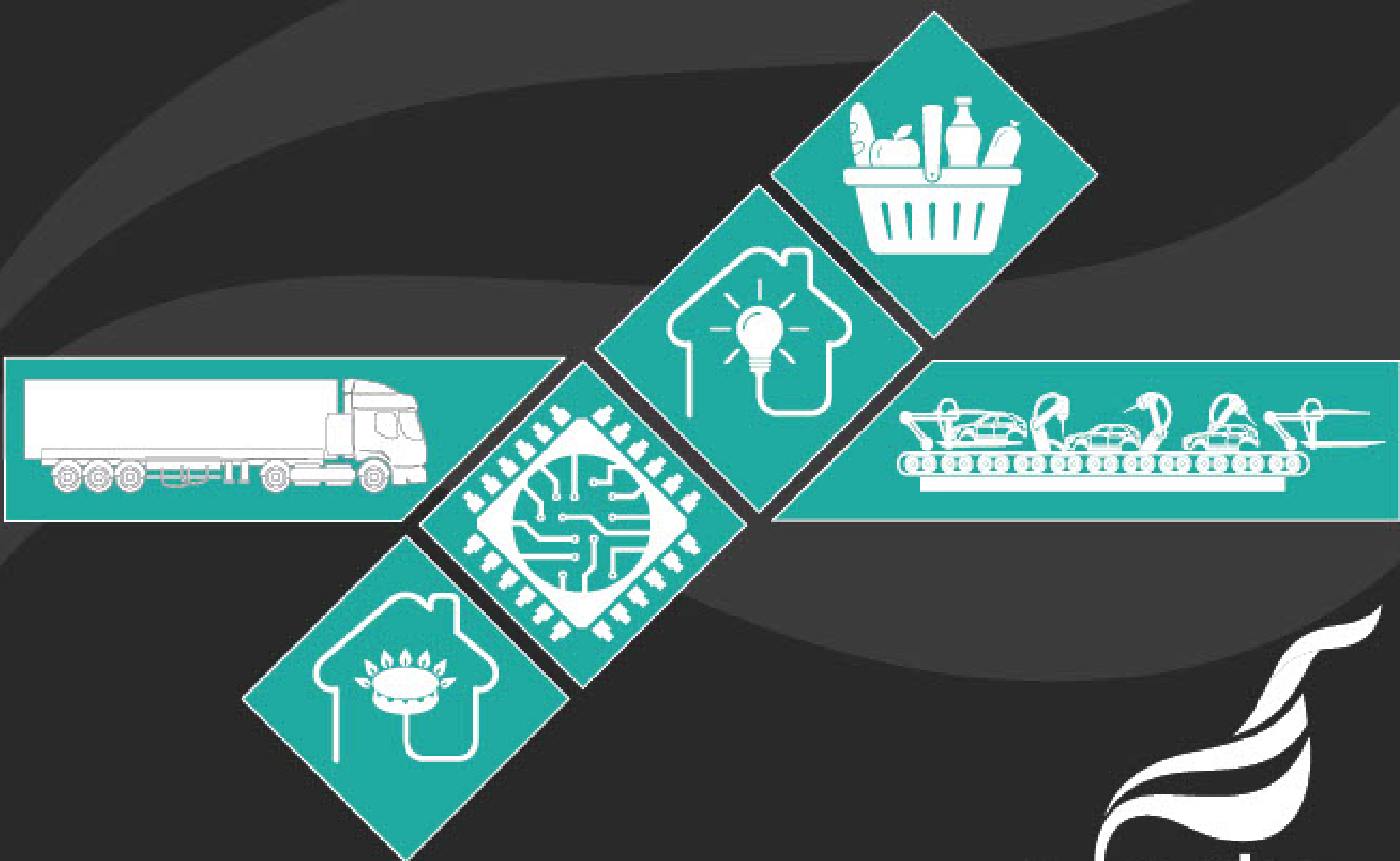
UNITE INVESTIGATES

Profiteering is breaking the economy

MAY 2024



Unite the UNION

Unite – Fighting for **JOBS · PAY · CONDITIONS**

FOREWORD BY SHARON GRAHAM: WE NEED TO TAKE BACK POWER FROM THE PROFITEERS

Many politicians wish we'd stop talking about the cost of living crisis. Inflation is finally falling, they say. Yes, our energy and food bills jumped through the roof for a couple of years, but now the markets have adjusted themselves, the economy has stabilised. It's all back to normal.

Except, as households up and down the country know, in this new normal we're worse off than ever. Inflation may have come down, but bill hikes and price rises are baked in. We've gone through the biggest fall in real wages, the biggest cut to living standards, in generations. The markets may have stabilised, but our industries and public services are visibly in tatters.

We see it all around us. The economy is broken. The model has failed. Workers and communities are hit with crisis after crisis, then each time the dust settles the "new normal" leaves us worse off than before.

But some do very well from a crisis. What's happened in the last three years is, underneath it all, a major redistribution of wealth away from workers' wages to corporate profits.

We've analysed the accounts of almost 17,000 companies – the largest assessment of profiteering in the UK since the pandemic – and the results are conclusive. Corporate profit margins have increased by a massive 30% since 2018/19. Note that's margins, not just nominal profits in money terms, so that jump isn't affected by inflation.

Our research also shows how increased profits haven't gone into investment for future production and jobs – the UK lingers on the lowest investment rates of all advanced countries. Instead, they've been drained out into payments for investors. Shareholder payouts for the big FTSE 350 companies have jumped up 20% since the pandemic.

And this is why our economy is broken. Because of the choices of executives, investors, and politicians who choose short-term profits and fat dividends over investing to rebuild our industries and public goods. Their choices are tearing apart the fabric of our economic and social commonwealth.

The profiteers get away with it because they have the power. Over four decades of free market economics, as we've sold off the family silver and stripped away all controls on the grasping hand of the market, wealth and power have become ever more concentrated in the hands of a tiny minority.

There is only one real check on their power. Our power, the power of the organised working class. This is why at Unite we have one clear aim, to rebuild the trade union movement. To rebuild the power to claim our share. That means restoring collective bargaining, that means organising across our industries and communities, that means restoring pride and strength in the collective. And then we can insist that other choices are taken.

In solidarity,

Sharon Graham

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SECTION ONE
Summary

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1. Summary: how profiteering is breaking the economy

Corporate profiteering has driven the cost of living crisis, widening the cracks in our unequal and broken economy.

In Unite's previous two reports on corporate profiteering, we showed how many of the UK's giant FTSE 350 companies dramatically pushed up their profits and prices at the end of the pandemic.

Now our new research shows, for the first time, how profiteering has not just been confined to the biggest companies. We have analysed profits data on around 17,000 companies across the UK economy. This research has uncovered the shocking truth: on average, corporate profit margins jumped 30% over the pandemic period.

> This is the third Unite Investigates report into corporate profiteering. The previous two reports were: Corporate profiteering and the cost of living crisis, published in June 2022; and Profiteering across the economy - it's systemic, published in March 2023.

1.1 Why profiteering matters: pushing the cost of living up, wages and investment down

Why does this matter? We believe that corporate profiteering is a key issue at the heart of the broken economy for a number of reasons:

- Corporate profiteering has pushed up inflation, and therefore worsened the cost of living crisis faced by workers and communities. The initial causes of recent high inflation included supply chain shocks from the pandemic, global droughts, and the war in Ukraine. But all of these were compounded by companies taking advantage of these situations to push up prices. (See full analysis in our previous two Profiteering reports.)
- Profiteering is a redistribution of wealth: from workers to bosses and shareholders. In the last three years, workers have suffered big real terms pay cuts and declining living standards. A large chunk of this money has resulted in increased profits and, ultimately, pay-outs to shareholders.

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- Profiteering has gone hand-in-hand with under-investment. Have companies put their increased profits to use for long-term investment to rebuild our industries? Our analysis shows they haven't. In fact, investment has fallen.

So profiteering is a problem right now, but it's also a problem for our future. Under-investment means crumbling industries and infrastructure, collapsing public services, and an insecure future for millions of workers and their families.

But why do we have an economy in which rampant profiteering is able to go unchecked? And so how can we get this problem under control?

At its core, profiteering is an issue of distribution. Of how the "pie" of economic production gets divided between workers' wages and corporate profits. And also how it gets divided over time: for example, between shareholder payouts in the present, or investment for the future. The latest cost of living crisis has compounded the long-term problem that the workers' share of national income is falling.

Beneath the distribution of income and wealth lies the distribution of power. Who chooses how the pie is divided? It is no coincidence that the workers' share has declined as trade union organisation and collective bargaining have fallen. In order to rein in profiteering, we need to rebuild this power in the workplace.

We are starting to do this. In the last three years, 200,000 Unite members have taken industrial action to directly tackle the cost-of- living crisis and won back over £430 million in better pay. Our profiteering research has played a role in this: pointing out that the employers certainly have the ability to pay.

But this is just the beginning. To really tackle the profiteers, we need to build on this momentum with a step-jump in organising. Core to this is fighting to restore collective bargaining across our industries. This is why Unite's political demands for reform of trade union legislation are critical: to gain straightforward access to workplaces, and to overhaul and simplify the legal framework for trade union recognition. Only by rebuilding the power of organised workers can we rein in unchecked corporate power and reclaim our share.

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1.2 Key findings: analysis of 17,000 companies shows how embedded profiteering is breaking the economy

This is the biggest study yet of the UK's post-pandemic profiteering crisis

- We've looked at 17,000 private and public companies in the biggest analysis of post-pandemic profiteering yet. Previous firm-level analysis, including by Bank of England economists, has been limited to much smaller samples of large publicly listed companies.

Corporate profit margins jumped 30% over the pandemic

- The average corporate profit margin jumped 30% over the pandemic. That is: the overall profit margin across non-financial companies was 30% higher in 2022 than before the pandemic (averaging 2018 and 2019).

It's systemic: many thousands of companies, across all size brackets, boosted their profits

- Almost a third of companies had profit margins over 10% in 2022. It's not just a few bad apples: the middle (median) company saw profit rise by 26%.
- It's not just the biggest: breaking down the analysis into ten size brackets (deciles) shows companies of all sizes boosting profits.
- The problem is persistent throughout the economy: all but two sectors saw their profit margins increase.

It's still happening: the most recent data for 2023 shows profiteering is embedded in the economy

- Our smaller sample of companies with results for 2023 show profiteering is still way above 2018/19 levels, indicating that the profiteering crisis is now baked into the economy. Higher margins are becoming the new normal.

We've identified some of the worst offenders, including the big banks and energy companies

- Big banks made £45 billion, up 75% on their 2018/19 returns.
- Oil and Gas companies with interests in the North Sea grabbed £64 billion in profit in 2022.

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- Electricity generation companies managed to almost treble their margins, up by 198%.
- Shipping companies profit margins soared to 650-times their pre-pandemic levels.

But as profits and dividends rise, both wages and investment are falling

- The jump in profits has been at the expense of wages, which have fallen in real terms over the same period. Profiteering exacerbates the distribution of wealth away from workers.
- Increased profits have not gone into investment: business investment has continued to slump even as profits sky-rocket.
- Increased profits are being extracted by shareholders: the FTSE 350 companies are paying out 20% more in dividends and share buybacks than before the pandemic.

SECTION TWO

The results

2. The results: our study of 17,000 UK companies shows profiteering is systemic

Profiteering involves companies of all sizes, across the economy. And it is still happening.

In 2022, Unite kick-started the debate about profiteering in the UK as the world came out of the Covid-19 pandemic. This debate has raged ever since, with academics, politicians, the Bank of England, think tanks, and journalists all offering their takes.

Until now, commentators on all sides have made their arguments based on very small samples, involving a small number of the biggest publicly listed companies. Politicians who wanted to deny that profiteering was happening could argue it's just a handful of companies making big profits, while many others are struggling.

Our new study, which looks at a much bigger sample of 17,000 UK companies, blows that argument out of the water.

2.1 This is the largest study so far of post-pandemic profiteering

Our first profiteering report covered the FTSE 350 (the 350 biggest publicly listed companies (PLCs) in the UK). Since then, others have also looked at data sets of large PLCs. But this does not give a full view of the economy: PLCs only make up a small sample of UK companies, and one that is skewed to the biggest firms.[1]

This new Unite analysis covers a much bigger set of almost 17,000 UK firms, both private and publicly listed. Our sample covers 16,600 non-financial corporations. We also look at another 1,200 financial institutions, although we analyse these separately.[2]

Our analysis includes UK companies which file profit and loss accounts at Companies House, and that have information for all five years from 2018 to 2022. It does not include micro businesses, as these do not legally have to report profits to Companies House.[3]

As the chart below shows, while the sample includes a few smaller companies, the vast majority have at least £1 million annual turnover, and most have at least £10 million. The oil giants BP and Shell are by far the biggest companies in the UK, with over £100 billion revenue each.

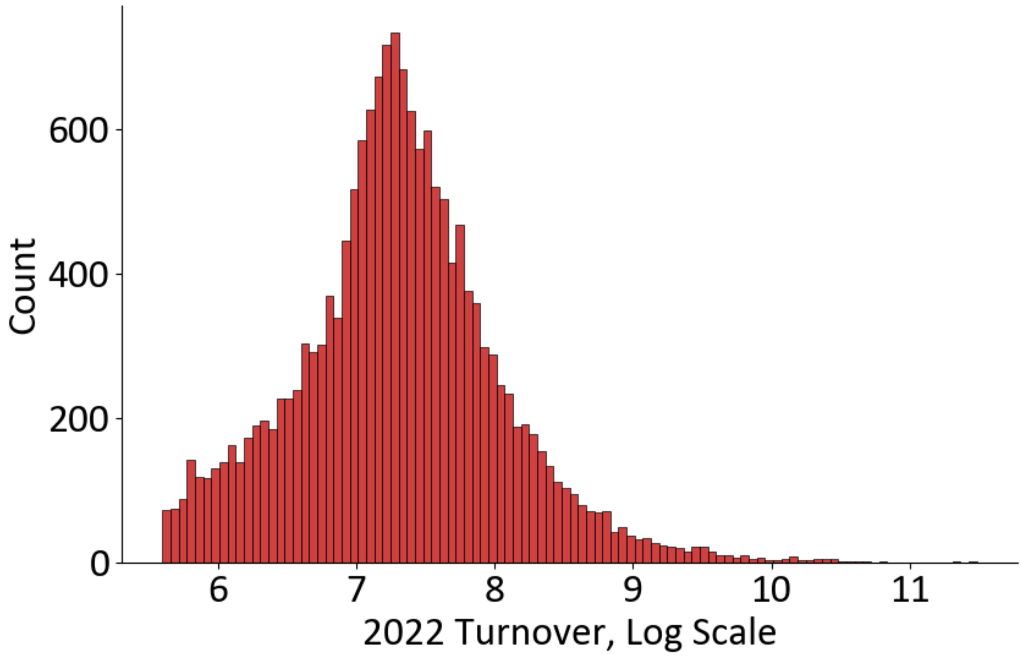

Figure 1 Distribution of non-financial companies by turnover. 5 = £100,000, 6 = £1,000,000, 7 = £10,000,000, etc.

This is by far the biggest study of company level data concerned with profiteering following the pandemic. In comparison, an analysis by Bank of England economists published in November 2023 only covered 1,000 PLCs.[4]

2.2 On average, companies have increased profit margins by 30% since the pandemic

We've looked at profit margins before tax in 2022 compared with the average across the two pre-pandemic years of 2018 and 2019. We calculate the mean profit margin (see below) by dividing the total profit of all 16,600 companies by their total revenue.

