



**TESCO**

*Every little helps*

# Your Pay and Benefits 2016-17

Hourly paid colleagues in stores  
and customer fulfilment centres

working in partnership with

*Usdaw*

*Union of Shop, Distributive  
and Allied Workers*

Dear colleague

## A new pay deal



In January 2015 we announced that we needed to keep our payroll costs flat, to help restore competitiveness in the UK. Since then we've spent a lot of time working in partnership with Usdaw and your representatives on the National Forum to listen and understand what's important to colleagues.

Together we've agreed a new pay deal for stores and customer fulfilment centres, running until July 2017. This is part of a long-term reward plan that's **simple, fair, competitive** and **sustainable** for our business.

There'll be a simpler and fairer pay structure, including one approach to premiums for everyone and our main B/C grade hourly rate will increase by 3.1% from 3 July 2016.

## Investing in improvements

We're committed to rewarding you with one of the highest pay and benefits packages in retail. This year we're investing an extra £137m in pay and benefits and reinvesting £38m from our existing payroll. As well as the contributions we make into the new Retirement Savings Plan, we're paying an extra £270m each year for at least 10 years to protect your pension in the closed scheme.

You've told us that benefits are an important part of your package and we've started to introduce the changes that you value most. Last year we brought in a second Privilegecard and 80,000 colleagues have already signed up. There's more to come on benefits as the year progresses, with more choice between cash and benefits so you can build a package that suits you.

Thank you for everything you do to serve Britain's shoppers a little better every day. Your customer focus, passion and hard work are really making a difference and we should be proud of our progress.

**Matt Davies**

Chief Executive for UK and ROI

## We reward you in three different ways



### 1 Competitive pay

- Basic hourly rate
- Premiums

### 2 Great benefits

- Retirement savings
- Two Privilegecards
- Exclusive colleague discounts

### 3 Colleague incentives

- 2015-16 UK Turnaround Bonus opportunity\* worth up to 5% of your earnings

\*Awarded if we are successful in delivering our UK turnaround plans this year. At Q3 we are on track to make an award.

## A new pay structure

### 1 Our main B/C grade hourly rate will increase by 3.1% from 3 July 2016

- Extra investment from Tesco of 1.5%, plus
- Reinvestment from existing payroll of 1.6%



Grade	Starter rate*		Established rate	
	Now	From 3 July 2016**	Now	From 3 July 2016**
B/C	£7.02	£7.20 (27 Mar 16) £7.24 (3 July 16)	£7.39	£7.62
D	£7.38	£7.61	£7.77	£8.01
E	£7.82	£8.06	£8.24	£8.48
F	£8.33	£8.57	£8.77	£9.02
Team Support / Leader	£8.63	£8.87	£9.08	£9.34
Skilled Team Support	£9.45	£9.71	£9.95	£10.22

\* Our starter rate applies for the first nine months of service / \*\* Payday 29 July 2016: all hours worked from 3 July will be paid at the new, higher rate

### 2 Improved holiday pay calculation

- At the moment, for most colleagues holiday pay is worked out based on your contractual pay. **From 1 April 2016**, variable elements of your pay like premiums and overtime will also be included. However, one-offs like expense claims or lump sum payments won't be included.
- This means when you take holiday, we'll look at the last 12 weeks you've worked and calculate your holiday pay using your average earnings or your contractual pay, whichever is higher.
- This improvement could be worth an additional 1% to 2% of your pay, depending on how much variable pay you've earned in the 12 weeks prior to your holiday.
- Holidays and bank holidays will be treated just the same, so this new, improved calculation will apply whenever you take your holiday.

### 3 New location pay bands

Location pay can change from time to time. From 3 July 2016, there will be 3 location pay bands instead of 5:

- **Band C:** +68p per hour (typically London and surrounding counties plus other areas where stores may find it difficult to attract and retain colleagues)
- **Band B:** +45p per hour (typically stores in the South East)
- **Band A:** no location pay (rest of UK).

# Changes to premiums

Our new simple and fair pay structure means there will be one approach to premiums for all.

