

Usdaw

*Union of Shop, Distributive
and Allied Workers*

**BUDGET
REPRESENTATIONS
2019**

USDAW SUBMISSION

Usdaw represents more than 412,000 members across the UK. Most of our members work in the retail sector but we also have a substantial membership in the distribution, food manufacturing, pharmaceutical and home shopping sectors.

Usdaw welcomes the opportunity to submit budget representations for the Autumn 2019 Budget. Our members are facing significant pressures as a result of certain Government policies and market forces. Following consultation with our members, both directly and through their representatives in the Union, we have developed a number of policy suggestions to improve the lives of working people across the industries in which we represent. These policies cover the following key areas:

- **INDUSTRIAL STRATEGY FOR THE RETAIL SECTOR**
- **LOW PAY AND JOB INSECURITY**
- **UNIVERSAL CREDIT**
- **AUTOMATION AND SKILLS TRAINING**

INDUSTRIAL STRATEGY FOR THE RETAIL SECTOR

The retail sector employs nearly three million people and contributes around 11% of GDP to the UK economy. Retail work provides real jobs for hard working individuals and frequently is one of the few sectors that can offer flexible opportunities for workers to balance other commitments such as being a parent or carer.

Unfortunately, there is all too often a perception that working in retail is not real employment and that it would be much better if the economy could focus on higher profile industries such as the STEM industries. For too long, this approach has led to a lack of Government focus on the industry which provides the largest level of private sector employment in the UK. Unfortunately, we are now seeing the full impact of this approach with 78,000 retail jobs lost last year and many of the big names on the high street suffering financial difficulty.

Usdaw believes that there is an urgent need for the Government to address the issues facing the high street and is calling for an Industrial Strategy for the Retail Sector to be adopted as soon as possible. There are a number of issues affecting the Retail High Street which Usdaw believes requires urgent attention in the Budget. As such, we are calling for the following:

- A comprehensive review of rents within the sector.
- An immediate freeze of the impending business rates increase and removal of the 'downwards transition' pending a fundamental review of non-domestic rates to ensure a level playing field between online and bricks and mortar retailers.
- A review of town/city centre parking charges and other initiatives to improve town centre footfall.
- Reform of broader tax laws to ensure a level playing field between online and bricks-and-mortar retailers.

- A review of the role and function of the Competition and Markets Authority in light of the increase in proposed mergers within the retail sector. This should include permanent trade union representation within the CMA's internal structures to ensure the interests of workers are considered at every level of decision-making.
- Stronger corporate governance rules, to curb asset-stripping and ensure that business failure cannot be rewarded with excessive bonuses and pay-outs, as was the case with BHS.
- Promoting greater worker voice for retail workers and stronger rights to be informed and consulted. Usdaw believes that only a trade union will give workers an effective voice which is why a reduction should be put in place for statutory trade union recognition claims.
- A review of the law on redundancy, to remove the loophole which allows large chains to avoid collective consultation over small sites. This would ensure some protections for workers in smaller establishments (less than 20 employees) who are particularly vulnerable in the current climate.

The above list entails a number of the key subjects that we believe should be up for discussion as part of any work programmes to develop an industrial strategy for the retail sector. To ensure that any discussions promote the best interests of all stakeholders within the sector, Usdaw is calling for a tripartite review including all levels of Government as well as business and worker representatives.

Udaw believes that the Budget provides a perfect opportunity for the Government to announce a programme of work which will deliver on the above calls and create a comprehensive Industrial Strategy for the Retail Sector.

LOW PAY AND JOB INSECURITY

Udaw was pleased to note that the Government launched a consultation on tackling the issues of one-sided flexibility. Addressing this issue, along with the broader issues of low pay and short-hours contracts, are key employment right priorities for Usdaw. Last year we conducted a survey of over 10,500 low paid workers looking at their experiences of the workplace issues. From the respondents, the survey identified that:

- More than nine out of ten said they have seen no improvement in their financial situation over the past five years, and of these, 63% say they are worse off.
- Almost four out of five said they have had to rely on unsecured borrowing to pay everyday bills in the last 12 months.
- Two-thirds said financial worries are having an impact on their mental health.