In 2022, the overall average profit margin was 8.3%. That is significantly higher than 7.1% in 2018, and just 5.7% in 2019. Averaging across those two years, profits increased 30% since the pandemic. Those figures are based on profits before companies paid tax. Profit after tax saw a smaller, but still large, increase of 20%.

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Explainer:
Throughout this report, we'll be referring to the mean profit margin. This is calculated by adding together the sum total of the profits of all companies in the sample (the 16,600 companies in the main analysis), then dividing by the sum total of their turnover. Also note that, as we are looking here at profit *margins* rather than nominal profits in money terms, these figures are not affected by inflation.

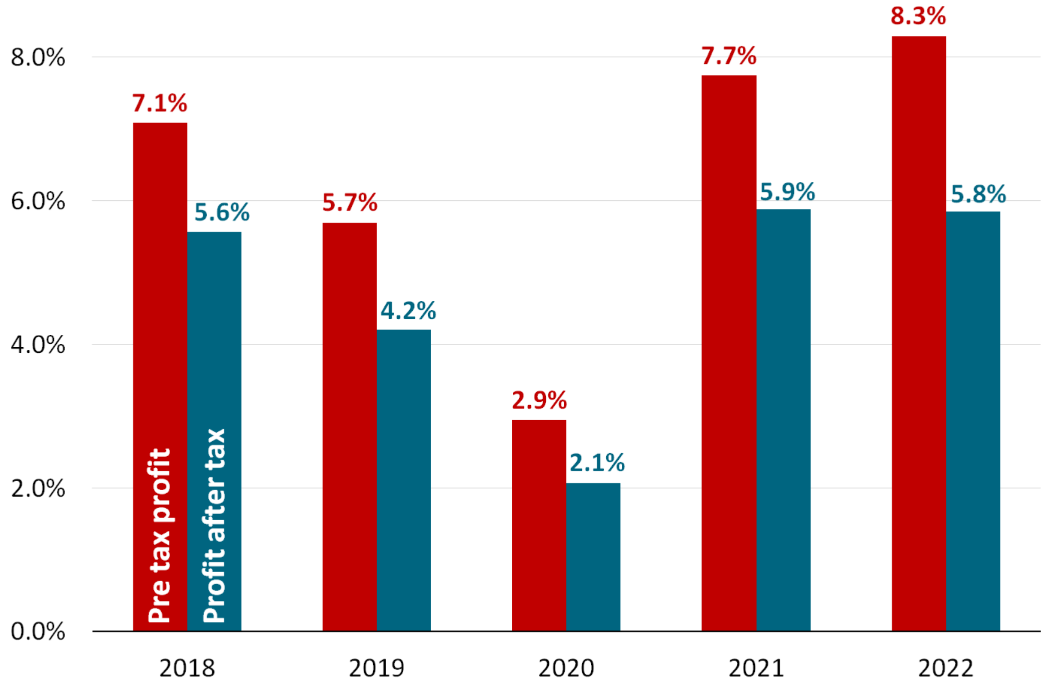

Figure 2 Mean pre and post tax profit margins of non-financial corporations between 2018 and 2022

The companies in our headline figure are non-financial companies.

Finance companies boosted their already high profits by 21%

Financial institutions, which includes banks, insurance companies and investment funds, have been some of the biggest winners from the profiteering crisis. [5]

Mean pre-tax margins for finance were high even before the pandemic. In 2018-19 margins averaged around 11% - 12%, almost double the 6 - 7% for non-financial corporations.

But, as the chart below shows, they still managed to boost profits even higher since 2020: to 15% in 2021, and 14% in 2022 (a 21% increase on the 2021/22 average).

And in fact, 2023 could see even higher profit levels for finance as high interest rates continue to play a role.[6]

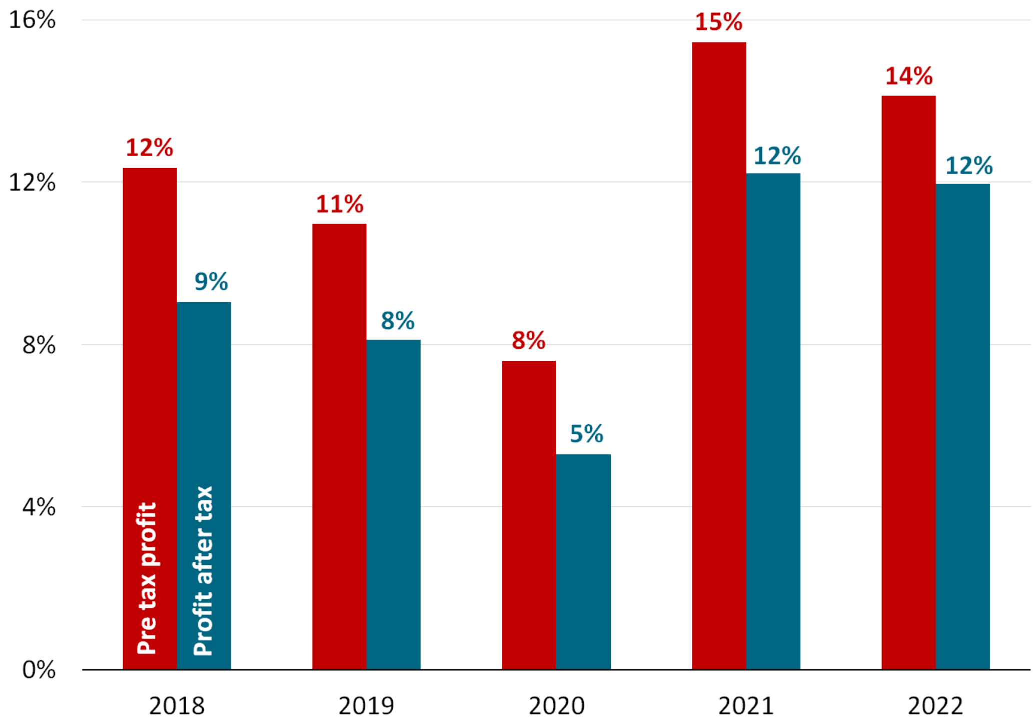

Figure 3 Mean margins by year for financial corporations.

2.3 It wasn't just a few winners: nearly a third of companies had margins in excess of 10%

It is also important to consider the distribution of companies to understand whether it was just a few companies driving the increase in profit margins. It is clear that this was not the case.

The chart below shows the distribution of 2022 pre-tax profit margins across all 16,600 companies in our sample. It shows how many companies made a profit margin of, e.g., 1% or 10% or 40%.

What we see is that, across the entire sample, over 80% of companies were profitable. Only 17% lost money in 2022. The majority (53%) of companies had profit margins between zero and 10%. But almost a third, so more than 5,000 companies, had margins over 10%. And over 200 companies made profits of over 40%.

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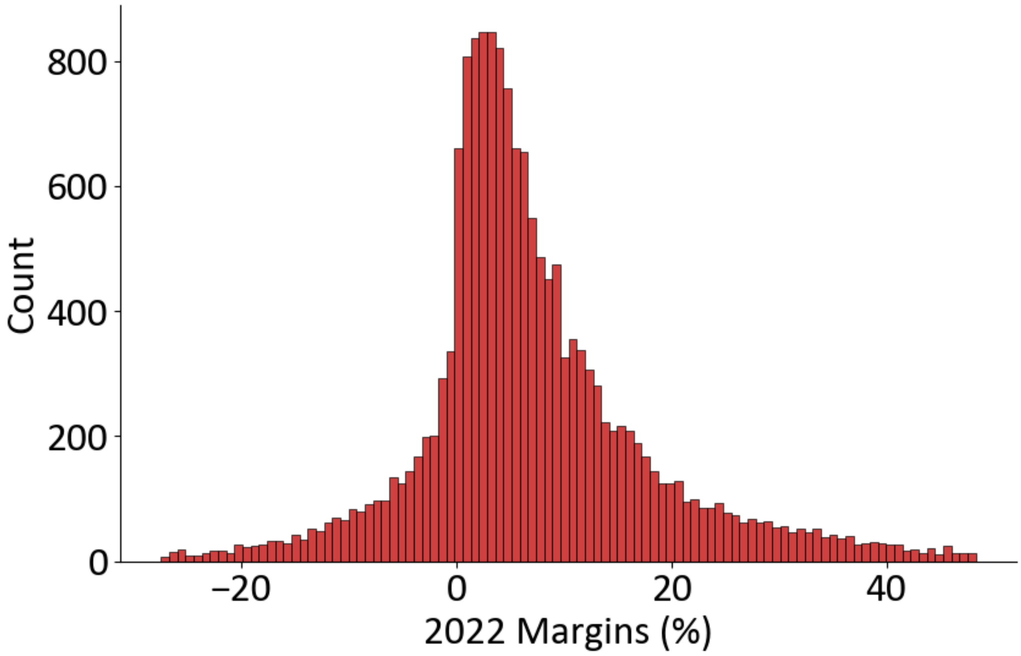

Figure 4 Pre-tax profit margin distribution

Further, we can look the median company in our sample. This is the "middle" company: imagine all the companies lined up in order from the least profitable to the most profitable, the median is the one right in the middle. Roughly 8,300 companies in our sample had a bigger profit increase than this company, while another 8,300 did worse. If the median has also gone up significantly, this suggests it wasn't just a few big companies skewing the results.

The chart below shows that the median pre-tax profit margin increased by 26% between 2018/19 and 2022. Thus the increase in profits is consistent across the sample. In fact the median company (unlike the mean company) did best in 2021, with median profits dropping a little in 2022. This suggests the profit jump after the pandemic was shared by most companies, then a smaller number did even better in 2022.

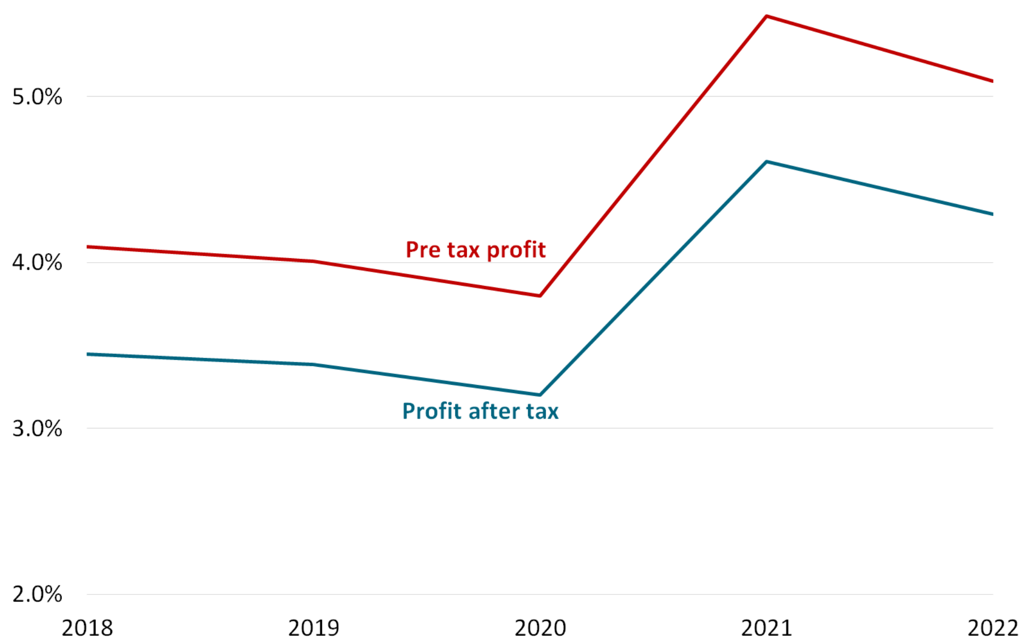

Figure 5 Median profit margins for non-financial corporations

2.4 It wasn't just the biggest companies: profit margins went up across all size brackets

When we look overall across the 17,000 companies, the rate of profit increases is not particularly linked to company size.

To analyse how profit margins have increased compared to the size of the companies, we split the sample into ten categories. Each category (decile) is 10% of the total companies, ordered by revenue. So the top category includes the biggest 1,660 companies by revenue, the bottom category the smallest 1,660 companies, and so on.

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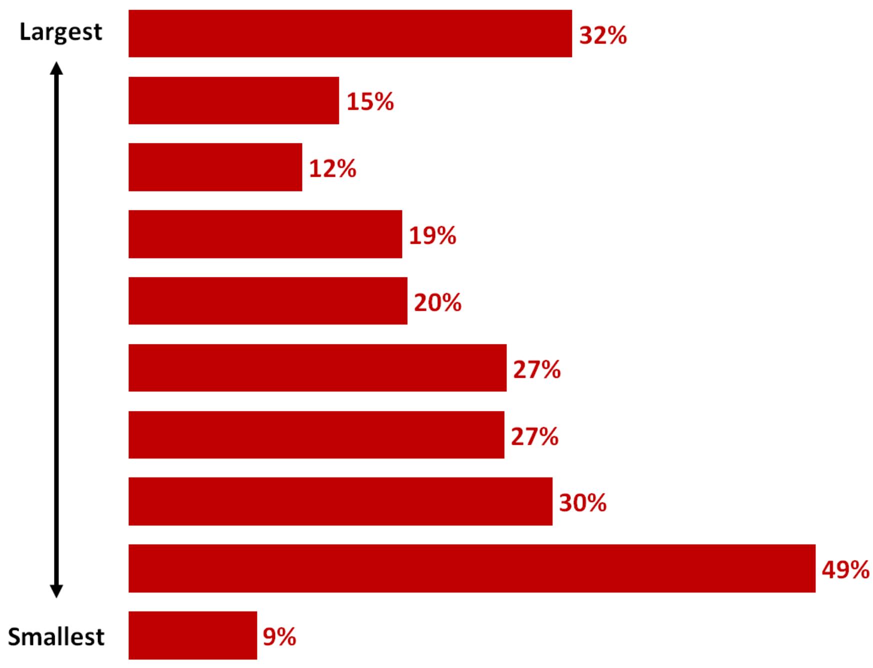

Figure 6 Change in mean pre-tax profit margin from 2018/10 average to 2022. By decile of 2018 turnover.

As the chart above shows, the biggest 10% of companies did have huge jumps in profit, up 32%. That's slightly more than the figure of 30% for all companies. And the smallest 10% of companies only had a 9% jump, far lower than the average.

However, the bigger the company did not mean a larger profit increase. In fact the biggest increase, of 49%, was for the second smallest category of companies.

This suggests it's not just about a few bad apples, or a few companies with monopolistic positions. As we discussed in our second profiteering report, market power is just one mechanism that may allow companies to take advantage of inflation crises, but it is not the only one.

To put it another way, this analysis backs up our argument that the profiteering crisis is embedded. It is at work across the economy, involving many different kinds of companies and market situations.

But if we look at the actual profit margins, it is apparent that the biggest companies were already raking it in. Back in 2018/19 the top 10% already had the highest profit margin of 6.5%. They then managed to increase their profits even more after the pandemic to 8.6%.

