



2024 LOW PAY COMMISSION CONSULTATION

USDAW RESPONSE

Executive Summary

- Working people continue to face extreme cost of living pressures.
- In light of this, the Low Pay Commission should be ambitious with its recommendation. It should recommend the highest possible increase to the minimum wage, one that is both above the level of inflation and certain to meet the threshold of two thirds of median earnings.
- Retail employers continue to perform well, and many are able to pay significantly above the level of the National Living Wage.
- Survey evidence has demonstrated the disproportionate impact of low pay on some groups of workers, particularly those with protected characteristics.
- There are significant barriers to retail workers moving to a new job, including the UK's employment rights framework, and few clear progression pathways in the sector.
- Usdaw's policy is that all workers should be paid the same wage for doing the same job, that youth rates serve no useful purpose and should be abolished. At the very least, all adult workers aged 18 should be paid the same rate immediately.

About You

- 1. Please provide information about yourself or your organisation. If possible, include details about your location, the type of job or business (occupation and/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.**

Udaw 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.

Udaw holds national agreements with four of the UK's biggest food retailers – the Co-op, Morrisons, Tesco and Sainsbury's, and we also have recognition with Asda for all stores in Northern Ireland as well as the Asda Express Stores in England, Scotland and Wales. 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.

The National Living Wage

- 2. What has been the impact of the NLW in the past year, particularly the most recent 9.8 per cent increase to £11.44 in April this year?**

The majority of Usdaw members currently earn above the National Living Wage. Many of the 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	£12.40	£13.65
Asda	£12.04	£13.21
B&Q	£12.21	£13.55
Co-Op Group	£12.00	£13.15
Ikea	£12.00	£13.15
Lidl	£12.00	£13.55
M&S	£12.00	£13.15
Primark	£12.00	£12.56
Sainsbury's/Argos	£12.00	£13.15
Tesco	£12.02	£13.15
Waitrose	£11.55	£12.89

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. It drives pay growth, as employers look to raise pay above the minimum in order to be competitive in the employment market and maintain 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.

Pay Structures and Differentials

According to the Incomes Data Research Service, the median pay settlement for the three months to the end of April 2024 decreased compared to the same time last year, dropping by 1% down to 5%. The upper quartile of pay settlements in April increased however from January, up 0.2%. The lower quartile of pay rises remained the same, however, compared to the last quarter, at 4%. Most pay rises over the past 12 months (89.04%) have been worth 3% or more.

Regular wages, excluding bonuses, rose by 6% in the first three months of 2024 compared with the same period in 2023, unchanged from last month, according to figures from the Office for National Statistics (ONS). The ONS said total pay, which includes more volatile bonus payments, rose by 5.7%, above economists' expectations of 5.5%.

Annual average regular earnings growth for the public sector remains strong at 6.3%; for the private sector, this was 5.9%, with growth last lower than this in April to June 2022 (5.4%). Both the manufacturing sector and the finance and business services sector saw the largest annual regular growth rate at 6.8%.

Some outcomes from our national pay negotiations over the course of the year include:

Co-operative Group

For Customer Team Members, an increase in the hourly rate of pay from £10.90 to £12.00, an increase of 10.1%. For Team Leaders, an increase in the hourly rate of 10.1%, from £12.10 to £13.32.

Tesco Retail

A 9.1% increase to the basic hourly rate of pay, from £11.02 to £12.02 per hour outside of London. In London, a rate of £13.15 per hour.

Sainsbury's/Argos

A 9% increase to the basic rate for all staff, from £11.00 to £12.00 per hour outside of London. In London, an increase in the basic rate of pay from £11.95 to £13.15 per hour.

Asda Northern Ireland

An increase in the basic rate of pay to 8.4%, to £12.04 per hour.

Primark Northern Ireland

An increase in the basic rate of pay from £11.05 to £12.04 per hour.

Profits

Retailers are making increased profits, as price pressures and supply chain issues have eased. For instance, Tesco reported pre-tax profits hit £2.3 billion, up from £882 million, while sales rose by 4.4% to £68.2 billion in the year to 24 February. Similarly, in its 2024 financial year, on the basis of preliminary results Sainsbury's expects retail underlying profits to grow by 5% – 10% to £1.01 billion – £1.06 billion.