Udaw is aware that poor employee mental health costs UK employers upwards of £33 billion per year. We are also aware of the implications of low-paid workers having to spend significant proportion of their income servicing debt, along with regular associated interest payments, rather than consuming new goods and services.

In terms of short-hours contracts, Usdaw's evidence shows that this issue perpetuates the problem of low-pay. According to our survey, 80% of workers contracted to 16 hours or less on a weekly basis earn under £8.50 per hour. These types of contracts are not enabling people to progress in the workplace and are leaving them struggling to make ends meet. To

address this issue, Usdaw would like to see the Low Pay Commission investigating the viability of providing a minimum contract of 16 hours per week for everyone who wants it.

On the basis of our survey, Usdaw has developed four key policy asks, which are as follows:

- A minimum wage rate of £10 per hour for all workers regardless of age.
- A minimum contract of 16 hours per week for everyone who wants it.
- A right to a contract which reflects an individual's normal hours of work.
- An end to zero-hours contracts.

These policy asks are the cornerstone of our Time for Better Pay Campaign. The campaign is based on the evidence we have gathered from low paid workers. Our survey data has been able to quantify the benefits of such a set of provisions. We have identified that 41% of people on a current typical low paid contract are regularly missing meals to pay the bills. This drops to only 7% for those people on the type of contract we are calling for, titled the Better Pay Contract. The Better Pay Contract would also have significant benefits for the Treasury as we have identified that those people on this contract are 50% less likely to claim in-work benefits than those on a current typical low pay contract.

Finally, the provision would also make significant inroads into the gender pay gap as currently women are over-represented on the lower terms and conditions by a ratio of 2:1 whereas men are currently over-represented on the Better Pay terms and conditions by a similar ratio. The provisions that Usdaw is calling for will lead to a substantial improvement in life experience for millions of women across the economy.

UNIVERSAL CREDIT

Udaw is deeply concerned over the impact that Universal Credit is having and is likely to have on low-paid workers.

One problem with Universal Credit is that it is currently operating by calculating an individual's entitlement to the payment on a monthly basis and making payments on the same reference period. However, across the retail sector, a typically low-paying sector which accounts for one in five jobs in the UK economy, wages are, in the main, paid on a four-weekly basis. Looking at the Retail sector alone, our Time for Better Pay survey shows that 72% of people are paid on a four-weekly basis and only 23% of people receive their wages on a monthly basis with the remaining receiving payment on either a weekly or two-weekly basis.

This structure of pay cycles is important as, where people are paid on a four weekly basis, this will result in them being paid 13 times in one calendar year and therefore receiving two sets of wages in one calendar month. Under the current automated computer system, in the calendar month where the individual receives two payments, the individual would be seen as earning too much to be eligible for Universal Credit. This would result in their claim being automatically stopped when in fact they have merely received their wages as normal. This issue will cause additional stress, anxiety and potentially financial hardship for Universal Credit claimants.

Udaw believes that the current roll-out of Universal Credit should be halted so that the issues highlighted above can be looked at and resolved. These issues are fundamental to the current Universal Credit scheme and our survey evidence shows that they will affect the

overwhelming majority of claimants within the industry which not only offers the high level of private sector employment but one which typically offers low-paid employment.

The design and implementation of Universal Credit has been beset by extensive problems from day one. The roll-out should be halted to allow for a fundamental review of Universal Credit that should also consider whether it should be scrapped and replaced with a social security benefit or benefits that consistently supports workers in low-paid employment, families struggling to make ends meet, those unable to work as well as those unable to find suitable employment and prevents and reduces poverty.

AUTOMATION AND SKILLS

In recent years we have seen increasing debate around the impact of automation. A report from PwC highlighted the severity of the situation showing that 30% of jobs in Britain were potentially under threat from breakthroughs in technology and artificial intelligence (AI). In the most high risk sectors they claim that half of all jobs could go.

