2022 LOW PAY COMMISSION CONSULTATION

USDAW RESPONSE

Executive Summary

- The current cost of living crisis is having a huge impact on the lives of low-paid workers.
- Wages for low paid workers are not keeping pace with rising costs.
- Ahead of April 2023, it is likely that this situation will continue to worsen.
- The Coronavirus pandemic and the rolling-out of new technology have created significant expansion of roles and intensification of work in the retail sector.
- The issue of hours remains of critical concern to low paid workers and one-sided flexibility on hours and shifts continues to cause great financial uncertainty.
- Whilst there have been some significant pay increases in the retail sector, these have generally still been lower than the rate of inflation.
- In distribution and warehousing, recruitment and retention issues have skewed the situation but it remains to be seen whether shortages will resurface.
- Raising the National Living Wage is a significant way to help tackle race and gender pay inequality. A significant rise would have even more of a positive impact for those with protected characteristics than other low-paid workers.
- Youth rates serve no useful, practical purpose. As the National Living Wage has been widened in scope, youth unemployment has remained historically low. As such, youth rates should be abolished.
- An increase in ‘hidden’ retail roles at the expense of frontline roles is a growing compliance concern in the retail sector.
- The Low Pay Commission should be ambitious with its recommendation. It should recommend a rate that is above the on-course rate and consider bringing forward the increase in the National Living Wage, to reflect the emergency situation many low-paid workers find themselves in as a result of rising costs.
- Usdaw’s policy is that National Living Wage should be raised to £12 per hour, as a step towards a longer-term ambition of £15 an hour. We urge the Low Pay Commission to make progress towards this target.

About you

Please provide information about yourself or your organisation. If possible, include details about your location, the occupation or sector you are involved in, your workforce if you are an employer (including number of minimum wage workers), and anything else you think is relevant.

Usdaw is the UK's fifth largest union, representing around 360,000 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 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, Ocado 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 conducts around 180 separate pay negotiations each year, mainly in low paying industries, giving us a valuable insight into the state of the labour market.

As a Union representing workers in low paying sectors, the National Living Wage is a key issue for Usdaw and we have consistently engaged with the process of setting the National Minimum and Living Wages.

Economic outlook

1. **What are your views on the economic outlook and business conditions in the UK over the next 12-24 months?**

UK Economy

According to the Office for National Statistics (ONS), the Consumer Prices Index (CPI) measure of inflation increased by 9% in April 2022, up from 7% in the year to March. This is the highest level the CPI has reached since the early eighties, more than 40 years ago. The current rate of consumer price inflation is almost double the rate the Bank of England was forecasting for April 2022 six months ago. Meanwhile, RPI inflation reached 11.1%, which is its highest level since January 1982, when it equaled 12%.

Rising energy bills are the key driver of the current historically high levels of inflation. Around three-quarters of the rise in inflation in April came from higher electricity and gas bills, following April's 54% energy price cap increase and the full impact of this increase is still to be felt in the inflation figures, something that is a significant upward risk. Alongside this, fuel prices are surging. Average petrol prices rose to a new record of 161.8p a litre in April 2022 from 125.5p a year earlier, and diesel prices hit a record high of 176.1p a litre, leading to an average increase over the last 12 months in motor fuels of 31.4%. This has continued with new record prices being recorded every day during June, and the RAC says that the cost to ill a family car is now £103 for petrol and £106 for diesel.

Whilst energy prices are the biggest contributor to rising inflation, prices are rapidly increasing in almost all categories of expenditure, including food. In addition, the end of the temporary VAT cut for the hospitality industry on 1 April has resulted in a further upward pressure, with businesses passing on costs to customers following the increase in the tax from 12.5% to 20%.

Rising raw materials costs are also now filtering through the supply chain, from manufacturers to consumers.

There is a consensus among economists that inflation will rise further in the coming months. Factors driving the increase in inflation include rising energy prices, issues in the supply chain, such as shortages, and the war in Ukraine. In their most recent Economic and Fiscal Outlook report, released on 23 March 2022, the Office for Budget Responsibility (OBR) forecast CPI inflation to reach a 40 year high of 8.7% in the fourth quarter of the year. They predict RPI will equal 9.8% in 2022 as a whole, peaking at almost 11% in the last quarter of 2022. However, it has consistently been predicted that inflation will be at a lower level than it has ended up being. For instance, in October 2021 the Bank of England predicated that CPI inflation would rise gradually and exceed 5% by April 2022, whereas in reality it hit 5.1% the very next month, in November. In January, analysts predicted that CPI would hit 7% in April when the energy cap was lifted, whereas it was actually 9%.

There is no sign of these pressures easing in the year ahead, with the crisis facing working people intensifying as the effects of higher energy prices filter through the economy, detrimentally impacting living standards. Whilst any action on the cost of living is welcome, the Government response has so far not been sufficient to protect working people.

Lower income households in particular, will be vulnerable to price changes and this should be a consideration over and above the general cost of living fluctuations that are reflected in the headline inflation rates. For many low paid workers, the overall inflation rates do not reflect the true cost of living, and there are other significant cost factors, which should be considered separately, as the rising costs in some areas will have a particularly severe effect on those already struggling to make ends meet.

"As prices rise I have noticed my local supermarket stop selling the value brand toilet roll. This means the price jump to supermarket own brand is 33% more.
Inflation is higher for the poorest."

"Supermarkets simply stopped selling the most basic brands. For example: the cheapest bottle of water used to be Chase Springs 2lt for 17p. The stopped selling this (still sold at a bargain retailer, 25 miles away). The cheapest water in the local supermarket is now 60p."

"Stockwell Chili Con Carne, for instance, used to be 50p. Then they 'improved' the recipe by removing some of the meat protein and put the price up to 55p. The price is now £1.35 and they're claiming this is a price match bargain."

Responses to June 2022 member survey

Retail Sector Performance and Prospects

The retail sector experienced significant turmoil over the course of the pandemic and it is likely the sector has been changed forever as a result. In 2020 alone, at least 180,000 jobs were confirmed as lost in the sector, with a staggering 16,000 store closures, although the actual impact varied significantly between different city and town centres. This accelerated pre-existing trends in the sector, whereby high street shops are closing and frontline retail roles are being lost, whilst online firms such as ASOS and Bohoo buy up brands and incorporate them into their exclusively online retail offer. The growth in online retailing has been faster in the UK than any other country and was rapid even before the pandemic. In 2006 the online share of retailing was 6.6%. In 2013 it was 12.7% and in 19.2% in 2019. It peaked in February 2021 at 36.8% but has since fallen back to 26.9%. Meanwhile, physical shops lost 12.6% of their market in the years 2006-2019 as a result of the pandemic.

