

News story: Edition 18: News from the Adjudicator

Report of the investigation into Co-operative Group Limited

I have now published the report of my investigation into Co-operative Group Limited and this edition of News from the Adjudicator provides a summary of my findings and next steps.

I found the retailer had breached the Groceries Supply Code of Practice on two counts. It failed to give suppliers reasonable notice of decisions to de-list products and also varied supply agreements unilaterally and without reasonable notice in applying certain charges. The practices and behaviours described in my report were widespread. Systems, processes, business practices and the ability of different parts of the retailer to affect suppliers' risks and costs of trading with it all contributed to Co-op breaking the Code.

Co-op must urgently implement five robust recommendations I have made to respond to the weaknesses I found and to embed a very different approach to Code compliance. At the core of the issues there was clearly inadequate governance to oversee and manage Code compliance and as a result I have said Co-op must remedy this and give its legal, compliance and audit functions sufficient co-ordinated oversight to ensure it is complying with the Code.

In addition, all employees who make decisions which affect a supplier's commercial arrangements with it should be adequately trained in the Code and whenever there is a possible de-listing Co-op must communicate with affected suppliers to enable the retailer to decide what is a significant reduction in volume and reasonable notice. You can [read my full report here](#).

I have given Co-op four weeks to provide me with its plan for implementing these recommendations and I will be helping the retailer to change its approach by monitoring closely how it introduces the necessary changes. I expect this work to take between six and twelve months and to show major benefit for suppliers. Ultimately, I launched this investigation to help Co-op to get things right for the future.

This was an important investigation because it firmly establishes the role of governance and corporate culture in ensuring Code compliance. Although the recommendations are for Co-op my interpretation of the key paragraphs of the Code and related ways of working to ensure Code compliance will apply to all the regulated retailers and I will be talking to them about what this will mean for them.

There is also a lesson for suppliers about the importance of speaking up to

me or telling a retailer when it is taking action that could be breaching the Code. Co-op mistakenly assumed that its brand values and desire to work in a certain way meant that it was likely to be acting in accordance with the Code and that if there were any issues with compliance, suppliers would have made the retailer aware of them.

Annual survey

The investigation was a very detailed piece of work and I was able to see and analyse a great deal of information. I also met a wide range of suppliers, both branded and own label, to discuss their relationships with the retailer. I am very grateful to those who took part and I recognise the effort it required to prepare the evidence I requested. As with my earlier investigation into Tesco I have been able to produce my report and recommendations without any supplier being identified. Confidentiality has been safeguarded at all stages.

There is now an opportunity for all suppliers to tell me about their experiences with all the regulated retailers. My sixth annual survey is currently underway and open until 23 April. You can respond to it at www.yougov.com/gca. Please take the time to complete it because it helps shape my work for the coming 12 months as well as alert me to any emerging issues and developments.

The more responses I receive, the deeper I can delve into the issues affecting the sector and particular areas of the sector. Your views are very important so please be frank and open when you complete the survey and encourage your fellow suppliers to do the same. This year it includes the two additional retailers designated by the Competition and Markets Authority – Ocado and B&M.

YouGov carries out the survey on my behalf and everything you tell me is treated in strict confidence. YouGov collates and analyses the answers and respondents are not identified to me without having given their consent. The results are reported at my annual conference; do register now to attend this on 24 June as it is valuable for learning about the latest developments relating to the Code – including the learning points from the Co-op investigation – and my plans for the year ahead.

Christine Tacon

Following publication of a revised best practice statement on forecasting and promotions, the GCA asked the ten original designated retailers to report in March on what steps they have taken or are taking to bring their practices into line with that statement. The GCA has received the retailers' responses and is currently analysing them. At the same time she is listening to supplier feedback and will take into account the results of the annual survey before deciding on next steps.

Delay in payments remained the number one issue reported in the last annual survey. While the GCA has recognised that retailers have done a lot of work to tackle supplier concerns on this issue she is looking for more retailer progress. The GCA also asked retailers to report back on a number of points in relation to delay in payments, such as how they allow suppliers 30 days to challenge any proposed deduction. This information will be reviewed before deciding next steps.