While there is no dispute that automation offers significant opportunities for business and consumers, it also poses significant challenges for many workers and employees. Given the number of jobs at risk, Usdaw is concerned at the length of time it has taken the Government to give serious consideration to the impact of automation on the UK labour market. With Brexit on the horizon it is not surprising that the Government and business have diverted their attention to the UK leaving the EU, but while we are busy with the complexities of Brexit, other countries are preparing for the impact of automation and artificial intelligence.

Udaw organises in many of the sectors most at risk therefore we have a unique insight into many of the issues relating to the impact of automation in those sectors. For Usdaw members, job security is a key concern. In theory, the jobs displaced by automation should be balanced out by the new jobs created. For example, in the retail sector, the growth in online shopping has created new jobs in the form of online delivery drivers and over the years we have seen technology create many new jobs; according to the BRC there are 100,000 people doing jobs that did not exist five years ago.

Udaw recognises that new technology is fundamental to the future of our economy but the numbers are not adding up and there is a clear trend towards headcount reduction across many of the sectors most affected. The challenge on this front is that many of the workers at risk through automation are not the same individuals who will benefit from the jobs created by new technology.

In terms of demographic impact, Usdaw believes that low paid workers will likely bear the brunt of technological advancements. Despite the potential fallout, the Government is failing to make any real commitment to education and Lifelong Learning. While STEM skills will be important in allowing people to take on the high technology jobs that will arise from automation, we need to ensure that those individuals who will be displaced by new technology are also given the opportunity to acquire new skills through Lifelong Learning. Usdaw has a strong track record in encouraging learning and retraining in many of the sectors most at risk and we are keen to work with business and Government to ensure access to affordable education and training for all.

In addition to tackling the potential skills gap, business and Government need to address the issue of productivity. Usdaw is growing increasingly concerned that automation is being used as a cost cutting measure and to make employees work harder. Even where automation is being used in a more positive light, it is not the sole solution to the 'productivity puzzle'. To ensure automation increases productivity employers need to deliver workforce buy-in. In recent years we have been undertaking our own research to look at the issues

behind the 'productivity puzzle' from the point of view of our members and we would be happy to share this.

To help mitigate the impact, and to harness the benefits of automation, Usdaw wants to see the following put into action as a matter of urgency:

- A robust strategy from business, Government and unions on how to deal with the impact of automation. This includes the introduction of a coherent industrial strategy for retail which is not only the UK's largest private sector employer but one of the most at risk sectors from automation.
- Sustained investment in skills for workers affected by automation through union learning and high quality apprenticeships. This includes a commitment to ensure there is no gap between the provisions of the European Social Fund and the new provision, as well as a review of the Apprenticeship Levy.
- A review of the tax system to provide the required level of skills training to ensure the workforce can adapt to the challenges and opportunities of automation. This should include a commitment to further develop the National Retaining Scheme with enhanced funding directed at those industries most likely to be impacted by automation.
- A legal right to collective consultation on the implementation of new technology in the workplace.
- An open minded and constructive approach to the discussions around wealth redistribution schemes such as universal basic income. If the figures are right and a third of jobs will be displaced by 2030, this needs to be given serious consideration.
- A broader analysis of productivity that takes into account employee engagement and pay and benefits.
- A strong focus on industrial relations. This includes reducing the statutory recognition threshold to allow trade unions to work alongside employers to help staff adapt to new technology through consultation and the appropriate training/Lifelong Learning.

Both the challenges and the opportunities presented by new technology require good, co-ordinated industrial relations. Trade unions are crucial in minimising the impact of technology on the jobs market. There is clear evidence that consultation, employee engagement and decent pay and conditions all contribute towards an effective and productive workplace. However this research does not fit with the current Government's strategic narrative and the need to acknowledge the positive role unions can play in shaping the future of work. If we are to tackle the challenges of automation then business, Government and unions need to work together. A strong focus on industrial relations is imperative to not just delivering the future of work, but the future of 'good work for all'.

Paddy Lillis
General Secretary
Udaw