

*Usdaw*

*Union of Shop, Distributive  
and Allied Workers*

**BUDGET  
REPRESENTATIONS  
2021**

**USDAW SUBMISSION**

Usdaw is the UK's fifth largest Union, with around 375,000 members. The majority of our members are employed in the Retail Sector, but we also have significant membership in road transport, warehousing, food manufacturing, pharmaceuticals, call centres and home shopping.

Usdaw holds national agreements with four of the UK's biggest food retailers – the Co-op, Morrisons, Tesco and Sainsbury's, and we are also the recognised trade union for Asda stores in Northern Ireland. In the non-food sector we negotiate pay with Argos, Next Distribution and Poundland nationally, as well as Primark in Northern Ireland. We also hold a range of agreements covering food manufacturing and distribution sites at national and local level.

Usdaw welcomes the opportunity to submit budget representations for the Autumn 2021 Budget. Our members are facing significant pressures as a result of the lasting impact of the Coronavirus crisis and this is only likely to be worsened by the upcoming cut in Universal Credit, the rise in National Insurance Contributions and rising gas and electricity prices, as well as other 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 members. 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**

For many years the retail sector as a whole, in particular the High Street, has been experiencing significant and fundamental challenges, caused by a range of structural issues. Such challenges include changing customer habits, business rates and the significant advantages enjoyed by online retailers over bricks-and-mortar stores. Many of these structural challenges and ongoing trends have been accelerated by the Coronavirus pandemic.

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 one of the largest levels of private sector employment in the UK.

Particularly in light of the last eighteen months, increasing store closures, restructures and the ongoing impact of the pandemic, there is an urgent need for a recovery plan for the retail sector. Such a plan must involve Government, retailers and workplace representatives working together, to truly tackle the major issues facing retail, including reforming business rates, investing in training and skills and attracting more consumers to physical stores.

Usdaw firmly believes that the current crisis across the retail sector is caused by structural issues affecting the sector and the uneven playing field between online and bricks-and-

mortar retailers. There is an urgent need for the Government to address the issues facing the high street and as such Usdaw 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:

- Fundamental reform of business rates. Retailers need clear and decisive action from the Government to reform/reduce this outdated and imbalanced commercial property tax. An Online Sales Levy set at 1% of online sales would raise around £1.5 billion – not only helping to fund a 20% cut in business rates for retailers but also creating a long-term and meaningful income stream for the Government.
- A new model for leases and rents. The pandemic has highlighted the fact that the current system is no longer financially viable. Usdaw welcomes the Government's call for evidence on commercial rents but this must be followed up by decisive action that delivers real change for the sector. This must include a strategic partnership approach whereby landlords and retailers establish the parameters of a model that works for them and for the industry, to be supported by legislation where needed.
- Tax reform. The Chancellor's announcement on 3 March 2021 to increase corporation tax to 25% in 2023 does not address the fundamental problems with UK tax laws. We need full reform to ensure that companies pay their fair share of tax through tackling tax avoidance and the use of offshore havens, with the aim of creating a level playing field between online and bricks and mortar retailers. For example, over the last 20 years, Amazon has paid a total of £61.7 million in corporation tax. Over the same period Marks and Spencer paid £3.3 billion. The challenge here is not just fair taxation but effective taxation which is crucial to stimulating investment/growth within the sector.
- Additional funding for local authorities. Some progress has been made on this front with the allocation from the Government in December 2020 of £830 million to 72 High Streets as part of the Future High Streets Fund. However, with local authorities already facing huge financial pressures before the pandemic, more funding is needed so they can invest properly in their local economy, transport networks and high streets. Local authorities must also take a lead in delivering for their communities – there are good examples of local authorities who have established successful blueprints to revive their high streets and town centres which can and should be used as good practice. This should also include review of town/city centre parking charges and other initiatives to improve town centre footfall.
- Investment in skills for retail workers, including through union learning and high-quality apprenticeships. We need a skills strategy for the sector, led by Government, to include an in-depth assessment of emerging trends and potential skills shortages/gaps within the sector. Skills and training must be considered in the context of automation, with a key focus on long-term gains to protect the future of the sector and its workforce. In terms of delivering training, the Government needs to maintain the Union Learning Fund (due to be withdrawn at the end of March 2021) which plays a pivotal role in improving the skills and qualifications of workers in the sector
- A new deal for retail, distribution and home delivery workers based around a real living wage and guaranteed hours. Retail work has become synonymous with low pay and insecure hours – this is unsustainable and will not attract or retain talent in the long run. If we want the sector to prosper we need to make sure retail jobs are better jobs – this is not just about basic pay but improvements to Statutory Sick Pay (SSP) and Respect for Shopworkers through 'Protection of Workers' legislation.

- 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.

