Low wage and insecure work in the UK retail sector

An investor briefing and toolkit
About ShareAction

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This briefing builds on ShareAction’s previous briefings: Insecure Work in Insecure Times\textsuperscript{i} and Investing in the Living Wage\textsuperscript{ii}. It is intended to support investors engaging the supermarket retail sector on the Living Wage and insecure work. It is the first in a series of sector specific briefings.

This investor briefing makes the case for raising wages and improving working conditions – starting with retail workers but moving to encompass all workers in the food production system. Currently there is a diversity of practice in the retail sector, but in the light of Covid-19 and the ‘Build back Better’ agenda we anticipate a growing competitive pressure on retailers to demonstrate they value their workers and address current inequities. The methodologies and examples of best practice already exist to drive better performance across the sector. There are well-documented business cases for investing in frontline workers.

In addition to a summary of the issues, the briefing sets out practical steps for investors on how to get under the surface of retailers’ initial responses in engagement meetings. Informed investors can play their part in supporting retailers to improve their practices and support thousands of low paid workers in the sector and their supply chains.
Low wage and Insecure Work in the retail sector

During the successive Covid-19 lockdowns of 2020-21, supermarket retail workers were designated key workers in recognition of the crucial role they play in ensuring our societies function. Many workers from other sectors were furloughed or working from home during this period. Despite this recognition, 45 per cent of the 900,000 people who work in UK supermarkets earn less than the real Living Wage. Supermarket workers are one of the largest groups of low paid workers in the UK comprising 3 per cent of employees and 35 per cent of all retail workers.

Beyond wages, retail work is insecure. Whilst many supermarkets do not use zero hour contracts, almost 20 per cent of workers report they want more hours. Many key workers are bearing the stress of working through lockdowns at personal risk and in situations of economic insecurity, 67 per cent of supermarket workers reporting their role has not been acknowledged by the public. Workers have also raised concerns on poor visibility of hours and limited sick pay.

In contrast to the wider retail sector, supermarket retailers have fared well during the Covid-19 crisis. December 2020 was the busiest month ever for British supermarkets as tightening restrictions on out of home dining meant shoppers spent £11.7 billion on take-home groceries. Lidl reported sales growth of 17.9 per cent in December, Sainsbury’s reported retail sales up 9.3 per cent year-on-year during the Christmas period and Tesco recorded 6.1 per cent like-for-like sales growth in Quarter 3 2020.

The retailers have acknowledged the role their staff played in this success and have offered a variety of improvements in their terms and pay, as well as announcing one-off Covid-bonuses. Aldi, Co-op, Lidl, Morrisons and Sainsbury’s have matched the real Living Wage for direct employees. Despite this, no retailer has formally accredited with the Living Wage Foundation.

Even before the pandemic, the business case for improving wages and conditions for the low paid was already established. Inequality and in-work poverty are ongoing challenges to our societies weakening civil society, contributing to political instability, and weakening aggregate economic growth. Raising wages for the lowest paid therefore has knock-on impacts that benefit wider society. It is estimated that 50 per cent of women employed in the retail sector are paid below the real Living Wage compared with 41 per cent for men. The Covid-19 crisis has exacerbated existing inequalities. As we emerge from the crisis, raising wages and addressing the quality of work for those in the most insecure and lowest paid jobs is more important than ever.

Looking forward, supermarket retailers face an uncertain future dealing with the impacts of Brexit, immigration reform and supply disruption. A detailed discussion of these challenges is beyond the scope of this briefing. However, this context underlines the importance of supermarkets rewarding and retaining their existing workforce during this challenging period.

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1 By real Living Wage we are referring to the Living Wage as defined by the Living Wage Foundation and not the UK minimum wage which is sometimes referred to as the national living wage.

2 At least for UK retail workers it is unclear whether cleaners, security guards and other contract workers are covered. Sainsbury’s only match the UK rate but not London rate. Similarly for Morrisons there is a some areas in London where rates are not matched.
How do retailers compare?

Retailers are moving on increasing their base rates of pay

Figure 1 provides a comparison between the leading supermarkets base pay-rates for hourly workers in comparison with the real Living Wage. Morrisons, who announced that they would increase the base rate of pay to £10.00 per hour in April 2021, currently has the highest rate of pay at 50p per hour higher than the real Living Wage. It is not product margins that are holding back retailers from paying frontline workers higher wages, until Morrisons made its pay increase the field was being led by the value retailers Aldi and Lidl.