As the cost of living crisis has intensified, the retail sector has continued to suffer, with falling retail sales. April figures from the ONS show that there was an unexpectedly large fall in retail sales in March, of 1.4% and February's sales figures were also revised downwards. The data suggests that with dwindling discretionary spending, consumers switched much of this spend away from retail towards hospitality. In addition, figures from the British Retail Consortium's retail sales monitor suggests that retail sales fell again in April, by 0.3%, as consumers continued to tighten their belts, particularly with non-essential spends.

Businesses have acknowledged the extent to which customers are under pressure and cutting back on any spending they can. As John Allan, Chair of Tesco recently said on a visit to a store:

"I was hearing for the first time for many years of customers saying to check-out staff, 'stop when you get to £40' or 'I don't want to spend a penny over that', you know, as opposed to having everything checked out and settling the bill at the end. So I think a lot of people are feeling something of a pinch and lots of people are actually feeling extremely stretched."

The outlook for the retail sector over the next year is uncertain, as people rein in their spending and retailers face rising costs. Both these factors were cited by Marks and Spencer in their announcement on 25 May 2022 that they will close a further 32 stores over the next 3 years. Without further Government support, more store closures and job losses are anticipated. Analysis from the Centre for Retail Research showed that over 10,000 jobs were lost in retail in the first quarter of 2022 alone, with 750 stores earmarked for closure. The Centre for Cities predicts that some cities, particularly in the North and the Midlands, could see an accelerated wave of store closures this year with the end of Government support that slowed down the long-term trend of high street decline in these areas and significantly cushioned places from significant damage. Footfall in city centres remains significantly lower than before the pandemic, even in cities that have recovered faster such as Manchester and Birmingham. Moreover, as city centre retail sales and footfall have fallen, it is not the case that retail outlets in suburbs have experienced a corresponding boost. Sales here have also fallen in such settings since March 2020. As costs have risen and sales have fallen, we are aware that many retailers are cutting back the amount of overtime hours available to workers, or are actively reviewing store-level budgets, including provision of hours.

However, it is not rises in the rate of the National Living Wage that are causing store closures. Instead, problems in the retail sector are caused by a whole series of fundamental problems, particularly with regards to businesses rates, increased fuel costs and a lack of parity between online and physical retailers. Ultimately, the retail sector is best served by ensuring people have disposable income. Whilst we have some a return of some redundancies across the retail sector, these are still below pre-pandemic levels and unemployment remains low.

2. To what extent have employers been affected by other major trends in the economy and labour market?

Shift to Homeworking

Usdaw does not organise in sectors where jobs have moved to homeworking. During the Coronavirus pandemic, many retail, distribution and warehouse workers worked throughout the pandemic, in many cases on the frontline, to keep our country going. In non-food retail stores that did close many were temporarily supported by the Government's furlough scheme, before reopening. Therefore in this regard, there has been no permanent impact on employers.

However, it is clear that the shift to homeworking has impacted some city and town centre high streets and is a major contributor to lower retailer footfall and a correspondingly higher proportion of online retail sales, to the detriment of bricks and mortar retailers. At the same time, the convenience sector has seen some increase in footfall.

Rising Energy Costs

Clearly, as well as the huge impact on employees, rising energy costs are having a major impact on employers' running costs. Such cost increases, as well as others such as the rise in National Insurance Contributions, have been regularly referenced by companies during their respective pay review processes and will doubtless continue to be as price rise again in October.

Brexit

The impact of Britain's exit from the European Union remains of concern to retailers. Since our last Low Pay Commission submission, various retailers, particularly Marks and Spencer, have warned of the dangers of price pressures, less choice, and food being thrown away. These concerns seemed particularly prevalent in the autumn, at the end of the grace period on businesses exporting from Europe to Great Britain, and around Christmas. UK retailers selling imported goods from the EU or exporting products to the EU have faced huge changes in the way they do business.

Migrant Workers

In warehousing and distribution, in particular, Brexit has caused a tightening of the labour market as previous migrant workers have returned home, frequently as a result of Covid concerns, and the restrictions on freedom of movement. This has caused many companies significant labour shortages, especially in the run-up to Christmas. Whilst the Government did introduce increased flexibility, through a temporary visa scheme and an extension to Cabotage, it did not have a significant impact and Logistics UK estimates that the UK is in need of about 90,000 additional HGV drivers. Whilst the immediate crisis has receded, it remains to be seen if this pattern will be repeated this Christmas.

3. What is your experience over the past year in the following areas?

- **a. Profits**
- **b. Prices**
- **c. Productivity**
- **d. Pay structures and differentials**
- **e. Wider benefits available to workers (including premium pay and non-pay benefits across the workforce)**
- **f. Quality of work, including contract types, flexibility and work intensification (e.g. greater expectations for workers to work more flexibly, with greater effort, to higher standard etc)**
- **g. Progression and job moves**
- **h. Training**
- **i. Investment**
- **j. Business debt**

Quality of work and work intensification

The Coronavirus pandemic led to a significant intensification of work and expansion of roles for retail workers. This was a time of uncertainty, worry and stress for many of our members, who nonetheless continued to work on the frontline in 'key worker' roles. In doing so, they faced significantly increased threats, abuse and violence, particularly when trying to enforce social distancing and mask wearing at a time at which these were required in shops by law. Our latest annual survey of thousands of retail workers showed that in 2021 90% had experienced verbal abuse, 64% were threatened by a customer and 12% were assaulted. This represented a one-third increase in assaults, up from 9% in 2020.

> "Customer in his 60s waited for me to finish my shift then tried to stab me at the bus stop because he had been made to wait in a queue outside the shop."
>
> "Customer walked me into a corner and threatened my life for not stopping a maskless customer entering the store."
>
> *Responses to Usdaw's 2021 Freedom From Fear Survey*

However, even before the pandemic our Freedom From Fear campaign showed that threats, abuse and violence against shopworkers has long been an endemic and growing in the sector and it continues to remain a major problem as we return to more normal life. This is particularly true when enforcing age-related sales. We are pleased that the Government accepted the scale of the problem by tabling an amendment to the Police, Crime, Sentencing and Courts Act that makes the sentencing guidelines around abuse against a retail worker a statutory consideration for a judge during sentencing, but we will continue to campaign for standalone legislation as has been introduced in Scotland.

The increasing use of technology, data surveillance and AI is having a marked impact on retail workers. In particular, the growth of self-service tills in supermarkets has resulted in a range of issues. The most prominent of this is the expansion of retail job roles, as workers are expected to manage several tills at once, including ID checks, removing security tags and minimising thefts whilst prioritising service, alongside other duties. This is resulting in significant stress for those workers, particularly if they are considered responsible for thefts, and increasingly creating even more flash points for abuse, threats and violence. When we surveyed our members on New Technology, Your Job and Your Workplace survey, in September 2020 in collaboration with the Institute For The Future Of Work, a third (33%) of members reported that their role had been 'extremely' changed by new technology since COVID-19.

