

## **Written evidence on labour market reform submitted by WHSmith**

### **About WHSmith**

WHSmith is a leading global travel retailer for travel essentials with a smaller business on the UK high street. Today we operate in more than 30 countries from over 1700 stores and are present in a wide range of locations including airports, railway stations, hospitals and motorway service areas. Our UK high street business is present on most major high streets and shopping centres. WHSmith employs over 14,000 colleagues in the UK and internationally.

1. We thank you for contacting us to discuss the upcoming Business and Trade committee session on labour market reform. Our people are one of our key assets and their welfare is important to us. Therefore we are committed to paying our colleagues a fair wage and supporting our people at all times.
2. Ahead of the session we wanted to provide the committee with an overview of the circumstances which led to WHSmith's inadvertent breach of national minimum and living wage regulations, and the resultant actions and preventative measures the business has put in place since.
3. Following the HMRC investigation in 2018, WHSmith apologised to the affected current and former colleagues, and we ensured they received prompt and full redress.
4. We would be happy to discuss with the committee clerks the issues which might be helpful for the members to explore further.

### **Context**

5. With over 14,000 colleagues employed by WHSmith today, we are committed to paying a fair wage and investing in and supporting our people.
6. The majority of our colleagues work across our stores and distribution centres. We continually keep our rates of pay under review to ensure they are at least in line with national minimum and living wage legislation, are competitive, and reward the hard work of our teams.
7. Last year we increased pay for all store and distribution centre colleagues by 6.5% and continued to pay our UK colleagues ahead of the statutory minimum and living wage, while also offering a range of benefits for our teams including competitive pension contributions and colleague discount.

### **Breach of statutory wage regulations**

8. As part of employment with WHSmith, our store colleagues are required to wear a uniform. WHSmith provides blouses, shirts, fleeces and name badges for our colleagues.
9. Prior to 2018 WHSmith asked store colleagues to provide their own dark trousers, skirts, and shoes as part of their role.
10. In 2018 HMRC undertook an audit of WHSmith which included a review of the payroll processes and procedures from 2012-2018.
11. Following this review, HMRC concluded that WHSmith had misinterpreted statutory wage regulations regarding uniform policy for colleagues working in stores.
12. HMRC concluded that colleagues were required to provide their own dark trousers, skirts, and shoes as part of their employment. As a result, these extra costs could result in some colleagues being paid below the national minimum or living wage.
13. This was a genuine error based on a misinterpretation of the regulations and all underpayments were unintentional.

### **Action taken**

14. Following the completion of the review by HMRC, we immediately took action to rectify the underpayment for each impacted individual and pay all outstanding monies owed at the earliest opportunity.
15. We contacted all affected current or former colleagues to outline the breach of the regulations and apologise to each individual. We advised that a net payment reimbursing them would be made using the bank account details we held.
16. We calculated the amounts due to each individual affected and agreed these sums with HMRC. The average payment was approximately £40 per individual.

## **Current policy**

17. In addition, we took immediate action to ensure we complied with the statutory minimum and living wage regulations.
18. This included, amongst other things, reviewing and updating our uniform policy to clarify the standards of dress for store colleagues. The uniform policy was updated to stipulate that where specific clothing is required, WHSmith provides this directly to colleagues. For any part of the uniform not provided by WHSmith, including trousers, skirts, and shoes, we have clarified that any colour for these items may be worn by store colleagues.
19. Alongside this, WHSmith improved our processes for communicating the revised policy and requirements to colleagues. This included rolling out training and learning modules to be completed by all colleagues, with an annual refresh required by all store managers. The uniform policy is also communicated to new store colleagues as part of the onboarding process, with training to be completed when they start as a new employee during work time.
20. We recognise the importance of constantly communicating all our payroll processes and procedures to all store colleagues and are always looking at how this can be further improved.
21. WHSmith remains committed to maintaining its reputation as a responsible employer and we will continue to invest in and reward our colleagues who are the heart of our business.

## **March 2024**