Recruitment

Several major retailers have been actively recruiting more staff and creating jobs. These include:

- Over 900 ex-Wilko employees have been hired by Poundland, as the company continues to convert former Wilko sites amid rapid expansion plans.
- More than 100 new jobs are being created as Tesco converts nine Shoprite stores into five Tesco superstores and four Tesco Express sites. These new positions come in the context of around 60 roles previously being lost when the sites were under Shoprite.

- Over 700 new jobs will be created at Primark, which is set to invest more than £100 million in its UK stores this year, alongside beginning to refurbish 15 sites as part of an ongoing refit programme to reduce its carbon footprint.
- Aldi will create 5,500 new jobs this year as it plans to 'continue growing at speed throughout 2024'.
- Superdrug has announced plans to open 25 new stores in 2024 which is expected to create over 500 jobs nationwide.

Whilst the unprecedented tightening of the labour market post-pandemic has eased slightly, by historic standards employment, including youth employment, remains extremely strong.

3. 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.

The cost of living crisis that has closely followed the Covid pandemic, has exacerbated existing inequalities for low paid women, Black and disabled workers. These disproportionate impacts are likely to have a long term impact on progress towards race, gender and disability equality.

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.

Usdaw has recently conducted a survey of around 6,500 members looking at their experiences of low pay and inequality. The results highlight many of the issues faced by workers with protected characteristics and the support needed to protect these groups.

Disabled Workers

Our latest cost of living survey found that disabled workers continue to be significantly overrepresented in low hours and low paid work.

The cost of living crisis continues to have a disproportionate impact on disabled workers and their families. Disabled workers are more likely to face additional costs related to their disability, and are more likely to be claiming Housing Benefit or Council Tax Support. While a 15% of respondents without a disability claim Housing Benefit, this rises to 24% for disabled workers, for Council Tax Support, the figures are 18% and 28% respectively. While a similar percentage of disabled and non-disabled workers claim Universal Credit, 29% of disabled workers experiencing issues with their claim are unable to get a satisfactory outcome whereas this figure falls to 22% within non-disabled workers.

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 five years ago (77% to 72%) and to say financial worries are affecting their mental health (76% to 62%).

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.

BME workers (47%) are more than twice as likely to be struggling to pay gas and electricity bills every month compared to white workers (22%). BME workers are also more likely to pay for electricity through a pre-payment meter (32% to 25%) – workers on pre-payment meters are often

more vulnerable to cost of living pressures, and pay higher prices for their energy. Around twice as many BME workers (7%) report regularly missing their rent or mortgage payments compared to white workers (4%).

Three quarters of BME workers (75%) have relied on unsecured borrowing to meet everyday bills, compared to 60% of white workers, and almost two thirds (62%) are struggling to keep up with repayments, compared to less than half of white workers (43%).

All this evidences that BME workers continue to be at the sharp end of rising costs and are least likely to have the financial resilience to absorb further price increases. BME workers are more likely to have relied on food banks in the last year (16%) to feed themselves and their families compared to white workers (9%) and the number has been increasing year on year, whereas there has been a slight drop for white workers this year from 10% to 9%.

Our survey indicated that Black workers are more likely to be working in roles where hours vary on a weekly basis, 17% compared to 12%. Black workers are also less likely to be able to secure enough hours at work, nearly a third (32% of Black workers would like to work more hours compared to one-in-five white workers.

We continue to strongly support calls for the implementation of mandatory 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

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).

Women's work is characterised by a one-sided experience of flexibility, a lack of parental and carer's leave options and a lack of affordable, accessible, wrap-around childcare in 24/7 sectors such as retail. This continues 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 male counterparts remain rare.

4. How has the NLW's impact varied across different 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 may have a higher rate of pay 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.

5. At what level should the NLW be set from April 2025?

In 2025, the National Living Wage should rise above the level of inflation, to amount that is certain to meet the threshold of two thirds of median earnings and is at the top of the range that the Commission is looking at, reflecting the significant ongoing impact of the cost of living crisis on low paid workers.