> "One shopworker is expected to keep an eye on eight or more self-service tills. We have to deal with errors and people walking out without paying, which can be a flashpoint for abuse."
>
> *Retail worker, North West*
>
> "Self-service is a nightmare. If people walk off without paying, then I'm the one who gets called in to explain."
>
> *Retail worker, East*
>
> "Working on a self-scan is really hard. We have to think of a dozen things such as Think 25, sorting out baskets, dealing with errors, keeping an eye on till rolls, ensuring there are enough bags. Any one of these things can lead to us being abused."
>
> *Retail worker, South*
>
> *Oral comments during Usdaw's Annual Delegate Meeting, May 2022*

Similarly, for HGV drivers and distribution workers, tracking devices and cameras in cabs are creating a more stressful and intrusive working environment. Labour shortages in distribution and warehouse settings have also led to significant work intensification, with more ambitious journey routes and 'pick targets'.

Contract types and flexibility

In supermarkets and food retail there was a significant increase in temporary contracts offered during the pandemic, to allow the flexibility that was required with wildly fluctuating demand and staff absences. Where we have agreements in place we have systems to manage this. For example in one supermarket, if temporary contracts are extended beyond 12 weeks, the store is required to speak to a Union Official. However, in other parts of the sector, particularly in companies where unions are not recognised, we are aware that people are being hired on temporary contracts that are often extended, for longer periods, or that temporary contracts are effectively used as a probationary period. We have continued to see a hollowing out of middle management roles and retail restructures, to save on costs, or through natural attrition with roles not being replaced. As reported to the Low Pay Commission by Usdaw reps in 2021, such restructures can lead to a substantial hit to earnings, as well as impacting on compliance.

The issue of contracted hours and available hours is huge for our members and heavily impacts their real, 'take home', pay. The pandemic and the aftermath of the pandemic has resulted in large fluctuations in the availability of hours. During the pandemic, when demand was high, increased hours and overtime were readily available, but this has now fallen away as absence rates have fallen and employers have taken away Coronavirus safety rules, meaning many have had their hours and real pay cut, whilst staff on temporary contracts have been let go. This has heightened financial insecurity and uncertainty. Our latest survey of our members on the cost of living showed that 25% of members would like more hours but cannot get them. We continue to call for a minimum 16 hours contract for all those who want it.

In some retailers, we continue to see staff routinely employed on short hours contracts, commonly with as few as six hours per week, only to regularly work a substantial amount of overtime each week. The lack of a right to a contract that reflects an individual's normal working hours creates enormous one-sided flexibility that entirely benefits the employer, at the expense of employees financial security and planning, as it means hours can be changed week on week, often at very short notice. In our latest cost of living survey, nearly a fifth of workers surveyed reported that the amount of hours they work vary each week. Adding to this uncertainty, we are seeing increasing instances of shifts being changed at short notice in workplaces. We wholly support the Low Pay Commission's 2018 recommendation that workers should have the right to switch to a contract that reflects their normal working hours. We would particularly welcome the Low Pay Commission reiterating this recommendation in their 2022 report.

Pay Structure and Differentials
Retail

XpertHR figures show that the median basic pay award in the three months to the end of April 2022 was 4%. This represents a significant rise following three successive months of median pay awards being at 3%. Pay freezes remain rare, with just 4.7% of the total sample of pay reviews seeing their pay frozen in the three months to the end of April 2022. In addition, most pay awards are higher than the previous year; among a matched sample of pay awards, 80.4% are higher than the same group received the previous year. Just 7.3% are lower, and 12.3% are the same. However, when compared against inflation, this increase is not enough. With pay deals lagging some 5 percentage points behind inflation, the deepening gulf between pay and inflation continues to pose huge challenges to UK employees struggling to keep up with the rising cost of living.

> "The cost of living is rising dramatically but I feel that my current hourly rate of pay is not reflecting this. It's an awful situation to be in having to decide between food and energy."
> *Retail Worker, North East (response to Usdaw 2021 Cost of Living Survey)*

This pattern can be seen in the national pay negotiations in the retail sector that we have completed:

The Co-operative Group
A 4.2% increase to the hourly rate for Customer Team Members to £9.90, up from £9.50, effective 1 April 2022.

Sainsbury's Retail
A 5.3% increase to the hourly basic rate to £10, up from £9.50, effective 6 March 2022.

Argos
A 5.3% increase to the hourly basic rate to £10, up from £9.50, effective 6 March 2022.

Tesco Retail
A 5.8% increase to the hourly basic rate to £10.10, up from £9.55, effective from 24 July 2022.

The Tesco Retail pay deal also included significant changes with regards to hours. There will be a new minimum 16 hours contract in Tesco from October 2022 for new starters. For those on existing contracts, everyone who wants to will be moved up to a minimum 16 hour contract as hours become available in stores and people will also be moved onto contracts that reflect their normal hours. This is a ground-breaking pay deal that we hope to see replicated with other employers where we are recognised (and full details have already been provided to the Commission's secretariat). However, any such attempts are still inevitably piecemeal and we remain of the view that legislative change is needed.

Primark (Northern Ireland)
From 1 April 2022, a 9.4% increase, from £9.23 to £10.10 for sales staff.

Distribution and Warehousing

The distribution and warehousing sector has faced a different set of challenges over the course of the year to retail. Many of the companies we work with reported extremely significant labour shortages and recruitment issues, especially last autumn and in the run-up to Christmas. This led to some companies offering significant pay increases. The recruitment crisis within Usdaw's sectors appears to have been most prevalent in the busy run-up to the Christmas peak. While we are aware that employers are still experiencing increased difficulties in recruiting new staff, the issues are not as stark as they were at the end of last year.

Tesco Distribution
A 5.5% increase per hour on basic rates of pay effective from 1 July 2021 and a further 0.5% increase per hour effective from 28 February 2022. In addition, employees also received an additional Permanent Personal Day, an increase to weekend premiums from 25% to 33%, paid breaks for drivers from 28 February 2022 and an increase to the Drivers Meal Allowance. Rates vary across different sites. Following this pay deal, the basic rate for drivers ranges from £13.08 (Livingston) to £15.30 (Dagenham). The basic rate for warehouse workers now ranges from £10.84 per hour (Magor) to £11.85 (Reading).

Martin Brower

In the warehouses, all rates of pay were increased by 3% on 28 March 2021 as part of the 2021 pay review. Following this, all rates of pay were increased by a further 5% on 20 June 2021 outside of the annual pay review process. On 1 May 2022, all rates of pay were increased by 5% as part of the 2022 pay review. Rates vary across different sites. Following these increases, the basic rate of pay for warehouse workers ranges from £11.06 per hour (Heywood) to £12.22 (Hemel).

For drivers, all rates of pay were increased by 3% on 28 March 2021 as part of the 2021 pay review. Following this, all rates of pay were increased by a further 20% on 20 June 2021 outside of pay negotiations. On 1 May 2022, all rates of pay were increased by 5% as part of the 2022 pay review. Rates vary across different sites. Following these increase, the basic rate of pay for class 1 drivers ranges from £19.16 per hour (Heywood) to £21.57 (Hemel).

