increase in employee remuneration for Sunday working is estimated to be some £700 million. Deferred functions due to Sunday trading, but carried out (at normal wages) during the week, are estimated to add a further £125 million to the wage bill. These cost increases would be offset to a large extent by the reduction in weekday trading requirements, which, we estimate, would reduce the total of employee remuneration by some £500 million.

200. Overall, the short-run impact is estimated to be a decrease of about 5,000 full-time jobs in retailing. As described above, this translates into an increase of about 5,000 actual jobs due to the shift towards part-time work. Overall, employee remuneration in the short-run would be likely to rise by some £325 million.

Table 5.6

THE EFFECT OF SUNDAY TRADING ON EMPLOYMENT

	Full-time Equivalent Jobs	*Total number of jobs*	*Employee remuneration (£m.pa)*
Short-run effects			
New Sunday jobs	73,000	110,000	700
Additional weekday jobs	22,000	30,000	125
Lost weekday jobs	−100,000	−135,000	−500
	−5,000	+5,000	+325
Longer run effects	−15,000	−20,000	−75
Eventual effect	−20,000	−15,000	+250

Source IFS Retail Cost Model

201. These numbers should be measured in relation to total employment in retailing of some 2.2 million, or 1.7 million on a full-time equivalent basis, and total employee remuneration of approximately £10 billion. Even in the short-run, the volume of goods sold determines labour requirements to a much greater extent than the number of trading hours. There are here two counteracting factors within an overall constant level of sales; first, longer hours mean more staff, irrespective of the number of goods sold, and second, a more uniform pattern of demand means that labour can be utilised more efficiently. According to our estimates the first is, marginally, more important than the second.

202. In the long-run, as we discussed in Chapter 4, the reduction in peak demand created by additional shopping opportunities would reduce overall retailing capacity and therefore reduce labour requirements. The second part of Table 5.6 presents our estimates of the effects, again with 48% opening. Our computer model indicates that with an 11% reduction in peak demand, on average, and a 7% reduction in average weekday demand, we estimate that capacity would fall by a little over 9%. We estimate that this implies a fall in weekday employment of some 15,000 jobs, about two-thirds of them full-time. Total employee remuneration would fall by some £75 million.

203. Overall then, in the event of removal of restrictions on Sunday trading, we estimate a reduction in labour requirements of approximately 20,000 full-time equivalent jobs. These job losses would be likely to be concentrated in particular sectors, namely DIY and food. Our results suggest that in the long run a total of some 12,000 full-time jobs (around 60% of the total job loss) might occur in the DIY sector, and some 4,000 jobs might be lost in food retailing. Again, we should note that this is based on a comparison between effective prohibition and de-regulation and many of the effects we predict, especially in DIY, may have already occurred.

204. Our sensitivity analysis also gives some indication of the effect on employment of varying our assumptions. A lower wage premium for Sunday of 1½ times the normal rate would reduce the extent of job losses to around 18,000 full-time jobs. That a wage premium of 2½ times would result in similar job losses might at first sight seem surprising. However, this reflects the fact that with a high wage premium, fewer stores open, with a consequent lessening of the effect on employment.

205. The more peak demand is assumed to determine labour or capacity requirements, the greater the job losses involved. For example, if labour requirements were 90% peak determined (a patently unrealistic assumption as our previous discussion indicates), total job losses would amount to around 80,000 in the long run. Likewise if capacity were 100% peak determined, approximately 23,000 job losses might be expected. Finally if sales were to increase by 5%, there would be gains in employment of around 50,000 full-time jobs.

206. Our conclusion that, in the long term, Sunday working would slightly reduce retailing employment may seem at first sight surprising. A number of retailers are able to point specifically to the additional jobs which they would create if Sunday opening were permitted. However it is much harder to identify the particular jobs which would be lost in the resulting shake-out in retailing. There can be no large increase in employment in British retailing unless there is a large increase in sales, and although Sunday trading would lead to some increases for particular commodities and particular retailers it could not have large effects overall. The reason there would be a small reduction in employment is that Sunday opening would increase the efficiency of the retail sector, partly by accelerating the trend from less efficient to more efficient retail outlets, and partly by permitting more effective use of retail capacity. However, because Sunday working is so much better paid than retail employment generally, a substantial overall increase in retail earnings would be an inevitable result of Sunday trading.

APPENDIX A

Statistical information on retailing employment.

All tables are for Great Britain apart from Table A5 which is for the United Kingdom.