Fig. 1: Retailer base rates for hourly workers and other benefits compared (rates accurate as per 16th March 2021)

<table>
<thead>
<tr>
<th>Supermarket</th>
<th>Base Wage</th>
<th>Real Living Wage</th>
<th>London weighting</th>
<th>Other benefits</th>
<th>Covid-19 bonuses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Inner</td>
<td>Outer</td>
<td>Real Living Wage</td>
</tr>
<tr>
<td>ALDI</td>
<td>9.55</td>
<td>9.50</td>
<td>11.07</td>
<td>10.90</td>
<td>10.85</td>
</tr>
<tr>
<td>ASDA</td>
<td>9.18</td>
<td>9.50</td>
<td>10.31</td>
<td>9.76</td>
<td>10.85</td>
</tr>
<tr>
<td>Co-op</td>
<td>9.50</td>
<td>9.50</td>
<td>10.85</td>
<td>10.85</td>
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<tr>
<td>Iceland</td>
<td>8.72</td>
<td>9.50</td>
<td>9.59</td>
<td>10.85</td>
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<tr>
<td>Supermarket</td>
<td>Base Wage</td>
<td>Real Living Wage</td>
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<tr>
<td></td>
<td>Inner</td>
<td>Outer</td>
<td>Real Living Wage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morrisons</td>
<td>10.00*</td>
<td>9.50</td>
<td>10.85</td>
<td>10.65</td>
<td>10.85</td>
</tr>
<tr>
<td>Ocado</td>
<td>9.44</td>
<td>9.50</td>
<td>10.76</td>
<td>10.85</td>
<td>15% discount online shopping at Ocado, up to 15% with Vodafone, 40% off at selected cinemas</td>
</tr>
<tr>
<td>Sainsbury’s</td>
<td>9.50</td>
<td>9.50</td>
<td>10.10</td>
<td>9.75</td>
<td>10% off your shop at Sainsbury’s, Argos, and Habitat after 12 weeks into the role</td>
</tr>
<tr>
<td>Tesco</td>
<td>9.30</td>
<td>9.50</td>
<td>9.98</td>
<td>10.85</td>
<td>10% off grocery shopping, which increases to 15% on payday weekends and 20% off F&amp;F clothing, 25% off Tesco Café, 10% off Tesco Mobile and 20% off car, home, and pet insurances with Tesco Bank</td>
</tr>
<tr>
<td>Waitrose</td>
<td>9.50</td>
<td>9.50</td>
<td>10.85</td>
<td></td>
<td>20% off Waitrose 10% off John Lewis</td>
</tr>
</tbody>
</table>

Full time colleagues earned a bonus of £1,050 compared to around £350 average last year.
At the start of pandemic said that workers would get a 10% Covid bonus throughout the pandemic.
Made two ‘thank you’ payments in 2020.
10% bonus payment in Spring and Christmas 2020.
Staff got a 2% of annual pay bonus.
There is strong academic evidence to show raising wages of frontline workers is good for business

Raising wages of the lowest paid has demonstrable business benefits for the company and investors. Professor Zeynap Ton, MIT Sloan school of Management has spent fifteen years studying the relationship between job quality and other indicators of business success. She argues that companies that invest in their workforce and develop a ‘Good Jobs Strategy’ can create operational efficiencies, reducing prices, increasing productivity and quality leading to happier workers, customers, and investors.

Many of the original insights that led to the development of the Good Jobs Institute founded by Ton were drawn from the retail sector and it has a wealth of case studies drawn from the retail sector. One such example is Costco, who have recently announced 16$ hour basic wage (see Fig 2).

Costco raises starting wage to US$16 per hour

At the end of February 2021, the US retailer Costco announced it was raising its starting wage to US$16 per hour US$1 per hour more than the proposed US$15 minimum wage being pushed by the Democrat administration. Over half of Costco’s 180,000 employees are paid above US$25 per hour. Costco's CEO Craig Jelinek justified the move by saying: “I want to note this isn’t altruism...At Costco we know that paying employees good wages ... makes sense for our business and constitutes a significant competitive advantage for us. It helps us in the long run by minimizing turnover and maximizing employee productivity.” Jelink went on to say that Costco employees on average stay over nine years with the company.