Udaw's policy is that the National Living Wage should be raised to £12 per hour as soon as possible, as a step towards a long-term ambition of £15 and we urge the Low Pay Commission to make progress towards this target. Usdaw is able to do further analysis around the rate of National Living Wage required to meet the cost of living. Usdaw is happy to conduct further analysis of our evidence base, as well as organising additional meetings with low paid workers, to help identify such a rate.

6. Where do employers get their information about the NLW and its future path? Now that the NLW has reached its two-thirds target, do you have any comments on how the path was calculated and communicated?

In our experience of negotiating with major employers, they were generally well-informed around the expected path of the National Living Wage and the two-thirds target and used this information to plan ahead. Employees have, in general, seemed far less aware and more consideration should be given to how this sort of information is communicated to working people.

Experience of Those on Low Pay Over the Past Year

7. How has the cost of living effected workers on or close to the NMW and NLW and how, if at all, has this affected worker needs and expectations from their employment and pay?

Udaw has provided some evidence above in relation to particular equality groups which goes some way to answering this question. Looking at the results of our most recent Cost of Living Survey, which received almost 6,500 responses at the end of May 2024,

- 73% of respondents felt worse off compared to five years ago.
- 73% cannot afford to take time off work when they are ill.
- 61% have struggled to pay energy bills in the last 12 months, including 24% of all respondents who struggle every month
- 62% have taken out loans to pay everyday bills, 45% are struggling to keep up with repayments.
- 70% of parents believe their children are missing out on experiences because of financial worries.

It seems to keep going up and up, yet the wages don't seem to go nearly as much, you can get a pay rise yet be worse off, it's disgusting.

(Male, Road Transport Worker)

My mortgage has gone up around £500 per month and energy costs have got worse. I don't have a social life and have forgotten when I last had a holiday, and still nothing changes.

(Retail Worker, South East)

I'm just managing each month. Without the help of my daughter each month I wouldn't make ends meet.

(Female Retail Worker)

Home insurance and car insurance both doubled in price this year. Food prices, water rates and council tax increase every year in addition to sky high energy and petrol prices. Can't afford to pay for essential repairs on home or car.

(Female Warehouse Worker)

I've lost my savings due to higher cost of living, higher interest rates and had to hand my car back to dealership because I was unable to afford it. Also could not afford to pay credit cards as I had to concentrate on priority bills.

(Retail Worker, South Coast)

At times I feel quite desperate. I can't afford to clothe myself. My youngest will need all new school uniform, coat, bag, haircut, footwear etc for school. I just can't seem to get any help with it all, nor can I afford it all. I often don't pay a bill in full so I can have a little money to get some school bits for son each week, then I struggle to make up the rent & the viscous cycle of bills/school trips/clothing/food starts all over again. I can't even bear to think about their birthdays/Christmas or anything else because it will consume me.

(Retail Worker, South West)

My shopping bill used to be around £80 to £100 for 3 of us but now it's about £130 a week for just the 2 of us.

(Female Retail Worker)

8. What has happened to quality of work recently?

Abuse, threats and violence against retail workers

We continue to see a scandalously high level of abuse, threats and violence against retail workers. Our annual 2023 Freedom From Fear Survey of thousands of our members showed that:

- 7 out of 10 respondents had been verbally abused.
- 46% were threatened.

- 18% were physically assaulted during the year.

The jump in incidents of shopworkers being physically assaulted, up from 8% to 18% in a year, a record high, is of particular concern.

Our survey shows shoplifting was the trigger for 61% of incidents in 2023 and this coupled with record levels of retail crime is now driving a huge number of incidents. Whilst the level of threats and abuse has decreased from the highs seen during the pandemic, abuse, threats and violence all remain significantly above pre-pandemic levels. The situation is in danger of becoming normalised in stores up and down the country.

