BUDGET REPRESENTATIONS

AUTUMN 2024

USDAW SUBMISSION

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 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 welcomes the opportunity to submit budget representations under the new Labour Government for the Autumn 2024 Budget. Many Usdaw members are still struggling to make ends meet, despite inflation easing, as the Tory cost of living crisis continues to impact low paid workers across the UK. Following consultation with our members, both directly and through their representatives in the Union, we have developed a number of policy suggestions to improve the lives of working people across the industries in which we represent members, to help deliver the transformational change that the country urgently needs.

These policies cover the following key areas:

- A Plan for the Future of Retail
- The Cost of Living Crisis
- Childcare
- Universal Credit and Social Security

1. A PLAN FOR THE FUTURE OF RETAIL

Retail is an important source of employment and investment in the UK, directly employing three million people with a further 1.5 million jobs reliant on the success of the industry. The wide scale and reach of retail offers significant benefits to the UK economy, but to harness growth and investment within the sector we need action from Government on a number of key issues.

In recent years Covid and the cost of living crisis have both intensified various systemic pressures facing the sector. The cost of living crisis in particular has created an exceptionally difficult trading climate for retailers through a combination of reduced consumer spending, supply chain issues and rising energy prices.

Yet the crisis in retail is not a new development and the sector has been at in significant difficulty for a number of years. At the core of these issues is the lack of parity between online and physical retailers, specifically the burden of business rates which have severely hindered the sector's ability to invest, innovate and grow. As such, reform of business rates should be a key priority issue for Government, to help drive retail investment and unlock wider economic growth.

The UK's retail industry works on incredibly tight margins - down from 4% in 2013 to 2.5% in 2019[1]. At the same time the sector pays 20% of business rates revenue, while consisting of only 5% of the economy.
It is clear that the current system places bricks and mortar retailers at a significant disadvantage to online retailers and Usdaw is deeply concerned that this tax continues to

[1] https://committees.parliament.uk/writtenevidence/36253/pdf/

spiral out of control, driving up cost pressures on retailers. These cost pressures have been a significant factor in recent large scale job losses seen across high street retail. Figures from the Centre for Retail Research (CRR) estimate 16,565 retail jobs were lost between January and May 2024 with 804 store closures. In the year prior, the CRR calculated the loss of 119,405 jobs and the closure of 10,494 shops, as retailers struggled with high inflation and a property tax that is no longer fit for purpose. Last year the collapse of Wilko alone led to the closure of around 400 stores and the loss of about 12,000 jobs.

A new report from consultancy firm Development Economies - Reforming business rates: the jeopardy of inaction – evidences the unfair impact that business rates have on physical stores and how the tax deters new investment in the sector. The research highlights that over the next 10 years, raising the standard multiplier in line with inflation – as the current legislation outlines - could see a total £5.43 billion of Government revenue lost, with an estimated 17,300 store closures[2]. The previous Government's decision to remove the freeze on the 'multiplier' has impacted the economic viability of many stores across the country. The multiplier already stands at 54.6p in the £1.00, but this will continue to rise in line with inflation, unless the new Labour Government intervenes. It is worth noting that nowhere else in Europe do businesses pay half the rental value of premises in property taxes[3].

Labour has long recognised the burden of business rates on the sector, and we welcome the manifesto commitment to reform business rates in a way that levels the playing field between online and bricks and mortar retailers. We look forward to the details of how this commitment will be taken forward and are happy to work with the Treasury on ideas of how this can be delivered.

Alongside action on business rates, there are several issues affecting the Retail High Street, which Usdaw believes requires urgent attention in the Budget:

- Fundamental reform of business taxation affecting the retail sector, including the introduction of an Online Sales Tax. Previous measures such as the freezing of the Small Business Multiplier and the extension to the Retail, Hospitality and Leisure relief offered some help to smaller businesses but for the majority of retailers who provide the majority of jobs within the sector, they did not go far enough. The overall business rates system is broken and needs fundamental reform to level the playing field between online and bricks and mortar retailers. With headline inflation showing signs of rising, retailers face the prospect of another large rise in business rates next year, (with rates to be based on September 2024 inflation rates). The current multiplier should be frozen to give businesses some respite while wider reform is introduced.