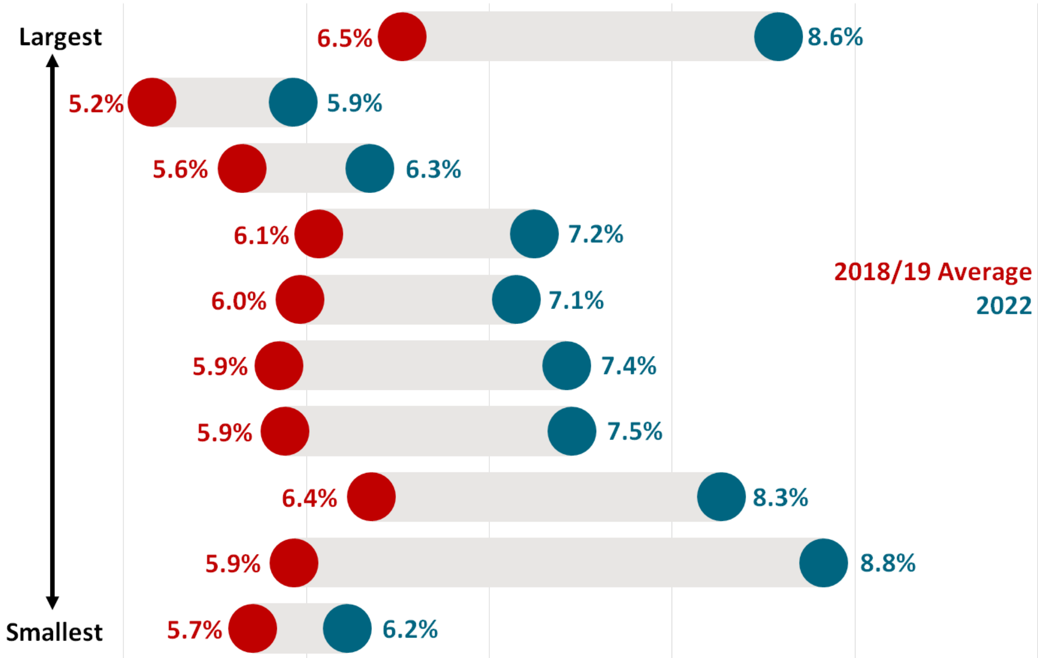

Figure 7 Weighted profit margins in 2018/19 and 2022 by turnover decile

2.5 All but two sectors grew their margins, by up to 360%

To find out which sectors grew the most, we split companies up based on their Standard Industry Classification (SIC) section, which is used as a way to define the activities of a company in official data. Companies have to provide a SIC when they register with Companies House.

The number of companies varies between each sector, but we've excluded any where there were fewer than 100 companies for this part of the analysis.

Within each sector there is huge variation in company size. For that reason, we look at what happened to the median, or middle, company in each sector. This prevents the sector average from being distorted by one large company skewing the entire result. For example, a large company might have swung from a massive loss to a massive profit between 2018/19 and 2022, or vice versa.

When looking at these median companies, all but two sectors grew their margins, and half did so by more than 20%. That is, within each sector, most companies tended to increase their margins.

Some of the biggest winners were Electricity and Gas supply (363% proportional increase in margins), Water and Sewerage (44%) and Mining and quarrying (43%).

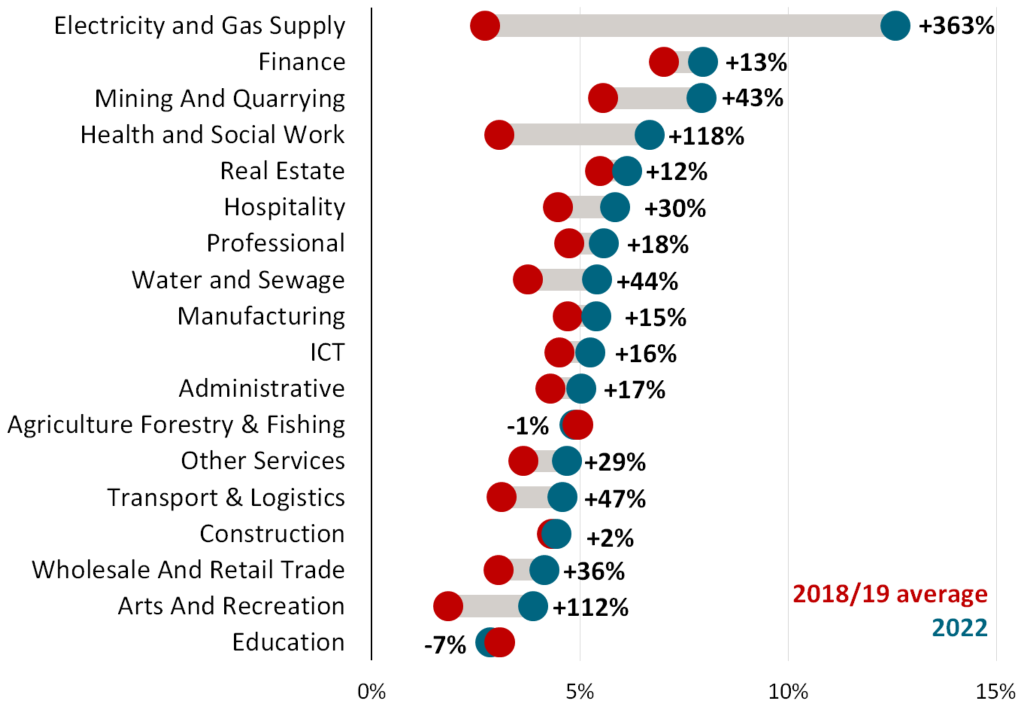

Figure 8 Change in median margins between 2018/19 and 2022 medians. Labels are proportional change. Sectors are SIC Sections, see Appendix 1 for naming convention. Only sectors containing 100+ companies are included.

This once again indicates the systemic nature of profiteering across the economy.

Why does this matter?
This analysis shows that there was no escaping the profiteers. Across almost every sector of our economy, the evidence is there that companies improved their profit margins while workers suffered through a devastating cost of living crisis.

2.6 Profiteering isn't over: preliminary data for 2023 shows higher profit margins are baked in

The main results in our analysis look at profits up to 2022 due to companies reporting their accounts with a significant time lag. They do not need to file with Companies House until nine months after their accounting year ends. For example, a company whose financial year ended on the 31st December 2023 does not need to report its results until 30th September 2024.

As a result, we have much less data for profits in 2023. When we carried out this analysis, we had data for just over 2,000 companies–just 12% of the wider sample of 16,600 companies.

The chart below shows profit margins for these 2,000 companies through to 2023. This is not necessarily representative of the full sample of 16,600 companies. But it does give us a window on whether the scale of profiteering has persisted.

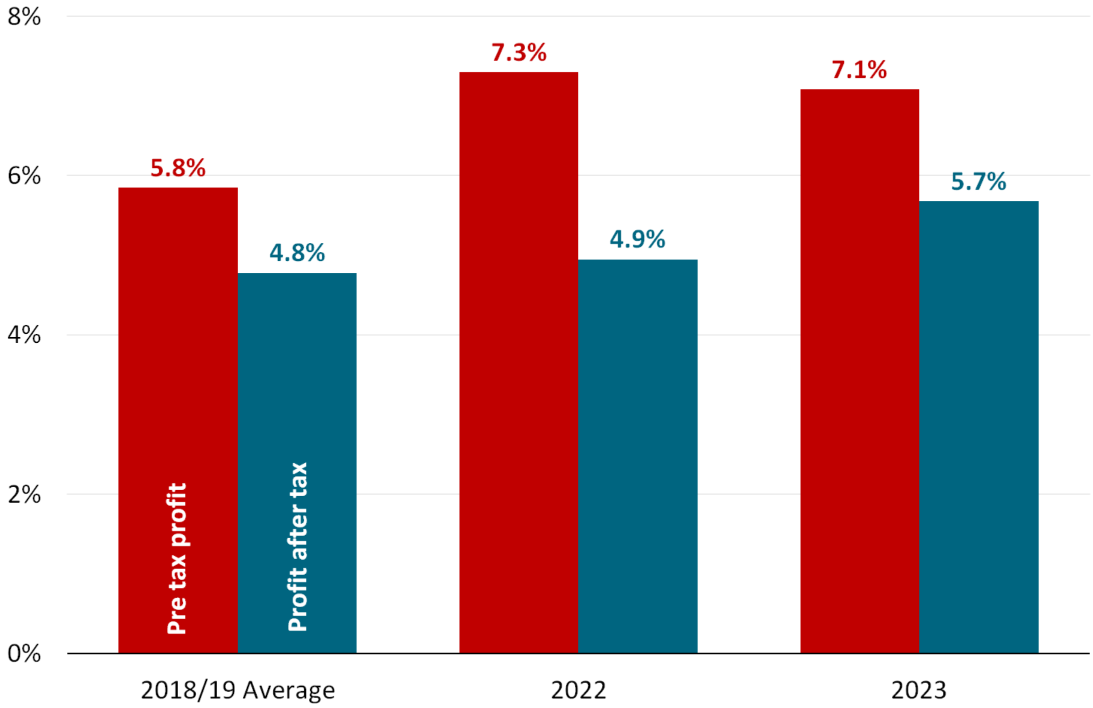

Figure 9 Profit margins for the 2,000 in our sample which have released 2023 accounts.

For the smaller sample, the 2023 results are very close to 2022: a pre-tax margin of 7.1%, just slightly down from 7.3%. This is still 21% higher than the 2018/19 average for these companies.

Again, although this is a smaller sample, it gives us a glimpse of what's likely to come when more companies report their 2023 profit results. And the likely answer is that companies are managing to hold their profits at the new high levels. Higher profit margins could now be the new normal, with a higher redistribution from workers to the rich now embedded in the economy.

SECTION THREE

Identifying the Prof-iteers

3. Identifying the profiteers: Oil Giants, Big Banks, Supermarkets, and more ...

Profiteering is widespread, but some companies and industries certainly stand out. This section is not a comprehensive breakdown of all sectors with extreme profiteering: it simply identifies some of the worst offenders. We start with a number of crucial industries which hold significant sway over the economic landscape: oil and gas, electricity generation, food retail, shipping, and banking. Spiking profit margins in these sectors have had impacts on all our livelihoods. We also look at two smaller industries, car dealerships and vets, as case studies of other sectors where profits spiked across the pandemic.

3.1 Oil and Gas companies continue their money printing game - extracting an extra £64 billion in profit in 2022

Over the last two years we have seen an explosion in the cost of heating and lighting our homes. At its peak in October 2022, the Ofgem household fuel bill price cap reached £4,279.[7] Average bills as measured in the Fuel and Light inflation index were up nearly 130% compared to January 2018. Even now that we've passed the peak, bills are still stuck at high levels, with Fuel and Light inflation still 75% higher than in 2018. [8]

The biggest initial driver behind fuel bill rises was the spike in the wholesale price of natural gas. Gas prices began to rise substantially in late 2021, due to a range of global economic factors including increased demand for liquid natural gas (LNG) imports in Asia. They then surged even higher following the Russian invasion of Ukraine in early 2022. As one of the world's largest producers and exporters of oil and gas, Russia's increasing isolation from global energy markets sent prices spiralling. To date, prices remain significantly higher than pre-pandemic levels.[9]

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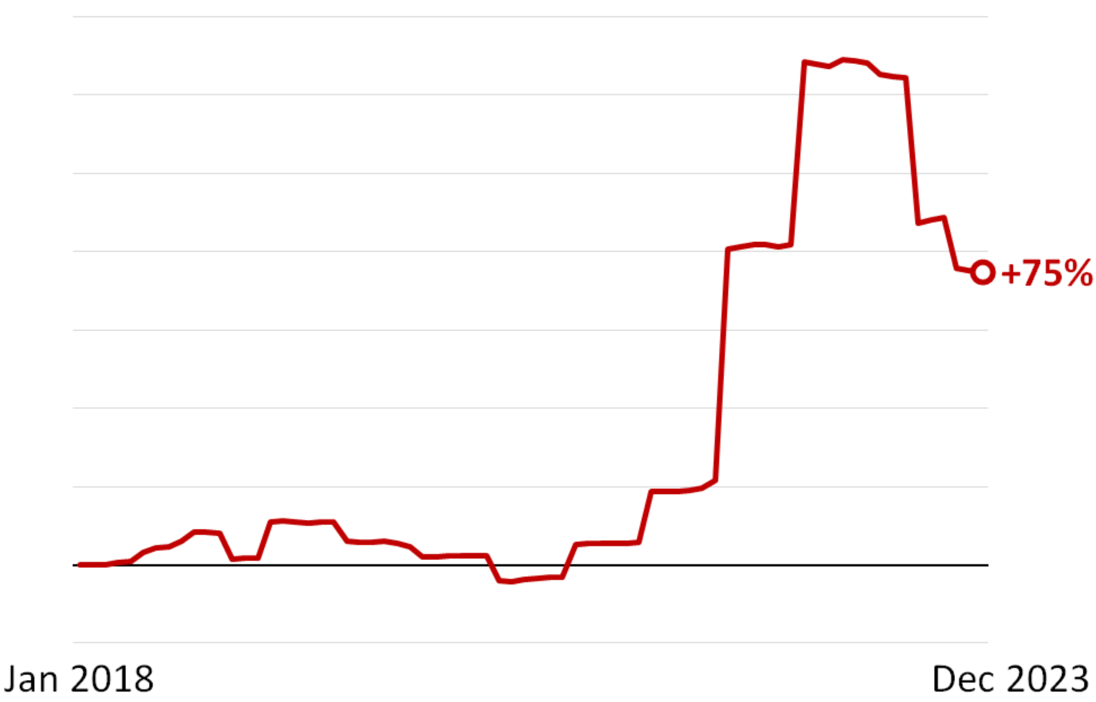

Figure 10 Fuel and light price index (RPI) compared to January 2018

Source: ONS[10]

Those higher prices saddled UK households with astronomical bills and flowed straight through to record profits for oil and gas producers.[11] The UN Secretary-General even warned these companies "have humanity by the throat."[12]

In this analysis, we've looked at pre-tax profits for some of the major owners of North Sea oil and gas fields. (These are the top North Sea producers for whom profit information is available. Note: not all of these companies are UK based, and so not all feature in the overall analysis of 17,000 companies. Their profits are not generated solely from the North Sea).

Unsurprisingly, Shell sits top of the table in terms of nominal profits, hitting an eye-watering £52 billion. BP's profits rose to £19 billion in 2023, a pre-tax margin of 11%.[13]

Company	2018/19 average		2022	
	Profit (£million)	Margin	Profit (£million)	Margin
Shell	£23,243	8%	£51,871	17%
TotalEnergies SE	£13,506	9%	£34,642	15%

Company	2018/19 average		2022	
	Profit (£million)	Margin	Profit (£million)	Margin
CNOOC ltd	£9,119	36%	£23,353	46%
BP	£9,419	5%	£12,329	6%
APA Corporation (Apache)	-£822	-17%	£4,589	47%
Delek Group ltd (Ithaca)	£63	13%	£2,213	76%
Harbour Energy	£99	9%	£1,970	45%
Repsol Sinopec Resources UK	£956	64%	£665	46%
Spirit Energy	£165	8%	£624	28%
Total	**£55,747**	**9%**	**£132,256**	**17%**

Table 1: Pre-tax profits of oil and gas companies with major North Sea holdings

Source: Company accounts [14]

Of course, oil and gas companies were very profitable even before the pandemic. In 2018/19, the margins of the companies above averaged 8.5%. By 2022, these had almost doubled to 16.5%. That is the equivalent of an extra £64 billion in profit in 2022 compared to if they had maintained pre-pandemic margins.[15]

Not all companies in this analysis have reported for 2023 yet. Those that have show a slight decrease on their record 2022 margins, but they remain around 66% higher than their 2018/19 levels.

The most worrying thing about profiteering from these companies is that they are an input for almost everything you can think of. Whatever business you work in, buy from, or walk past, oil and gas prices will influence them.