This move that puts Costco ahead of rivals WalMart (US$11) and Amazon (US$15), is part of the company strategy since its founding. Costco has built a reputation of paying higher wages to frontline staff and relatively low C-suite pay.

On hours, contracts and sick pay data is scarce but there seems to be a diversity of practice

The base rate of pay is not the only marker of the quality of a job. Those in insecure jobs often worry about the number of hours, visibility of shifts, and their contract types, as well as opportunities for progression. The Covid-19 crisis has underlined the importance of being assured sick-pay, with many including the OECD pointing to the importance of sick-pay in the reduction of transmission.

Companies are not obligated to disclose data on the pay and conditions of their lowest paid workers and contractors, despite the importance of these markers of good quality work. It is difficult to get good quality comparable data on these types of corporate workforce policies and practices. For example, only two supermarkets – Sainsbury’s and Tesco – are currently reporting to the Workforce Disclosure Initiative.
Figure 3 shows hourly worker survey data collected by Breakroom.cc, a data platform and job comparison site for hourly workers, established with support from the Resolution Foundation. Breakroom's data provides an important source of information on what workers experience rather than what corporate policies say. It is important to note that the data from breakroom covers all workers who are either paid by the hour or work shifts, warehouse and driving jobs are included in scope.

That having been said, Figure 3 shows that supermarket policies and practices vary widely. Aldi, Lidl, Morrisons and Waitrose are viewed as having better policies. Workers at Waitrose, Sainsbury’s, M&S and Morrisons are more secure about being paid if they were taken sick. On shift visibility, Ocado and Lidl are clear leaders with 64 per cent of Ocado workers saying they get 4 weeks-notice and 56 per cent of Lidl workers saying they get over three weeks-notice of shifts.

The diversity of practice combined with the lack of a requirement to disclose performance suggests that retailers are not really considering wider quality of jobs provision as an area for competition. As hourly workers may choose to vote with their feet as they are now able to compare job quality at the retailers.

Fig. 3: Hourly Workers comparison of retailers’ workplace policies

<table>
<thead>
<tr>
<th>Supermarket</th>
<th>Shift visibility</th>
<th>Zero Hour/Contracts</th>
<th>Sick Pay</th>
<th>Progression</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALDI</td>
<td>36% of people say their manager changes their shifts at the last minute*</td>
<td>81% report having part time contracts (16-35 hours)*</td>
<td>30% of people say they would get paid if they were sick but scheduled to work*</td>
<td>58% of people report being given an opportunity to get better at their job, learn a new skill, learn to manage a team, or get more responsibility in their role*</td>
</tr>
<tr>
<td>ASDA</td>
<td>45% report getting &lt; 2 weeks notice, 25% report getting four weeks notice or more*</td>
<td>54% report having part time contracts (16-35 hours)*</td>
<td>29% of people say they would get paid if they were sick but scheduled to work*</td>
<td>45% of people report being given an opportunity to get better at their job, learn a new skill, learn to manage a team, or get more responsibility in their role*</td>
</tr>
</tbody>
</table>

3 Breakroom have not published data on Coop
## How do retailers compare?

<table>
<thead>
<tr>
<th>Supermarket</th>
<th>Shift visibility</th>
<th>Zero Hour/Contracts</th>
<th>Sick Pay</th>
<th>Progression</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-op</td>
<td>15% report getting four weeks notice or more, 53% report getting three weeks notice, 29% &lt; two weeks notice</td>
<td>21% report having full time contracts (more than 35 hours), 56% report having part time contracts (16-35 hours), 22% report having low hours contracts (less than 16 hours)</td>
<td>38% of people say they would get paid if they were sick but scheduled to work</td>
<td>62% of people report being given an opportunity to get better at their job, learn a new skill, learn to manage a team, or get more responsibility in their role</td>
</tr>
<tr>
<td>Iceland</td>
<td>53% report getting &lt; two weeks notice, 31% report getting three weeks notice; 14% report getting four weeks notice or more</td>
<td>8% report having zero hours contracts, 42% report having part time contracts (16-35 hours)</td>
<td>20% of people say they would get paid if they were sick but scheduled to work</td>
<td>58% of people report being given an opportunity to get better at their job, learn a new skill, learn to manage a team, or get more responsibility in their role</td>
</tr>
<tr>
<td>Lidl</td>
<td>56% report getting three weeks notice, 11% report getting four weeks notice or more</td>
<td>0% report having zero hours contracts, 69% report having part time contracts (16-35 hours)</td>
<td>32% of people say they would get paid if they were sick but scheduled to work</td>
<td>62% of people report being given an opportunity to get better at their job, learn a new skill, learn to manage a team, or get more responsibility in their role</td>
</tr>
<tr>
<td>M&amp;S</td>
<td>28% report getting one week notice or less, 22% report getting four weeks notice or more</td>
<td>0% report having zero hours contracts, 51% report having part time contracts (16-35 hours)</td>
<td>73% of people say they would get paid if they were sick but scheduled to work</td>
<td>52% of people report being given an opportunity to get better at their job, learn a new skill, learn to manage a team, or get more responsibility in their role</td>
</tr>
<tr>
<td>Morrisons</td>
<td>26% report getting one week notice or less, 26% report getting three weeks notice; 25% report getting four weeks notice or more</td>
<td>45% report having part time contracts (16-35 hours), 32% report having full time contracts (more than 35 hours)</td>
<td>57% of people say they would get paid if they were sick but scheduled to work</td>
<td>57% of people say they would get paid if they were sick but scheduled to work</td>
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### How do retailers compare?