List of Tables in Appendix A

Table A.1

STRUCTURE OF LABOUR FORCE 1957-1983

Retailing	*Census of Distribution/Business Monitor*					*Census of Employment*		
	1957	*1961*	*1966*	*1971*	*1976*	*1976*	*1980*	*1983*
Employees								
Male – Full-time	629.6	603.2	586.4	–	537.0	501.7	624.3	613.3
– Part-time	167.5	110.5	182.3	–	168.2	122.6		
Female – Full-time	809.1	736.4	726.5	–	605.7	553.4	553.3	493.4
– Part-time	371.5	404.9	559.7	–	793.9	672.9	664.1	703.5
Total male employees	797.1	713.7	768.7	–	705.2	624.3	624.3	613.3
Total female employees	1,180.6	1,141.3	1,286.2	–	1,399.6	1,226.3	1,217.4	1,196.9
Total full-time employees	1,438.7	1,339.6	1,312.9	1,361.7	1,142.7	1,055.1	–	–
Total part-time employees	539.0	515.4	742.0	894.9	962.1	795.5	–	–
Total employees	1,977.7	1,855.0	2,054.9	2,256.6	2,104.8	1,850.6	1,841.7	1,810.2
Self-employed								
Male – Full-time	–	227.3	243.4	–	211.9			
– Part-time	–	33.9	33.0	–	20.4			
Female – Full-time	–	155.4	164.3	–	123.9			
– Part-time	–	67.1	60.1	–	42.4			
Total male self-employed	–	261.2	276.4	–	232.3			
Total female self-employed	–	222.5	224.4	–	166.3			
Total full-time self-employed	453.7	382.7	407.7	409.5	335.8			
Total part-time self-employed	137.4	101.0	93.1	107.5	62.8			
Total self-employed	591.1	483.7	500.8	517.0	398.6			
Total engaged	2,568.8	2,338.7	2,555.7	2,773.6	2,503.4			

Source: Census of Distribution
Retailing Inquiries
Employment Gazette, Nov 1977, Jan 1982, Sept 1983.

Table A.2

PRODUCTIVITY IN RETAILING, 1957 TO 1982

	Sales Revalued by the Retail Price Index to 1982 prices (£m)	*Sales per Full-Time Equivalent (£000's)*
1957	51,824.1	24.01
1961	55,661.5	25.78
1966	58,670.3	27.44
1971	62,574.4	31.36
1976	69,461.4	36.62
1980	71,071.8	39.92
1982	68,315.0	40.66

Source: Census of Distribution, appropriate years
Retailing Inquiries, appropriate years

Table A.3

NUMBER OF ESTABLISHMENTS AND PERSONS ENGAGED, 1950 & 1982

	1950	**1982*
Number of establishments		
Co-operatives	25,544	6,983
Multiples	53,949	70,509
Independents	503,639	261,482
All Retailing	583,132	331,991
Persons Engaged		
Co-operatives	179,181	116,000
Multiples	401,665	1,077,000
Independents	1,811,380	1,125,000
All Retailing	2,392,226	2,202,000

*In 1982 Co-operatives are included in Multiples and Independents
Source: Robinson and Wallace, Pay and Employment in Retailing, Table 1.1
Retailing Inquiry 1982, British Business, 16th Dec 1983.

Table A.4

PERSONS ENGAGED BY TYPE OF BUSINESS, 1961 & 1982

(Thousands)

	1961	*1982*
Food	1,026	800
Drink, Conf. & Tobacco	249	253
Clothing, footwear etc.	396	261
Household goods	264	260
Other non-food	237	208
Mixed retail	312	377
Hire and repair	—	43
	2,484	2,202

Source: Census of Distribution, 1961
Retailing Inquiry 1982, British Business, 16th Dec 1983

Table A.5

FULL-TIME EMPLOYEES IN RETAIL TRADE BY SEX AND QUALIFICATIONS 1974

	Male	*Female*	*Total*
	%	%	%
Top Management Personnel	2.0	—	1.1
Management Personnel and Senior Executives	3.7	—	1.9
Executives and Managerial Staff	19.9	5.1	12.2
Highly qualified junior personnel	18.2	9.3	13.6
Skilled junior personnel*	47.3	74.9	61.4
Unskilled junior personnel	8.9	10.7	9.8
	100.0	100.0	100.0

Source: Commission on Industrial Relations, 1974. Table A1

*Skilled Junior Personnel – this includes sales staff without good specialised training and without wide knowledge of the particular trade.

Table A.6

QUALIFICATIONS OF LABOUR FORCE IN 1983

	Women (%)		*Men (%)*	
Qualifications	*Distribution, hotels & catering, and repairs*	*All Industries*	*Distribution, hotels & catering, and repairs*	*All Industries*
Higher Education	4.1	16.0	6.3	15.1
Other Qualification	37.2	38.5	53.9	49.9
No Qualifications	58.7	45.5	39.8	35.0
	100.0	100.0	100.0	100.0

Source: Department of Employment Gazette, April 1983

Table A.7

*TRAINING COSTS PER HOUR (1981) – BY INDIVIDUAL SECTOR

	Average Expenditure per employee, pence per hour	*As percentage of total labour costs*
Distributive trades	3.44	1.1
Manufacturing industries	6.89	1.8
Mining and quarrying	3.16	0.5
Construction	13.60	3.8
Gas, electricity & water	11.77	2.0
All index of production industries	7.97	2.0

*Training costs including wage and salaries of apprentices and full-time trainees.
Source: Department of Employment Gazette, May 1983.

