

Low pay in the supermarket sector

Living Wage Foundation, January 2021

Supermarket employees have been relied on throughout the coronavirus pandemic – a significant part of the army of key workers that has kept the economy going, often facing health risks in the process. Meanwhile, British supermarkets have enjoyed very strong financial performance throughout 2020 as we've all spent much more time at home, with record sales recorded in December.

That strong financial performance, alongside the crucial role that supermarket employees have played during this crisis, casts these employees' low pay levels in a harsher light than ever. In this briefing we detail the make-up of the supermarket sector and the pay and working hours that employees in it experience. We find that in April 2020, almost half (45 per cent) of the 900,000-strong supermarket employee workforce earned below the real Living Wage – the only UK wage rate rooted in what it costs to live. In addition, we show that underemployment among supermarket employees – which is consistently well above average – rose in the pandemic despite rising sales and demand for supermarket services.

As people across the UK enter another lockdown, we are once again relying on the contributions of supermarket employees and other essential workers. Coronavirus should prompt Britain to rethink how it values this workforce, with a first step being employers in essential sectors paying the Living Wage to all staff.

How big is the UK supermarket sector and who works in it?

During April-September 2020, **UK supermarkets accounted for around 900,000 employees** (an increase of 40,000 on the previous six months).¹ This group spans sales assistants and others on the shop floor, cleaners, back-office staff and management. These supermarket workers make up around 3 per cent of employees in the UK, and over a third (35 per cent) of all retail employees. As [previous analysis by the Resolution Foundation](#) shows, supermarkets have generally been resilient to retail's declining employment share since the mid-2000s in the face of online sales growth.

Looking at the characteristics of employees in the supermarket sector, we find:

- Supermarket employees are more likely to be female than employees in other sectors: 55 per cent are, compared to 50 per cent across sectors.
- 35 per cent of employees in the supermarket sector are aged under 30, compared to 25 per cent of employees across sectors.
- Supermarket employees are similarly as likely to be in a black, Asian and minority ethnic (BAME) group as employees across the economy as a whole (13 per cent and 12 per cent, respectively).
- Supermarket employees are less likely to be parents than employees across sectors (30 per cent and 37 per cent, respectively).

How have supermarkets fared during the pandemic?

While much of the rest of the economy contracted, the supermarket sector workforce swelled during the initial lockdown in spring 2020. According to the Office for National Statistics' Annual Survey of Hours and Earnings (ASHE), **total hours worked in employee jobs in the supermarket sector increased by 11 per cent (2.4 million hours per week) between April 2019 and April 2020**, compared to a 4 per cent decline in working hours across the economy as a whole.

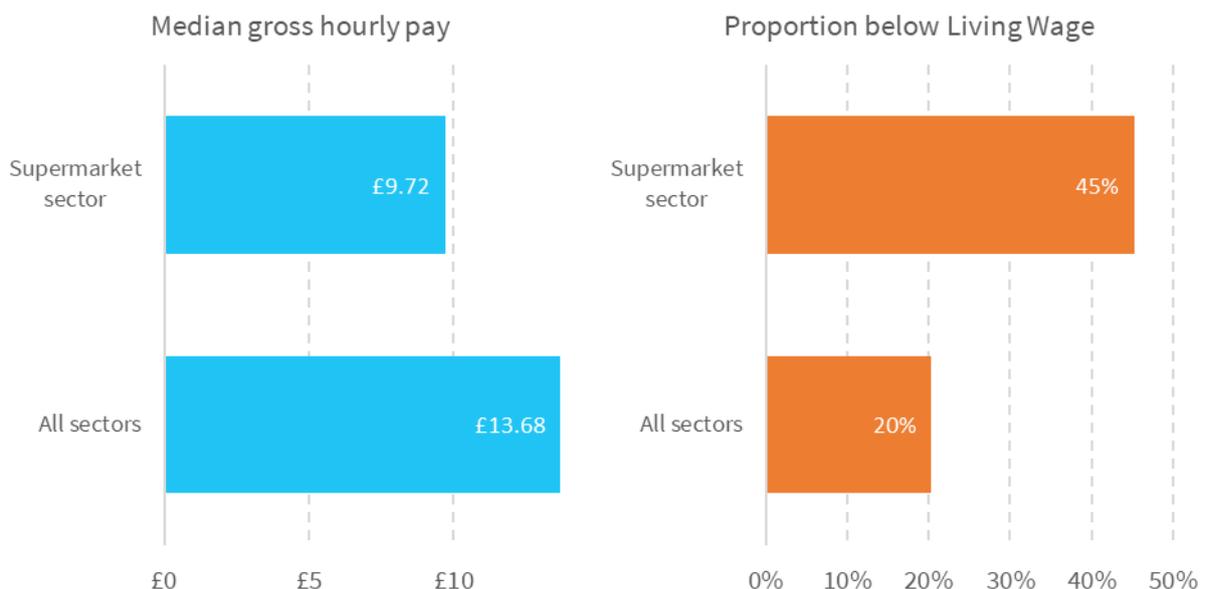
It is therefore no surprise that supermarkets' finances look very healthy, with [strong profits and dividends](#) reported during 2020. Supermarkets experienced [their highest sales on record in December](#) according to market research company Kantar, with Christmas trading statements released so far by [Sainsbury's](#) and [Morrisons](#) echoing this positive picture for supermarket finances.