So what did the oil and gas giants do with these profits? In large part, they handed them straight on to their shareholders in dividends and share buybacks, which hit a 15 year high in 2022. These shareholder handouts accounted for almost 40% of overall cash spending by the industry.[16]

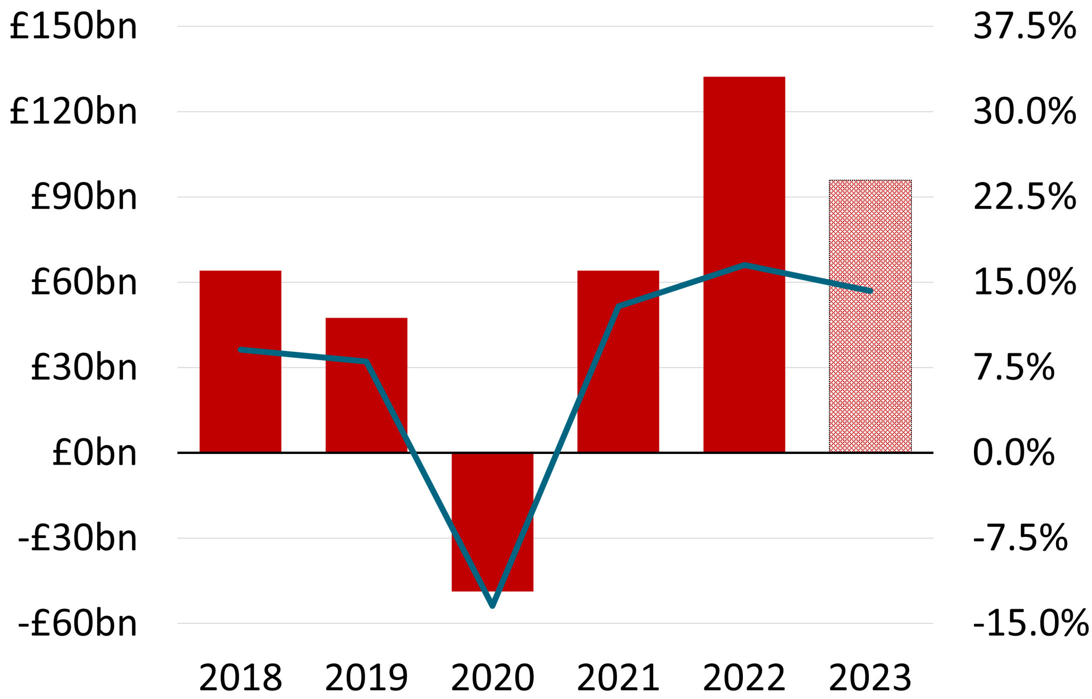

Figure 11 Pre-tax profits (red bars, left-hand-side axis) and mean profit margins (blue line, right-hand-side axis) for nine oil and gas companies with major North Sea holdings. 2023 does not include all companies' results.

Source: Company accounts [17]

3.2 Electricity generation companies took advantage of the Ukraine war to triple their profit margins

Around 40% of the UK's electricity is still generated from natural gas. This means that spikes in gas prices have a knock-on effect on the wholesale electricity price, the price that generators charge the companies who supply our household energy.

In fact, the wholesale electricity market is set up in a particular way that severely exacerbates this. The supply companies pay one price for all the electricity they buy, no matter its source. And this market price is largely set in relation to the highest marginal cost of a unit of electricity. So: when gas prices jumped up by over six times in 2021, due to the Ukraine war as well as other supply crunch factors, the wholesale price of all electricity also jumped over five times higher, even though less than half of that electricity came from gas. Generators benefited from a much higher price even on the electricity that wasn't made using gas. That

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means windfall profits fell into many companies' laps. (See our previous report *Profiteering across the economy* for much more detail on how gas and electricity markets work.)

At the retail end of the energy industry, some smaller supply companies went bust because they were locked into contracts that couldn't rise in line with the generators' prices. But the majority of big suppliers were able to pass on increased wholesale costs to consumers. In fact, many of them are simply the same companies, with divisions for both generation and supply. So even if they booked a fall in retail profits, they more than made up for this in their wholesale businesses.

This issue was at the heart of the cost of living crisis, as millions of households then faced soaring retail energy bills. This became a key driver of the rise in the headline rate of consumer inflation.[18] Unite has previously calculated that if the energy sector had been in public ownership, and profiteering had been eliminated, the rate of inflation would have been 4.1 percentage points lower in 2022.[19]

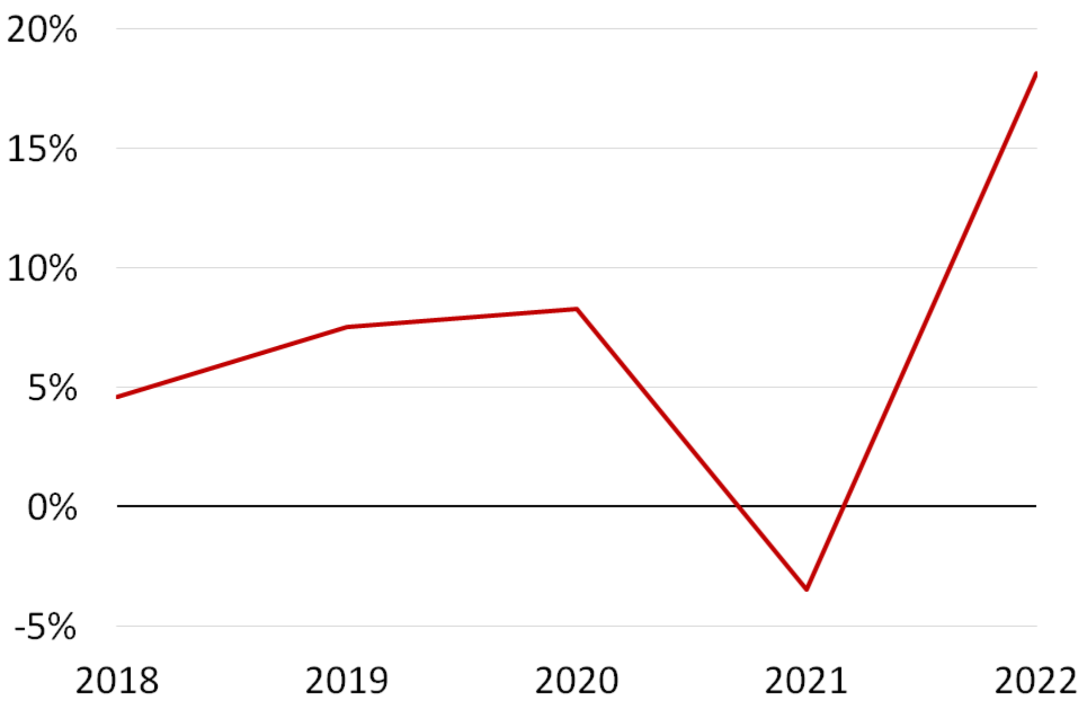

Figure 12 Mean EBIT (earnings before interest and tax) margins of UK electricity generators

Source: Company accounts[20]

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Across the electricity generation sector as a whole, profit margins increased by 198% in 2022 compared to pre-pandemic levels.[21] As the chart above shows, the mean profit margin of major electricity generators jumped from an average of 6% in the two years prior to the COVID pandemic to almost 20% in 2022.

But some electricity generators saw even more staggering increases, as laid out in the table below.

Company	2018/19 Average		2022	
	Profit (mn)	Margin	Profit (mn)	Margin
RWE	£5	1%	£2,489	31%
Uniper	£35	1%	£1,913	11%
SSE	£497	25%	£1,527	24%
EDF	£47	1%	£915	28%
Orsted	£137	12%	£828	37%
Centrica	£6	1%	£758	60%
Scottish Power	£302	39%	£486	47%
Drax	£127	3%	£469	4%

Table 2: EBIT profits and margins for select UK energy generators.

Source: Company accounts[22]

The best known story is Centrica, which in addition to owning energy retailer British Gas also owns electricity generating assets and a stake in EDF's nuclear reactor fleet. Its profit margins jumped from just 0.8% before the pandemic to 60% in 2022.[23]

On the back of bumper profits, Centrica's shareholders saw their payouts jump as well. Total dividend payments in 2023 more than tripled to £186 million.[24] Even higher payments are likely in 2024, if Centrica shareholders approve a 33% increase in the dividend rate from 3p to 4p per share.[25]

Centrica Chief Executive Chris O'Shea has also gained personally. He saw his total pay packet more than double from almost £4 million to £8.2 million in 2023.[26] As millions of energy customers struggled to pay their extortionate energy bills, and fuel poverty soared, the bosses at Centrica and other electricity generators were enjoying the good times.[27]

Orsted, a Danish company developing the largest offshore wind farm in the North Sea, also saw a huge swing in profit margins pre-pandemic to 2022, from 12% to 37%. Yet, in a supposedly chaotic 2023, they have recently announced they will axe 800 jobs.[28]

3.3 Container shipping companies saw a 650-fold profit bonanza as they cashed in on the COVID supply chain crisis

The pandemic brought huge disruption to global supply chains, shutting down transport infrastructure from docks and airports to road freight hubs.[29] When the economy started to re-open, with goods piled up behind supply bottlenecks, some companies took a once-in-a-generation opportunity to cash in by pushing up their prices to eye-watering levels.

Along with energy, perhaps the biggest global profiteering story was in container shipping. Over 80% of the world's traded goods travel via sea, and most of these goods are transported in container ships. As such, the cost of container shipping has a large influence on the price of retail products and wider inflation levels - and even more so for island countries such as the UK.

In 2021, spot rates for shipping a container from Asia to the United States jumped from less than $2,000 pre-pandemic to $20,000 at the peak of the crisis.[30] This had a major impact on the prices faced by consumers. According to research by the International Monetary Fund (IMF), the dramatic rise in shipping costs likely added 1.5 to 2 percentage points to the global rate of consumer inflation in 2021.[31]

Profiteering was made particularly easy in this sector because it is an oligopoly, in which just a few companies control most of the market. The top five global companies have a market share of 65%, and the top ten have 85% of the market.[32] (See our previous report *Profiteering across the economy* for more detail on this industry.)

In our previous report, we saw how these companies' profits jumped dramatically in 2021. Now we can see that these high profits were maintained, and increased even further, in 2022. It is true that before the pandemic shipping margins were thin, but they certainly seized the opportunity to make up for this. The mean profit margin of the top companies soared an incredible 650-fold by 2022 compared to pre-pandemic levels. One shipping company, Hapag-Lloyd, made more profit in the first six months of 2021 than in the entirety of the previous ten years.[33]

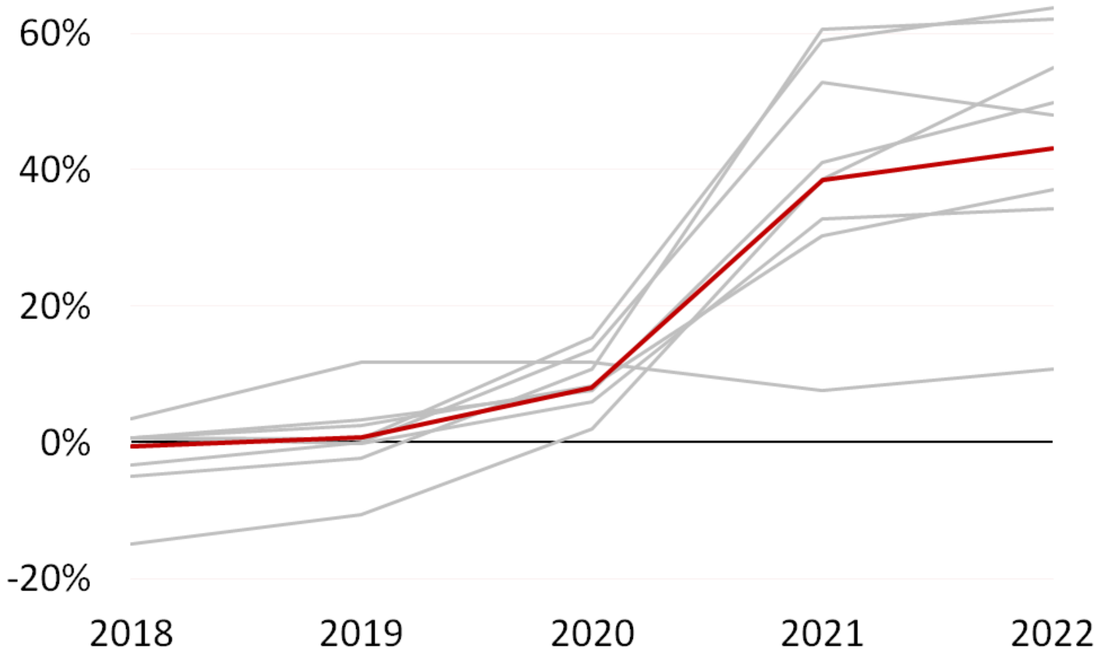

Figure 13 Change in pre-tax profit margins of major shipping companies 2018-2022 (mean profit margin in red)

Source: Company Accounts[34]

Our analysis looks at eight of the top ten global container shipping companies - there is no accounting data available for the other two. In 2019 these companies combined made a profit of £636 million. In 2022 this surged to an incredible £87 billion. Profit margins moved from low single digits to more than 40% over the same period.[35]

Company	2018/19 average		2022	
	Profit (m)	Margin	Profit (m)	Margin
Maersk	£467	2%	£24,194	37%
CMA CGM	£40	0%	£20,436	34%
Hapag-Lloyd	£218	2%	£14,638	50%
Evergreen	£25	1%	£10,824	64%
Yang Ming	-£133	-4%	£6,331	62%
HMM	-£478	-13%	£6,129	55%
Zim	-£40	-2%	£4,823	48%
COSCO	£35	8%	£43	11%

Company	2018/19 average		2022	
	Profit (m)	Margin	Profit (m)	Margin
Total	£134	0%	£87,419	43%

Table 3: Pre-tax profits and margins for top container shipping companies

Source: Company Accounts[36]

The wealthy owners of these shipping companies wasted no time in cashing in on the huge profits being made. Maersk, one of the world's largest shipping companies, is controlled by the billionaire Maersk family.[37] In 2022 Maersk paid out almost $11 billion in dividends on the back of its soaring profits.[38]

What isn't being recognised is that profit margins are still way above pre-pandemic levels - up 7 percentage points, or 5,000% proportionally.[39] Shipping companies profits are also expected to rise again in 2024 following the Red Sea crisis.[40]

3.4 The Big Banks have taken increased interest rates as an opportunity to rake in £45 billion

One of the results of the inflationary crisis has been the increase in interest rates, with the Bank of England (BoE) raising its base rate in an attempt to bring inflation down. The theory is that, as interest rates and so the cost of borrowing rises, people will have less money to spend in the economy, and save more to take advantage of higher interest. Fewer people chasing the same goods and services should slow inflation.[41] That's the theory, anyway.

What's less widely known is how rising interest rates can also send bank profits soaring. The Bank of England base rate is, in essence, the rate it charges to commercial banks. Then when it raises its base rate, commercial banks in turn raise their interest rates for their borrowers in turn. That is, the interest paid by people on mortgages and other loans, as well as by companies on business borrowing, goes up. Mortgage rates increased at their fastest rate since the 1980s in 2023, hammering mortgage holders and contributing to the cost-of-living crisis.[42]

But, notably in the recent crisis, the interest rates banks pay on savers' deposits didn't go up anywhere as fast. The difference between the interest banks get from borrowers, and what they pay out to savers, is called their **net interest income**. In the last two years, this jumped for many banks. In addition, banks also received higher interest on any deposits they had with the Bank of England.