Table A.8

MARITAL STATUS OF WOMEN EMPLOYED IN RETAIL OCCUPATION IN 1971

		Hours Usually Worked				
		Total	*8 or less*	*8-30*	*Over 30*	*Not Stated*
Proprietors and Managers	– Single, widowed, divorced	5,750	128	544	4,732	346
	Married	16,833	533	2,801	12,495	1,004
	Total	22,583	661	3,345	17,227	1,350
Shop Saleswomen and Assistants	– Single, widowed, divorced	25,606	988	3,932	19,895	791
	Married	50,658	2,678	28,122	18,835	1,023
	TOTAL	76,264	3,666	32,054	38,730	1,814

Source: Census of Population 1971, Table 24

Table A.9

AGE OF YOUNGEST CHILD OF MOTHER WITH DEPENDENT CHILDREN

Occupation	*Percentage with youngest child between ages of* *0-4*	*5-9*	*10-16*
Selling	3	30	67
All Occupations	13	45	42

Source: Low Pay Unit survey of Part-time Workers, 1977

Table A.10

AGE DISTRIBUTION OF MALE AND FEMALE EMPLOYEES IN DISTRIBUTIVE TRADES AND ALL INDUSTRIES AND SERVICES – JUNE 1971

	Male		*Female*	
Age Group	*Dist. Trades (%)*	*All Industries & services (%)*	*Dist. Trades (%)*	*All Industries & services (%)*
15-19	15	8	21	13
20-39	39	41	32	39
40-64	41	48	40	41
65 and over	5	3	7	7
	100	100	100	100

Source: Department of Employment Gazette, June 1972

Table A.11

DISTRIBUTION OF EMPLOYEES BY LENGTH OF SERVICE WITH CURRENT EMPLOYER, BY INDUSTRY – FULL-TIME WORKERS, APRIL 1979

	Percentage with Length of Service of more than 12 Months			
	Retail Distribution	*Retail Distribution – Food*	*Retail Distribution – Other*	*All Industries and Services*
Men				
Manual	85.0	84.6	85.4	88.9
Non-Manual	89.5	91.1	89.0	92.0
Women				
Manual	80.7	—	81.6	86.2
Non-Manual	82.7	81.4	83.2	85.0

Source: New Earnings Survey, 1979, Part E Tables 139-141.

Table A.12
AVERAGE WEEKLY HOURS OF FULL-TIME ADULTS IN VARIOUS OCCUPATIONS – APRIL 1983

	Average weekly hours	
	Total including Overtime	*Overtime*
Men		
Sales Supervisors	39.4	0.8
Salesmen, shop assistants, shelf fillers	40.2	0.9
Supervisors of clerks	37.9	1.2
General clerks	38.4	1.6
All non-manual occupations	38.4	1.3
All manual occupations	43.9	4.7
All occupations	41.5	3.2
Women		
Sales Supervisors	38.8	0.5
Saleswomen, shop assistants, shelf fillers	38.3	0.3
Retail shop check-out operators	39.0	0.3
Supervisors of clerks	37.0	0.5
General clerks	36.9	0.4
All non-manual occupations	36.5	0.4
All manual occupations	39.3	1.2
All occupations	37.2	0.6

Source: New Earnings Survey 1983 Part A Tables 8, 9.

Table A.13
COMPOSITION OF AVERAGE GROSS WEEKLY EARNINGS OF FULL-TIME WORKERS IN VARIOUS OCCUPATIONS – APRIL 1983

	Percentage of average gross weekly earnings			
	Basic Pay	*Overtime*	*PBR*	*Shift etc. premium, pay*
Men				
Managers – Dept. Stores etc.	95.6	1.3	2.5	0.6
Branch managers of other shops	90.9	1.5	7.1	0.4
Sales Supervisors	90.5	1.7	7.0	0.8
Salesmen, shop assistants, shelf fillers	81.6	2.6	15.2	0.6
Production and works managers	95.2	1.8	1.9	1.0
Supervisors of clerks	94.0	3.8	1.4	0.8
General clerks	92.0	5.3	1.8	0.9
All non-manual occupations	93.3	3.1	2.8	0.8
All manual occupations	76.0	12.6	7.9	3.5
All occupations	85.4	7.5	5.1	2.0
Women				
Branch Managers of other shops	94.7	1.4	3.7	0.2
Sales supervisors	96.3	1.8	1.3	0.6
Saleswomen, shop assistants, shelf fillers	96.2	1.1	2.0	0.7
Retail shop check-out operators	96.1	1.3	0.5	2.0
Office Managers	97.2	1.2	1.3	0.3
Supervisors of clerks	96.8	2.0	0.9	0.3
General clerks	97.0	1.7	1.1	0.2
All non-manual occupations	96.2	1.4	1.1	1.3
All manual occupations	85.7	3.9	8.0	2.5
All occupations	94.2	1.8	2.4	1.6

Source: New Earnings Survey 1983 Part A Tables 8 & 9.

Table A.14

COMPARISON OF WAGES COUNCIL RATES WITH INDIVIDUAL COMPANY WAGE RATES

Wages Council rates effective from 4th April 1983

£1.69	Retail Food W.C.	Lowest paid adult outside London
£1.69	Non-Food W.C.	

Wage rates in force at 6th April 1983 – for lowest grade adult worker outside London

	£ per hour
House of Fraser	1.81
Woolworth	1.72
Boots	1.80
Lewis Ltd.	1.80
Asda	1.83
B.H.S.	1.73
Littlewoods	1.79
John Collier	1.84

Source: Income Data Services Industrial and Relations Review and Pay and Benefit Bulletin, various issues

Table A.15

PAY RATES AND BASIC WORKING HOURS FOR THE LOWEST GRADE ADULT MANUAL WORKER IN THE MAJOR NATIONAL COLLECTIVE AGREEMENTS FOR 1983

	Operative date of last increase	*Lowest Basic weekly rate*	*Basic Weekly hours*
Retail Co-ops	May 83	67.55	39
Retail Multiple Footwear	Apr. 83	67.50	39
Retail Multiple Grocery	Apr. 83	67.00	39
Retail Meat – England & Wales	Apr. 83	65.60	39
Retail Bespoke Tailoring	Mar. 83	65.30	40
Retail Pharmacy	Apr. 83	65.00	40