<table>
<thead>
<tr>
<th>Supermarket</th>
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<th>Zero Hour/Contracts</th>
<th>Sick Pay</th>
<th>Progression</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ocado</td>
<td>64% report getting four weeks notice or more, 4% report getting three weeks notice, 24% report &lt; 2 weeks notice</td>
<td>97% report having full time contracts (more than 35 hours), 2% report having part time contracts (16-35 hours), 1% report having low hours contracts (less than 16 hours)</td>
<td>32% of people say they would get paid if they were sick but scheduled to work</td>
<td>48% of people report being given an opportunity to get better at their job, learn a new skill, learn to manage a team, or get more responsibility in their role</td>
</tr>
<tr>
<td>Sainsbury’s</td>
<td>38% report &lt; 2 weeks notice, 23% report getting four weeks notice or more</td>
<td>53% report having part time contracts (16-35 hours), 27% report having full time contracts (more than 35 hours)</td>
<td>79% of people say they would get paid if they were sick</td>
<td>48% of people report being given an opportunity to get better at their job, learn a new skill, learn to manage a team, or get more responsibility in their role</td>
</tr>
<tr>
<td>Tesco</td>
<td>45% report getting &lt; 2 weeks notice, 27% report getting four weeks notice or more</td>
<td>43% report having part time contracts (16-35 hours), 28% report having full time contracts (more than 35 hours)</td>
<td>37% of people say they would get paid if they were sick but scheduled to work</td>
<td>49% of people report being given an opportunity to get better at their job, learn a new skill, learn to manage a team, or get more responsibility in their role</td>
</tr>
<tr>
<td>Waitrose</td>
<td>35% report getting &lt; 2 weeks notice, 13% report getting three weeks notice, 33% report getting four weeks notice or more</td>
<td>23% report having low hours contracts (less than 16 hours) 36% report having part time contracts (16-35 hours) 39% report having full time contracts (more than 35 hours)</td>
<td>88% of people say they would get paid if they were sick</td>
<td>58% of people report being given an opportunity to get better at their job, learn a new skill, learn to manage a team, or get more responsibility in their role</td>
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Retailers have some of the highest pay ratio disparities of any sector and this amplifies the moral case for paying the Living Wage

UK-listed companies are now required to publish pay ratios between the highest paid, the median and 25th percentile – the lowest paid employees. It is important to note that contract staff such as cleaners and security guards are not included in pay ratio reporting, meaning those on the lowest pay and with the most insecure work are not captured in these metrics.

Despite these flaws in scope, the High Pay Centre has observed\textsuperscript{xviii}, the retail industry has the highest average CEO/median employee ratio of 140:1, even when excluding Ocado (an outlier with a CEO/median employee ratio of 2,605:1)\textsuperscript{4}.

