

SUBMISSION FROM THE SCOTTISH RETAIL CONSORTIUM

Retail pay and benefits

SUMMARY

The SRC has undertaken research on the five most common additional benefits offered across the retail industry.

Once all additional components of the total retail pay and benefits package are accounted for, an average hourly salary earned by a retail employee equates to approximately **£8.40 per hour**. This is a **15 per cent** increase in average hourly earnings.

The five additional benefits, which we have used for the purposes of our research, are bonuses, staff discounts, additional holiday allowance, pension contributions and paid breaks. Many retailers offer additional benefits beyond this list which are equally valued by their employees and should not be undervalued. These can include share purchase schemes, matching life insurance contributions, profit sharing, optional overtime, season ticket loan and special offers at other retailers.

This table compares the additional contribution made to hourly rates of pay for average retail workers and those earning the National Minimum Wage (NMW). Although only a small proportion of retail employees earn the NMW, additional benefits equate to an additional **£1.00 per hour**.

National Minimum Wage		Average retail worker
Bonus	£0.37	£0.41
Pension	£0.28	£0.32
Paid breaks	£0.16	£0.18
Staff discount	£0.14	£0.13
Holiday	£0.05	£0.05
Total average package	£1.00	£1.10

RETAIL AND THE NATIONAL MINIMUM WAGE

The National Minimum Wage (NMW) rose to £6.50 an hour from 1 October 2014, an increase of 3 per cent on the previous year. This is the largest percentage rise in NMW since 2008. Despite popular perception, retail is not a NMW industry. Analysis from our NMW 2014 survey shows that 98 per cent of employees earn above the NMW, with the median salary across the industry being £7.30 per hour.¹ Our survey also shows the following:

Over half of 16-17 year-olds and over 85 per cent of those aged between 18-20 are paid at least the adult level of NMW despite the existence of the development and youth rates.

From 2008 to 2014, the adult NMW increased by 13 per cent in nominal terms from £5.73 to £6.50, while the median wage of retail employees in our sample increased by 21 per cent from £6.03 to £7.30. This shows that when employees pursue a career in retail they are not only able to consistently earn pay above the statutory minimum but are also likely to attain average pay rises above that of the rise in NMW.

The overall package at £8.40 is currently 29 per cent above the NMW.

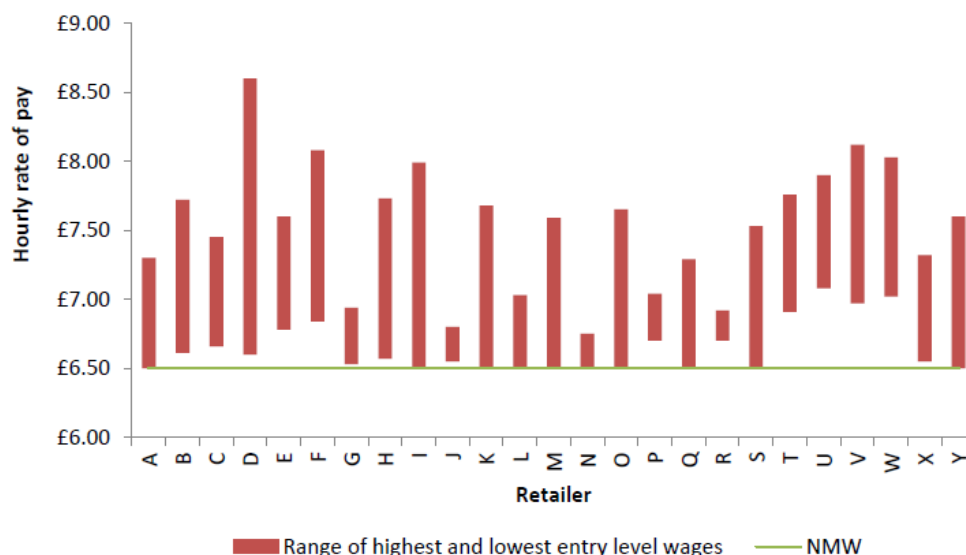
Regional pay enhancements are commonly used by retailers to vary hourly rates of pay in recognition of the higher costs of living and local labour market conditions.

REGIONAL VARIATIONS IN PAY IN THE UK

Regional and zonal pay systems are common place in the retail industry and used to enhance hourly rates of pay in recognition of local conditions.

Regional pay systems usually consist of between three and five pay zones, the highest paying being in central London. The use of zonal pay systems have evolved since their inception and have been implemented across larger cities in the UK such as Bristol, Manchester, Birmingham and ‘hot spots’ such as airports and out-of-town retail parks. Location-based approaches to pay have become more sophisticated, helping retailers recruit staff more effectively, reduce staff turnover and enable flexibility for larger employers to adjust to local labour market conditions. In some areas of the UK, a high degree of retailer concentration leads to tougher competition to recruit the most experienced and sought-after staff. Flexibility in wage structures is essential to adapt to local labour market conditions which go beyond the traditional location-based approaches.