- Reform of UK tax law to ensure that companies pay their fair share of tax through tackling tax avoidance and the use of offshore havens, with the aim of creating a level playing field between online and high street retailers. Research shows that ecommerce companies are likely to pay three times less corporate income tax than large brick and mortar retail chains. On the issue of tax evasion and the hidden economy, HMRC estimated that the Government loses £8 billion a year. The issue has been particularly problematic when it comes to big global companies like Amazon, who are able to shift their profits to low tax countries.

- Adequate funding for local authorities so they can invest in their local economy, transport networks and high streets. We cannot revive our high streets if core services

[2] https://businessrates.report/
[3] https://businessrates.report/

continue to be undermined. Although funding for local government was increased during the 2019–24 parliament, councils' finances are still under significant pressure[4]. Sustained cuts to local Government funding for more than a decade have severely impacted Councils' ability to invest and innovate within their local communities. Analysis from the Local Government Authority (LGA) suggests Councils face a funding gap of £6.2 billion over the next two years[5]. Figures also show that by 2024/25 cost and demand pressures will have added £15 billion (almost 29%) to the cost of delivering council services since 2021/22. Councils have had to find billions in savings as a result of increasing demand and costs for services alongside spending power being reduced in real terms by around a fifth from 2010/11 to 2024/25.

- Investment in skills for retail workers, including through union learning and high quality apprenticeships. This should include an in depth assessment of emerging trends and potential skills shortages/gaps within the sector. Usdaw has been calling for fundamental reform of the apprenticeship levy for a number of years and we welcome the commitment to reform the apprenticeship levy alongside the establishment of a new body Skills England. We look forward to working with Government on the details to help drive forward training opportunities and to ensure that the skills policy is aligned with key sectors, including retail. This should include the inclusion of more high quality short courses, with a focus on upskilling new and existing staff and the option to fund important costs outside of training (such as non-statutory training to enable people and workers to access apprenticeship courses). The Government should also give serious consideration to reintroducing the Union Learning Fund (ULF) in England, which played a pivotal role in improving the skills and qualifications of workers in the sector. Research from the TUC has evidenced the cost to benefit ratio of the ULF in helping to secure long term growth of the UK economy[6].

- A new deal for retail, distribution and home delivery workers, based around a real living wage and a right to a contract based on normal hours. Retail work has become synonymous with low pay and insecure hours - this is unsustainable and will not attract or retain talent in the long run. We need lasting solutions to help ensure that retail jobs are better jobs. The Government's commitment to introducing legislation in parliament to implement a New Deal for Working People is a key step in tackling insecure employment and making sure that retail work provides the dignity of decent pay. Usdaw was pleased to see the new Labour Government act quickly to amend the Low Pay Commission's remit partway through the year. When looking at next year's remit for the Commission, we call on the Government to set the Commission a target of reaching a £15 per hour minimum wage as soon as possible. In addition, Usdaw has repeatedly provided evidence to both the Low Pay Commission and the Labour Party over the need for the full rate of the so-called National Living Wage to be paid to all workers. Again, we welcome that this issue was contained within the Low Pay Commission's updated remit for 2024 however call on the Government to accelerate the plan for the 18 to 20 year old to be abolished.

- Stronger corporate governance rules, to curb asset stripping and ensure that business failure cannot be rewarded with excessive bonuses and pay-outs while ensuring worker seats on Company Board, delivering worker voice in important strategic decisions.

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[4] https://ifs.org.uk/publications/what-outlook-english-councils-funding

[5] https://www.local.gov.uk/about/news/relationship-reset-whoever-forms-next-government-needed-councils-face-more-ps6bn-funding

[6] https://www.tuc.org.uk/research-analysis/reports/future-union-learning-fund

- Promoting a greater worker voice for retail workers and stronger rights to be informed and consulted. Usdaw believes that only a trade union will give workers an effective voice. The Government's recent commitment to repeal the Minimum Service Levels legislation as soon as possible to help reset industrial relations in the UK is a welcome development. To further promote constructive industrial relations in which trade unions play a full part, we need to reduce the threshold for statutory recognition, which is set too high, as soon as possible. This must work alongside new rights for unions to access workplaces to organise workers .