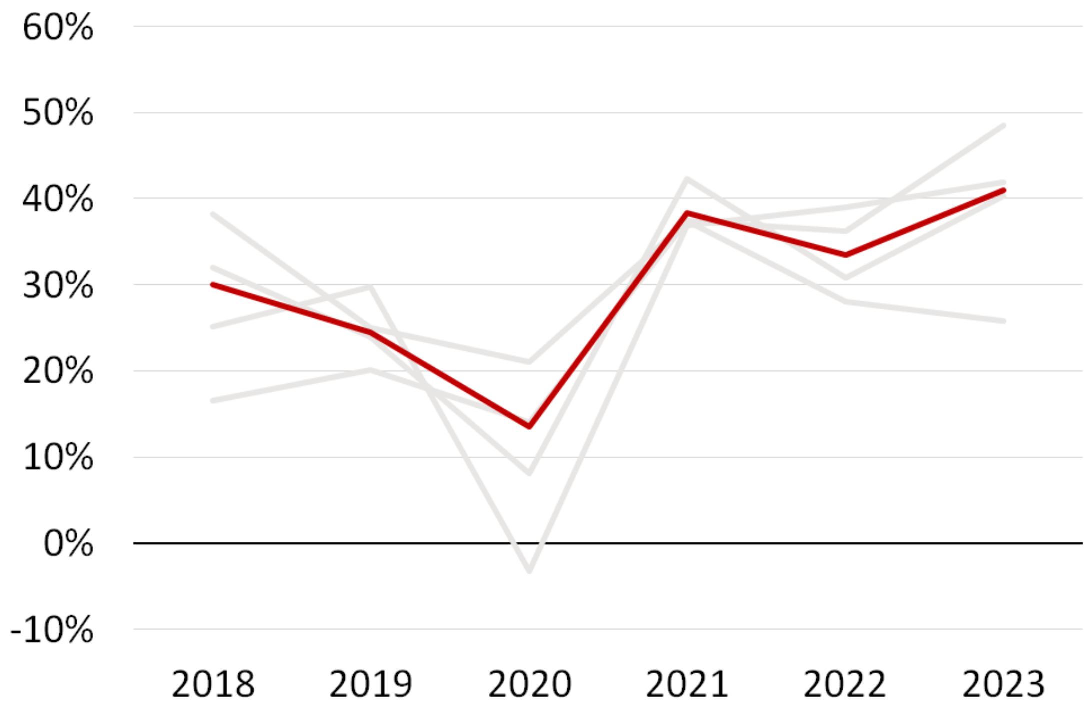

Figure 14 Big four banks's pre-tax profit margins, 2018-2023. Red is the mean profit margins, grey traces are individual banks.

Source: Companies' annual reports [43]

Overall, the four biggest UK banks made nearly £45 billion before tax in 2023. That's up 75% on the £25 billion they made on average in 2018/19. Margins have also increased. They are now 50% higher than their pre-pandemic average. Margins have also been consistently above their pre-pandemic levels since 2021[44].

The chart below drives home this point, showing the margin increases achieved by each of the banks.

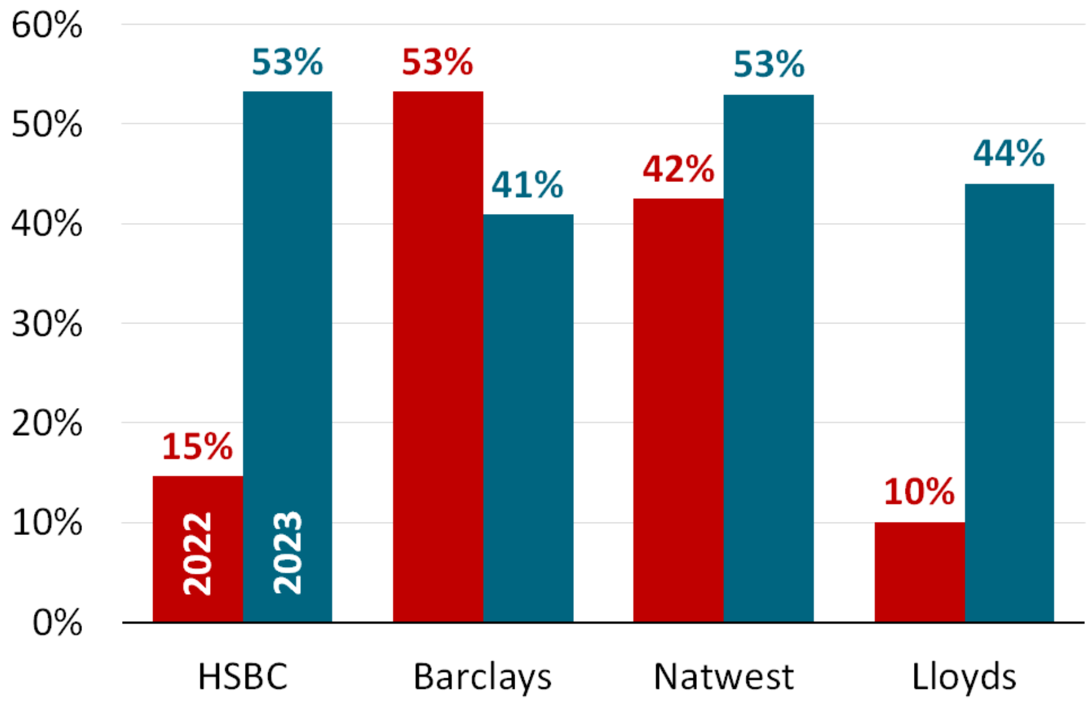

Figure 15 Proportional change in profit margins compared to the 2018/19 average for 2022 and 2023, by bank.

Source: Companies' annual report[45]

So in summary, when inflation hit, workers got a double hit from the Bank of England's attempt to control it.

And then, to rub salt in the wound, banks paid out almost £27 billion in dividend payments to investors during 2023.[46]

3.5 Supermarkets have been raking it in, while workers struggle

Food price inflation is still a leading contributor to inflation in the UK. The continuous increase in food prices, albeit at a slower rate, has thrust millions more into food insecurity. As of January 2024, the Food Foundation estimate that 15% of UK households experience food insecurity.[47][48] Millions are struggling to put food on the table, but supermarket CEOs and shareholders certainly aren't.

In our previous report, *Profiteering across the economy*, we looked at how prices and profits shot up across global food supply chains. This included:

- key inputs to food production, such as fertilisers;

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- big global agribusiness corporations, such as the "ABCD" companies (ADM, Bunge, Cargill, and Louis Dreyfus) who control a huge share of key food commodities such as wheat and cooking oils;
- major food manufacturers, such as Nestle, Unilever, and Associated British Foods;
- food retailers - which in the UK largely means the big supermarkets who dominate the market.

Here we look at the latest results from the supermarkets. Their profit margins are not as high as some other industries: as our previous analysis showed, the really big profits in food were made further up the supply chain by the agribusiness giants and some manufacturers. But even so, there is still good money being made at the retail end.

Pre-tax margins of the Big 4 supermarkets are higher today than they were in 2018. In fact, profit margins have increased by 19% between 2018/19 and 2023.

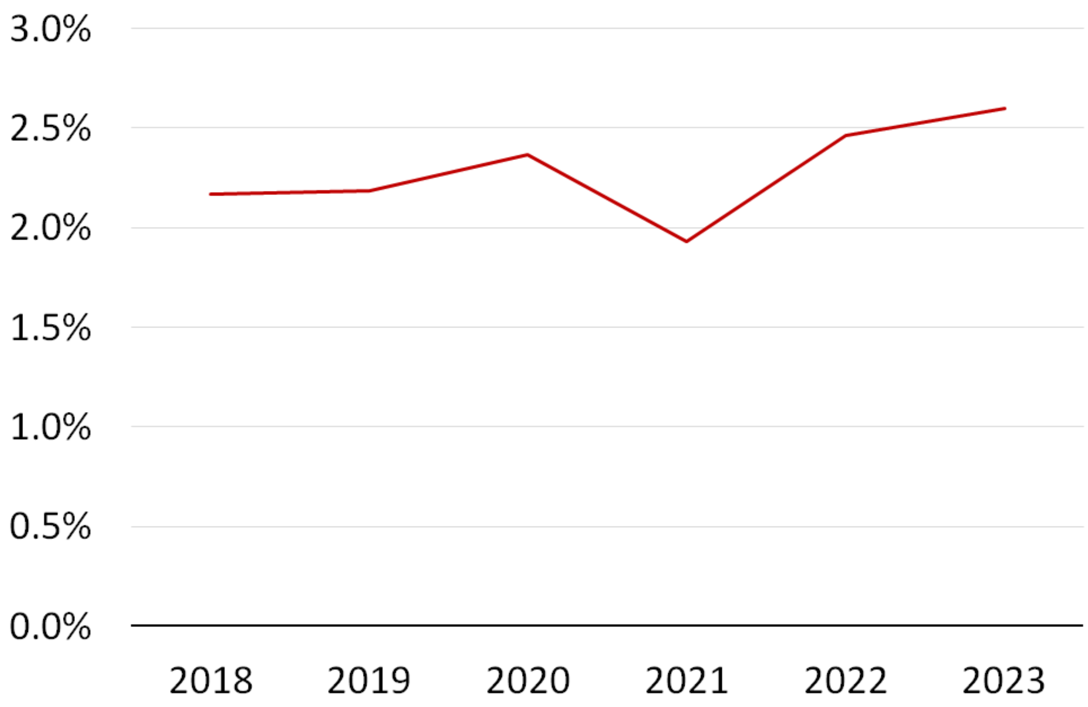

Figure 16 Total top four super market chains' mean pre-tax margins before tax over time, 2018-2023. Note: 2023 does not include Asda's results.

Source: Company Accounts[49]

Total profits accrued by the top 4 supermarkets has amounted to a hefty £17.4 billion. 55% of this was driven by Tesco alone, with a 53% increase in margins between 2018/19 and 2022.

In fact, there is a clear split in how the big supermarkets have faired since Covid. While Tesco and Sainsbury's have boosted their margins, Asda and Morrisons appear to have struggled, as shown in the graph below. Tesco and Sainsbury's have managed to take advantage, turbo-charging their margins in the process.

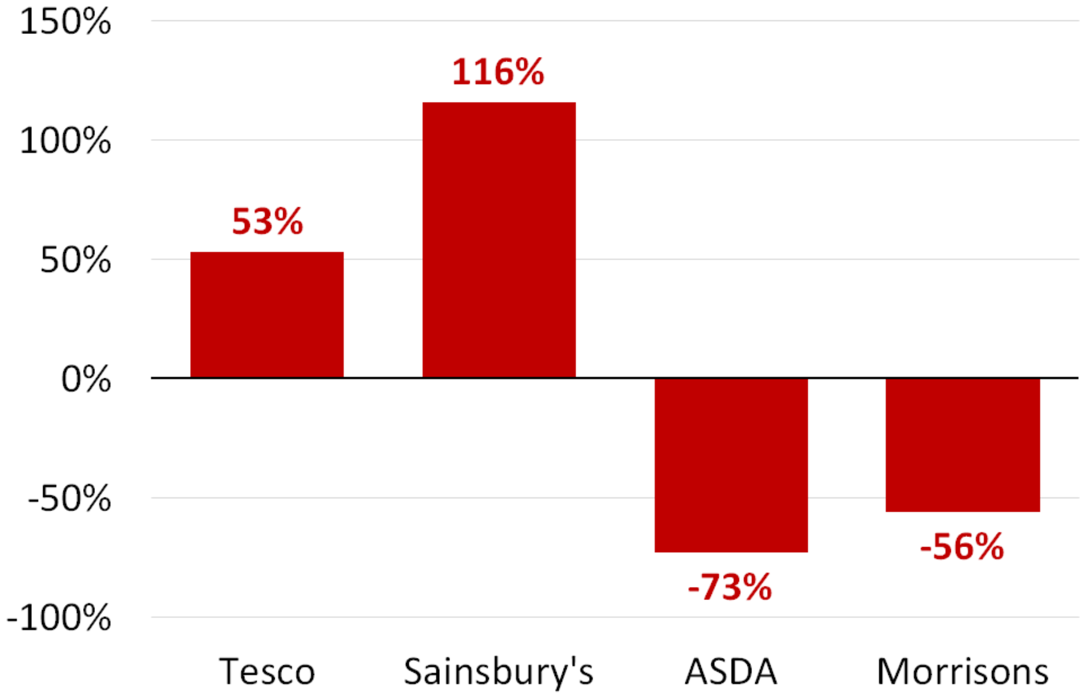

Figure 17 Proportional change in profit margins between 2018/19 and 2022.

Source: Company Accounts[50]

While not at the same scale as the big banks or the energy giants, supermarket retailers have secured substantial profits off the backs of workers in a time of crisis.

To put this into context, we can look at the difference between wages for store assistants across some of the biggest supermarkets and CEO pay for 2023.[515253]

Supermarket	Hourly wage of store assistant (2024)	CEO Pay	Ratio
Tesco	£12.02	£4.4m (2022)	Paid 201 times more
Sainsbury's	£12.00	£4.95 (2022)	Paid 227 times more
Morrisons	£10.92	£4.17m (2020/2021)	Paid 210 times more

CEOs at Tesco, Sainsbury's, and Morrisons are all paid over 200 times more than the average for store assistants. This is significantly higher than the median worker to CEO ratio of 109 as reported by the High Pay Centre.[54]

In June 2023, executives from Tesco, Sainsbury's, Asda, and Morrisons all denied they were profiteering and said that they would be quick to pass on cost reductions.[55] Yet, food inflation in the UK was still at 8% in December 2023, more than double the monthly average of 3.2% over the past decade.[56]

3.6 Private equity-backed veterinary chains saw profit margins jump 280% at the height of the pandemic

During the COVID pandemic, UK pet ownership levels reached new heights. Millions more people became pet owners to help cope with social isolation during long periods of lockdown.[57]

This surge in pet ownership coincided with rapid consolidation in the veterinary care sector. In 2013, 90% of vet practices were independently owned. By 2021, this had dropped to around 40% as private equity-backed corporate chains bought up hundreds of independent practices.[58]

There is now mounting evidence that these corporate chains have been using their market power to drive up prices and their own profits. In September 2023, the Competition and Markets Authority (CMA) launched an initial review of the vet market in the UK over concerns about anti-competitive practices. In March 2024 they formally launched a market investigation, having identified a number of areas of concern including opaque pricing, high market concentration, and weak regulation.[59]

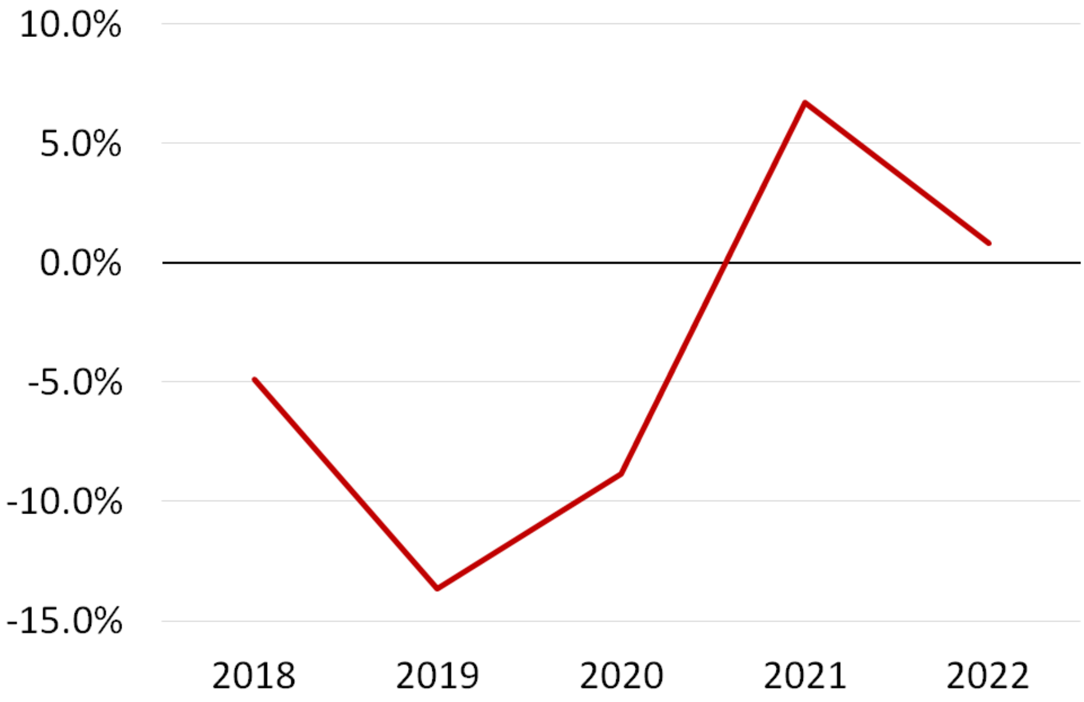

Figure 18 Weighted average profit margin for the 6 biggest vet companies in the UK.