**Fig 4: Retailers CEO/Median & CEO/25th percentile pay ratios\textsuperscript{5}**

<table>
<thead>
<tr>
<th>Supermarket</th>
<th>CEO to median pay ratio</th>
<th>CEO to 25th percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALDI</td>
<td>-</td>
<td>-</td>
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<tr>
<td>ASDA</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Co-op</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Iceland</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lidl</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>M&amp;S</td>
<td>59</td>
<td>64</td>
</tr>
<tr>
<td>Morrisons</td>
<td>217</td>
<td>230</td>
</tr>
<tr>
<td>Ocado</td>
<td>2605</td>
<td>2820</td>
</tr>
<tr>
<td>Sainsbury’s</td>
<td>173</td>
<td>173</td>
</tr>
<tr>
<td>Tesco</td>
<td>305</td>
<td>355</td>
</tr>
<tr>
<td>Waitrose</td>
<td>-</td>
<td>-</td>
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</tbody>
</table>

Retailers argue that these pay ratios are justified due to the complexity of running such large organisations, however these large pay-gaps are a visible sign of wider inequalities in society. They are a constant reminder of how low retail workers’ wages are at the bottom of the company. Large pay ratios are likely to be increasingly scrutinised as we move out of the pandemic. They provide another reason for investors to be interested in the pay and conditions of the lowest paid retail staff.

\textsuperscript{4} Ocado have argued that their 2020 pay ratio figure was an outlier and was affected by the maturing incentive scheme that resulted in chief executive Tim Steiner receiving a £58 million pay-out.

\textsuperscript{5} Pay ratio data is not available for all retailers, as some are private, or partnerships, some are registered outside UK.
Low wages and insecure work are not just an issue for direct supermarket employees and contract workers in UK operations. They are a feature of working conditions in the UK and global supply chains of the supermarket retailers. Aldi, ASDA, Co-op, Lidl, M&S, Morrison’s, Sainsbury’s, Tesco, and Waitrose are members of the Ethical Trading Initiative (ETI). They have long had supplier codes of conduct that recognise that being paid a living wage is a fundamental human right and reference the ETI base code which requires suppliers to ensure ‘living wages are paid’. Despite the recognition at a policy-level, very few companies supplying to retailers can demonstrate that they are paying living wages in their supply chains. During the pandemic, retailers’ duty of care for workers beyond their direct employees has become clearer than ever.

There are significant barriers and complexities to implementing living wages in supply chains, but investor and stakeholder expectations are evolving.

Barriers to implementing living wages and living incomes in supply chains have included the geographical scope and breadth of supply chains, differences, and disagreements in calculation methodologies, as well as the complexities of implementing living wages in long and complex supply chains. To address these challenges a number of the retailers including ALDI, Sainsbury’s, and Tesco, have joined the IDH living wage roadmap. The Roadmap has allowed retailers to: pool calculations; recognise and compare different living wage calculation methodologies; benchmark wages against these benchmarks; verify calculations and move towards addressing these gaps.

Investors are increasingly visible in their engagement with retailers on their strategy for paying living wages in supply chains. For example, since 2018 the Platform for Living Wage Financials (PLWF) has been benchmarking 20 retailers and food and agricultural companies’ policies and approaches to paying the living wage in supply chains. The 2020 assessment shows that both groups have significant way to go address this fundamental human right, but there are a number of food producers (Unilever & Olam) who are ahead of the retailers. PLWF note that this is due in part to the number of supply chains that a typical retailer has compared to food and agricultural producers. They identify that both groups need to clarify their definitions of living wage and set measurable targets, consult more fully with unions and local stakeholders, align their purchasing practices with expectations on living wage, scale up existing pilots and make the stronger commitments made during the Covid-19 pandemic permanent and on a structural basis.

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6 The briefing uses the capitalised term Living Wage throughout when referring to a Living Wage where there is an agreed amount, living wages when referring to the concept in multiple geographies or where rates are contested and the term living income when the term is used for farmers and producers who are outside a formal employment relationship.

7 Living wages are defined by ETI as “Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.”
Unilever are aspiring to be a leader on this topic

Unilever have recently stepped up to the challenge announcing that they will pay living wages in their supply chains by 2030 (see Figure 5).

Fig. 5: Unilever announce a global Living Wage target

Unilever announce they will pay a living wage in their global supply chain

In January 2021, Unilever made headlines by announcing its plans to ensure that everyone who directly provides goods and services to Unilever earns at least a living wage or income, by 2030. In making the announcement Alan Jope, CEO of Unilever stated that “inequality alongside climate change was one of the biggest threats to the world”. Paying a living wage in the supply chain was considered a natural step from accrediting as a Living Wage employer in the UK, which was achieved in 2015.