Phoenix Healthcare

From 1 April 2022. Warehouse operatives received an increase of 70p per hour taking the hourly rate to £9.70, representing a 7.8% increase for the lowest paid.

Ocado (Dordon)

An increase to the base rate for a Personal Shopper of 66p per hour, from £9.52 to £10.18, from 2 May 2022. These negotiations were brought forward from the anniversary date in October.

We are seeing an increase in pay negotiations being brought forward, such as that at Ocado (Dordon), for a variety of reasons including current cost of living pressures. We note that the Living Wage Foundation are bringing forward their Living Wage increase to September and believe that, in light of the present situation, bringing the National Living Wage rise forward from April 2023 is something that the Low Pay Commission should give serious consideration to.

Food Manufacturing

Bernard Matthews (Derby)

From 3 April 2022, an increase in basic rates of 5.3%, from £9.50 to £10 per hour.

4. Apart from the minimum wage, what are the key drivers of pay decisions in low-paying sectors and occupations? For example, this could include the cost of living, availability and retention of staff, changes to Universal credit/other benefits or access to transport.

Recruitment and Retention

In distribution and warehousing, the key decisions around pay, examples of which are included in our response to q.3, have been driven in large part by the significant recruitment and retention issues experienced in the sector over the past year. As well as some significant pay increases, some companies introduced specific, short-term, recruitment and retention/performance bonuses or other temporary uplifts to terms and conditions. However, these varied across different companies and have dissipated as the shortages across the sector have eased.

Cost of Living

The cost of living crisis continues to have a huge impact on many low paid workers. Discussion around this has featured heavily in pay review processes and decisions, with reps and workers demonstrating to companies the impact their decisions will have on their daily lives and companies recognising the enormous pressures workers are under.

In our latest survey of over 6,500 low paid workers on the cost of living, in February 2022:

- 69% said that they had struggled to pay gas and electric bills in the last year.
- 25% said that they were struggling to pay gas and electricity bills every month.
- Almost half reported missing meals to pay everyday bills.
- 70% had relied on unsecured borrowing to pay bills in the last year.
- Three quarters said financial worries are affecting their mental health.

These results represented a serious deterioration of our member's lives. For example, the level of respondents missing meals to pay everyday bills was double the level seen 12 months previously. Similarly, 30% more respondents were relying on unsecured borrowing to pay everyday bills. These results, in February, were before the rise in National Insurance Contributions and lifting of the energy price cap. With the cost of fuel and everyday items increasingly rapidly since then too, things will now be significantly worse for low paid workers. The findings from our surveys reiterate similar findings from organisations such as the Joseph Rowntree Foundation and the Resolution Foundation.

"We always try to pay our bills but we had to contact a debt specialist to help us pay our outstanding bills and try to keep up with the current bills. We are still struggling each month to do that as we are, nevermind with the increases in all household bills coming up again."
Retail Worker, North West (response to Udaw 2022 Cost of Living Survey)

The impact of rising costs has been particularly severe for families. In the results of our cost of living survey, it was clear that working families have been particularly severely affected by the current cost of living crisis. With budgets tightening and additional costs for children such as school uniform, food and social activities, parents reported time and again that they are at financial breaking point and that the welfare of their children is suffering as a result. 82% of parents said they felt financially worse off now than they did this time last year. This has shot up from 44% a year earlier.

The mental health of parents is being disproportionally affected as a result, with 82% of parents saying financial worries are having an impact on their mental health – nearly 10% higher than the survey average. More than a quarter of all parents (26.5%) said they have missed meals in the last year in order to pay bills. This was followed up with many parents saying they have to prioritise their children's meals over their own, and that they are worried that the corners they are cutting on food bills mean their children are not having healthy nutritional meals. As well as the basic living costs, another benchmark for families in poverty can be children missing out on cultural and social enrichment when compared to their peers. Children in working families are now falling into this kind of poverty, as their parents wages fail to keep up with the increases to living costs. Three quarters of all parents who filled in the survey (74%) said that their children are missing out on experiences because of money worries. 80% of families said they do not expect to be able to afford a holiday this year – a shocking statistic after so many families have suffered during the pandemic.

"My child knows I'm broke and she keeps saying she will sell her toys to help me… It breaks my heart."
Retail Worker, Nottingham (response to Usdaw 2022 Cost of Living Survey)

"I have to send my children to school in clothes and shoes with holes in because I just can't afford to buy new. I have to buy cheap food to put in lunch boxes. Their diet is suffering so I can pay all the bills."

Retail Worker, Wales (response to Usdaw 2022 Cost of Living Survey)

"We no longer have any spare money for family treats or to buy the children things they need. My partner works even days a week when overtime is available, so the children are not seeing their dad. We're still struggling to live even after all this. All the savings we had managed to build over the years are now gone, we've had to use them to feed and clothe our family."

Retail Worker, North West (response to Usdaw 2022 Cost of Living Survey)

"We've had to remove our kids from the clubs as even this low cost was too much on our finances."

Call Centre Worker, Scotland (response to Usdaw 2022 Cost of Living Survey)

For many low paid workers, the overall inflation rates do not reflect the true cost of living, and there are other significant cost factors, which should be considered separately, as the rising costs in some areas will have a particularly severe effect on those already struggling to make ends meet.

Energy

Ofgem's energy price cap sets the maximum amount suppliers can charge for a unit of energy, with standing charges and VAT taken into account. This applies to the standard rate tariffs energy companies offer. On 1 April 2022, the price cap increased by £693 to £1,971 for 11 million default tariff customers with average gas and electricity consumption, which is an increase of 54.3%. For four million pre-payment meter customers with average gas and electricity consumption the price cap increased by £708 from £1,309 to £2,017.

Figures from the Resolution Foundation highlight the magnitude of this issue with regard to the cost of living crisis, with the number of households who are in 'fuel stress' because they are unable to pay their energy bills, thought to have trebled overnight to 6.3 million in the UK in April 2022. The Joseph Rowntree Foundation has calculated households on low incomes will be spending on average 18% of their income, after housing costs, on energy bills from April onwards.

In response to high energy prices, the Government's latest and long-awaited support package provides £400 payments from October for every household. The Government has removed the requirement to repay their previously announced £200 payment for households in council tax bands A to D. Additional payments of £650 for low-income households on benefits and £150 for disabled people have also been announced. While this support is welcome, it does not sufficiently mitigate the impact of current and future energy price increases for the lowest paid workers.

The next energy price cap change will take place in October 2022, with the announcement of the new price cap scheduled for August 2022. The head of Ofcom has predicted that the price cap will increase to around £2,800, pushing up average bills by more than £800. .

House Prices

According to the ONS, average house prices in the UK increased by 9.8% over the year to March 2022, down from 11.3% in February 2022.