Source: Company Accounts[60]

The evidence from companies' financial reports certainly backs up these concerns. We analysed the financial accounts of the six largest vet chains, who collectively control more than 50% of the market.[61] Their profit margins surged during the pandemic, reaching 237% of pre-pandemic levels in 2021. This was, however, on the back of losses in 2018 and 2019. [62]

By 2022, their revenues were 194% higher than in 2018. One explanation is that they accepted making losses to drive rapid market consolidation, then took the opportunity to secure higher profits once they controlled more market share.[63]

Some of the individual chains saw even bigger jumps in their profits. Pets at Home, the UK's second largest vet chain by market share, went from loss-making in 2019 to a profit margin of over 50% in 2021.[64]

As the CMA acknowledges, weak regulation has allowed profiteers in the veterinary sector to thrive. As private equity-backed vet chains racked up huge profits, millions of households have faced crippling vet bills to add to the misery of the wider cost of living crisis.

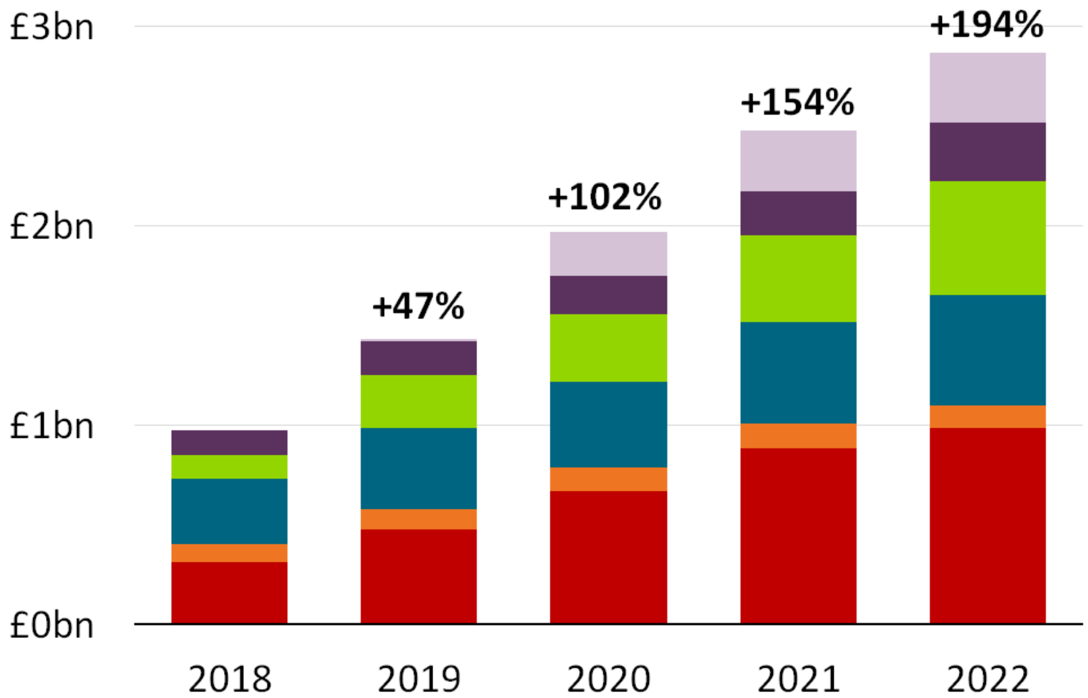

Figure 19 Revenue at the six biggest vet companies. Red = IVC Evidensia, Orange = Pets at Home, Blue = CVS, Green = VetPartners, Purple = MediVet, Lilac = Linnaeus (Linnaeus has no accounts for 2018).

Source: Company Accounts[65]

3.7 Car dealerships saw their profit margins triple on the back of surging demand for second-hand cars

During the pandemic prices for second-hand cars soared. As the global semi-conductor shortage crippled production of new cars, and public transport was hit by the pandemic, people looked to second-hand dealers.[66] Increased demand caused the prices for second-hand cars to rise, fuelling a massive increase in profits for car dealerships.[67]

Unite's analysis of the pre-tax profit margins of major UK car dealers shows that margins almost tripled in 2021 compared to pre-pandemic levels, and remained fairly steady at 2.5 times pre-pandemic levels in 2022. This equated to collective profits of more than £1 billion pounds in both 2021 and 2022, an increase of almost £800 million on 2019 levels.[68]

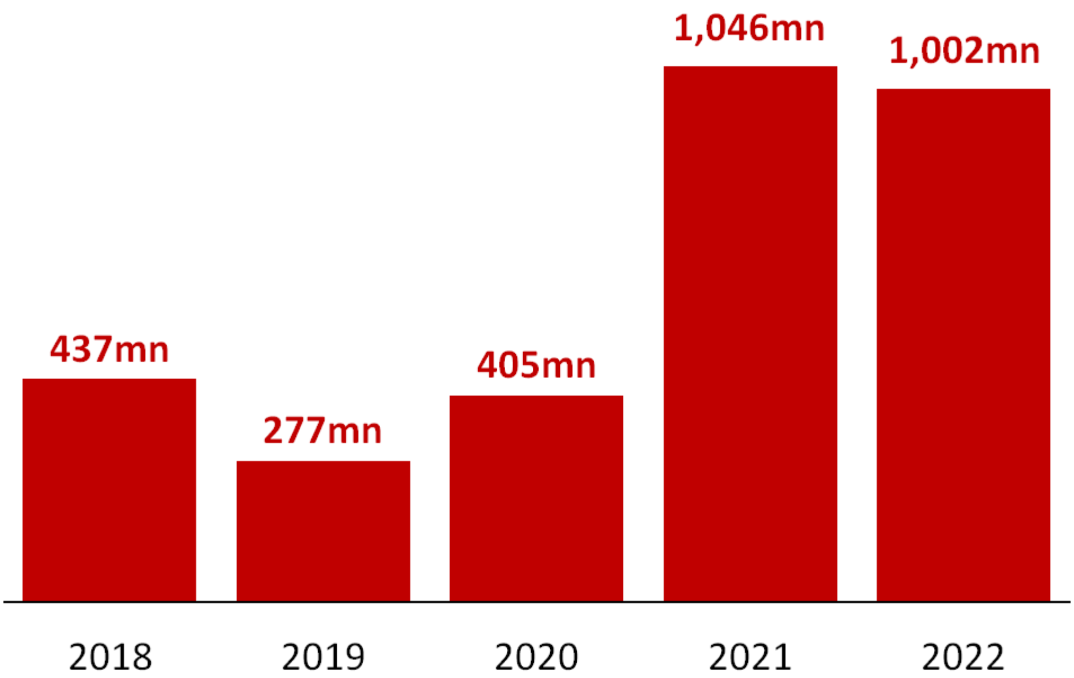

Figure 20 Combined pre-tax profits of UK car dealerships over time

Source: Capital IQ

The two biggest chains, Sytner Group Limited and Arnold Clark Automobiles, captured 35% of the sector's total pre-tax profits in 2022. They saw their profits rise to £179 million and £174 million respectively in 2021, compared with £72 million and £117 million in 2018.[69]

Soaring prices for used cars have compounded "transport poverty" for millions of people who have been hit by cuts to public transport services and rising rail and bus fares. For rural households in particular, this has left people struggling to access healthcare and employment.[70]

Meanwhile, the biggest shareholders in Arnold Clark, Scottish billionaire Lady Philomena Clark and her family, saw their personal wealth rise by 60% to reach almost £1.9 billion between 2019 and 2023, partly on the back of the soaring profits of the car dealership.[71]

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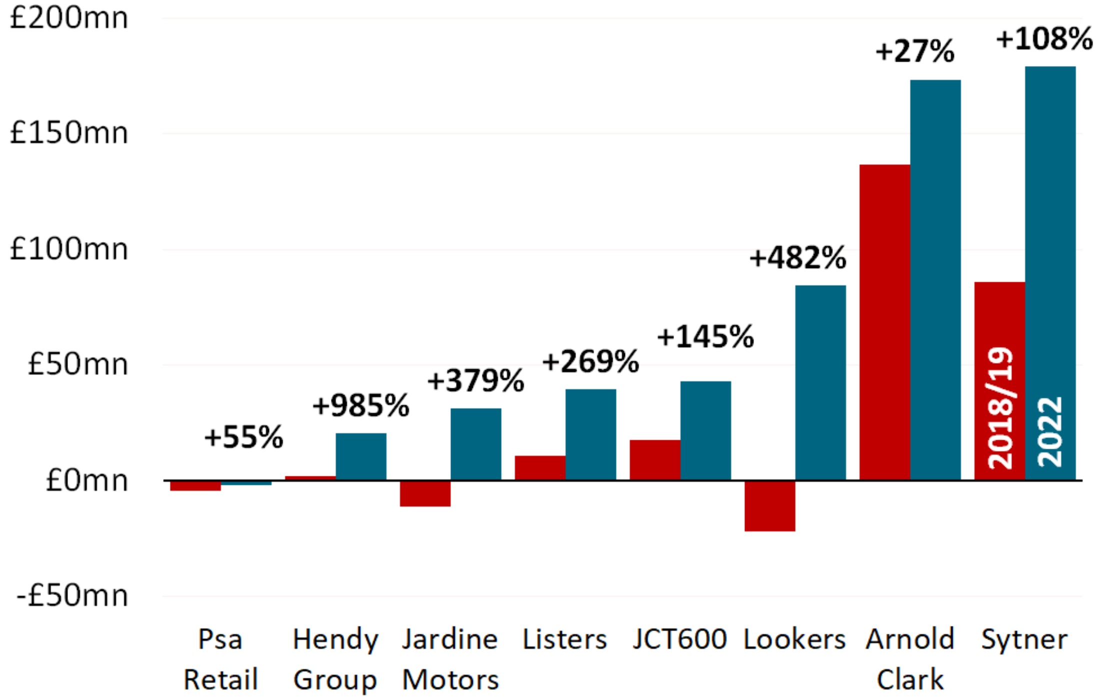

Figure 21 Pre-tax profits of car dealerships with over £1 billion revenue for 2022 in 2018/19 and 2022. Labels show proportional increase in margins.

Source: Company Accounts[72]

SECTION FOUR

Why profiteering matters

4. Why profiteering matters: pushing the cost of living up, wages and investment down

4.1 Spiking profits have been a major factor behind the cost of living crisis

The cost of living crisis is not over.

While inflation has now slowed, this doesn't mean prices are falling back down. Prices are still rising, and the last three years of rapid inflation is baked in to the current high levels. Most importantly, wages have not caught up. In real terms, regular pay was down 13% on its July 2021 level when it hit rock bottom in April 2023. That meant people were £3,500 pounds worse off per year.[73]

Figure 22 Median weekly wages, full-time employees, 1997 to 2023. Adjusted using April 2023 prices.

Source: Facts and Figures March 2024, Unite the Union[74]

Retail prices at the end of 2023 were almost 40% higher than at the start of 2018.[75] The bulk of this price surge happened between 2021 and 2023, as the economy re-opened following the COVID-19 pandemic.

This inflation surge became a cost of living crisis because most people's wages did not rise at anything like the same rate as prices.

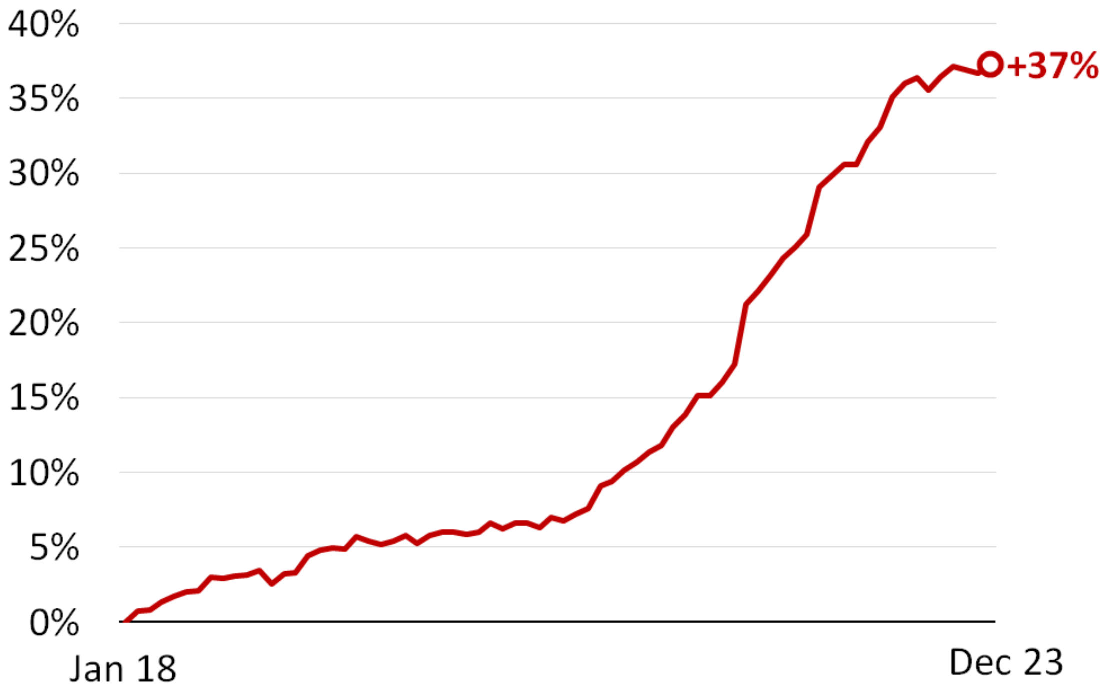

Figure 23 Cumulative change in RPI inflation since Jan 2018

Source: ONS[76]

While inflation has been a significant issue globally, the UK has felt the impact more significantly than other countries. For example, in the four years 2018-2022, overall UK prices rose almost 10% more than in Germany and over 50% more than in France.[77]

It is not a coincidence that the cost of living has soared at the same time as profits.