Source: Income Data Services, Pay and Benefit Bulletin

ESTIMATED NUMBER OF WORKERS (INCLUDING PART-TIMERS) COVERED BY THE PRINCIPAL NATIONAL COLLECTIVE AGREEMENTS

	Estimated coverage
Retail Co-ops	178,500
Retail Multiple Footwear	33,000
Retail Multiple Grocery	150,000
Retail Meat – England & Wales	40,000
Retail Pharmacy	35,000

Source: 'Changes of Rates and Wages and Hours of Work', Department of Employment

Table A.16

THE COMPOSITION OF THE SUNDAY WORKFORCE IN 1975

		Working on Sunday	
		Regularly	*Occasionally*
Male	Full-time	73.8	81.6
	Part-time	0.9	0.9
Female	Full-time	15.8	10.2
	Part-time	9.5	7.3
		100.0	100.0
Percentage of total workforce		15.0	18.6
Number of individuals		3,472.2	4,317.9

Source: Labour Force Survey 1975, Office of Population Censuses and Surveys.

Table A.17

SUNDAY WORKING

Percentage of persons in employment working on Sundays or public holidays regularly or occasionally, 1975

Industry	*Regularly*	*Occasionally*
Agriculture, forestry, fishing	54.3	24.6
Mining and Quarrying	14.0	34.3
Food, Drink and Tobacco	13.6	17.4
Coal and Petroleum Products	25.2	26.4
Chemicals and Allied Industries	15.9	20.2
Metal Manufacture	29.7	21.2
Mechanical Engineering	6.6	23.3
Instrument Engineering	2.9	13.8
Electrical Engineering	3.7	17.4
Shipbuilding & Marine Engineering	17.2	37.9
Vehicles	5.5	21.5
Metal Goods Not Elsewhere Specified	4.3	16.0
Textiles	6.9	11.1
Leather, Leather Goods and Fur	3.5	13.1
Clothing and Footwear	1.5	7.0
Bricks, Pottery, Glass, Cement, etc.	15.0	19.4
Timber, Furniture, etc.	3.5	20.0
Paper, Printing & Publishing	12.9	19.9
Other Manufacturing Industries	7.0	13.7
Construction	6.5	30.7
Gas, Electricity and Water	20.3	23.1
Transport and Communication	29.6	27.2
Distribution Trades	10.1	14.7
Insurance, Banking, Finance and Business Services	4.4	11.9
Professional and Scientific Services	16.4	13.0
Miscellaneous Services	27.1	17.0
Public Administration and Defence	17.1	17.6
All Industries	15.0	18.6

Source: Labour Force Survey, 1975.

APPENDIX B

CAPITAL AND OTHER COSTS IN PUBLISHED ACCOUNTS

1. The capital costs of retailing are under-reported in most studies of retail cost structures. There are two reasons for this. Retailers may own their property freehold, or may occupy it on leasehold terms at less than current market rents. The correct economic treatment of these cases is straightforward. The opportunity cost of occupation is set by the value of the next best use, and this is measured by the market rent. (The position may be less straightforward where the value of a property for retailing far exceeds its value in any alternative use, a case which we have considered in Chapter 4.) It is therefore necessary to take into account the difference between current rent and actual rent, if any, and reduce the net margin correspondingly. For those stores for which we have case studies, the retailers concerned estimated the current market value of their premises. From this information, we analysed the relationship between occupancy costs and other retailing costs and substituted estimated occupancy costs so derived for reported costs for other retailers.

2. Food retailers typically buy packaged groceries on credit and sell them for cash. If stock turnover is rapid, then goods will often have been sold before they have been paid for. Trade credit received could exceed the value of stocks and the net cost of stocks become negative. Although the accounting treatment of these items is correct, the apparent economic implication that stockholding costs are negative is misleading. Similar issues arise, though in less extreme forms, in other areas of retailing. A retailer buying on these terms obtains a package which includes both the goods and a quantity of credit. It follows that the economically correct treatment is to subtract from the cost of goods sold the value of net trade credit received and to increase the gross margin correspondingly. The costs of holding stocks are higher by the same amount and hence the net margin of the retailer concerned remains unchanged. For some retailers who have a rapid stock turnover of groceries sold on low margins this adjustment has a substantial effect although in the majority of cases it is not material.

APPENDIX C

EXTERNAL EFFECTS OF SUNDAY TRADING

1. It was frequently suggested in evidence to the Committee that extended trading hours might have significant effects on costs which are consequent on retailing but not necessarily borne by retailers themselves. These include costs of policing, refuse disposal, street cleaning, and public transport. Most of these costs affect local authorities, and the Committee received evidence from local authorities with experience of Sunday trading as to their extent.

2. The City of Edinburgh and City of Glasgow Councils considered that although additional demand for refuse collection and street cleaning services was created by Sunday trading, the cost was minimal compared to the total cost of the council's services. For example, the City of Glasgow Council estimated the cost of refuse and street cleaning services (on *both* Saturday and Sunday) to be £54,800, compared to a total expenditure on these services of £25m in 1983. Further, even in the busy pre-Christmas Sunday trading period when many department stores were open, additional refuse collection vehicles were found to be unnecessary, as the normal Monday service could cope. Blackpool Borough Council also considered the cost of Sunday trading to be negligible in this regard, particularly as much of any extra Sunday cost was attributable to hotels and entertainment facilities.