What are supermarket workers paid?

Pay in supermarkets remains low, and is getting lower in relative terms.

In April 2020, **the typical hourly pay rate in employee jobs in the supermarket sector was £9.72**, compared to typical pay across sectors of £13.68, as shown in Figure 1. (It's very different at the top of the sector – major British supermarket brands have some of the highest CEO-to-median-employee pay ratios among listed British companies, [according to the High Pay Centre.](#))

Figure 1: Pay in employee jobs, by sector: April 2020, UK



Notes: To calculate the proportion of employees in the supermarket sector earning below the Living Wage, Labour Force Survey data covering October 2019-September 2020 is adjusted to better capture the lower end of the hourly pay distribution, using standard imputation methods recommended by the Office for National Statistics. Results are then scaled to match published statistics on the proportion of employees earning below the Living Wage in April 2020, based on the Annual Survey of Hours and Earnings. Source: Living Wage Foundation analysis of ONS, Annual Survey of Hours and Earnings; ONS, Labour Force Survey.



As Figure 1 also shows, we estimate that **close to half of employee jobs in the supermarket sector (45 per cent, or 410,000 employee jobs) paid below the real Living Wage in April 2020** (which was £9.30 across the UK and £10.75 in London at the time).ⁱⁱ That compares to a fifth (20 per cent) of all employee jobs. Over 7,000 employers are accredited with the Living Wage Foundation, but not a single major British supermarket is.ⁱⁱⁱ

Despite pay in lower-paying jobs generally growing faster than average between 2019 and 2020, due largely to a big increase in the government's 'National Living Wage' (the minimum wage for workers aged 25-and-over), typical hourly pay in the supermarket sector actually grew slightly less than across sectors. The real increase in the supermarket sector was 2.0 per cent, compared to 2.1 per cent across all sectors, and a 5.2 per cent real rise in the National Living Wage. This will likely be partly explained by the number of lower-paid customer service jobs in the sector increasing during the pandemic to deal with demand, but it is nonetheless tentative evidence of increased wage compression towards the legal minimum in the sector.

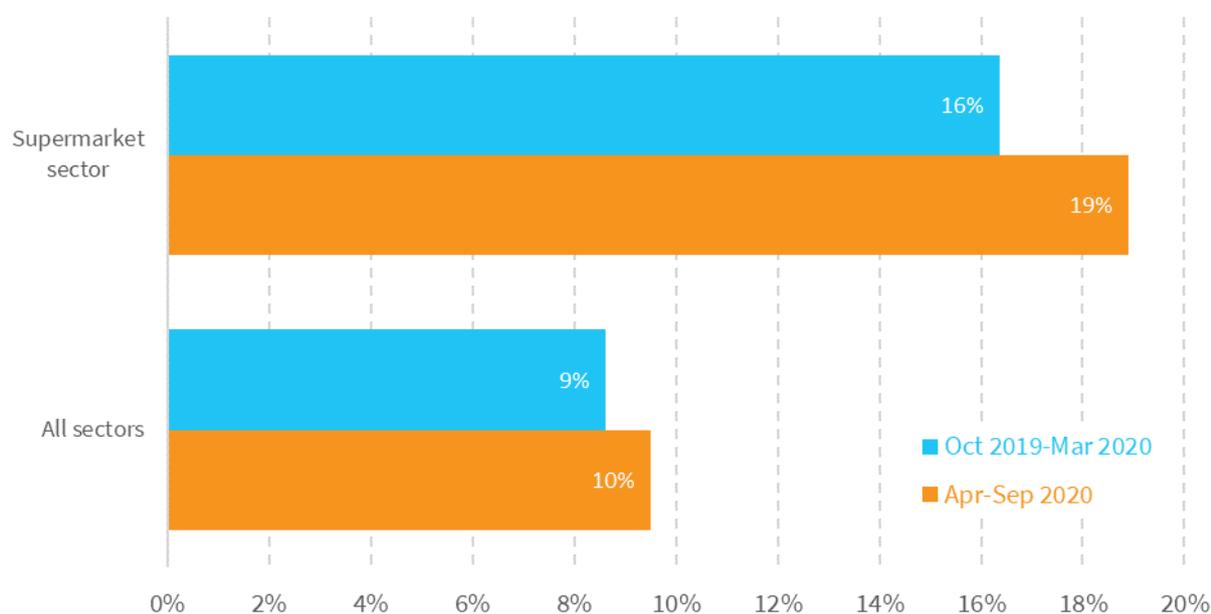
What about hours?