It is clear from our surveys and from figures provided by retail employers and employer associations that the two main triggers for violence and abuse are dealing with shoplifters (reported as a trigger by 61% of participants in 2023) and enforcement of law such as age related sales (reported as a trigger by 48% of participants in 2023). Unsurprisingly, considering the cost of living crisis and food inflation, the price of items has increasingly become a flashpoint, as has a lack of stock, reflecting food supply issues. Queuing is increasingly being cited as a trigger as well and in part this is as a result of the roll-out of self-service tills in stores and an increasing number of barriers to leaving stores.

We launched our Freedom From Fear campaign in 2003 in response to members' concerns about increasing levels of violence and abuse. For a number of years it looked as if the problem was being contained. However in the last couple of years before the Coronavirus pandemic there was disturbing evidence of a sharp upturn. The pandemic itself then saw even higher incidents of abuse and violence as staff were instructed to enforce Coronavirus safety measures. Our survey responses on this issue are in line with those from other organisations such as the Association of Convenience Stores and show that the level of incidents remains above pre-pandemic levels.

Voices from the frontline: These are some of the comments shopworkers shared when responding to Usdaw's survey:

- "Man spat on me when I confronted him for trying to steal coffee from us. Get drunk people who try to steal, swearing at myself and other colleagues. "
- "Regular shoplifter threatened me and another staff member, said not to try anything because he had a knife. "
- "Shoplifter went to hit me and another said they were going to cut my throat. Had a band of shoplifters coming in being aggressive, rude and threatening. "
- "Abuse from youths on a daily basis – threats and violence from shoplifters under the influence of drink and drugs. "
- "Challenged a thief and was pushed and swung at. A shoplifter punched the window next to me and said it would be my face next time. "
- "Involved in an armed robbery and attacked with a manchette. Had items of stock thrown at me by customers. "

One Sided Flexibility

With recent high inflation, many working people are struggling to make ends meet. A huge factor in the financial insecurity that many working families are currently experiencing is one-sided flexibility. In the retail, warehouse, or road transport sectors, too many people are employed on very short hours contracts. This leaves many people either wanting more hours and being unable to get them, or people being asked to routinely work a great deal or varying amounts of overtime that could be reduced at any moment. In addition, shifts are often rearranged at very short notice. This one-sided flexibility causes significant financial uncertainty and makes planning for the future very difficult, especially in these uncertain times.

The extent of one-sided flexibility in the workplace and the lack of financial security many low paid workers experience is demonstrated by the results of our latest cost of living survey in May 2023. Almost 15% of respondents said that their working hours are not even roughly the same each week and more than one-in-five said they would like to work more hours.

As noted in the British Retail Consortium's report on, ['How to build, retain and empower your retail workforce'](#), ensuring a mutually agreed definition of flexibility in favour of employees, which Usdaw believes would need to include a normal hours contract and reasonable notice of shifts, would help to improve retention, engagement and productivity. Our recent work with employers shows that sensible steps like this can be taken by businesses.

We were pleased that Low Pay Commission recommend for workers to have the right to switch to a contract reflecting hours worked and also supported employees having a right to reasonable notice of working hours and compensation for shifts cancelled without reasonable notice in 2018. This would represent a significant step forward. It is now time for the Government to act. As such, and in light of the depth of this issue and its impact on workers, we ask for the Low Pay Commission to reiterate this recommendation as a matter of urgency.

Work Intensification and Job Role Expansion

The increasing use of technology, data surveillance and AI continues to have a marked impact on retail job roles, especially the growth of self-service tills in supermarkets and the increasing number of barriers to leaving stores, alongside decreasing store headcounts in some places. Workers are now routinely 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 and job role expansion, especially when considered alongside recruitment issues. A recurring theme from our members is the sense of injustice that they are working harder and doing more, whilst seeing their wages becoming less and less valuable.

9. What has happened to wider benefits available to workers (including premium pay and non-pay benefits across the workforce)?

In some employers, we have seen wider benefits, including items such as redundancy pay and Company Sick Pay, slashed through the process of 'fire and rehire', to the significant detriment of the workforce. We continue to call for this unfair practice to be banned and would ask the Low Pay Commission to add their voice to those recommending the Government do so.