The average UK house price was £278,000 in March 2022, which is £24,000 higher than this time last year.

Average house prices increased over the year in England to £298,000 (9.9%), in Wales to £206,000 (11.7%), in Scotland to £181,000 (8%) and in Northern Ireland to £165,000 (10.4%).

The regional data for England shows the East of England was the region with the highest annual house price growth, with average prices increasing by 12.4% in the year to March 2022. London remains the region with the lowest annual house price growth, with average prices increasing by 4.8% over the year to March 2022. However, average house prices in London remain the most expensive of any region in the UK, at an average of £524,000 in March 2022.

Source: *House Price Index Statistical Bulletin, released 18 May 2022.*

Rent
Private rental prices, paid by tenants in the UK, increased by 2.7% in the 12 months to April 2022. Private rental prices grew by 2.5% in England in the 12 months to April 2022, representing the highest 12 month growth rate since the data series began in in January 2016. When London is excluded from England, privately rented properties increased by 3.3%. In Wales and Scotland private rental prices grew by 1.7% and 2.9% respectively. The increase of 2.9% in Scotland is the highest annual growth rate since records began in 2012.

The annual rate of change for Northern Ireland in April 2022 (6.5%) was higher than the other countries of the UK. Northern Ireland data have been copied forward since December 2021. The next update to Northern Ireland data will be in the release published on 22 June 2022.

The East Midlands was the English region with the highest annual growth in private rental prices (4%), while the lowest annual rental price growth was in London, where rental prices increased by 1.1% in the 12 months to April 2022.

Source: *Index of Private Rental prices in Great Britain, released 18 May 2022.*

Council Tax
According to Which? every local authority in England and Wales has upped its council tax rates for the 2022-23 year, however there are variations in level of increase applied. The average band D council tax bill has increased by 3.5% in England, up £67 compared to 2021-22. Whilst there is a cap of 2.99% this year in England, comprising a 1.99% council tax rise and an additional 1% precept for social care, 286 councils across England and Wales have increased council tax by more than 2.99%.

The freeze on Scottish council tax rates will end in 2022-23, with councils being given flexibility to set their own rates, following a freeze in 2021-22. This may lead to higher council tax increases than usual, as council tax rates have either been frozen completely or capped at 3% each year since 2007. Scotland's largest council, Glasgow, has increased council tax by 3%, with the Edinburgh and East Lothian councils introducing similar increases.

Childcare
The Family Childcare Trust annual survey, released on 22 March 2022, showed that there is still a childcare crisis, that costs are still too high, and that there is still not enough available.

- The cost of childcare continues to rise steadily. This is a pattern that has followed since the inception of the survey in 2001.
- Price increases since 2021 for a part-time (25 hours) place in a nursery for children in Great Britain, was 2.5% for those aged under two, 2% for two year olds and 3.5% for three to four year olds using the free entitlement.
- Some working parents of three and four year olds in England and Wales are eligible for 30 hours of funded childcare per week. If they need to pay for 20 extra hours to take this up to a full-time place (50 hours per week) the average weekly price in a nursery is £105.76 in England and £98.58 in Wales.
- Since August 2021, all three and four year olds in Scotland have been able to access 1,140 hours of funded childcare per year, which has greatly reduced costs for families. This equates to 30 hours a week during term-time, or about 22 hours if spread across the year. For a full-time place in a nursery (50 hours a week) in Scotland, families are paying on average £85.03 per week. In 2020, this was £145.70 per week.

The average weekly price for families using an after school club for five days per week, in Great Britain, rose by 7% from £62.12 in 2021 to £66.52 per week in 2022.

The survey also revealed that parents face a 'postcode lottery' with childcare prices and availability varying significantly across the country. Within the English regions, the price for 25 hours of nursery childcare for those aged under two is 50% higher in inner London (£183.56) than in Yorkshire and Humberside (£122.17). For 25 hours of nursery childcare for children aged two, the highest prices are again seen in inner London (£173.98), at 47% higher than in Yorkshire and Humberside (£118.23). Childminder costs for 25 hours (under twos) are 56% higher in inner London (£172.12) compared to the North West (£110.24).

Transport - Train Fares

On 1 March 2022, rail commuters in England were hit with the biggest price rise in fares for nine years, with the Government raising regulated rail fares by 3.8%. This followed last year's substantial increase of 2.6%. Regulated prices make up about half of fares and include season tickets on most commuter routes, meaning workers now face significantly higher prices at a time when a number of other cost of living issues are heightening.

Following the fare increase, the average commuter now pays £3,263 for their season ticket, which equates to a 49%, or a £1,069 increase, since 2010. This means that average fares have risen twice as fast as wages over the period.

In Scotland, rail fares increased by 3.8% on 24 January 2022 – over a month before the increase in England. Rail fares increased by 3.8% in Wales on 1 March 2022. A freeze to train fares in Northern Ireland was announced on 28 February.

In-work Benefits

Many workers on low to middle incomes rely on in-work benefits to supplement their earnings. Since 2010, these benefits have been repeatedly cut. These cuts have included the removal of the family premium from Housing Benefit for new claimants (worth up to £17.45 per week), the introduction and reduction in the benefit cap and the creation of Universal Credit to replace the previous system of Tax Credits.

In September 2021, the Government chose to withdraw a £20 per week increase to the basic rate of Universal Credit. The increase had been brought in at the beginning of the Coronavirus crisis to support the many families whose household finances had come under pressure as a result of the pandemic. The Government's decision to withdraw this additional funding, worth over £1,000 per year to families in receipt of Universal Credit, was subject to a no equality impact assessment. Usdaw campaigned for this decision to be reversed, to protect the financial security of low income families in receipt of Universal Credit.

Our latest cost of living survey shows how the symptoms of this crunch on household finances are very real. Usdaw members are all working people, and those in receipt of in-work benefits are disproportionately skewed towards women (67%) and people with young children (69%). A staggering 83% of members who are in receipt of in-work benefits reported that they feel worse off than they did 12 months ago. 61% of members in receipt of in-work benefits said they are now struggling with debt.

Child Poverty Action Group (CPAG) has highlighted the fact that the current CPI inflation rate of 9% in April 2022 far exceeds the 3.1% increase to Universal Credit that came into effect in April. As a result of this below inflation increase, families with children on Universal Credit have had a real terms cut of £790 a year, on average.

The National Living Wage

5. What has been the impact of the NLW in the past year?

The majority of Usdaw members currently earn above the National Living Wage. The four major supermarkets with which Usdaw negotiates pay all staff a basic rate which is higher than the National Living Wage and seek to maintain a gap above the statutory minimum.