Unilever have an estimated 60,000 suppliers that directly invoice the company and many more in the extended supply chain. Unilever estimated that millions of people stand to benefit from the decision. To implement the ambition, Unilever said it would work in partnership with its direct suppliers, who have welcomed the move. Unilever confirmed that they would be exploring with supplier, peer companies and NGOs to understand what it would take in terms of increased costs to suppliers.

Media commentary suggested that investors welcomed the move even if it has short-term impacts on margins.

Unilever’s announcement and the work of the IDH Living Wage Roadmap show that multiple suppliers and supply chain complexity should not be a barrier to addressing this issue.

Covid-19 has increased scrutiny of working conditions in food supply chains

The food production sector has come under intense scrutiny during the Covid-19 pandemic due to outbreaks in meat processing factories. The UK’s just in time food supply system employs an estimated 430,000 workers, two thirds of whom are temporary or agency labour and a quarter are EU migrants. Low wages and poor health and safety standards are ongoing challenges. In 2020, Pensions & Investment Research Consultants (PIRC) tracked news stories on outbreaks in the food production. They counted at least 1,461 Covid-19 outbreaks related to food manufacturing and 6 fatalities, but argue the real number is likely to be much higher and point to loopholes in the Health and Safety Executive’s (HSE) Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

8 Just in time refers to on an on-demand production system, which minimizes inventory and relies on retailer forecasting and responsive producers.
(RIDDOR). Under RIDDOR the decision to report is left up to the employer’s judgement “as to whether or not a confirmed diagnosis of Covid-19 is likely to have been caused by an occupational exposure”. PIRC note that the HSE themselves recognise a problem with under-reporting.

Investors should be pressuring food manufacturers to disclose better data on workforce safety and processes to mitigate risk, the Workforce Disclosure Initiative is one mechanism of doing this. They should also be engaging with supermarkets - the lead firms in these supply chains - to improve practices in their supply chainsxxxiv. Judging by the recent passing of a Business and Human Rights Due Diligence resolution at Tyson Foods, there is increased investor attention on the issue and businesses can expect to see more in 2021 (See Figure 6).

Fig. 6: Case Study Tyson Foods resolution

Business and Human Rights Due Diligence resolution at Tyson Foods passes in February 2021

In May 2020, The Guardian reported that almost half the Covid-19 hotspots in the US were linked to meat processing plants. In September 2020, it was reported that 42,534 workers at meatpacking plants in the US had contracted Covid-19. At least 203 lost their lives.

A shareholder resolution at Tyson passed in February 2021 with 78.7 per cent of independent shareholder votes including BlackRock and Vanguard. The same resolution filed in 2020 failed to pass.

The increased support this resolution received in 2021 suggests that a new consensus on the materiality of poor workforce management is emerging in the light of Covid-19. It also illustrates the influence of investor engagement and stewardship on changing corporate practice.

Pressure to address living wages and improve working conditions in supply chains is not going away. If anything, over the last twelve months we have seen investors taking a greater interest in these topics, meaning the pressure on the retailers will grow as we emerge from the pandemic.
Engagement themes for investors

Investor engagement and stewardship of the companies they invest in is critical to driving progress on low pay and insecure work. We understand that in engagement meetings with retailers it can be difficult to get beyond the initial responses from retailers. This section provides support for investors wishing to engage retailers on pay, hours, sick pay, mental health and opportunities for training and progression. For each theme we set out our suggested key asks as we address some of the most common counter arguments.

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<tr>
<th>Low Pay and accreditation with the real Living Wage in the UK</th>
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**Key Ask:** The retailer should become an accredited Living Wage employer. There is a strong business and moral case for raising wages of low paid hourly workers - it is good for workers, it is good for the business and it is good for investors. Raising wages can improve productivity, reduce turnover, improve customer engagement, and increase sales.

**What you might hear:** “We agree and we think we offer a full package of benefits for our workers who we value. Do not pay attention to the base rate because our package of benefits is competitive.”

**Counter:** Focusing on the package of benefits (such as store discounts) makes it harder to compare across retailers. The base rate is a good comparator for shareholders and stakeholders wishing to make a comparison between retailers.

