

ANALYSIS

New Prime Minister Theresa May swept to power faster than expected. **Becky Waller-Davies** assesses what her leadership may mean for retail

THERESA MAY'S SHOPPING LIST

What can retailers

Britain has its first female Prime Minister in 26 years with the arrival of former Home Secretary Theresa May at 10 Downing Street. May, already Britain's longest-serving Home

Secretary in recent years, has an unenviable to-do list: Brexit, the NHS, a general election that she has so far ruled out... the list goes on.

She has already reshaped her team. Among her new appointments, Philip Hammond has taken the role of Chancellor from a "tarnished" George Osborne. Hammond has already taken the step of publicly declaring that while deficit reduction will continue, the "parameters" of Osborne's austerity would be up for review.

Greg Clark, the former Communities and Local Government Secretary, has taken the newly created job of Minister for Business, Energy and Industrial Strategy.

May's speeches have so far have focused to perhaps an unexpected degree on a lack of equality in British society.

She said: "Make no mistake, the referendum was a vote to leave the European Union but it was also a vote for serious change. The only surprise is that there is so much surprise in Westminster about the public's appetite for change."

Her tone will have been noted by business leaders, not least those in retail.

They may hope for answers to their questions on issues such as the National Living Wage and business rates, but those are not the sort of concerns that appear to be high on May's agenda at present.

Here, *Retail Week* runs through what the retail industry wants from Theresa May and her Cabinet – and what it can expect.

Brexit

Many retailers have seen their share prices dive since the Brexit vote. And many, such as John Lewis, are worried about their sourcing costs rising.

May has not confronted what Brexit will mean in practice yet, though it is surely top of her to-do list.

Many business organisations are disappointed that May has so far focused heavily on domestic issues, rather than European trade. "These items would not be at the top of businesses' wish lists right now," said Tim Thomas, director of employment and skills policy at the EEF, the manufacturers' organisation.



"Government must bolster the business community's confidence by setting out what the UK's relationship with the EU will look like with a strong, positive message on trade and migration policy."

More equivocal was the Institute of Directors, which is mainly made up of small and medium businesses. Corporate governance head Oliver Parry said: "Her focus clearly needs to be Europe... but let's be honest, there have been problems with big business."

"One could argue that the voice of big business was not really listened to in the referendum debate. Public trust in big business is near an all-time low."

Corporate culture and workers' rights

In a speech last week, May criticised aspects of corporate culture. She said: "We're the Conservative Party and, yes, we're the party of enterprise, but that does not mean we should be prepared to accept that 'anything goes'."

"It's not anti-business to suggest that big business needs to change. This is a different kind of Conservatism, I know. It marks a break with the past. But it is in fact completely consistent with Conservative principles."

She added: "Under my leadership, the Conservative Party will put itself – completely, absolutely, unequivocally – at the service of working people."

Retailers will need to think about how May's message chimes with their own working cultures.

Practices such as Sports Direct's alleged conditions in its Shirebrook warehouse are unlikely to go down well.

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**Oliver Parry,
Institute of Directors**

National Living Wage and executive pay

This crucial issue for retail is only going to get more pressing as 2020 nears. At that point, retailers will have to pay workers 60% of whatever the national median wage is. Experts estimate that will work out at around £9.15 an hour. However, if recruitment comes to a standstill because of the effect of Brexit or the current National Living Wage, those proposals will need a rethink.

She has so far kept quiet on that particular issue but has spoken more generally about pay. May has hit out at the "irrational, unhealthy and growing gap between what these companies pay their workers and what they pay their bosses" and said that she wants more transparent disclosure of bonus targets and even to force companies to reveal how much more directors earn than their average worker.

May proposes allowing shareholders annual and binding votes on executive pay. At present the UK is ahead of the curve, both internationally and in Europe, by giving shareholders an advisory vote.

However, her idea may be difficult to make concrete. The EU's own draft law on that matter is stuck in Brussels and May's former Cabinet colleague, ex-Business Secretary Vince Cable, who pushed through the current rules on shareholder voting in 2013, told Sky News that the issue was so legally complex that he chose not to advance his reforms further.