3. With regard to additional parking problems and the costs of policing traffic, again the City of Edinburgh and City of Glasgow Councils reported no serious difficulties. Although there were some problems with the busy pre-Christmas period in Edinburgh, much of this was attributed to the fact that weekday parking restrictions lapsed on Sundays. Scarborough Borough Council could envisage no particular costs in supervising parking, while Brighton Borough Council argued that the extension of meters and more off-street parking might in fact increase revenues.

4. One further local authority cost was mentioned by two councils: that relating to the enforcement of the Food and Drugs legislation and consumer and trading standards. Both Blackpool Borough Council and the City of Glasgow Council considered there would be no additional cost arising from Sunday trading, since available staff time would be redistributed over seven days instead of six, if required. There could, of course, be savings from any reduction in the need for enforcement of present trading restrictions.

5. There might be some beneficial effects on public transport facilities. At present, demand for public transport on Sundays falls so far short of capacity that quite substantial increases could be accommodated with effects on revenue far in excess of the effect on costs.

6. If an extra 5% more shopping trips were to be generated on Sundays we estimate that London Transport would gain approximately £1.7m in bus revenues and an extra £1.8m in underground revenues. On the other hand, if the extra Sunday trips merely represented a shift in shopping times from the rest of the week, then this would allow some savings to be made on the provision of peak hour services.

7. On the basis of the local authority experience quoted above, we would expect Sunday trading to have little impact on total local authority expenditure. Further it is evident that any impact would not be material in relation to the direct costs and benefits of Sunday trading, and we do not consider it further.

APPENDIX D

THE SWEDISH EXPERIENCE

I. The Legislation

1. Sweden has had no control on business hours since 1st January 1972, on which date the Business Hours Act of 1967 lapsed. The 1967 law stated that shops could only open between 8.00am and 8.00pm on weekdays. There was a range of exemptions for certain types of outlets and categories of goods, and the local authorities could allow further exemptions, subject to an appeal procedure.

2. A Committee of Inquiry was set up in 1971 to evaluate the law, and in its report "Free Opening Hours" (SOU 1971:33) proposed the total abolition of controls. In a statement to the Swedish Parliament in November 1971, the Minister for Commerce and Industry stated:

> "Legislation of this kind with exemption clauses and possibilities for dispensation is cumbersome from an administrative point of view. In many cases it has led to the service needs of consumers being dealt with unequally and the reciprocal competitive relationships of business being distorted."

3. The Act was repealed, and a Board of Business Hours was set up to monitor the situation under free trading hours. The Board reported back to Government in May 1975. The majority of the Board recommended some form of control on business hours, and a Committee on Business Hours was appointed to analyse the material produced by the Board and recommend the necessary measures.

4. The Committee on Business Hours presented its report in July 1977. The members had differing opinions as to whether controls should be introduced, but the majority favoured some control. Nevertheless the Liberal Government decided in December 1978 not to propose any control of opening hours. Likewise in June 1980 Parliament rejected a bill put forward by the Social Democrats for the control of opening hours.

5. When the Social Democrats were returned to power in 1982 one further Committee of Inquiry was established. It found in favour of free opening hours, and in January 1984 the Finance Minister announced that unrestricted hours were to be retained permanently.

II. The Initial Response to Free Opening Hours

6. The most authoritative study on the initial impact of free trading hours is the 1977 Report of the Committee on Business Hours. This looked at price, structural changes and working conditions for employees over the first four years of de-regulation.

7. In that period responses to free opening hours were, in general, cautious. The greatest response was from department stores (Sunday opening) and food shops (evening opening). (This pattern of opening is consistent with the distinction drawn between comparison and convenience shopping made in Chapter 3.) Table D.1 shows that in 1972, the first year of

Table D.1

SUNDAY OPENING 1971 TO 1974

Proportion of shops which open on at least 3 Sundays a month

	1971	*1972*	*1974*
Department Stores	7	30	22
Food Shops	3	3	5
Single-line retail trade	2	4	2

Table D.2

EVENING OPENING 1971 TO 1974

Proportion of shops open until 8.00pm or later

	1971		*1974*	
	Mon-Thurs	*Fri*	*Mon-Thurs*	*Fri*
Neighbourhood Shops			80	
Food shops – Co-op	14	14	29	43
– Private	16	19	24	27
Department Stores	22	54	20	38
Furniture	3	6	3	3
Clothing Shops	4	10		

Source: T. Tetzell, "Business Hours", unpublished paper for the Ministry of Finance, 1983.

free trading, there was a substantial increase in the proportion of department stores opening on Sundays. In subsequent years the proportion declined, a decline which in fact continued until 1977. However, department stores represented only 4% of total retail trade and there was little Sunday opening by other retailers – slightly more food stores were opening, but most other retailers remained closed.

8. Table D.2 charts the position on evening opening. It shows that more food shops (both Co-op and private) began opening later in the evenings. It must be remembered that in Sweden the working day finishes earlier than in the United Kingdom: many people have finished work by 3.30pm. Thus shops that close at 8.00pm or later provide substantial evening shopping opportunities.