4.1.1 Inflation has been driven by profiteering, not wage-price spirals

Unite made the case that inflation was being pushed by corporate profiteering in our two earlier reports on profiteering, published in July 2022 and March 2023. Here we will just summarise some key points. (See full analysis in our previous Profiteering reports: Corporate profiteering and the cost of living crisis and Profiteering across the economy)

At the beginning of 2022, when the cost-of-living crisis was entering its most intense phase, the Governor of the Bank of England, Andrew Bailey, made his now infamous call on workers to restrain wage demands. Bailey claimed this was necessary to prevent a so-called wage-price spiral. The idea being that workers' demands for wage rises to meet the rising cost of living would then push companies to raise prices even further, so creating a continuing spiral.[78]

In reality, there was no evidence to support this. In our first profiteering report, we showed how real wages were by no means keeping up with inflation, let alone driving it. On the other hand, there was mounting evidence that companies were pushing inflation by increasing their mark-ups: the amount of extra money they added onto prices on top of their costs.

To be clear, there is widespread agreement that the initial cause of the recent price spikes - or so-called first round inflation - was due to a run of supply shocks hitting the global economy. These shocks included droughts hitting global food production, a rapid rise in gas demand in Asia, the unfreezing of manufacturing and transport links at the end of the pandemic, and the Ukraine war.

The debate was over second round inflation, in which decision-makers responded to these initial shocks to push prices up even further. For example, many food manufacturers in 2021 certainly faced higher costs due to drought and war. But they then had a choice of whether to absorb that cost rise into their margins; to pass it on by raising prices just enough to cover cost increases; or to price gouge by raising prices even further, so boosting profits.

In our second profiteering report, we analysed critical supply chains for industries including energy, petrol, transport and food: sectors responsible for over half of price rises in the UK. We found evidence that, through the length of these supply chains, many firms were not just passing on cost increases, but taking advantage of the crisis to increase margins. This compounding of price increases through supply chains was a major driver of the cost of living crisis.

4.1.2 Even the Bank of England and the Competition and Markets Authority have started to investigate profits

Andrew Bailey's remarks, repeatedly seeking to blame inflation on workers, were symptomatic of the mainstream consensus in economics. But since we published our first report on profiteering in July 2022, we have started to see some cracks in that narrative.

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Even bastions of economic orthodoxy like the IMF have identified rising profits as a key driver of inflation.[79] The Competition and Markets Authority (CMA) in the UK has been granted new powers to monitor the pricing decisions of petrol pump retailers.[80] And the Bank of England itself has begun, for the first time, to regularly survey companies' profit levels and the role of profit margins in price-setting decisions.[81]

4.2 The crisis has redistributed income from workers' wages to bosses' profits

Gross Domestic Product (GDP), is the usual official measure of everything produced in the UK economy in a given year. We might think of it as the economic pie that gets divided up by workers, companies, their investors, the government, and others.

One bleak fact of economic history is that the workers' share of the pie is now much lower than in the past. In the 1950s and 1960s, for example, the share of GDP taken home by workers in their wages was around 60%. In the last 20 years it has hovered around 50%. This is the major driver of the unequal society we live in today.

For example, when politicians talk about the need to return to higher rates of GDP growth, they miss out the critical question: who gets that growth? If it is all taken up by rising profits, while wages keep falling, workers are no better off.

The chart below shows the change in profit vs labour share as a ratio. We can see that from 1955 - 1980 the labour/profit share ratio was nearer three. That is, wages took about three times more GDP than profits. Now, the figure is much closer to two.

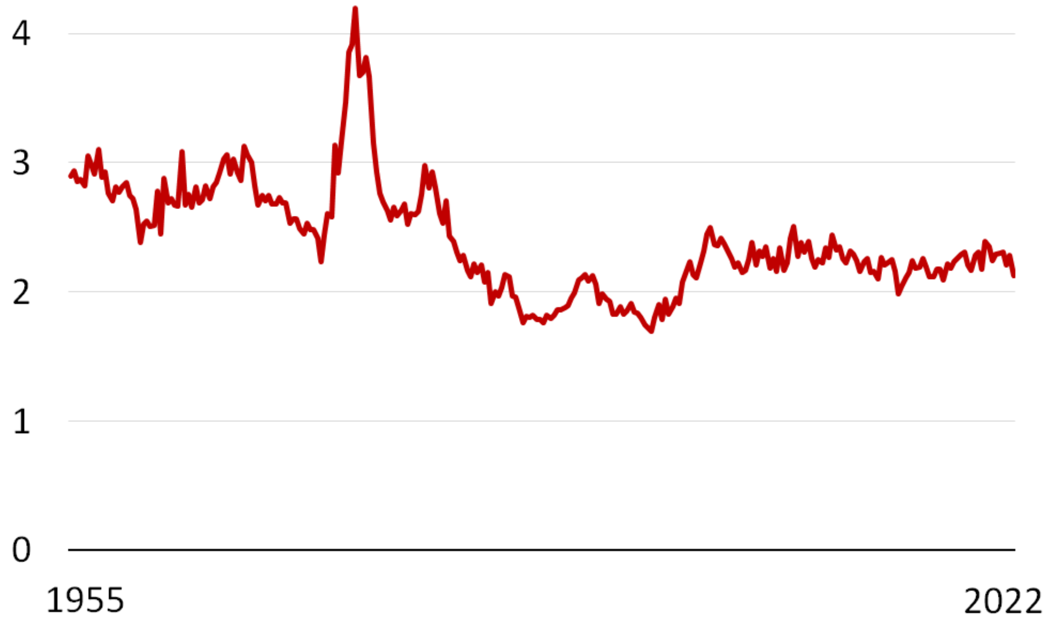

Figure 24 The wage/profit ratio has declined after the 1970's, and is now just over 2. The wage/profit ratio is the wage share of GDP divided by the profit share.

Source: ONS[82]

Over the recent cost of living crisis, we have seen how profits have jumped up while wages have fallen. This comes across strongly in the chart below.

Wages stagnated, and in fact fell 6% in real terms, between the start of 2018 and the end of 2022. But profits have climbed much faster than inflation. Over the same four years the median profit (i.e., the "middle" company from our sample of 17,000 companies) jumped up 22 percentage points more than inflation.

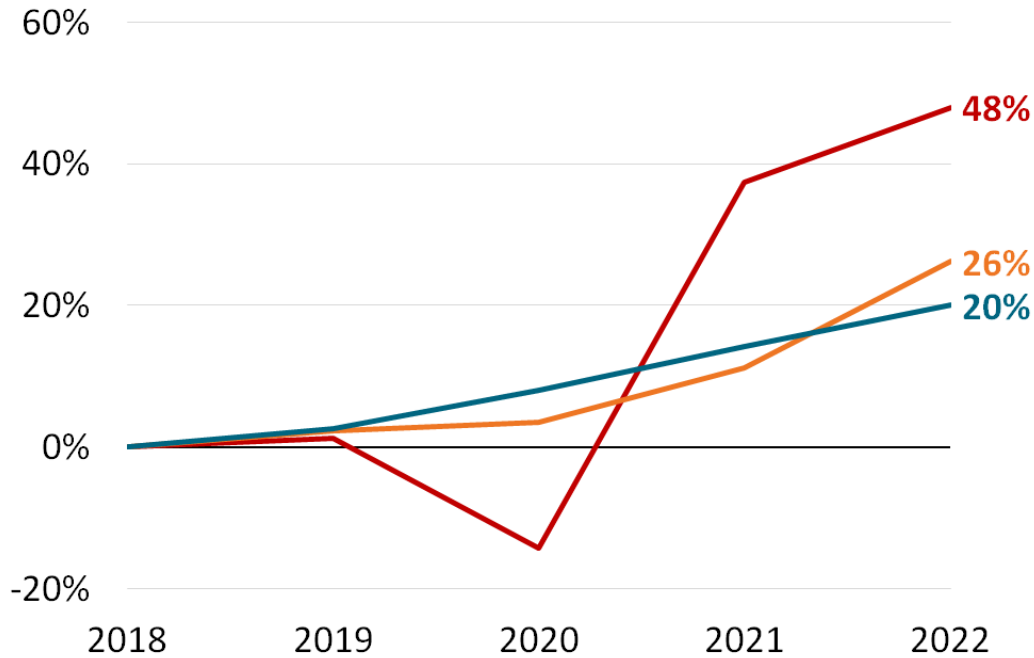

Figure 25 Change in median nominal profits (red), RPI (orange) and average weekly earnings [median pay] (blue) since 2018.

Source: ONS[8384], Unite analysis of Creditsafe data

While ordinary people's lives were put on hold during Covid and have struggled through the inflationary crisis that has followed, many companies hugely benefited. That led to a significant re-distribution of wealth from workers to employers, while cementing the long-term trend of the falling labour share of income.

To talk about how much money those percentages mean in terms of cold hard cash, the 17,000 companies we analysed made an extra £156 billion over the course 2021 and 2022, on top of what they would have made if margins stayed at 2018 levels. If we divide that by the number of UK households, that is equivalent to £5,500 in extra profit coming from each household.

4.2.1 CEOs and bankers have, unsurprisingly, not been hit by the cost of living crisis

The average FTSE 100 boss now earns the UK median salary in just three working days. Their average remuneration is £3.81 million, 109 times that of the average full-time worker.[85] In 1980, the average CEO earned just 11 times that of the median UK worker[86] but this disparity has exploded in recent decades as the UK has become increasingly unequal.

Across Unite workplaces. multi-million pay packets for CEOs is the norm, and a key indicator that employers are able to meet our members' pay demands. The chart below identifies a few well-known names.

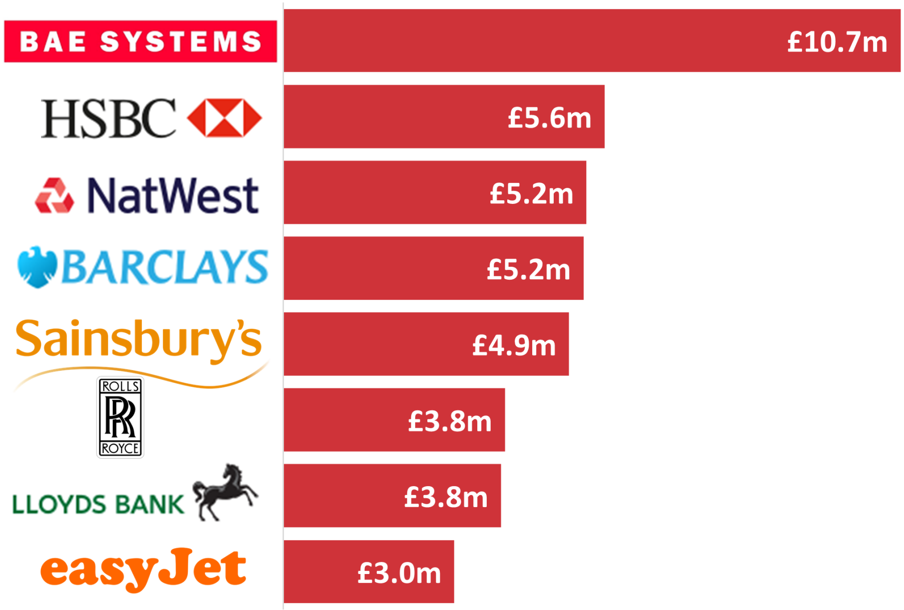

Figure 26 CEO pay at many Unite companies is in the millions of pounds

In October 2023, the government lifted its cap on bankers' bonuses, which had limited bonus payouts to a maximum of double base pay. It was introduced in 2014 in an attempt to stop rewarding financial speculation whilst millions across the UK were plunged into austerity. Rachel Reeves, Shadow Chancellor of the Exchequer, has recently pledged that the Labour Party will not reintroduce the bankers cap. [87]

Those in the City and other global finance hubs were directly to blame for the 2007/08 financial crisis, but have seen barely any repercussions. In fact, since 2001 total remuneration (regular pay plus bonuses) in the finance sector has risen 152%, while most people's pay has lagged behind cumulative inflation of 96%.[88]

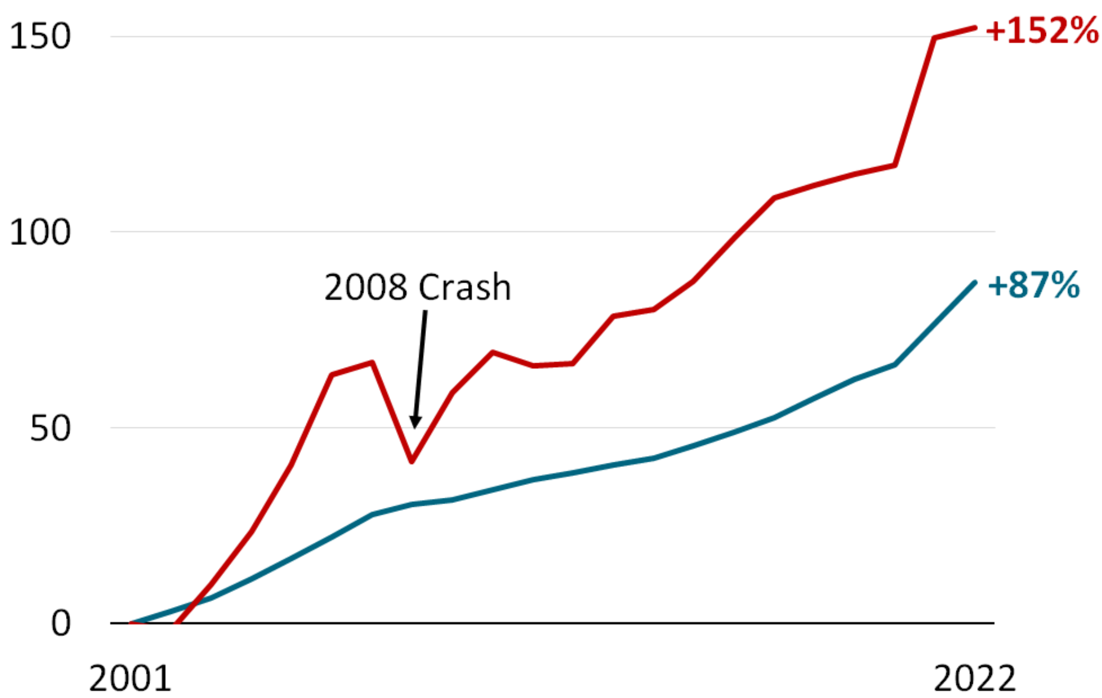

Figure 27 Financial and Insurance Activities (SIC K) total remuneration (Red) vs whole economy total remuneration (Blue), 2001 - 2022. Not adjusted for inflation, which stood at 96% over the same period.

Source: ONS[89]

4.3 Even as profits have soared, business investment keeps falling

Some might argue that increasing corporate profit is a good thing as companies may use their profits to invest for the future. And business investment creates jobs, as well as new products, which benefit workers in the future.