10. What are the barriers preventing workers from moving to a new job, particularly one that is better paid?

There are numerous barriers preventing workers from moving to a new job. These include:

- High transport costs and difficulty accessing public transport.
- Caring responsibilities, including childcare. Where someone has an employment situation that allows them to fulfil these responsibilities, the extent of one-sided flexibility in the economy means that this is unlikely to be the case in another role.
- A lack of training opportunities (worsened by the Government ending the Union Learning Fund).
- The prevalence of short-term contracts and insecure work. If workers have a full-time contract or a high number of contracted hours, it is often difficult to find similar contracts in other retail environments, so even if the new role pays more per hour it is less financially viable.

Additionally, for many working people taking on a new role feels like a risk. This is not just because of familiarity with their current workplace, but also because of our lack of day one rights, employment security and the way many workers accrue better terms and conditions over time, such as annual leave entitlement, company sick pay and long-service awards.

11. How has access and cost of childcare and transport affected workers' ability to move into work or to a better paying job?

Childcare

The cost of childcare and ability to access childcare has a major impact on the lives of our members, including their ability to continue in employment, work more hours or seek out promotion.

Usdaw members have long struggled to negotiate hours of work that fit around childcare and rather than getting easier over time, the cost of living crisis means that the challenges members face finding available and affordable childcare are as acute today as they ever were. Moreover, there is now an even greater demand from retail employers for flexibility from their staff, as they revise and re-organise working hours in response to post-pandemic changes in consumer spending and the shift to online sales, difficult economic conditions and record numbers of store closures.

The expensive and rising cost of childcare in the UK means that formal childcare is now beyond the reach of many low-paid workers. The Family Childcare Trust's annual survey, released in March 2024, 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.
- The average cost of full-time nursery (50 hours a week) for a child under two in Britain will be £15,709 across 2024 up from just under £15,000 in 2023.
- Actual costs can vary significantly depending on location, but Coram's 2024 figure represents about 45% of average pay for a full-time worker in the UK.
- A part-time nursery place for a child under two now costs an average of £158 per week in Great Britain, up 7% on 2023.
- In Great Britain overall, nursery prices are higher than childminder prices (for 25 hours a week for those aged under two and two year olds). For example, nursery costs for those aged under two were £157.68 a week and 21% more expensive than the equivalent costs for a childminder (£130.49).
- Some working parents of three and four year olds in England and Wales are eligible for 30 hours of funded childcare a week during term time. If they need to pay for 20 extra hours to take this up to a full-time place (50 hours a week) the average weekly price in a nursery is £120.93 in England, a 4.1% increase since last year, and £102.81 in Wales, a 4.8% increase.

All three and four year olds in Scotland can access 1,140 hours of funded childcare per year. 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 £96.74 per week if they are receiving 30 hours of funded childcare and paying for 20 hours.

The average price of an after-school club for a week is £69.14 across Great Britain, or £2,697 a year during term time (39 weeks). The average price of a childminder to 6 pm for a week is £75.87 across Great Britain, or £2,959 a year during term time. This is a price increase of 2.6% and 4.9% respectively.

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 highest price for 25 hours of nursery childcare for those aged under two (Inner London, £218.49) is 69% higher than the lowest price East Midlands, £129.04. For 25 hours of nursery childcare for children aged two, the highest prices are again seen in Inner London (£218.06), which is 75% higher than the lowest price which is seen in East Midlands (£124.60). Childminder costs for 25 hours (under twos) are 79% higher in Inner London (£197.38), which has the highest cost compared to the lowest price which is in the East Midlands (£110.09).

I have a young family, and because of the cost of living and the price of rent; my partner and I are really struggling to get any savings together in order to get a mortgage. I work as a department manager in a large retailer and my partner still has to cover us with working. This also means we have to pay for childcare which coupled with the rent leaves me with less than £200 to pick up groceries and pay other bills. It feels impossible to ever get on track or ahead of ourselves financially. This causes huge stress to my partners and my mental health.