The GCA is working with the additional designated retailers on all Top Issues, whether in the monitored or previous category.

If suppliers have any concerns on these issues or others, they should report these to the GCA directly or through the annual survey that is currently open.

Save the Date

Date	Event	Start time	What's happening	Other information
8 April	Natural & Organic Products Europe at ExCel, London.	2 pm	Your chance to understand the Groceries Supply Code of Practice (the Code). In 45 minutes Christine will explain how the Code can benefit you as a supplier, when to speak up and the progress the GCA has secured so far. Afterwards Christine and the team will be walking the event floor.	Have a look at the event programme.
10 April	Farm Shop & Deli Show at the NEC, Birmingham.	9.30 am	Take 30 minutes out of your day to come and listen to Christine's presentation to understand your rights as a supplier and find out how the Code protects you. Afterwards Christine and the team will be walking the show floor.	Review the show programme.

25 April	GCA Webinar hosted by University of East Anglia. 2 pm	Join Christine for a 45 minute presentation followed by a Q&A as she talks about her role as the Groceries Code Adjudicator and how she has brought change to the groceries sector and tackled deep-rooted systemic problems through her work with both retailers and suppliers.	To join, please email Sophie Barnard at Sophie.Barnard@uea.ac.uk .
24 June	GCA Annual Conference at Church House, London. 10 am	Christine will present her annual report and her priorities for the coming 12 months. YouGov will announce the results of the GCA's annual survey and Christine and a member of her team will be available for 1-2-1's with direct suppliers.	You can register for the conference now .

[News story: MAIB safety digest 1/2019 published](#)

A collection of lessons learned from marine accidents.

[News story: MAIB safety digest 1/2019 published](#)

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Press release: 20 years of the National Minimum Wage have boosted pay by £5,000

- The minimum wage has reversed the pre-1999 trend of pay growth inequality.
- Last year the lowest-paid workers earned £2.70 per hour more in real terms than if there had been no minimum wage – £5,000 a year for a full-time worker.
- 30% of workers have benefited either directly or indirectly from the minimum wage – with up to 7 million individuals a year feeling the benefits.
- The LPC has not found significant negative effects on employment from raising the minimum wage.

Bryan Sanderson, Chair of the Low Pay Commission, said:

Today we are celebrating the 20th anniversary of the National Minimum Wage and recognising the transformative effect it has had on the UK's labour market.

It has succeeded in raising the pay of the lowest paid – by £5,000 a year in real terms for a full-time worker – without harming their job prospects.

The Low Pay Commission's social partnership and evidence-based approach have been crucial to the success of the policy.

Today's report by the Low Pay Commission sets out the long-term effects of the National Minimum Wage and the National Living Wage, with new analysis of pay and employment data. It describes the history of the minimum wage in the UK, including the debates leading up to its introduction. And it details how the LPC's model of social partnership informs its advice to Government on the rates.

The introduction of the National Minimum Wage (NMW) in April 1999 had a significant impact on the lives of the lowest paid. Until then, it had been the norm for low-paid workers to see their earnings grow more slowly than the average, regardless of wider economic conditions. The earnings of the lowest-

paid rose by much less than the average throughout the 1980s and 1990s. The NMW and National Living Wage (NLW) have reversed this norm: since 1999, the lowest paid have seen their hourly pay grow faster than all other workers.

And in addition, many more workers have benefited indirectly – the effects of an increase in the minimum wage ripple up the pay distribution, as employers maintain a ‘differential’ between the minimum rate and pay for managers and team leaders just above.

With each annual increase, the NMW and NLW have increased the pay of up to 30% of all jobs – up to 7 million workers on current employment levels. Between 1999 and 2018, we estimate that the total benefit to workers of minimum wage increases has been £60 billion. The bottom 1% of workers were paid £2.70 an hour more in real terms in 2018 than they otherwise would have been – an additional £5,000 a year for the lowest-paid full-time workers.