The table below shows basic pay rates across a number of major retailers:

Employer	Hourly Rate	London
Aldi	£10.10	£11.55
Argos	£10.00	£11.05
Asda	£10.10 (from 1 July)	£11.27
Co-op (Co-op Group)	£9.90	£11.25
Ikea (Living Wage accredited)	£9.90	£11.05
Lidl	£10.10	£11.30
M&S	£10.00	£11.25
Morrisons	£10.00 (under review)	£10.85 (under review)
Primark (Northern Ireland)	£10.10	N/A
Sainsbury's	£10.00	£11.05
Tesco	£10.10 (from 24 July)	£10.78 (from 24 July)

From the above, it can be seen that many can afford to and are electing to pay significantly above the statutory National Living Wage rate, especially in London. For such employers, the increase in the National Living Wage has had an impact on pay rates, in terms of raising pay to be competitive in the employment market and maintaining differentials. Away from major supermarkets and food retail, in some sectors the National Living Wage has had more of a direct impact on pay rates.

Without the on-course rate rise in the National Living Wage last year and the knock-on impact on pay across the sectors we organise in, the difficult situation many low-paid workers find themselves in would have been dire.

6. To what extent has the NLW affected different groups of workers, particularly those with protected characteristics (for example women, ethnic minorities and those with disabilities) and migrant workers?

Any rises in the National Living Wage have a disproportionately positive impact on workers with protected characteristics, because such workers are more likely to be in low-paid or insecure work and are more likely to be discriminated against in the workplace. As such, positive action on low pay and increases in the National Living Wage mean positive action on the gender, disability and ethnicity pay gaps. We need continued ambitious rises in the National Living Wage to benefit these groups of workers.

Disabled Workers

Our latest cost of living survey found that disabled workers are more likely to be concentrated in low hours and low-paid workers. 64% of disabled respondents are earning less than £10 an hour, compared to 56% of non-disabled workers. Significantly more disabled workers are contracted to less than 16 hours (19%), than non-disabled workers (13%). Disabled workers are also more-likely to be claiming in-work benefits, reflecting the fact that life costs more for disabled people and their families. While a quarter of all respondents are claiming one or more in-work benefits, for disabled workers this rises to 37% and for disabled women 42%. The eroding of in-work benefits and the wholly inadequate level of state support means that it is unsurprising that disabled workers are more likely than non-disabled workers to say they feel financially worse off than the previous year and to say financial worries are affecting their mental health.

TUC research has found that median hourly pay for disabled employees in the year 2020-21 was £1.90 lower than it was for non-disabled employees. This means that non-disabled employees earnt 16.5 per cent more than disabled colleagues, or £3,458 more a year (based on a 35-hour week). The pay gap is much higher for disabled women; the median hourly pay for disabled women is £11.10, compared to £14.60 for non-disabled men. This is a pay gap of £3.50 per hour. Compared to non-disabled workers, disabled workers were also twice as likely to have used a food bank in the last year and twice as likely to be concerned about losing their job in the next 12 months.

A study by the Leonard Cheshire foundation finds that one in five employers (19 per cent) would be less likely to employ a disabled person than a non-disabled person. Their research suggests stubborn levels of stigma amongst employers.

BME Workers

Our cost of living survey showed BME (Black and Minority Ethnic) workers are more likely to be struggling to meet daily costs of living and are more reliant on unsecured borrowing to make ends meet. 34% of BME workers responding to the survey say they have missed or been late with rent and mortgage payments in the last year, compared to 21% of white workers. Three quarters (75%) have relied on unsecured borrowing to meet everyday bills, compared to 65% of white workers, and almost two thirds (62%) are struggling to keep up with repayments, compared to half of white workers (48%). With the full effect of rising costs yet to be seen, the effect could be devastating for BME workers, who are least likely to have the financial resilience to absorb further price increases. Almost twice as many BME workers have relied on food banks in the last year to feed themselves and their families.

Future job and financial security is also a bigger worry for BME workers. BME workers were hit much harder by job losses and cuts to hours during the pandemic and BME workers are also nearly twice as likely to have opted out of their workplace pension scheme for financial reasons since the start of the pandemic (at 9% compared to 5% of white workers) putting them at a further financial disadvantage as they enter retirement.

A survey we conducted during the Coronavirus pandemic to better understand the experiences of our members demonstrates the extent to which BME workers are more likely to be in insecure work. A fifth of BME respondents are working in sectors other than those where the Union is well organised including the fast food sector, cleaning and security roles, compared to 1.5% of white members. More than half (53.8%) of BME members reported that they did not know what they would be paid during a period of sickness or self-isolation compared to just over a quarter (or one in four) of white members. BME members were also three times as likely not to know what they were supposed to be being paid and less likely than white members to receive full pay during a period of furlough.

We continue to strongly support calls for the implementation of mandatary ethnicity pay reporting. We also believe that as well as the requirement to publish an overall (one pay gap) figure, employers should also be required to report on pay band, pay quartile and publish pay data from across different ethnicities. Furthermore, employers should be required to publish a narrative/explanation of the statistics together with an action plan that makes clear the specific steps the employer intends to take to address pay discrimination and inequality.

Women Workers

Our cost of living survey showed that women are twice as likely as men to be contracted to less than 16 hours a week, with 17% of women working short hour contracts compared to 8% of men. This rises to 18% for BME (Black and Minority Ethnic) women and 21% for disabled women. 66% of women responding to the survey earn less than £10 an hour (compared to 42% men). This rises to 70% for disabled women.

Women are more likely to be poor than men, and more likely to be the ‘shock absorbers of poverty’, managing household budgets in poor families and skipping meals or going without warm clothes to keep their families fed and rent and bills paid. Poverty in the UK remains highly feminised and women continue to be the majority of people living in poverty.

As women remain more likely to be primary carers for children, and more likely to care for older or disabled relatives, paid work is more likely to be restricted by unpaid caring commitments (particularly with the significant rises in childcare costs). Twice as many women (35%) contracted to fewer than 16 hours are caring for a baby or child, than men (18%). Women’s work is characterised by work that is undervalued, combined with a one-sided experience of flexibility, a lack of paid parental and carer’s leave options and a lack of affordable childcare that continue to make it difficult for parents and carers to balance paid work and unpaid care. As part-time roles remain undervalued, opportunities for promotion and progression at the same rates as their male counterparts remain thin on the ground.

> “My son has learning difficulties. I’d love to work more but I need to care for him.”
> *Retail Worker, Northern Ireland (response to Udaw 2022 Cost of Living Survey)*

The survey also shows that while the majority of workers say they are unable to afford time off work when they are sick, it is women, and disabled women in particular, who are least likely to be able to afford time off. 8 in 10 (78%) women say they are unable to take time off work when they are sick, compared to 7 in 10 (72%) men. For disabled women this rises to 80%. Current rates of statutory sick pay (SSP) do not provide an effective financial safety net. In addition, low-paid workers, disproportionately women, are less likely to earn above the lower earnings limit needed to qualify for SSP

Women's Budget Group analysis of ONS data shows that women's wages have increased at a slower rate than men's. Between 2020 and 2021 full time male weekly wages increased by 5.12%, while full time female wages increased by 2.53%.