**What you might hear:** “We operate on thin margins we cannot afford to raise wages now.”

**Counter:** Assuming a baseline of £9.30 p/h in UK and £9.98 p/h in London, if a retailer wanted to raise the wages of 320,000 workers with 20% being based in London, where the current rate of pay is £9.30 to match the real living wage, assuming 30% are full time, 45% are part time circa 20 hrs a week and the remainder part-time on 10 hrs per week we calculate the annual cost would be in the vicinity of £1.25m.

Ask if the retailer has undertaken scenario analyses of the costs to raise wages to match the Living Wage and if they could share them. In follow-up, reference the work of the Good Jobs First Institute, which highlights the many advantages of investing in frontline workers. Additionally, ask if the scenario analyses include upsides of paying higher wages including reduced turnover, improved customer satisfaction and less wastage.

**What you might hear:** “We have dialogue with unions and benchmark our wages to the Living Wage Foundation rates and we do not see the value of accreditation”

**Counter:** Dialogue with trade unions is important and necessary, where a supermarket is organised the retailer should be speaking to the union about wages and creating an enabling collective bargaining. The real Living Wage is set in consultation with the Living Wage Commission that has input of the trade union movement, indeed Frances O’Grady General Secretary of Trade Union Congress sits on the commission. The value of accreditation includes: it is a recognised public commitment to fair pay, a clear signal to customers and investors alike, it is independently certified and annual pay increases are linked to the cost of living.
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<th>Engagement themes</th>
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<td><strong>Low Pay and accreditation with the real Living Wage in the UK</strong></td>
<td><strong>What you might hear:</strong> “We are confused on the scope of Living Wage accreditation. Are contract staff, temporary staff and/or home-delivery staff covered in accreditation?”</td>
<td><strong>Counter:</strong> Yes, Living Wage accreditation covers all these non-standard contract types – those that work 2 or more hours for 8 or more consecutive weeks and those essential to the success of the business. The Living Wage standard seeks to avoid any perverse incentives such as shifting to use temporary staff to reduce costs of paying full time staff Living Wage by including all workers. The Living Wage commission reserves the right not to accredit companies that are seen to be shifting employment to more temporary workers.</td>
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<td><strong>What you might hear:</strong> “We operate a franchise model. Are business franchises covered by the accreditation standard?”</td>
<td><strong>Counter:</strong> Some workers working in franchises are covered. As a rule of thumb if a worker is required to wear the retailer’s uniform they would be covered by the accreditation. BP recently accredited as a Living Wage employer. The scope of the accreditation included all the workers on BP owned and operated forecourts including the staff running M&amp;S Simply Food stores as the stores were in co-branded sites and the staff continue to wear the BP uniform.</td>
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<td><strong>Key Ask:</strong> Direct employees are only part of the workforce that allows a retail company to function. What about workers in supply chains? As members of the ETI you have committed to a code of conduct which includes ‘Living Wages.’ What steps do you take to ensure workers in supply chains are paid living wages?</td>
<td><strong>What you might hear:</strong> We cannot pay living wages in our supply chain. We do not own our own factories, we have shared suppliers with other retailers and there are no recognised benchmarks for the living wage in all our sourcing countries.</td>
<td><strong>Counter:</strong> Other retailers are working hard on this. Have you considered joining collaborative initiatives (such as the IDH Living Wage Roadmap) aimed at addressing this challenge? Have you any pilot projects? For which supply chains have you a good understanding of living wage calculations? Have you undertaken any gap analyses? What are the steps you are taking to address these challenges? Do you think they are sufficient given that a living wage is a human right?</td>
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<td><strong>Key Ask:</strong> Does the retailer have a collective bargaining agreement with a union and/or create an enabling environment for union organising?</td>
<td><strong>What you might hear (1)</strong> ‘Our colleagues are not unionised, and we prefer to have a direct relationship with our employees’</td>
<td><strong>What you might hear (2)</strong> ‘Some of our sites are unionised; we maintain open communications with the union.’</td>
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<td><strong>Further engagement questions:</strong> Can you share with us how you create an enabling environment for unions? If the retailer is organised how often and in what forums do you have dialogue with unions? What are the main topics for discussion?</td>
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### Hours and shift visibility

**Key Ask:** Alongside wages, hours and visibility of shifts is important as it allows low wage workers to plan and to organise their lives and balance other responsibilities in life.