Notes:

1. [Read the Low Pay Commission's new report '20 years of the National Minimum Wage' here](#). All the data used in the report is published alongside it.
2. £2.70 is the difference between the 2018 earnings of the lowest paid first percentile of jobs held by workers aged 25 and over, and the amount they would have been paid if their wages had grown as fast as jobs in the middle half of the hourly pay distribution. This is multiplied by 36 hours a week, and 52.14 weeks a year to give £5,000.
3. The bottom 30% of workers aged 25 and over have seen faster wage growth than the 31-80th percentiles, which we ascribe to the NMW/NLW.
4. £60bn is calculated by working out the difference between two figures: first, the sum of the real increases in hourly pay since 1999 for the bottom 30% of jobs held by workers aged over 25; second, an estimate of what they would have earned in the absence of the minimum wage. (We assume a counterfactual growth equal to the middle half of the hourly pay distribution). We then multiply this figure by the total number of hours worked by these employees.
5. The National Minimum Wage was introduced on 1 April 1999, and originally applied to workers aged 22 and over. The National Living Wage is the statutory minimum wage for workers aged 25 and over. It was introduced in April 2016 and has a target of 60% of median earnings by 2020, subject to sustained economic growth. The most recent forecasts imply a projected rate of £8.67 in 2020.
6. On 1 April 2019 the National Living Wage and National Minimum Wage rates all increased. See the table below for rates.
7. The Low Pay Commission is an independent body made up of employers, trade unions and experts whose role is to advise the Government on the minimum wage. It was established in 1997 and delivered its first recommendations in 1998, which were implemented the following April.
8. The recommendations of the Low Pay Commission have always been unanimously agreed by Commissioners. The fact that these judgements are made by social partners, working together and reaching decisions via consensus, ensures that the concerns of both workers and employers are taken into account and that all recommendations are backed by both

groups alike.

9. The nine Low Pay Commissioners are:

- Bryan Sanderson (Chair)
- Professor Sarah Brown
- Professor Richard Dickens
- Kate Bell
- Kay Carberry
- Simon Sapper
- Neil Carberry
- Clare Chapman
- Martin McTague

Minimum wage rate	Rate to 31 March 2019	Rate from 1 April 2019
National Living Wage	£7.83	£8.21
21-24 Year Old Rate	£7.38	£7.70
18-20 Year Old Rate	£5.90	£6.15
16-17 Year Old Rate	£4.20	£4.35
Apprentice Rate	£3.70	£3.90
Accommodation Offset	£7.00	£7.55

[Press release: Biggest ever increase to National Living Wage comes into effect](#)

- Full-time workers receiving National Living Wage will be more than £2,750 better off a year compared to 2015, when the rate was first announced
- the National Living Wage will go up today by the highest rate since it was first introduced, increasing by almost 5% to £8.21 per hour
- 2.1 million workers set to benefit from minimum wage increases, including almost 800,000 retail and hospitality workers
- increases to the minimum wage rates form part of government's commitment to protect the UK's lowest paid workers through its modern Industrial Strategy

1.8 million workers earning the National Living Wage (NLW) will receive an additional £690 over the year from today (Monday 1 April), as the biggest ever increase to NLW comes into effect.

The National Minimum Wage (NMW) is also increasing. This includes £7.70 per hour for 21 to 24-year olds, providing an additional £580 over the year for full-time workers, and £6.15 for 18 to 20-year olds, providing full-time workers with an additional £455 over the year. Taken together with changes to

NLW, 2.1 million people will be receiving a pay increase from today, with workers in the retail and hospitality sectors due to benefit the most.

Business Minister Kelly Tolhurst said:

We are committed to making sure that UK workers get a fair day's pay and the rise in the National Living and Minimum Wage, benefiting millions of people, delivers on this commitment.

Since the National Living Wage was announced in 2015, it has helped protect the lowest paid – increasing faster than inflation and average earnings. Our minimum wage rates are among the highest in the world and, through our modern Industrial Strategy, we are determined to end low pay and workers get a fair day's pay for a fair day's work.

Chancellor of the Exchequer, Philip Hammond, said:

This government is dedicated to increasing the wages of the lowest paid which is why we introduced the National Living Wage and have continued to increase the National Minimum Wage rates – all of which will rise again today and benefit millions of workers.