7. How has the NLW's impact varied across different geographical areas of the UK?

Where we have national agreements with companies, the vast majority have a single rate of pay across all locations, except for some, including the major supermarkets, which have a higher rate in London. A few, such as Ocado and Tesco Distribution, do have marginally different rates in different parts of the UK. However, where base rates have risen any higher rates have tended to rise by a similar amount. As such, any regional variation in Usdaw's agreements of the impact of the National Living Wage has been negligible.

8. The Government's remit for the NLW is based on achieving a target of two-thirds of median earnings by 2024. Based on forecasts, our current central projection for the April 2024 NLW rate is £10.95. What are your views on this target?

Latest figures from the Office of National Statistics show that price rises continue to outstrip wage growth. Excluding bonuses, pay (February-April) fell in real terms 2.2% year on year. Wages are being steadily eroded by rising prices.

Previous months' strong growth rates were affected upwards by base and compositional effects; these initial temporary factors have worked their way out, but we are now comparing the latest period with a period where certain sectors had increasing numbers of employees on furlough as a result of the winter 2020 to 2021 lockdown, so a small amount of base effect will be present for these sectors but not to the degree we saw when comparing with periods at the start of the Coronavirus (Covid-19) pandemic.

Continued strong bonuses in some sectors mean that, when looking at the headline figure, total pay has been growing faster than prices on average, but underlying regular earnings are now falling sharply in real terms. In light of this, the Government's remit should be reconsidered to be more ambitious.

Low paid workers need a pay rise. Usdaw's policy is that National Living Wage should be raised to £12 per hour, as a step towards a longer-term ambition of £15 an hour.

9. How have employers responded to the lowering of the NLW age threshold to 23?

Usdaw believes that all staff should receive the same rate for their role, and that to pay young people less demeans the vital contribution they make to the industries they work in.

Since the lowering of the National Living Wage age threshold to 23, Usdaw has continued to work with employers to abolish discriminatory youth rates, for instance in Poundland, Argos, AAH Pharmaceuticals and Tamworth Co-op.

The overwhelming majority of employers that Usdaw works with, including across grocery and non-food retailers, manufacturing and distribution, already pay all their staff at or above the full rate, regardless of age. As many employers had already done away with age-related pay bandings, this change has not had a significant affect for a whole range of employers.

Whilst we welcomed the progress of bringing the for NLW down to 23, our concern is that with every year that goes by, the current age structure is becoming more entrenched. We would like to see a commitment to widening the scope of the National Living Wage, to include all workers irrespective of age.

10. At what level should the NLW be set from April 2023? Our current central projection for the on-course rate is £10.32.

In 2023, the National Living Wage needs to be raised to at least £10.32. The Government's clear intention when introducing the National Living Wage was to significantly increase the value of the statutory minimum wage.

At the same time, the Low Pay Commission should acknowledge the cost of living crisis and the reality of the situation facing low paid workers. The impact of any recommendation falls disproportionately on these workers.

In light of the cost of living crisis, the Low Pay Commission should explore the possibility of an increase above the planned trajectory this year, as an emergency response to the very real need of low paid workers up and down the country. There is growing support for a minimum wage that takes into account the cost of living and low paid workers need a pay rise.

Usdaw's policy is that National Living Wage should be raised to £12 per hour as soon as possible, as a step towards a longer-term ambition of £15 an hour and we urge the Low Pay Commission to make progress towards this target.

Young people

11. What do you think has been the effect of the minimum wage on young people and on their employment prospects?

The minimum wage and the rising level of the minimum wage in recent years has had no discernible impact on young people's employment prospects. Usdaw notes that over the last year the number of young people who are unemployed has fallen significantly and that unemployment levels for young people remain low by historical standards. The Coronavirus pandemic did have a significant impact on young people in many ways, but saw no spike in youth unemployment. As such, there are no clear barriers to larger increases to the minimum wage for young workers and where higher increases in the youth rate have been seen, Usdaw did not notice any negative impact on younger workers. Our experience shows that many of companies which employ significant numbers of young people, especially across the Retail Sector, are able to do so whilst paying the full adult rate.

Young workers are experiencing the same overwhelming financial pressures and cost challenges as other workers, but are more likely to be in insecure forms of work, work less hours and have a weaker employment rights framework. Short hours or flexible contracts are very common in retail. Many workers are regularly working far more hours than they are contracted to, but the employer can just reduce them back down to contracted hours at any point. Our recent survey of our members showed that those young workers (under 27) are significantly more likely to be underemployed.

As well as working with employers and the Low Pay Commission to improve workers' pay, Usdaw continues to campaign for a minimum contract of 16 hours per week for everyone who wants it, as well as giving everyone who regularly work additional hours a contract that reflects their 'normal' working hours.

12. Last year saw the creation of a new 21-22 Year Old Rate, to remain in place until the NLW age threshold is lowered again to 21.

a. To what extent do employers use the 21-22 Year Old Rate?

b. When do you think the NLW age threshold should be lowered to 21? What factors should we consider in making this decision?

c. At what level should the rate be set from April 2023?

13. How widely used are the other NMW youth rates (the 18-20 Year Old Rate and the 16-17 Year Old Rate)?

14. At what level should these rates be set from April 2022?

Usdaw believes that all Youth Rates should be abolished and there should be one level for the National Living Wage. It is wrong that young workers doing the same job alongside older workers are paid less simply for being young. In practice, youth rates serve no useful or practical purpose and it is becoming increasingly clear that significant rises in the National Living Wage are having no impact on youth employment prospects.

There are no Youth Rates in the vast majority of our national agreements, including in retail settings where many young people are employed. It is clear that such employers agree with us that Youth Rates serve no practical function. In the very small number of agreements where Youth Rates still exist, we continue to work with employers to negotiate them away. For example, since the 21-22 Year Old Rate was created last year, we have negotiated away Youth Rates in AAH Pharmaceuticals.

We believe that the reduction in the age threshold to 21 should be introduced as soon as possible. The step to a 21-22 year old age banding has always been badged as an interim measure. The longer such a rate is in place, the more established it will become.

Apprentices

15. What is the outlook for the recruitment and employment of apprentices?

Usdaw supports apprenticeships and continues to work with a range of employers on apprenticeship schemes. However, we firmly believe that the apprenticeship rate needs to urgently be addressed. Even with the equalisation of the Apprentice Rate and the 16-17 year old rate, a rate of £4.81 is simply unacceptable. Usdaw policy calls for all workers, irrespective of age or apprenticeship status, to be paid a minimum of £12 per hour.

Across Usdaw's agreements, in organised workplaces with a strong union presence, we are not aware of any employers utilising the apprenticeship rate. Where employers have commenced negotiations around trying to start apprenticeship programmes based on the apprentice minimum wage, it has quickly become clear that they would struggle to recruit the correct calibre of staff at the rate.