**What you might hear:** “We do not use zero hour contracts”

**Counter:** Great, but there are other markers of good quality work when it comes to visibility and hours. There are widespread concerns around the use of mini hour contracts, over use of agency labour and the misclassification of gig workers. The Living Wage Foundation has launched the Living Hours Standard to signify good practice in this area. The Living Hours standard includes: an expectation of at least 16 hours a week; a contract that accurately reflects hours worked; and at least 4-weeks-notice of shifts and pay for any shifts cancelled in this period.

**What you might hear:** Hours and shifts are set at a store-by-store level in relation to demand. As much as we would like, we cannot provide hourly workers with greater visibility of hours.

**Counter:** Data we have seen from breakroom.cc suggest that different retailers perform widely differently in this area. We notice that Ocado and Lidl for example can provide between 3 and 4 weeks-notice for the majority of their workers. Why do you think that is the case? Even if shifts are set at a local level can head office not provide guidance and policy on shift visibility? Can the retailer benchmark in the first instance against the Living Hours standard?

### Sick Pay

**Key Ask:** During the pandemic, there have been calls for enhanced Statutory Sick Pay (SSP) for all workers, aimed at reducing financial disincentives to isolate. Is the retailer clear that its sick-pay policy is clear and that workers, supervisors and managers know when and how it applies?

**What you might hear:** “We agree and recognise that sick-pay is important, we of course pay statutory sick pay and we have been monitoring this carefully during the pandemic”.

**Counter:** A TUC (Trades Union Congress) survey suggests almost a quarter of workers receive only Statutory Sick Pay (SSP). Evidence from breakroom suggests not all retail workers are confident they would be paid sick pay if they could not work. If there is a mismatch between your policy and what workers are thinking: why do you think this is the case? What are you doing to communicate the policy to the entire workforce?

Furthermore, statutory sick pay in the UK is low. During the pandemic there have been concerns that statutory sick pay has not been a sufficient incentive for low wage workers to isolate when they suspect they have Covid.

At £95.85 a week, UK SSP is one of the lowest rates of sick pay in Europe. Furthermore, no payments are made for the first three days. The TUC has proposed a statutory sick pay of £330 a week, the equivalent of a week’s pay at the real Living Wage.

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9 Employment where the employer guarantees a small minimum number of hours each week and where the employer has the option of offering additional hours
**Key Ask:** There is recent evidence that frontline key workers including supermarket workers have been bearing a heavy burden during the pandemic and their mental health is suffering. We expect retailers to be safeguarding their workers’ mental health.

**What you might hear:** “We are aware that our teams are facing an increased burden and are at risk of developing mental health problems. We have three main priorities. These are creating a supportive workplace experience, using interventions and resources that colleagues and managers are skilled to use, and making sure we are all equipped to respond effectively when a colleague needs support.”

**Counter:** That is great to hear. Are you benchmarking progress on mental health against other retailers or an external standard? If so, what standard? What are you disclosing on its policies regarding mental health? Do you expect to take part in the CCLA Corporate Mental Health Benchmark? Are you speaking with civil society organisations that promote good mental health (e.g. Mind)?

**Key Ask:** Opportunities to develop skills, improve confidence, gain qualifications and progress at work are important for all workers across all sectors. Supermarket retailers offer a wide variety of training opportunities. However data from breakroom suggest that only about half low wage workers feel this is sufficient at all most all retailers.

**What you might hear:** “we use both on-the-job and off-the-job training to develop colleagues at all levels”.

**Counter:** Are you monitoring how much training is undertaken by frontline staff? Is that going up, down or staying at the same level? Are you monitoring the percentage of workers in frontline jobs that are offered opportunities to progress? Is that going up, down or staying at the same level?
Conclusion

Investors should be engaging on low wages and insecure work with supermarket retailers. Retail workers are one of the largest groups of low wage workers in the UK. Supermarket workers have played a critical role through the Covid-19 pandemic and many in society think they should be rewarded for their efforts and the risks they have taken. This briefing has provided investors with the arguments and the tools to engage retailers on these topics. We hope it will enable investors to take more robust engagement with the retailers on low wages and insecure work, resulting in better pay for hundreds of thousands of UK retail workers.

Please contact Martin Buttle (martin.buttle@shareaction.org) or Rachel Hargreaves (rachel.hargreaves@shareaction.org) in ShareAction’s Good Work team if you want to discuss further or share examples of successful engagements.

Investors interested in further collective engagement on the topic of Good Work are welcome to join ShareAction’s Good Work coalition.
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