- A review of the law on redundancy, to remove the loophole, which allows large chains to avoid collective consultation over small sites. Labour has already committed to a change in the law that collective consultation requirements will be triggered if redundancies reach a defined threshold across the business as a whole – rather than just looking at the number of employees at each establishment. This will provide some protections for retail workers in smaller stores (establishments with less than 20 employees) who are particularly vulnerable in the current climate.

The above list entails several key subjects that we look forward to discussing with Government, as part of any measures to support the retail sector. Usdaw's detailed Plan for the Future of Retail Work is available here[7].

2. THE COST OF LIVING CRISIS

While inflation has eased in recent months, working people continue to suffer as a result of the cost of living. Usdaw's latest cost of living survey of 6,727 members, in June 2024, showed that:

- 72% are unable to afford to take time off work when ill.
- 73% feel financially worse off than last year.
- Over a third struggle to pay gas and electricity bills every month.
- 63% have significantly cut down on heating to pay energy bills.
- Six in ten are relying on borrowing to pay everyday bills.
- 16% have had to use a foodbank.
- 15% miss meals every month in order to pay bills.
- 64% reported that financial worries are impacting their mental health.

The results and some of the comments from our members are deeply worrying.

"My son has gone to senior school in trainers as I simply can't afford new shoes. In September he'll need all new uniform, footwear, stationery etc., I just can't see a light at the end of the tunnel. My children have never had a holiday, not even one night away somewhere." **Retail worker, 46, *South-West***

"In winter it's a struggle trying to keep the house warm. We usually stay in bed longer and just have a late breakfast and a main meal about 4. We use candles and I do worry about my son getting eye strain whilst doing his homework. Summer makes life a lot easier as we can dry washing outside and eat cold meals. As a family we don't have days out or holidays anymore. We would never eat out in a cafe or even buy a coffee." **Retail worker, 47, East Midlands**

[7] https://usdawlive.b-cdn.net/ac1p4o2y/retailworkreport2023.pdf

“The cost of living means that I exist, I don’t live a life. I eat like a pauper and sit under fleece blankets so I don’t have to turn up the heating. I can’t afford to treat my children when it’s their birthdays. Life is quite miserable now.” **Retail worker, 54, Yorkshire and the Humber**

“I work really hard and can't even afford a sandwich at lunch time – I eat toast from staff room. The thank you payment was taken off me with UC so I worked really hard all year and didn't see any reward – sick and tired of it.” **Retail worker, 54, Lincolnshire**

“My mental health has been negatively affected. I have a new baby born 08/02/24 and will often pay for his milk/nappies and essentials instead of eating 3 full meals a day. I only eat 1 meal a day and we’re also in a cramped 1 bed apartment unable to afford private rent and unsuccessful on council housing.” **Retail worker, 24, West Midlands**

“I lose sleep worrying how I can make it from one payment to the next. I’ve had to sell personal items just to be able to buy food.” **Retail worker, 43, Northern Ireland**

“I just exist. I don't live. If there was a button and I didn’t have to wake up tomorrow I would push it. I’m not the only one in my age group that would choose this option.” **Warehouse worker, 26, East Midlands**

We believe that fully and timely implementation of the Labour Government’s proposed New Deal for Working People will be a key step forward in addressing the cost of living crisis. Alongside this, in the Budget, we need to see targeted support for low-income households to cope with the rising cost of essential bills.

CHILDCARE

Usdaw members have long struggled to negotiate hours of work that fit around childcare and rather than getting easier over time, the challenges members face finding affordable and accessible childcare are as acute as they ever were.

Retailers continue to demand ever greater 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 cost of living crisis has piled pressure on low paid working parents, with the rising costs of formal childcare increasingly putting it out of reach of the majority of Usdaw members. Unsurprisingly, the majority of our members (67%) who are parents of younger children rely heavily on informal care arrangements, particularly grandparents (57%) to plugs the huge gaps in availability and affordability of formal childcare. This figure is even higher for single parents and those parenting a disabled child.