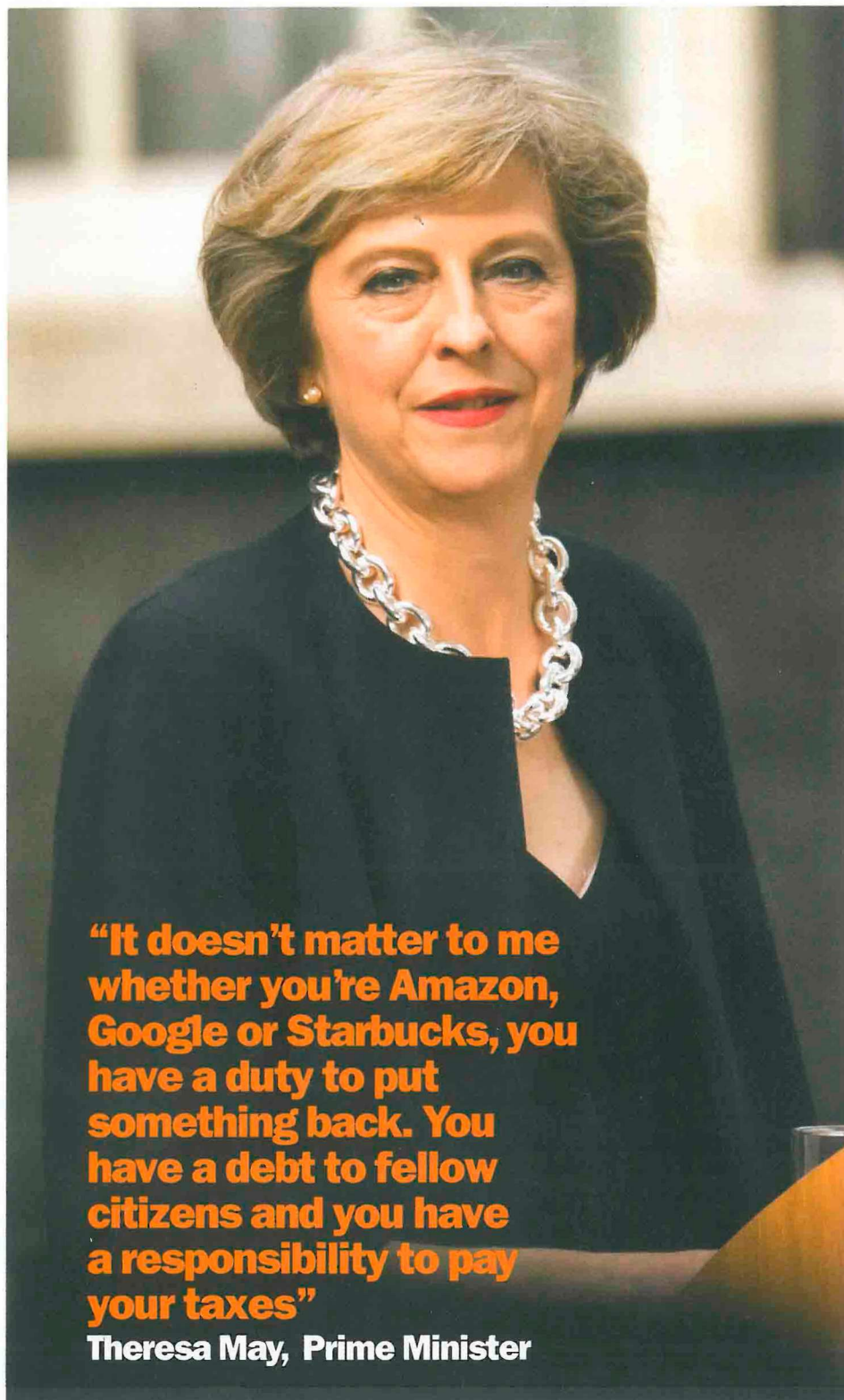
Shareholder and staff representation on boards

One of May's key messages in a speech last week was the inclusion of workers and

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Expect of new PM?



"It doesn't matter to me whether you're Amazon, Google or Starbucks, you have a duty to put something back. You have a debt to fellow citizens and you have a responsibility to pay your taxes"

Theresa May, Prime Minister

consumers on company boards. This is an alien concept in Britain but one that is already well established in Continental Europe, particularly in Germany where the law requires up to 50% of board members to be employee representatives.

May said: "I want to see changes in the way that big business is governed. The people who run big businesses are supposed to be accountable to outsiders, to non-executive directors, who are supposed to ask the difficult questions, think about the long term and defend the interests of shareholders.

"In practice, they are drawn from the same narrow social and professional circles as the executive team and – as we have seen time and time again – the scrutiny they provide is just not good enough.

"So if I'm Prime Minister, we're going to change that system – and we're going to have not just consumers represented on company boards, but workers as well."

If retailers disagree with May's view, they will have to think about how they can ensure they comply with the spirit of her ambition.

Corporate tax arrangements

May singled out one of the biggest retailers in the world last week, when she maintained that every business had to pay its fair share of tax.

"We understand that tax is the price we pay for living in a civilised society. No individual or no business, however rich, has succeeded all on their own," she said.

"It doesn't matter to me whether you're Amazon, Google or Starbucks, you have a duty to put something back. You have a debt to fellow citizens and you have a responsibility to pay your taxes."

Amazon changed how it pays corporation tax last year after establishing a London branch of its main retail company. It had previously been based in Luxembourg, a tax haven.

All retailers will have to make sure that they are seen to be good corporate citizens in order to be in tune with May's objectives.

Many retailers, like the rest of the population, may have been surprised at May's public pronouncements so far.

But they had better listen closely to her message. They need to be seen to be backing a better Britain if they hope to make progress on their own agendas, such as lightening the burden of business rates.