This government is committed to raising productivity performance across the income spectrum, so that the wages of the lowest paid can increase sustainably over time. While the proportion of low paid jobs is now at its lowest level for 20 years, we are going further by asking Professor Arindrajit Dube, a world-leading expert in the field, to undertake a review of the international evidence of minimum wages on productivity and employment.

Low Pay Commission Chair Bryan Sanderson said:

We are pleased that millions of workers across the country will see an above-inflation pay rise as a result of today's minimum wage increases, which follow the recommendations the LPC made in the autumn.

Today is particularly significant as it also marks 20 years of the National Minimum Wage. Over the last 20 years the NMW and more recently the NLW have achieved their goal of raising pay without significant negative effects on employment.

The UK's minimum wage is currently growing faster than other countries with similar or higher minimum wage, such as Belgium, France and Germany.

The government aims to end low pay and later this year will announce the independent [Low Pay Commission's](#) remit after 2020. At Spring Statement,

ministers also announced that the world-leading academic Professor Arindrajit Dube will lead a review of the impact of minimum wages internationally.

Wage increases follow hot on the heels of the [biggest increase to workers' rights in a generation](#), launched in 2018, and are a vital aspect of the modern [Industrial Strategy](#).

As part of this, on 6 April all workers, including casual and zero-hour workers, will have the right to receive a payslip and the maximum employment tribunal fines for employers will quadruple from £5,000 to £20,000.

1. Since 2015, the UK's minimum wage has grown faster than those of most countries with similar or higher minimum wages. These countries are not generally expected to see their minimum wages increase as fast as in the UK over the next few years, with the exception of New Zealand.

2. The government is committed to ensure the NLW reaches 60% of median earnings by 2020, subject to economic growth. The latest NLW rate of £8.21 represents 59.8% of median earnings, putting the UK on track to reach its ambitious target.

3. Since 2010 NMW / NLW rates have risen faster than inflation and average earnings. The new rates are:

Age	2019-20 (new rate)	2018-19 (previous rate)
25 and over	£8.21	£7.83
21 to 24	£7.70	£7.38
18 to 20	£6.15	£5.90
Under 18	£4.35	£4.20
Apprentice	£3.90	£3.70

Number of workers paid NMW / NLW rates in April 2019:

Region	No. of workers receiving NLW	No. of workers receiving NMW
North West	222,000	46,000
South East	188,000	31,000
West Midlands	181,000	33,000
Yorkshire & Humber	172,000	37,000
London	167,000	17,000
East Midlands	157,000	36,000
East	151,000	26,000
South West	138,000	30,000
Scotland	128,000	31,000
Wales	95,000	19,000
North East	88,000	19,000
Northern Ireland	75,000	20,000

4. Number of workers paid NMW / NLW rates by low paying sector:

Sector	No. of workers receiving NLW	No. of workers receiving NMW
Non-low paying sectors	351,000	56,000
Retail	343,000	86,000
Cleaning and maintenance	255,000	6,000
Hospitality	246,000	101,000
Social care	105,000	9,000
Transport	69,000	7,000
Storage	65,000	7,000
Food processing	63,000	4,000
Childcare	58,000	15,000
Non-food processing	58,000	9,000
Office work	47,000	9,000
Hair and beauty	25,000	14,000
Leisure	24,000	12,000
Agriculture	19,000	3,000
Security and enforcement	17,000	1,000
Textiles	8,000	—
Call centres	7,000	1,000

5. NMW / NLW increase to full-time workers' yearly earnings has been calculated on the basis of 52 weeks per year and 35 hours of work per week, rounded to the nearest 5

6. [Protecting and enhancing worker rights](#) after the UK withdrawal from the European Union was published on 6 March 2019.

7. The [Good Work Plan](#) comes as the latest response to the independent [Taylor Review of impact modern working practices](#) (2017).

The review found that the strength of the UK's labour market is built on flexibility but that a clearer focus was needed on quality of work as well as the quantity of jobs.

8. The government's modern Industrial Strategy published in 2017, sets out how the whole of the UK can build on its strengths, extend them into the future, and capitalise on new opportunities.