Half of all women members of Usdaw and over a quarter of men are regularly looking after grandchildren. Members who care for their grandchildren find it difficult to get their caring commitments taken seriously by employers. They have told us that managers and colleagues often overlook their caring role. All this contributes to many older workers choosing to leave the workforce.

Women are also disproportionately affected with significant economic impacts. The Women’s Budget Group estimate that the cost and unavailability of childcare has prevented an estimated 1.7 million women from taking on more hours of paid work due to childcare issues, resulting in up to £28.2 billion economic output lost every year.

"Working in retail to get nursery or childcare around the hours is very difficult and expensive. I am very lucky that I have grandparents that can help out." Female, 30-39, Retail.

"Me and my partner work opposite shifts to care for our child until he can go to nursery when he is 3". Female 23-29 Retail.

"I only managed to return to work as my child stayed with grandparents during my working hours." Non-binary, 30-39, Retail.

Finding childcare that is available outside of a typical school day remains a significant challenge for parents. This is true of early morning and after school hours, bank holidays, weekends and school holidays. All too often discussions regarding childcare focus only on pre-school and nursery settings and fail to recognise the importance of breakfast clubs, after school clubs, and holiday schemes. Members who are parents of older children tell us that they face particular problems accessing services that offer childcare at the start and end of the school day.

The Christmas and Easter holidays pose particular problems for Usdaw members as these are particularly busy periods in the retail sector and there are often restrictions on workers taking annual leave. Much of the holiday provision that do exist are prohibitively expensive.

"My daughter has only just become entitled to 30 hours funded childcare, and it has made a difference but needs to be more flexible. I cannot use this for wrap around care at the school for example."
Female, 30-39, Retail

Single parents, disabled parents and parents of disabled children, parents of families with three or more children and parents living in relatively low income households are disproportionately affected by the absence of affordable childcare that fits in with their working patterns/hours. We remain particularly concerned about the lack of provision for parents with disabled children; significant numbers of our members are supporting children with additional needs and yet only one in five local authorities in England say they have enough childcare provision for such children.

In March 2024 Usdaw surveyed more than 2700 members to find out more about their experiences of finding affordable and accessible childcare that fitted around their hours of work. The results highlighted major issues with the current provision of childcare:

- The majority (9 in 10) say the cost of childcare is too high and many report working just to cover costs.
- 70% of parents said it was a bit difficult or very difficult to find childcare that fitted around their work. 11% said it was impossible.
- Two thirds (66%) pay for some of the childcare but only half of those paying for childcare (51%) receive any help towards the cost.
- Just 4 in 10 parents report they are currently using free childcare hours, highlighting the low levels of awareness are leading to members missing out on support they are most likely entitled to.
- 57% rely on grandparents and other family members, with 10% relying on friends and neighbours (10%) to help with childcare.
- The majority of parents are having to rearrange (58%) or reduce (39%) their days or hours of work because of a lack of available childcare that fits around their work.
- Women (46%) are twice as likely as men (23%) to have reduced their hours or days of work because of childcare.

- Close to 1 in 10 (8%) parents have left paid work altogether because they could not find childcare that fits in with their work.
- While most parents are using unpaid leave (60%), members are also using their annual leave (44%) and sick leave (17%) to cover childcare emergencies or short notice changes to childcare arrangements.

What are we calling for:

Usdaw continues to call for a significant expansion of current provisions to better meet the needs of Usdaw members and that provides affordable, accessible, wraparound care from the end of maternity leave to the beginning of school.

We recognise that this will require a significant level of investment from government to make a system that is workable and accessible both for parents and that properly supports and values childcare providers and childcare workers. However, the economic arguments for change are clear and evidenced in this budget response.