RANGE OF REGIONAL ENTRY LEVEL HOURLY WAGE RATES BY RETAILER



Regional pay systems continue to be centred on London and the South East with the highest rates paid in these areas to reflect the higher cost of living. Other high-cost areas such as Harrogate, and more recently Aberdeen and Jersey, also tend to attract higher levels of premium than areas with lower cost-of-living.

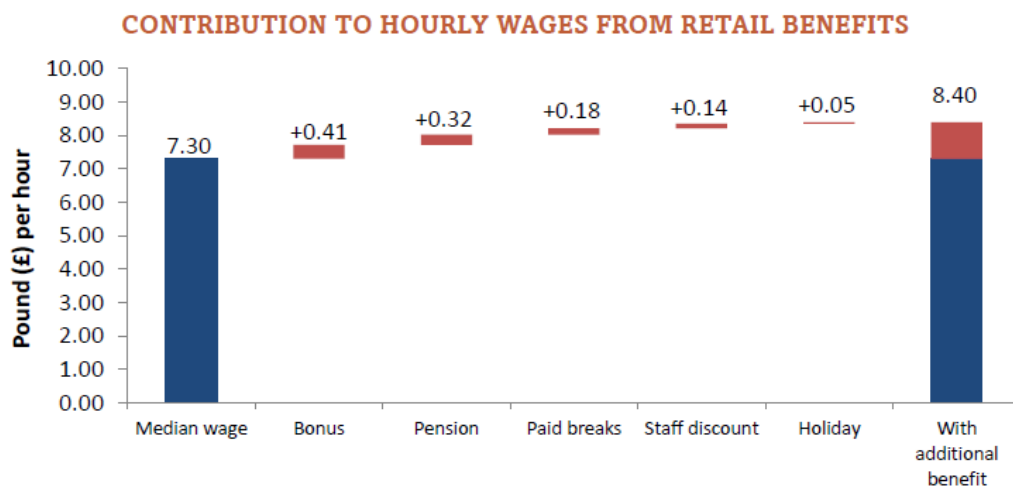
SRC RESEARCH

The SRC has conducted a survey of our members to assess retailers' pay and benefits package. An average retail package offers benefits which go significantly above and beyond the statutory minimum required.

We identified five main benefits offered by most retailers which play a significant role in boosting the overall benefit of working in the retail industry. By quantifying the impact of these benefits it is possible to demonstrate that an average retail job offers a substantial monetary boost to basic earnings.

The survey sample consisted of 18 large retailers, representing more than 45 per cent of the retail industry by turnover and over 1.1 million retail employees, around of 41 per cent of total employment.

The chart below quantifies the contribution each of the five benefits make to the average hourly pay of a retail employee. Our research shows that the median national hourly wage rate is £7.30 per hour. However, an average rate wage would increase by £0.41 per hour once a bonus payment has been taken into account. In addition, taking into account pensions, paid breaks, staff discounts and above statutory minimum pay, we estimate an average retail worker earns £8.40 per hour. This is an increase of 4.5 per cent on last year's survey and well above inflation over the same period.



Bonuses

Bonus schemes are used by retailers to reward employees and are often linked to key objectives such as productivity, sales, customer service and individual performance. Our survey showed that **83per cent** of respondents use bonus schemes to reward employees.

Bonus payments varied by retailer but on average added **£0.41 per hour** to the average salary of a retail employee in the UK.

Holiday

All employees are legally entitled to 5.6 weeks paid holiday per year in line with the statutory minimum however, many retailers go beyond the basic requirements by offering their staff additional days of annual leave. The number of paid holiday days varied by retailer but over **90 per cent** of those surveyed offered above the minimum required. Many retailers rewarded staff with additional holiday days for long service while some even provide additional days, such as 'celebration' days for weddings or birthdays.

On average our survey found retailers offer **1.93 days** additional to the minimum requirement. To quantify this additional benefit, paid holidays above the statutory minimum are worth an additional **£0.05 per hour** to the average retail worker.

Pension

Pension auto-enrolment began for the largest employers in October 2012 with the minimum contribution level starting at one per cent. In the following years, these retailers have been joined by others of descending size. All of the retailers in our sample are now part of auto-enrolment. However, our survey showed that **69 per cent** of the sample offer pension packages above the minimum. This equates to an additional **£0.32 per hour** for the average retail employee.

Paid breaks

The basic requirement is for a retailer to allow staff a 20 minute non-paid break every six hours but over **60 per cent** of the sample go beyond the statutory minimum, placing additional value on a worker's overall package. Paid breaks equate to **£0.18 per hour** for the average retail employee.

Staff discount

Staff discounts varied widely depending on the industry in which the retailer operates and the individual retailer. However, over **90 per cent** of the sample surveyed suggested that they offered staff discounts which can make a considerable impact on the overall package offered to employees. On average, staff discounts contribute **£0.14 per hour** to average starting wages in retail.