(Retail Worker, Belfast)

Grandparents are bearing a lot more of the burden than people realise, many are spending money they would normally spend on themselves to keep their families going. Lots are spending their savings to do this too but eventually the money will run out for even those who are a little better off. The 3 child rule (*two-child limit*) is a disgrace in a humane society, my son has 2 kids, his wife has 2 kids, they all live together but only the first 2 count for benefits (both parents work).

(Female Retail Worker)

There's no support if children are ill and having to take time off work.

(Retail Worker, South West)

I cannot afford to pay £2300 council tax with all the bills that come in. I pay for breakfast club to be able to do my job. I have to leave my daughter alone in holidays. She's 11 really not ideal but clubs aren't open long enough for my job 8-5 so I'm constantly worrying she is safe.

(Warehouse Worker, Midlands)

12. What opportunities are there for progression to better-paid work for low paid workers and how common is promotion?

As we have outlined to the Commission in all our evidence submission in recent years, progression opportunities and pathways in retail have been significantly depleted, with a scarcity of management level roles following the continual hollowing out of middle management roles to save on costs. Previously, such roles were natural steps up for people looking to progress in their retail career. Such roles have tended to be cut through restructures, or natural attrition, with roles simply not being replaced.

13. What has been workers' experience of the Universal Credit system and how the minimum wage interacts with it? Has this influenced workers approach to how many hours they work and whether they move to another better paying job?

Whilst most Usdaw members are paid above the level of the minimum wage, most are within close sight of it and many claim Universal Credit. Overwhelmingly, they find that Universal Credit is not paid at a rate sufficient to live on.

For many low-paid working people in receipt of Universal Credit, there is also a serious issue regarding the administration of Universal Credit. The calculation and payment of Universal Credit is monthly (designed by the Government to emulate wages), however as the Commission will be aware, many low paid workers are paid weekly or four-weekly. Usdaw's own survey results have shown that over 75% of members in receipt of in-work benefits and Tax Credits are paid weekly or four-weekly, with the majority, 67%, paid

four-weekly. Therefore, the design was a misconception from the start based on limited experience of the real lives of working people. Assessing and paying Universal Credit monthly, rather than weekly or four-weekly, has a significant detrimental impact, because the system uses 12 live assessments each year to assess the level of benefit payment, when the majority of working claimants are paid 13 times each year. This means there is always one month each year when the worker has two pay periods in one assessment month and thus their Universal Credit payment is either significantly reduced or stopped altogether as a result. Whilst this arrangement means that Universal Credit payments are slightly higher in the other 11 months, (so overall claimants are not worse off on average over the 12 month), it is not realistic to expect people to budget for the month when they receive little or no payment and the system causes havoc with their finances. Fixing this should be a significant priority when looking to improve the lives of low paid workers.

While the above are examples of how the Universal Credit system interacts with the wages of low paid workers, the system can also influence how people approach work and the hours they work. In particular, this is the case because of the rate of the work allowance and lack of work allowance for second earners in the household.

When pay is low, choosing to enter work will be a consideration if it immediately has an impact on benefits income to the household. Casual seasonal labour, such as taking on extra hours at busy periods, such as Christmas, or the second earner taking on a part time job, is a perfect example. In a couple where one partner is in work and the other partner currently does not work (usually with a childcare exemption) there is little incentive for the second partner to enter the workforce to take on part time or casual hours if there is no work allowance when they do so.

While this is clearly not responsible for the current shortages in the workforce for low paid roles such as catering and retail, it is perhaps something that could be considered as an area for possible remedy to help encourage people back into these roles.

Young People

14. How have recent changes in the minimum wages for young people affected their employment prospects?

The minimum wage and the rising level of the minimum wage has had no discernible impact on young people's employment prospects. Usdaw notes that unemployment levels for young people remain low by historical standards. 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 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.

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.

15. The NLW age of eligibility came down from 23 to 21 on 1 April 2024 – what has been the impact of this?

Usdaw has not seen any discernible impact from this change. All of our major agreements continue to pay all workers the full adult rate, which are also generally above the minimum wage rates, therefore the change in the eligibility for the so called National Living Wage rate did not impact pay scales within our major agreements. We are not aware of any changes to the approach of employers following on from the change earlier this year.