- **30 funded hours of flexible childcare for all pre-school age children.**

We welcome Labour's commitment to honouring existing plans to extend free childcare, but the Tory plans to extend the free childcare provisions, still fell significantly short of making the system workable for low paid workers. The Women's Budget Group suggested an additional investment of £1.8bn is required to meet the funding shortfall for existing entitlements, with an estimated additional £5.2bn needed to properly fund the expansion of early years provision.

The Government will need to address the rate paid to providers which increased at the end of last year and is due to rise again this year. The hourly rate that the Government pays to local authorities for funded places for two year olds increased by 30% but for three to four year olds it's only going up by 4% which is less than the rate of inflation. Usdaw recognises that this is a significant investment for government but ultimately, we want to see Labour not only deliver where the Tories have failed, but to be bolder in the offer.

- **Accessible wraparound care provision.**

To delivery meaningful change for low paid workers in Usdaw and women members in particular, we need a commitment to wraparound care provision. It's clear that our members are having significant issues finding childcare that enables them to work when they want and need to. And this is having a continued detrimental impact on women's economic participation and financial security.

- **Fully funded free breakfast and after school clubs available in every primary school.**

Labour's commitment to breakfast clubs is hugely welcome, but after school provision is also patchy and often expensive putting it out of reach of most of our members. Therefore, we would like to see this commitment extended to afterschool clubs (and mirrored in any proposed nursey offering).

Parents in rural areas describe a complete lack of after school clubs. Our members face significant gaps at the end of the school day can face fines from providers if they are late to pick up and childminders are often in short supply and come at an additional cost. If there is no option to extend the commitment to after school clubs, is there an option to look at subsidised afterschool places as a stepping stone to wraparound care?

- **Raise awareness of free entitlements and benefits that support working parents with childcare costs.**

Low levels of awareness and confusion around eligibility is leaving working parents missing out on free entitlements. Similarly, many parents in low income families may be entitled to support with childcare costs but a lack of awareness and difficulty navigating the complexities of the system leave many unaware of what they can get or how to apply. Consideration needs to be given as to how to best raise awareness, particularly among lower income families about their entitlements under any new proposals. This could include exploring the options of specialist childcare support coaches and single portals for accessing childcare information and checking eligibility.

- **The importance of meeting upfront costs for low income families.**

Any system needs to be aware of the need to meet upfront costs for low income families. From June 2023 a portion of UC childcare costs have been paid upfront, but upfront payments are only available to those who are entering work or "significantly increasing" their hours of work. Usdaw members can struggle to do this, because of difficulties approaching employers to increase contracted hours and/or because of their childcare commitments, therefore upfront costs remain an obstacle to many low income families for whom finding £100s upfront can be extremely difficult.

5. UNIVERSAL CREDIT AND SOCIAL SECURITY

The Universal Credit system continues to fail to provide adequate support for working families in need.

As highlighted by the Work and Pensions Committee, the maximum support available through Universal Credit has failed to keep pace with inflation; the 2023 increase didn't even compensate for the shortfall in the 2022 uprating, which was the biggest fall in the real value of the basic rate of unemployment benefits in 50 years. In addition, the cap on total costs eligible for support has only increased by 10.1% in nearly two decades.

Research from the Resolution Foundation has highlighted the less substantial nature of the existing social security system in comparison to when Universal Credit was introduced in 2013. 71% of the 9.8 million families who are eligible for either Universal Credit or legacy benefits are worse off in real terms on Universal Credit in 2024-25 than they would have been under the legacy system in 2013-14, with an average difference among all eligible families of -£1,400 per year. A culmination of freezes and below inflation increases in benefit levels over a number of years, means the base rate of out-of-work support dropped 6.7% in real terms in April 2024 compared with April 2013.

> *"It's impossible to make ends meet on universal credit even working to top up my income. I'm already in the "low capability for work" sector but still have to try & do a few hours just to be able to eat. I live in social housing so my rent is as cheap as possible but I'm still struggling."* **Retail worker, Bedford.**

Additionally, there are also a host of other issues with Universal Credit, which the Budget could seek to rectify. These include:

- **The 5 Week Wait**

The decision to pay Universal Credit monthly in arrears – which is what leads to the five week wait – was taken in part to prevent overpayments. But it is clear that the 5 week wait penalises claimants and advance loans in the current system burden those most in need with more debt. Around half of new Universal Credit claimants take out an advance during the five-week wait for their first payment, which is typically recovered in instalments over 24 months[8].