9. It is interesting to note that the trend in evening opening times is the reverse for other types of retailers. By 1974 *fewer* department stores, furniture shops and clothing shops were opening late in the evenings, particularly on Fridays. (Most shops were also opening slightly later in the morning as well.) This suggests that Sunday opening, by increasing the effective capacity in retailing (as discussed in Chapter 4), has enabled stores to close at other, less popular, shopping times. The decline in newly established department stores, larger shops and supermarkets that occurred over the period also reflects this increase.

10. The main area of expansion which followed deregulation was the creation of the neighbourhood shops. These carry a comprehensive range (but limited number of items) of convenience goods, in a maximum of 250 square metres of selling space, and remain open for at least 60 hours per week. (They are termed motorists' shops when attached to petrol stations.)

Both neighbourhood and motorists' shops have grown up entirely since the de-regulation of trading hours, taking advantage of the liberalisation of hours to provide an out-of-hours service previously uncommon in Sweden. Disregard of trading hours in these areas was, unlike in the United Kingdom, very rare prior to de-regulation. As the survey of several Swedish towns commissioned by the IFS indicated, much of their trade comes from being open at times when the larger supermarkets are shut. It appears that many of these stores are in fact traditional food shops which converted to the neighbourhood format to avoid closure.

11. The Committee on Business Hours also examined the likely effect on prices and profit margins. It concluded that Sunday trading was more profitable than weekday trading and that the Sunday cost premium had not affected the price level. (Swedish workers are paid double time on Sunday and after 8.00pm, and time and a half between 5.00 and 8.00pm.) The Committee also noted that prices in shops that opened on Sundays tended to be lower than in shops that did not – a reflection of the general trend towards more efficient retailers opening on Sundays.

12. When examining the effect on employment, the Committee came to a number of conclusions. Firms appeared to have no problems recruiting staff, with at least a quarter of Sunday workers being specially employed for Sundays. Most of these were women and students, and many women felt that Sunday work provided their only employment opportunity due to the problems of childcare.

III. The Longer Term Effects

13. Twelve years on from the lifting of restrictions the current Swedish position indicates the longer-term implications of deregulating trading hours. Evidence on the current situation is available from a number of sources: a Swedish Finance Ministry paper by T Tetzell (1983), a report for Woolworths on Sunday Trading in Sweden, and a special study commissioned by the IFS. The IFS survey covered 4 provincial Swedish towns, varying in population from 9,000 to 47,000 and examined current opening times and trading patterns of different types and styles of retailers. Essentially the picture that has emerged is that of a considerable increase in the extent of Sunday opening with some previously identified trends being taken further, such as the development of neighbourhood stores.

14. Our survey shows that shops open are mostly the big department stores and convenience food shops. There seems to be little evidence of many clothing outlets opening, and the medium to large food supermarkets tend to remain closed. A surprising feature of the Swedish experience is the small importance of Saturday afternoon – we were informed that most shops closed at lunchtime on Saturday.

15. The most marked development has been the continued rapid growth of neighbourhood and motorists shops. As Table D3 shows these have doubled in number since the 1977 Business Hours Committee Report. They now account for more than 15% of the total number of convenience goods shops and about 7% of sales.

16. Table D4 illustrates the considerably greater extent of Sunday opening

by co-operative shops by 1983. Particularly noteworthy is the large proportion of furniture stores open on Sunday. The 26% figure for department stores in fact understates the significant increase in Sunday opening of such stores, since according to the Swedish Finance Department Report, the large private chain J S Saba has almost twice the proportion of stores open on Sundays as does the Co-operative KF. While the proportion of Co-operative supermarkets that open on Sundays has increased to 12%, evening shopping remains the more popular time for food shopping in these outlets.

Table D3

DEVELOPMENT OF NEIGHBOURHOOD AND MOTORISTS' SHOPS 1976 TO 1982

	1976	1978	1979	1980	1982
Neighbourhood Shops	400		625	706	730
Motorists' Shops	230	300			600

Table D4

% OF CO-OPERATIVE SHOPS OPEN ON SUNDAYS, 1983

Obs (Hypermarkets)	71
Interior (Furniture)	47
Domus (Department Store)	26
Konsum (Supermarkets)	12
Servus (Neighbourhood)	98

Source: T. Tetzell, "Business Hours", unpublished paper for the Ministry of Finance, 1983.

17. One very evident feature is that Sunday opening is much more prevalent in Stockholm than the rest of the country. This is readily apparent from Table D5: Sunday sales of non-food items from Co-operative stores amount to 12% of their weekly trade in Stockholm, compared to 2% elsewhere. (The table also illustrates the great disparity that exists between the Sunday trade of different categories of goods.)

18. The regional opening pattern was also evidenced by the IFS Swedish Survey. Of the four provincial towns surveyed, only one had any shops other than convenience stores open on a Sunday. In fact the survey showed that most shops were open only on Saturday mornings, suggesting differences in the competitive environment in Stockholm and elsewhere.

19. Since 1973 the trend in employment appears to be that of increasing numbers of part-time workers. The Shopworkers Union is the only major group to remain opposed to free trading hours. They argue that extended hours create social problems for their members.

20. A small amount of information is available from consumer polls on the extent of Sunday shopping in Sweden, and on the characteristics of those who participate. An opinion poll carried out in March 1983 by SIFO (Swedish Institute for Opinion Polls) showed that 30% of householders shop regularly on Sundays, and a further 30% shop occasionally. Consistent with the MORI findings for Britain, in Sweden it is working parents and those with young children who make the greatest use of Sunday shopping.