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

## **LOW PAY AND JOB INSECURITY**

In our most recent survey looking at workplace issues, nearly 10,000 low paid workers responded identifying that:

- 22% have struggled to pay gas and electricity bills in the last year.
- Over 1 in 5 have missed or been late with rent/mortgage payments, or arranged a rent/mortgage payment holiday.
- In the past 12 months, 42% of respondents have had to rely on unsecured borrowing to pay everyday bills.
- 46% reported that financial worries are affecting their mental health

On the basis of this survey and in order to seriously address low pay and job insecurity, Usdaw has developed four key policy asks which are as follows:

- An immediate increase in the minimum wage rate to at least £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.

Usdaw 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.

Short-hours contracts, and employees routinely having to work varying amounts of overtime, cause great uncertainty for retail workers and far too much one-sided flexibility. 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, the Government should act on the Low Pay Commission's 2018 recommendation that workers should have a right to switch to a contract that reflects their normal working hours.

This provision would mean workers would be less likely to claim in-work benefits. In addition, the provision would also make significant inroads into the gender pay gap, as currently women are more likely to be on short hours contracts. The provisions that Usdaw are calling for will lead to a substantial improvement in life experience for millions of workers across the economy.

## **UNIVERSAL CREDIT**

Universal credit and recent changes within the system are having a severe negative impact on low-paid workers.

There are still real issues with the fundamental design of Universal Credit. The basic principle – to 'make work pay' – has been undermined by a series of cuts to the original scheme; the reduction of working allowances, increased taper, two-child limit and benefit cap, all mean this benefit is simply not working for working families.

The taper of 63p for every pound earned when claiming Universal Credit is actively a disincentive for some workers to take on extra hours. It cannot be right that the second earner in a household, typically a woman, is expected to work at a value of just 37p in the pound until their benefits payment is exhausted. Usdaw has experience of individuals rejecting additional hours of work as any increase in take-home pay is offset by a significant reduction in their Universal Credit payment as well as potentially causing ongoing issues with their Universal Credit claim. Usdaw feels the taper is excessive and believes it must be significantly reduced in order to help working families and incentivise work. In conjunction with this, work allowances must also be substantially increased.

In addition, Usdaw also feels it is grossly unfair to implement a benefit for working people that does not recognise the working pattern of the majority of low paid workers. Overwhelmingly, people in low-paid work are paid on a weekly or four-weekly basis, therefore the calculation and payment of Universal Credit on a monthly basis simply doesn't match up with the financial patterns of working people.

Usdaw believes that there should be a mechanism within the Universal Credit system for calculations and payments to be made four-weekly rather than monthly. This adjustment would be low cost to the government, but could have a significant impact in the ability of low-paid workers to manage their everyday household budgets.

Furthermore, we feel the reduction of £20 per week has been ill thought through and ill timed. Families trying to regain financial stability following the coronavirus crisis can scarcely afford to meet their costs of living, even with Universal Credit being paid at the higher rate. Financial support put in place to help families cope with the financial pressures of the coronavirus crisis should be maintained until the financial pressures of the coronavirus crisis have abated. Taking them away at this moment will inevitably just drive more

working families over the poverty line. Usdaw has heard from many members who are on Universal Credit, these members have told the Union how the Universal Credit uplift funds their Council Tax payment or provides money to feed and clothe their children.

The government's response that "people should work an extra two hours", only went to further highlight the lack of understanding in relation to the Taper for working claimants of Universal Credit. Usdaw was alarmed at the lack of impact assessment in advance of this reduction being made, and would urge the government to reconsider this decision, at least until a more complete picture is understood.

The design and implementation of Universal Credit has been beset by extensive problems from day one. The issues we have laid out above – and many others – require urgent review in order to support low paid working people in Britain. The review of Universal Credit that should also consider can be fundamentally overhauled to ensure it provides a social security benefit that more consistently support 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. Many reports suggest that a significant number of jobs are under threat from breakthroughs in technology and artificial intelligence (AI). Usdaw 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 a 'New Technology, Your Job and Your Workplace' survey of our members, which took place in September 2020 in collaboration with the Institute for the Future of Work, only 28% of members were confident their job would exist in five years. 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.

The Coronavirus pandemic has undoubtedly exacerbated challenges and concerns in this area. In our 2020 survey, a third (33%) of Usdaw members reported that their role had been 'extremely' changed by new technology since COVID-19 and in comparison to a survey in 2017 workers seem to be increasingly pessimistic about the impact of technology. In 2017, 31% believed technology would worsen or have no impact over their performance. In 2020, this was true of 51% of respondents. In response to our 2017 survey, 48% felt that new technology over the next five years would worsen or have no impact on their communication with colleagues. By our 2020 survey, this had risen to 60% of respondents. In our 2020 survey just 4.6% felt that their employer would invest in staff over the next five years. 66% disagreed with notion that they were confident that the new technology used by their employer had been designed with their best interests in mind and 55% felt that increased technology over the next five years would make staff wellbeing worse.

In theory, the jobs displaced by automation should be balanced out by the new jobs created. For example, in the retail sector, the strong 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. Usdaw 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.

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 and has cut funding for the Union Learning Fund. 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 including significant engagement with unions and businesses to deliver learning for working people and a review of the effectiveness 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 speedy response to the recent consultation on the National Skills Fund and continued engagement with trade unions as well as 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 appropriate training.

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'.

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