Social security should be paid from day one of a successful claim. In order to administer this, a system of non-repayable advance payments (rather than loans), would ensure individuals and families get the support they need, when they need it.

- **Monthly Payment**

The calculation and payment of Universal Credit is monthly (designed by the Government to emulate wages). Yet many low paid workers are in fact paid weekly or four-weekly. This means that the overwhelming majority of working people who also claim benefits are paid in this way (usually either weekly or four-weekly) – not monthly. 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. As such the monthly payment element of UC causes havoc to those paid four-weekly (more-or-less all retail workers) because it means they have 13 pay periods every year, and therefore have one month in every year where they are paid twice during their 'calculation month'; this mean their universal credit payment for that month is either greatly reduced or, in some cases, nothing at all. Usdaw is asking for this issue to be rectified as a matter of urgency.

- **The Two-Child Limit**

For those people who have more than two children and who currently find themselves needing to claim benefits, it is wholly unfair that their benefits payment will be limited to taking into account only two of the dependent children in their household. Figures from Child Poverty Action Group (CPAG) show that abolishing the two-child limit is the most cost-effective way to reduce child poverty, helping to lift 300,000 children out of poverty.

- **Changing the rules about in-work conditionality**

Usdaw is very concerned about the changes by the previous government to in-work conditionality for some working people who claim Universal Credit.

Working parents: Under recent changes, the 'lead parents' of children aged between 3 and 12 years are now required to spend more time in work or applying for jobs in order to be eligible for Universal Credit payments. Usdaw feels the new measures are punitive and unnecessary, taking vital support away from parents who are already working hard to support their families at a time when many people are at breaking point.

Compulsory in-work progression: The extension of 'compulsory in-work progression' for claimants of Universal Credit in low-paid roles has piled further unfair pressure on working people. The rules introduced earlier this year would require claimants to increase their hours at work, or find a better paid job, or continue to attend frequent appointments with a jobs coach until they do so. This approach fails to understand that there simply may not be any more hours available in the claimant's workplace and puts the pressure on workers to attend meetings during hours when they could be available for work.

[8] https://www.resolutionfoundation.org/app/uploads/2024/04/In-credit.pdf

- **Payments**

  More needs to be done to protect the victims of abuse, primarily women, by ensuring they have access to their own money and that their abuser does not have abusive control on the household income.

  In order to protect women and their children, Usdaw believes that Universal Credit payments, or at least the child elements of Universal Credit payments, should be paid to the main carer by default.

- **The Taper Rate**

  Usdaw also supports further reducing the taper rate, so that the social security will truly support those in work, rather than becoming a disincentive to work more hours.

In summary on Universal Credit, there are a whole range of fixes required to ensure that the system delivers for vulnerable workers across the country. Some of these fixes, such as removing the five week wait, abolishing the two-child limit and reforming work allowances and taper rates to ensure that work pays will require significant investment. There are however other fixes, such as fixing payment reference periods that do not require investment in Universal Credit payment systems. Usdaw is calling the Government to take action on all issues related to Universal Credit in the Autumn Statement.

In addition to reforming the Universal Credit system, there is an urgent need for the Government to address statutory sick pay. Usdaw welcomes the manifesto commitments from the new Government to make sick pay a a day one right, remove the lower earnings limit, so it is available to all workers, and remove the waiting period. We also believe that the level of statutory sick pay is currently far too low at £116.75 a week, and we call upon the Government to increase this significantly, so that workers are not penalised for being sick. According to the latest ONS figures, released in April 2023, the average number of sick days lost per workers was 5.7. This is above the 4.4 days recorded in 2018, however still below the high of 7.2 days in 1995. The UK also has lower sickness absence rates than most of Europe.

In a survey of over 6,500 Usdaw members conducted in May this year, almost three quarters of members advised that they could not afford to take time off when ill.

Paddy Lillis
General Secretary