16. How do the youth minimum wage rates influence employers' decisions about hiring and pay, and young people's decisions about employment?

As outlined above, these rates do not exist in our major agreements, employers are happy to recruit young workers on the full adult rate. We are aware that across retail, there are restrictions on some roles that those under the age of 18 can perform, particularly around authorising age-restricted sales. There are also some additional requirements around the Working Time Regulations for this group. It is likely that, at least at a local level, that these factors may have some influence in the employability of people under the age of 18. However, from 18 years and above, we see very little impact of a young person's age on their employability.

17. What other factors determine pay for young people aside from the rates?

As noted above, young people are paid at the adult rate across our major agreements.

18. Why do employers make use of the youth rates (including pay rates above the youth minimum wages, but below the NLW)? To what extent has this been affected by the recent tight labour market?

There are no Youth Rates in the overwhelming majority of our national agreements, including in large 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 such cases, it is the negotiated level of base pay that sets pay for young people in the sectors we organise in, as with all other employees. In the very small number of agreements where Youth Rates still exist, we continue to work with employers to negotiate them away. With a relatively tight labour market, it makes even less sense for businesses to be attempting to recruit young workers for the same jobs whilst offering less pay.

In practice, youth rates serve no useful or practical purpose and it is becoming increasingly clear that the lowering of the age threshold and significant rises in the National Living Wage are having no impact on youth employment prospects. There is no reason to suggest that the lowering of the NLW age threshold to 21 will be any different, or have any significant impact at all.

19. At what level should these rates be set from April 2025?

Usdaw believes that, as a minimum, the full adult rate should be available from the age of 18 as soon as possible. If this cannot be implemented from April 2025, steps should be taken from next year to reduce the qualifying age, whilst at the same time setting out a timeframe to ensure the full adult rate is paid from the age of 18.

- 20. Our advice to the Government on the future of the NMW recommended lowering the threshold for the NLW over time to 18 if the evidence allows. We welcome any comments on these recommendations.**

We believe that youth rates serve no practical purpose and should be abolished. At the very least, we believe that the threshold for the National Living Wage should be lowered immediately to 18, so that all adults are paid the same rate for doing the same job.

Apprentices

- 21. The Apprentice Rate increased substantially this year. What do you expect the effects of this increase to be?**

The Apprenticeship Levy is a failed policy that has significantly reduced the number of apprenticeships being taken, particularly for those on lower level Apprenticeship where the Rate may be utilised. It is clear that the Levy is having a far greater impact on reducing the willingness of employer to take on Apprentices than the Rate. However, Usdaw's experience of an employer attempting to utilise the rate showed that they could not recruit on the rate due to it being so low.

Whilst the recent increase in the rate will have provided some help in addressing the situation, it is not yet clear that the rate makes it possible to employ and retain candidates of a suitable calibre to complete an Apprenticeship Programme. Usdaw remains concerned that the low rate available for Apprenticeships provides an opportunity for rogue employers to circumvent the proper National Minimum Wage rates.

- 22. What is the outlook for the recruitment and employment of apprentices?**

As noted above, we believe that the outlook for the recruitment and employment of apprentices is heavily linked to the need for significant reform of the Apprenticeship Levy.

- 23. How widely used is the Apprentice Rate (including pay rates above the Apprentice Rate but below the relevant age-related minimum wage rate)? What kind of apprenticeships are paid this rate? What kind of jobs do these apprenticeships (paid at or just above the Apprentice Rate) lead to?**

Udaw does not have experience of employers utilising the Apprenticeship Rate, but we are aware of the rate being used in non-unionised retail workplaces. There appear to be no clear pathways for progression in such instances.

Accommodation Offset

29. We also recommended a minimum hours requirement before accommodation costs can be deducted. If implemented what would the effect of this policy be and what should be considered when setting a minimum hours requirement?

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

Economic

31. To what extent have employers been affected by other major trends in the economy and labour market: for example, inflation, Brexit, the shift to homeworking or changes in the numbers of migrant workers in the UK?

Usdaw does not organise in sectors where jobs have moved to homeworking. Therefore in this regard, there has been no permanent impact on employers where we represent members.

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