Table D5

SUNDAY SHOPPING IN THE SWEDISH CO-OP, 1983

SWEDEN ex Stockholm

Type of shop	*percentage of weekly trade by day*						
	M	T	W	Th	F	S	S
Servus	13	12	13	13	16	18	15
Konsum	14	14	15	16	25	16	0
Domus food	12	12	13	16	29	18	0
Obs food	8	10	11	15	24	23	9
Total food	13	12	13	16	26	18	2
Domus non-food	14	14	15	16	22	19	0
Obs non-food	10	10	12	14	19	23	12
Interior	15	12	15	15	20	23	0
Total non-food	13	13	15	16	21	20	2
STOCKHOLM							
Servus	13	12	12	13	17	18	15
Konsum	16	14	14	16	24	15	2
Domus food	14	13	13	16	26	16	3
Obs food	10	10	11	18	24	19	9
Total Food	14	13	13	16	24	16	5
Domus non-food	15	15	15	16	19	16	5
Obs non-food	11	11	11	13	15	18	20
Interior	12	12	10	11	12	17	27
Total non-food	14	14	13	14	16	17	12

Servus – supermarkets
Konsum – neighbourhood stores
Domus – department stores
Obs – hypermarkets
Interior – furniture (out-of-town)

Source: Woolworths report, "Sunday Trading – Lessons from Sweden", 1984

APPENDIX E: PREVIOUS CONSUMER SURVEYS & THE IFS SURVEY

Questionnaires to Date

1. There have been a number of previous consumer surveys which undertook to discover (or at least touched upon) attitudes of consumers towards shopping hours. These are reviewed briefly here, to provide a picture of the development over the last 15 years of consumer attitudes and behaviour towards shopping hours.

2. The 1970 Bradley and Fenwick study was the first detailed study into attitudes towards shop opening hours. They found relatively little support for extensions to shopping hours, as can be seen in Table E1. Even amongst full-time working women, a group traditionally in favour of extended shopping times, the majority felt that the law should not be changed.

3. Another study into consumer opinions of extended trading hours was undertaken by NOP Market research Ltd in 1978. It too did not find great support for longer trading hours, with 67% of respondents being against extending trading hours, and only 33% in favour.

4. However the more recent series of MORI polls indicates that there has been a significant shift of consumer opinion. Table E2 shows well over 60% of respondents in the early 1980's to be in favour of allowing both late night and Sunday trading. This increase in support for extended hours has a number of possible contributory factors. Support for extended hours by those working full-time has increased considerably. The November 1983 MORI poll showed 73% of these respondents were in favour of changes to the law, which can be compared to the 41% in favour in the 1978 NOP survey. It is also likely that the increased publicity over shop hours in recent years has made the public more aware of the difficulties faced by full-time working women. It would appear that the high level of support shown in Table E2 for September 1982 may have followed from the publicity surrounding the bill sponsored by Ray Whitney MP.

Table E1

SUPPORT FOR LONGER TRADING HOURS, 1970

	All	*Male*	*Female*	*Full-Time Working Women*
Law Should Be Changed	35	36	35	44
Law Should Not Be Changed	60	59	60	52
Don't Know	5	5	5	5

Question: Taking all things into account do you think the hours during which shops are open should be changed in any way?

Source: Bradley & Fenwick (1975), Table 54.

Table E2

SUPPORT FOR LATE NIGHT & SUNDAY OPENING 1981 TO 1983

a) Question: Do you think the law should be changed to allow other shops to open during the evening or not?

	Dec 81	*Sep 82*	*Nov 83*
Should	64	69	64
Should Not	32	28	30
Don't Know	4	3	6

b) Question: Do you think the law should be changed to allow shops to open on Sundays or not?

	Dec 81	*Sep 82*	*Nov 83*
Should	63	69	65
Should Not	33	29	31
Don't Know	4	2	4

Source: MORI Public Attitudes towards Shop Opening Hours, September 1983 and November 1983.

5. Table E2 also shows that Sunday and evening opening attract almost identical levels of support. This is in marked contrast to the earlier surveys. In 1970, of those who thought that the law should be changed, 43% favoured later closing compared to 2% in favour of Sunday opening. This suggests the increase in support for Sunday opening has been much greater than for evening opening.

6. The distinction between convenience and personal shopping illustrated by Bradley and Fenwick has already been discussed in Chapter 4 (paragraph 101). It is however, a distinction which finds some support in a panel survey undertaken in Cardiff in 1982. Evening shopping trips were found to be important for convenience shopping, with large expenditures being made compared with shopping trips made in the daytime during the week.

7. Finally, examination of these surveys raises two caveats which should be borne in mind. The Bradley and Fenwick (1975) survey showed clearly the difficulties that arise from the way in which questions to consumers are phrased. For example, the following question obtained a response of 55% in favour.

> "Some people have suggested to us that it would be possible to change the law so that individual shops themselves could decide the hours during which they are open, instead of it being decided by law. What would you think of such a change?"

This compares to 35% being in favour of changing the law when asked:

> "Taking all things into account do you think the hours during which shops are open should be changed in any way?"

8. The second caveat is that raised in Chapter 3 (paragraph 79). That is, respondents find it difficult to imagine how their shopping habits would change in a different trading environment. The results of the various MORI polls suggest that respondents tend to specify as the goods they would be likely to buy on Sundays those which they are already accustomed to buying.