Rising total working hours in the supermarket sector during the pandemic was driven entirely by higher employee numbers, rather than any change in hours worked. In April 2020, ASHE data shows that employee jobs in the supermarket sector offered an average (both mean and median) of 28 hours each week. Both these mean and median figures were the same in April 2019, and are lower than the economy-wide figure of 37 hours per week at the median (33 at the mean) in April 2020.

The fact that supermarket employees' working hours did not rise in the pandemic to meet growing demand is surprising, given above average (and rising) rates of underemployment in the sector. Figure 2 shows that **19 per cent of supermarket-sector employees reported that they wanted to work more hours during April-September 2020, compared to just 10 per cent of employees across sectors**. These figures are up from 16 per cent and 9 per cent, respectively, in the six months prior. This shows that despite growing sales in the sector, underemployment rose more rapidly for supermarket employees during the pandemic than it did elsewhere in the economy.

It is perhaps perplexing that underemployment among supermarket employees rose during the pandemic, with supermarkets appearing to up headcount rather than hours. One reason may be that the structure of employer National Insurance and auto-enrolment pension contributions (both of which are only applied above a certain level of earnings) means employers face lower total payroll costs when employing two part-time employees than they do when employing one person on the same total number of hours as the two part-time workers combined. Alternatively, in the face of many people losing jobs elsewhere in the economy and many of their own employees bearing increased caring responsibilities during lockdown, supermarkets may have felt it sensible and socially beneficial to create new jobs rather than increasing hours in existing ones.

Figure 2: Proportion of employees wanting more hours, by sector: UK



Notes: The question asks whether respondents would like to work more hours, at their current basic rate of pay, given the opportunity.
Source: Living Wage Foundation analysis of ONS, Labour Force Survey.

Conclusion

With new lockdown restrictions now in place across the UK, Britain’s supermarket sector will once again be critically relied upon, as it was in the first lockdown and has been throughout the autumn. This will be tough for many employees: [recent polling by the RSA](#) shows that two-thirds of supermarket workers felt there was a large or significant risk of them catching coronavirus at work during November 2020, while half were finding it more difficult to maintain their mental health as a result of coronavirus, and two-fifths expected to burn out this winter.

It is welcome that supermarkets have recently committed to [repaying business rates relief](#) in view of their resilient position. The analysis in this briefing note suggests that they should also recognise that this resilience rests on the shoulders of essential supermarket employees, working throughout the pandemic at risk to their own health, but often earning less than they need to live.

ⁱ We define the supermarket sector as class 4711 (‘Retail sale in non-specialised stores with food, beverages or tobacco predominating’) in the Standard Industrial Classification 2007. Unless otherwise stated, data in this briefing is drawn from the Office for National Statistics’ Labour Force Survey, and refers to October 2019-September 2020.

ⁱⁱ To calculate the proportion of employees in the supermarket sector earning below the Living Wage, Labour Force Survey data covering October 2019-September 2020 is adjusted to better capture the lower end of the hourly pay distribution, using [standard imputation methods recommended by the Office for National Statistics](#). Results are then scaled to match published statistics on the [proportion of employees earning below the Living Wage](#) in April 2020, based on the Annual Survey of Hours and Earnings (we cannot estimate the proportion of employee jobs in the supermarket sector paid below the Living Wage directly from published ASHE data, because tables are not disaggregated by both detailed industry class and region).

ⁱⁱⁱ Some supermarkets – including Aldi and Lidl – have historically pegged pay rates for sales assistants to the Living Wage, however they have not paid the Living Wage to indirectly employed staff such as cleaners (Living Wage accreditation requires that both directly employed staff and regular sub-contracted workers receive the Living Wage).