We'll support colleagues impacted by these changes.

From 3 July 2016 the changes will be:



## 1 Sunday and bank holiday premiums

All hourly paid colleagues who work on Sundays and bank holidays will be paid at time and a half.

## 2 Overtime premium (excluding Sundays and bank holidays)

All hourly paid colleagues working overtime will be paid at single time.

## 3 Night premium

- There will be one night premium rate at £2.21 per hour. We'll review the rate each year in line with the market - it won't be linked to future pay increases.
- There will be one night premium window of 00:00-06:00

### How the new night premium will work

- You'll receive night premium if you work at least a full hour between 00:00 and 06:00 (see example A in table).
- To recognise colleagues working a full shift overnight, if your shift includes the hours of 00:00 and 06:00 and also extends outside of the night premium window, you'll qualify for an extra payment of up to £2.21 (see examples B, C, D in table).

	Shift pattern (excluding breaks)	What you will receive from 3 July 2016
A	05:30 – 11:00	No night premium
B	22:00 – 07:00	Night premium for the full night premium window, plus an additional £2.21
C	23:45 – 06.00	Night premium for the full night premium window, plus an additional £0.55
D	18:00 – 03:00	Night premium at £2.21 per hour for 3 hours (00:00-03:00)

### First Aid pay

- Emergency First Aiders will receive a recognition payment of £50 per year – more communication will follow on this.
- Qualified First Aiders will continue to be paid £5 per week.

# Supporting colleagues

- Extra investment from Tesco and re-investment from existing payroll through changes to premiums mean everyone will benefit from new, higher hourly rates of pay. However, some colleagues will be affected by the changes to premiums.
- If, after the changes have been applied, you see a **net reduction** in your take home pay based on last year's pay data, you'll be supported with a **lump sum payment**.



\*Less Income Tax and NI

If you're affected, your manager will arrange a one to one meeting with you in June (before the premiums change) to explain what this means for you.



# A message from Usdaw



Over the last year Usdaw and Tesco have had detailed and constructive discussions as part of the pay and benefits review.

In a year where Tesco announced a flat investment in payroll, both Usdaw and Tesco have worked really hard together to agree some significant improvements for colleagues in retail.

While the outcome of this review is good news for many, we recognise that colleagues will be impacted in different ways.

However the improvements represent a significant amount of new investment in pay and benefits from Tesco. The changes ensure fair, simple and consistent pay for everyone and the total reward package remains the best amongst the major supermarkets.

**Pauline Foulkes**  
Usdaw National Officer



## New and improved benefits already introduced

### 1 Privilegecard

- A second card for a family member in your household.
- Increased discount cap from £800 to £1,000 across both your cards.
- Improved Card for Life eligibility.

### 2 Buy As You Earn

- You can invest more each month – increased from £110 to £138.

### 3 Easier access to your benefits

- Manage your Tesco Share Account electronically.
- Redeem your Thank You Vouchers on groceries at tesco.com or in store without exchanging them first.



# A competitive and valuable total reward package



We want you to benefit from the success you help to create. That's why your total reward package is one of the highest in retail, worth more than the Living Wage nationally.

How the hourly value of our total reward package compares with other major retailers for an established colleague:



### Notes

- 1 The current average contributions for hourly paid colleagues since the new scheme opened have been used for retirement savings calculations (4.3% at Tesco + 0.5% Life Assurance contribution). However, if a colleague chooses maximum contribution (7.5% of earnings) for retirement savings, then the hourly package value increases from £9.04 to £9.30
- 2 Tesco colleague bonus refers to the UK Turnaround Bonus calculated at 5%. Award subject to business performance
- 3 All examples are based on the pay and benefits currently offered by Tesco, Sainsbury's or Asda and from March 2016 at Morrisons
- 4 All examples are based on the established rate for a B/C grade colleague (or the competitor equivalent) working:
  - 22 paid hours (our current average)
  - 1/2 hr overtime per week
  - 15 Sundays and 4 bank holidays per year (5.5 paid hours)

of your five a day

**TESCO**

*Every little helps*