Providing recognised workplace training is something that is of benefit to workers – both young workers and existing staff. In many of the companies we deal with, apprentices are paid the full rate for the job while they are training. What is instead needed to improve the recruitment outlook for apprentices, rather than lower wages, is significant reform of the apprenticeship levy to consider new flexibilities that will significantly increase apprenticeship opportunities and the reinstatement of the entitlement for all adults to have access to free courses for Level 2 qualifications as in the past.

In the DfE employer and apprentice evaluation surveys for 2021 report, 53% of retail apprenticeships gave 'Training not being as good as hoped' as a reason for not completing an apprenticeship programme, 10% higher than the figure for all apprentices. Whilst the full data has not been broken down by sector, significant, across-the-board, concerns were raised around time for learning/training, poorly organised courses and a disconnect between the course and the individual's job role.

16. How widely used is the Apprentice Rate? What are the characteristics of apprentices paid the rate?

Usdaw does not have experience of employers utilising the Apprenticeship Rate, but we are aware of the rate being used in non-unionised retail workplaces.

17. How common is it for employers to set the pay of first-year apprentices below the NLW/NMW rates?

Usdaw does not have experience of employers paying first-year apprentices below the NLW/NMW rates.

18. The Apprentice Rate increases this year to £4.81, the same level as the 16-17 Year Old Rate. What do you expect the effects of this increase to be?
19. At what level should the Apprentice Rate be set from April 2023?

Usdaw believes that the Apprentice Rate and Youth Rates should be abolished and that all workers should be paid the same National Living Wage. As a step towards this, the equalisation of the Apprentice Rate and the 16-17 Year Old Rate should be maintained and the rate should be significantly increased. Particularly considering the financial pressures people are under, a rate of £4.81 is simply not enough.

Young people in particular are adversely affected by the apprenticeship rate, because while all apprentices can be paid £4.81 for the first 12 months of their training, those aged under 19 can remain on that rate as long as they are in an apprenticeship.

Compliance and enforcement

20. What issues are there with compliance with the minimum wage and what could be done to address these?

The most significant changes that could be made to ensure compliance with the minimum wage would be to reform statutory trade union recognition laws and to give trade unions a right to access workplaces. This would mean more workers would be represented by trade unions through collective bargaining, making it the primary vehicle for raising wages and ensuring compliance with the minimum wage, and workers would have a clearer understanding of their rights to the minimum wage and how to enforce this is breached. This is particularly the case considering the increase in the number of 'hidden' retail roles as a result of the acceleration of online shopping and companies buying up high street brands to incorporate into their exclusively online offer means. Typically, these online retailers do not recognise trade unions and the warehouses do not allow access to trade unions, unlike their frontline retailer counterparts, creating compliance concerns. Some of the concerns have been discussed at the Environmental Audit Committee.

We believe that there should be stiffer penalties for breaches, including more prosecutions. A clear strategy for prosecution in the worst cases of non-compliance needs to be adopted. The low number of criminal prosecutions may well be motivated by pragmatic reasons (for instance the speed of receiving arrears, and providing value for taxpayers' money), but it does not send out the right message to employers. Where there has been a clear and deliberate failure to pay an increase on time, Usdaw believes that the employer should face a fine, even if they have self-corrected before the investigation begins. While self-correction could be considered as mitigation, it should not automatically preclude HMRC from imposing any fine.

Many retail and distribution workers played a crucial role in keeping our country going during the pandemic. This was a time of significant uncertainty, worry and stress for many of our members, who nonetheless continued to work on the frontline in ‘key worker’ roles. In doing so, they faced significantly increased threats, abuse and violence, particularly when trying to enforce social distancing and mask wearing at a time at which these were required in shops by law. The requirement on retail workers to attempt to enforce measures such as social distancing and mask wearing, alongside typical flash points for conflicts such as age-related sales, was one of the ways that their roles expanded during the pandemic. New processes and procedures were adopted in stores, and in some other settings such as lengthier processes for clocking in and out of warehouses and distribution centres. This led to increasing instances of unpaid working time.

Previously, we have been made aware of instances of unpaid working time, including amongst large retailers, where workers have been expected to be on-site and engaged in activities outside of their paid hours, including for security procedures (staff searches), and staff briefings. There is further risk in retail of under-payment where staff are required to stay behind to 'cash up' or to lock up the premises, and where deductions are made for unpaid breaks which have not actually been taken. This can be a particular issue at times of high demand, such as around the Christmas period and labour shortages, as we saw last year. We remain concerned that in non-unionised workplaces there is little monitoring of such practices and vast potential for under-payment. We therefore continue to call for targeted enforcement in the retail sector, along with an awareness campaign about the importance of accurately recording hours, aimed at both employers and employees.

21. What comments do you have on HMRC’s enforcement work?

Usdaw accepts that the reduced number of investigations and contacts during recent times can be directly attributed to the impact of the Coronavirus and that, in the context of the pandemic, it made sense for this work to focus on targeted efforts. In our collaborative work with HMRC we have worked well with the Promote Team. We received their generic National Minimum Wage Worker Guide, some useful retail specific case studies and a social media schedule. We have used some of this in union communications and shared some social media content around unpaid working time in the run-up to Christmas and the festive period that was particularly relevant to our members.

In addition, we have found the Minimum Wage Enforcement group a useful way of bringing stakeholders, hearing updates and raising queries and issues. We continue to support the work of National Minimum Wage Naming Scheme and believe that this is a positive endeavour. However, we believe that the naming rounds should be more frequent. Moreover, it is important that naming and shaming is not the limit of our ambition on dealing with minimum wage breaches and effectively a fig-leaf for a lack of significant further action. Going forward, HMRC must redouble their efforts, working closely with trade unions, to improve awareness of the National Minimum Wage amongst employers and workers. Rigorous enforcement must continue to be a priority, with stringent penalties and prosecutions to ensure a credible deterrent. We do remain concerned about the limited resources of HMRC and the complex set of challenges it faces, as identified by the Low Pay Commission itself in its Non Compliance and Enforcement reports.

Accommodation Offset

22. What evidence can you provide on how the Accommodation Offset is applied? We believe the offset is most commonly applied in the agriculture, horticulture and hospitality sectors.
23. Are there other sectors where employer provide accommodation to workers and deduct the offset?
24. What has been the effect of recent increases in the offset on employers' decisions? Please consider both how common it is for employers to provide accommodation and the quality of the accommodation provided.
25. What impact does the offset have on workers? What are the hours, pay and working conditions of workers for whom the offset is deducted? Are there particular groups of workers who are more likely to be affected by the offset?
26. Are there particular issues for compliance created by the current design of the offset?
27. What approach should we take in recommending the offset rate in the future?

Usdaw does not have current experience of employer-provided accommodation or utilisation of the Accommodation Offset.