The IFS Questionnaire

9. Bearing in mind the problems raised from the review of past surveys, we now turn to the results of the IFS questionnaires. The IFS questions were designed to obtain some quantification of likely changes in shopping patterns in the event of de-regulation, particularly peak/off-peak shifts. Hence the form of the questionnaire differs from previous surveys, but the results are nonetheless consistent with those already discussed.

10. Tables E3 and E4 summarize the current shopping pattern of respondents for food and clothing respectively. Table E3 shows that a significant proportion of food and grocery shopping takes place in the evenings or on Saturday. Also the popularity of these shopping times is considerably greater for full-time workers. Thus only 36% of people working full time currently buy their groceries during week-days, compared to 57% of the population at large.

Table E3

CURRENT PATTERNS OF FOOD SHOPPING

Q. When do you tend to buy most of your food and groceries?

	Total	*Working Status*		
		Full-time	*Part-time*	*Not Working*
	%	%	%	%
Monday to Friday	57	36	70	74
Mon-Fri evenings	16	24	16	9
Saturday	16	23	13	12
Sunday	—	—	1	—
Do not buy/ not stated	15	21	5	10

NOTE: % do not add to 100 where respondents entered more than one response
Base: All respondents
Source: MORI survey conducted for the IFS, 1984

Table E4

CURRENT PATTERNS OF CLOTHES SHOPPING

Q. When did you buy most of the clothes which you bought last week?

	Total	*Working Status*		
		Full-time	*Part-time*	*Not Working*
	%	%	%	%
Mon-Fri (day)	66	59	62	73
Mon-Fri (evenings)	3	4	3	3
Saturday	29	35	31	23
Sunday	—	—	2	—
Do not buy/ not stated	2	2	2	1

Base: All who bought clothes in last seven days
Source: MORI survey conducted for the IFS, 1984

11. This pattern of late-night or evening sales is not so marked for clothing, as Table E4 shows. Of those buying clothes in the previous week, 66% of all consumers and 59% of those working full time, made the majority of their purchases during a week-day. The emphasis on Saturday purchasing is very marked for clothing however. Only 3% of consumers bought clothes in the

evenings, compared to 29% on Saturday. Food on the other hand shows a much more even split between Saturday and late-evening shopping, reflecting the distinction between comparison and convenience goods shopping discussed earlier.

12. Consumers' perceptions of their use of Sunday shopping facilities for food and clothing (should Sunday trading become widespread) are summarized in Tables E5, E6 and E7. Table E5 shows that only 31% of people consider that they would do any Sunday shopping for groceries. (This proportion increases to 42% for full-time workers.) However Table E6 indicates that of those who would shop on Sunday 27% would intend it to be a major shopping trip. Again this is more marked for those working full-time: 33% of Sunday shoppers who work full-time would expect to spend more than £10 compared to 27% of all Sunday shoppers.

13. Table E7 reveals similar conclusions regarding anticipated Sunday shopping for clothing. 30% of consumers expect that they would do at least some clothes shopping on Sundays, with 8% likely to do all or most of it on Sundays. Again the table shows that full-time workers would be likely to make greater use of Sunday facilities, with 41% shopping for clothes on Sundays.

14. Other results obtained from our MORI survey have already been discussed in the body of our Report, in particular, the types of goods that people feel that they would be likely to buy on Sundays (para 79), and the likely shift in the weekly distributions of expenditure on food and clothing (paras 103 to 106). Rather than repeat those discussions, it suffices to say that the picture of shopping patterns indicated by the above results, namely who the current late-night and Sunday shoppers are, and expectations as to future shopping patterns should restrictions be lifted, provide some additional support for the analyses and conclusions of Chapters 3 and 4.

Table E5

ANTICIPATED SUNDAY FOOD SHOPPING

Q. If all shops were open seven days a week, including Sundays, how much of your food and grocery shopping would you expect to do on Sunday?

	Total	*Working Status*		
		Full-time	*Part-time*	*Not Working*
	%	%	%	%
All/Most	3	5	3	2
About half/A little	28	34	27	22
None at all	66	57	69	73
Don't know	2	3	1	2
Not stated	1	1	—	1

Base: All Respondents. *Source:* MORI Survey conducted for the IFS, 1984.

Table E6

ANTICIPATED SUNDAY EXPENDITURES ON FOOD

Q. How much money would you estimate that you would spend on food on Sundays if all shops were open seven days a week?

	Total	*Working Status*		
		Full-time	*Part-time*	*Not Working*
	%	%	%	%
Up to £5	65	56	74	76
£5–£9.99	8	11	3	4
£10 & Over	27	33	23	20

Base: All who would do any food shopping on Sundays
Source: MORI Survey conducted for the IFS, 1984.

Table E7

ANTICIPATED SUNDAY CLOTHES SHOPPING

Q. If all shops were open seven days a week, including Sundays, how much of your clothes shopping would you expect to do on Sundays?

	Total	*Working Status*		
		Full-time	*Part-time*	*Not Working*
	%	%	%	%
All/Most	8	11	10	5
Half/Little	22	30	20	16
None	66	55	66	75
Don't know/ not stated	4	4	4	4

Base: All Respondents. *Source:* MORI Survey conducted for the IFS, 1984.

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