

<p style="text-align: center;">Federation of Wholesale Distributors National Minimum Wage Submission 2013</p>
--

Introduction

The Federation of Wholesale Distributors (FWD) is the member organisation for UK wholesalers operating in the grocery and foodservice markets supplying more than 1million independent retailers, caterers and private businesses. Our members manage the distribution of goods around the UK with a total value of over £28billion and provide the crucial distribution channel between manufacturers, retailers, caterers and private businesses. FWD members employ 70,000 people, many of whom are paid National Minimum Wages rates.

In this submission, the Federation of Wholesale Distributors sets out its recommendations to the Low Pay Commission (LPC) Consultation on the National Minimum Wage (NMW). Given the current economic context and associated challenges for British businesses, the FWD urge the Low Pay Commission to freeze the adult NMW rate from 2014.

Recommendations

- Employment costs are one of the highest costs faced by our members, who are large-scale employers throughout the country, employing more than 70,000 people directly and supporting employment for many hundreds of thousands of people in associated industries, such as those in the convenience and foodservice sectors, as well as SMEs and the cost sector.
- While we support the NMW in providing a minimum wage standard, we are concerned that the NMW has risen at a level significantly above inflation in recent years adding to the cost base of our members at a time of recession, when business rates and utility costs continue to rise. This impacts on the wholesale sectors' ability to both create and sustain employment.
- In addition, the process for reviewing the NMW through a review every year has also impacted on our members' ability to make long-term investment decisions. We would recommend recommendations covering a number of years would help wholesale business organisation in terms of financial planning and budgeting. We would recommend the introduction of a mechanism that does not automatically assume the rate should increase year on year but is instead carefully considered against the broader economic context and challenges for business, and enables long-term planning. In a year when an increase was considered the rate should always be at a minimum – based on to the Consumer Price Index (CPI) not the higher level Retail Price Index (RPI).
- NMW increases have made employing staff increasingly difficult for many of our members. The area where it has had the most impact has been in wage differentials, with businesses now having to pay those with more senior jobs the same or just slightly more than workers with little responsibility or experience. Increases affect the whole pay structure, not just those earning the NMW. As profit margins are currently at best static, and costs continue to rise, the NMW has significantly eroded the relative rate of pay our members are able to offer.

- Control of costs is crucial to business success and in industries that operate on low profit margins such as wholesalers, the relatively high NMW rate makes it difficult to offer and maintain a competitive difference to attract good staff.
- With previous increases employers have tried to apply the same percentage rises to all employees, however this is starting to prove too costly for many companies. At a time when some employers have to impose a wage freeze it cannot be equitable for some staff to receive a wage increase of 1.8% through the NMW while others receive nothing.
- The fact that wholesalers are now less able to pay in accordance with responsibility makes them less able to attract and retain staff. This is an important example of why increases in the NMW must be limited.
- Additionally, many wholesalers are now not replacing staff once they have left and have reduced the number of hours that they are paying staff for.
- Wholesalers throughout the UK are already facing many new costs in the coming year. Further inflationary rises would force wholesalers to either cut back on hours and staff or increase prices, which would have knock-on impacts on the thousands of retailers, caterers and SMEs they serve. In turn this would lead to increases for consumers, placing a burden on already stretched household budgets.
- The NMW increase also includes “hidden” costs. For example, National Insurance at 13.8% and pension auto enrolment costs of approximately 3%, mean that the real cost to the employer is not 11p per hour (1.8%) but 13.3p per hour (2.1%). With auto enrolment our members’ pension contribution cost will increase by approximately 25% - 30%, for those currently offering a pension scheme. Some of our smaller members do not offer a pension, therefore they are having to fund a new cost burden of compulsory contributions from 2016.

Background to the Federation of Wholesale Distributors

The Federation of Wholesale Distributors (FWD) represents businesses from the food and drink distributors in the UK. Our members work with the largest brands to provide storage and delivery infrastructure to ensure that stock can reach both large and small retailers, caterers and private businesses.

FWD members make an extensive contribution to the UK economy generating economic activity through the management and distribution of goods worth around £28 billion per annum. Our members are also large scale employers and pay significant sums in taxation. The sector is predicted to grow to £31bn in 2017, an increase of 13.8%.

The FWD includes both large and small businesses that combined employ more than 70,000 throughout the country. In addition, wholesalers support employment for many hundreds of thousands of people in associated industries by supplying 32,000 small shops and convenience stores and over 500,000 caterers.

As the voice of the wholesale distribution sector, the FWD seeks to protect and promote our members’ interests with decision makers in Westminster, Whitehall and Brussels, and is recognised as a key stakeholder in the wide range of policy debates which affect the work UK wholesalers.