But are businesses using growing profits to drive investment? Unfortunately, it looks like the opposite is true. Investment has been in steady decline since 1997, although there was a slight recovery between 2010 and 2016. While this has been a notable phenomenon across so-called advanced economies, it is particularly bad in the UK. The UK is bottom of the table for business investment amongst the G7 leading economies.[90]

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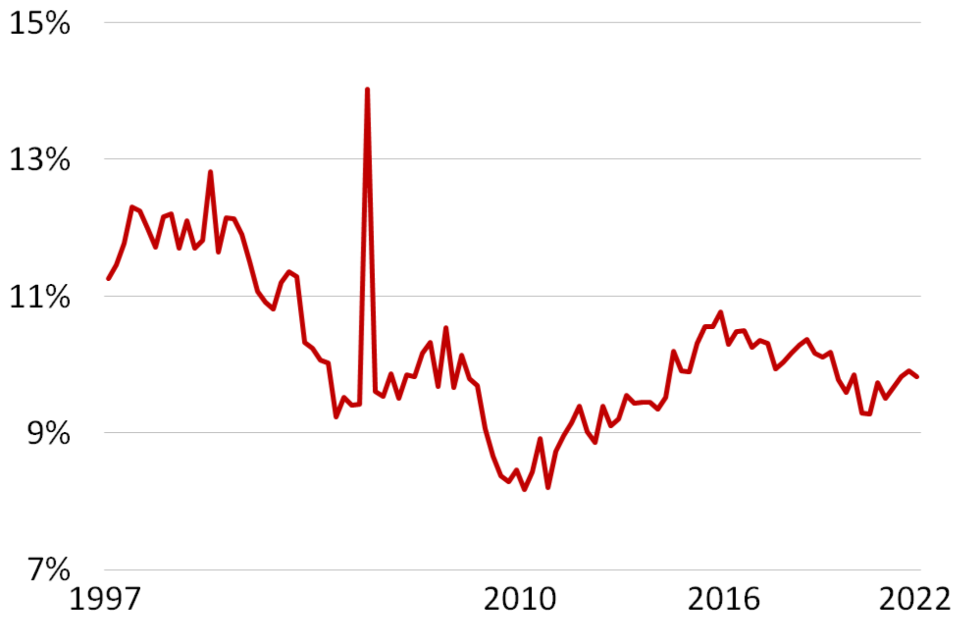

Figure 28 Business investment as a proportion of GDP, Q1 1997 to Q4 2022.

This trend of falling investment also seems to have got worse in the recent crisis. The chart below zooms in to show the decline in UK investment compared to its pre-pandemic level.This is the same period in which company profits have jumped 30%. Business investment on the other hand has fallen by 5%.

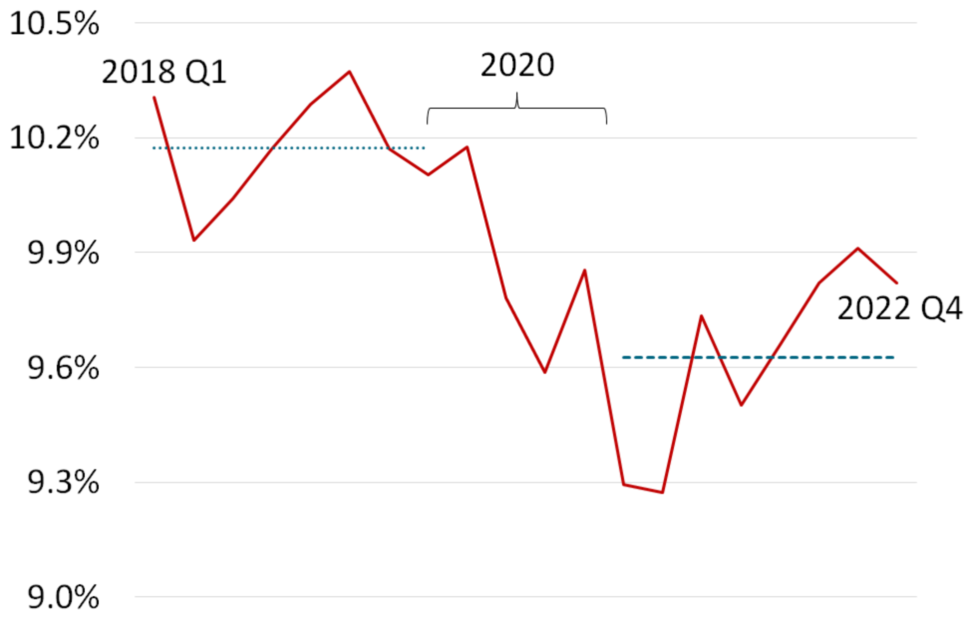

Figure 29 Business investment as a proportion of GDP, Q1 2018 to Q4 2022. Blue dotted line is pre-pandemic average, blue dashed line is 2021/22 average.

Source of Fig 28 & 29: ONS[91]

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4.4 So where is the money going? Shareholder payouts have jumped 20% since the pandemic

So if those increased profits are not going into investment, where are they going? Companies might use increased profits to pay off debt, or to hold as cash on their balance sheets. They might also pay out profits to shareholders in dividends and share buybacks.

Unfortunately, data on dividends and share buybacks is much less readily available than on overall profits, and we are not able to see whether this is happening across our sample of 17,000 companies.

We can analyse dividends for the very biggest listed companies, such as the FTSE 350, which report much more information on share activity. We cannot be sure their activity is mirrored across the full range of firms. But we do know this: the very biggest companies, at least, are showering their shareholders in money.

We've included share buybacks along with dividends as they are both shareholder payouts. Because there is good data coverage for 2023, we have also included the results for that period.

Overall, shareholder payouts were 19% higher in 2022 and 23% 2023 than they were in 2018/19. Notably, dividends have been relatively steady in the long term, fluctuating at around £30 billion a year. The increase has been driven by a rise in share buybacks, which have almost doubled since 2018/19 and were actually higher than dividends in the second half of 2022.

Over the course of 2022 and 2023, the total value of shareholder payouts was £275 billion. That's almost £10,000 per UK household.[92]

Profiteering 3

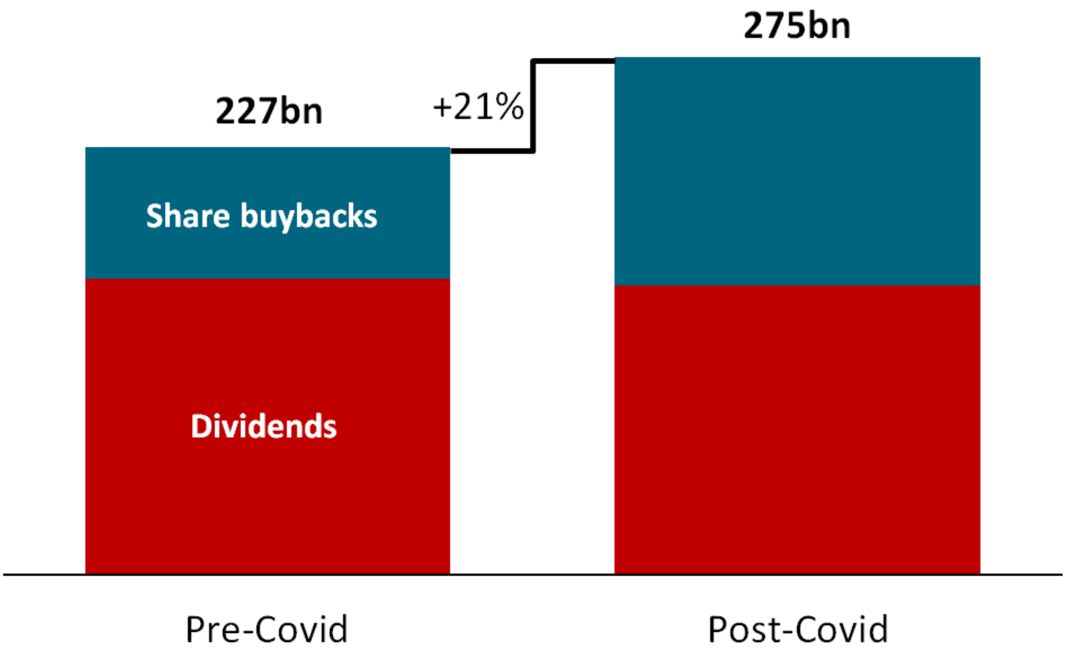

Figure 30 Share buybacks and dividends by FTSE350 companies in 2018/2019 and 2022/2023.

Source: Capital IQ

And just to be sure, we should also check what's been happening to investment at FTSE 350 companies - it is possible that they may have increased investment. To do this, we looked at plant property and equipment net of depreciation, noting the change from year to year.

We can see from the graph below that investment by FTSE companies has dropped. Quantitatively, net investment fell from £37 billion per half year in 2018 and 2019, to £9 billion between 2022 and 2023.

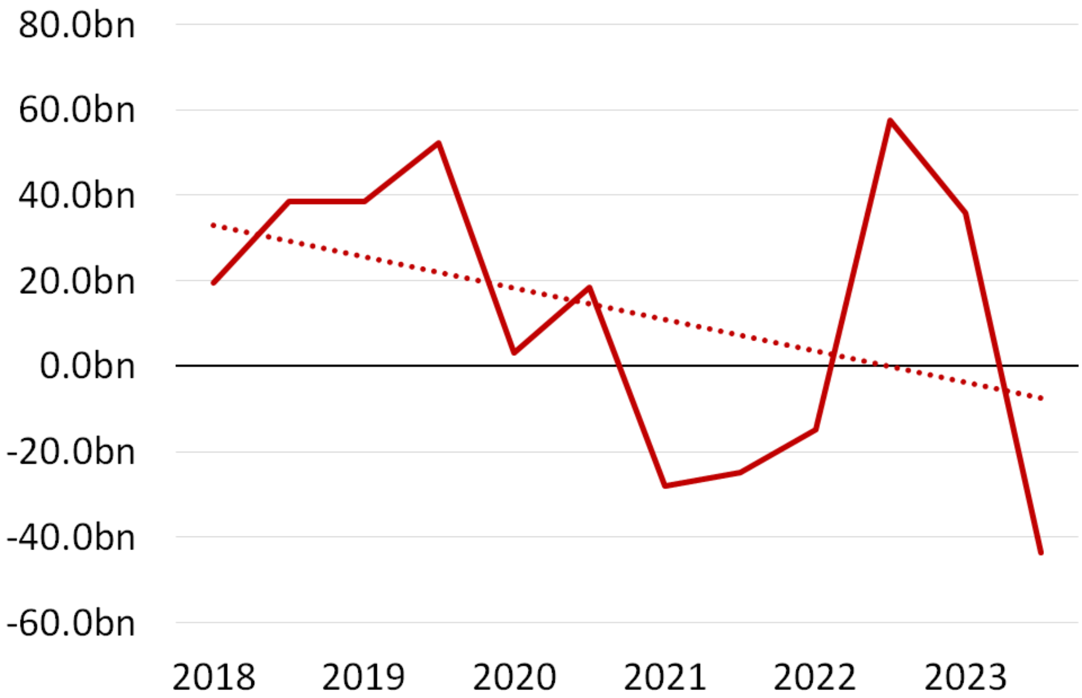

Figure 31 Change in property plant and equipment net of depreciation at FTSE 350 companies from previous financial half, first half 2021 to second half 2023. Dotted line indicates the trend.

Source: Capital IQ

Why does this matter? This is evidence that companies are making an active choice to hand cash over to shareholders, rather than supporting their workers, either directly through pay, or indirectly through investment.

SECTION FIVE

Taking on the prof-iteers

5. We need collective bargaining power to take on the profiteers

At the heart of the profiteering crisis lies the fundamental question of power. Without trade union organisation and collective bargaining, and in the face of passive politicians, CEOs and shareholders have the power to inflate their own pay, grab bumper dividends and extract wealth from the economy.

While workers are faced with stagnant pay and sky-high prices, record profits have not led to increased investment in our industries. The profiteers cannot be trusted to guide our economy into the future. Instead, what is needed is a revival of the power of workers and communities, enabling workers to reclaim a fair share of the wealth they created, and better aligning investment incentives with our needs for the future. There can be no economic renewal without tackling the power of profiteers.

Unite is committed to reviving the trade union movement to deliver on this agenda. We are organising in workplaces and delivering on the jobs, pay and conditions of our members.

- Since August 2021, £430 million has been put back into the pockets of over 196,000 Unite members – winning 82% of the more than 1,100 disputes we have had. But this is just the beginning.

5.1 To stop the erosion of pay and conditions, we are organising to rebuild collective bargaining power

For the first time in over 200 years, we're seeing a sustained period of wage decline:

Profiteering 3

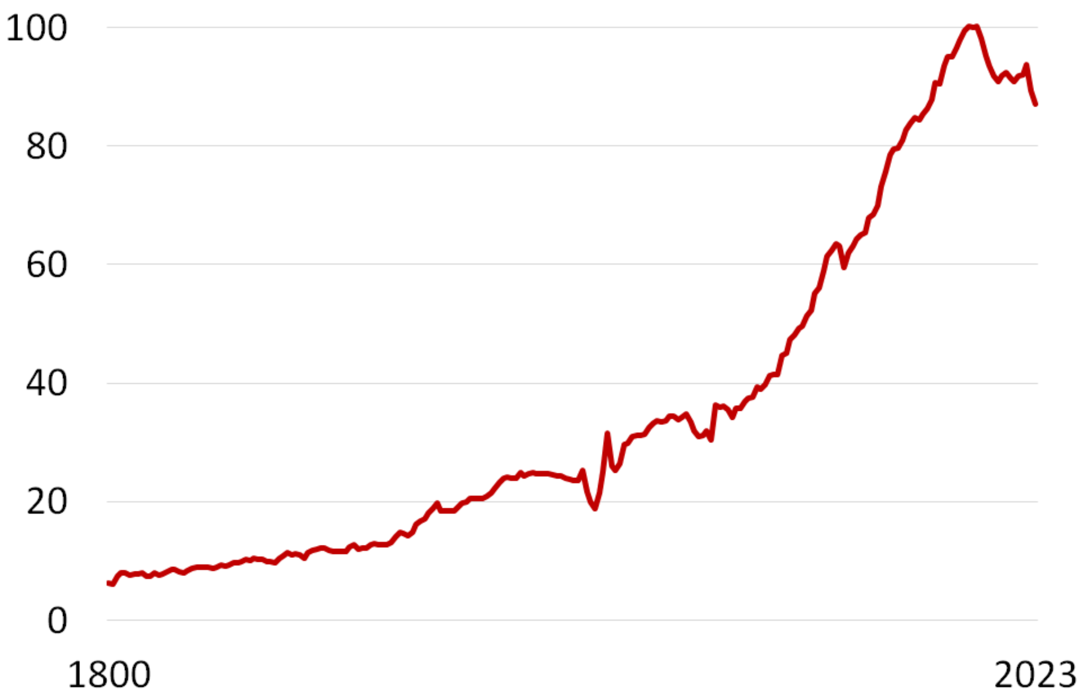

Figure 32 Real wages since 1800. Index: 2008 = 100.

Source: Gregory Clark, "What Were the British Earnings and Prices Then? (New Series)" MeasuringWorth, 2024[93]

Workers today earn less in real terms than they did before the 2008 financial crisis - an unprecedented decade and a half of wage stagnation. It is no coincidence that this decline in living standards has occurred while trade union power has been on the wane. Collective bargaining coverage has fallen from 85% of workers in 1970 to less than 25% today - from one of the highest rates in Europe to one of the lowest.[94]

Rebuilding collective bargaining coverage is critical to stop the erosion of workers' pay and conditions. Unite's recent wins show what is possible through determined organising. Be it easyJet cabin crew who just won a huge 20% pay increase, or workers at Saba Park Services workers who just received a 26% pay rise in Slough, winning in workplaces inspires action elsewhere.

Taking money out of the hands of wealthy (and often offshore) shareholders and back into the real economy has obvious economic benefits. Lower inequality also leads to higher economic growth,[95] while collective bargaining is associated with higher productivity and investment rates.[96] In a nutshell: if companies aren't able to cut costs by cutting jobs, pay and conditions, they need to invest in order to prosper. When workers' win, the UK economy thrives.

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5.2 Legislation must change in line with other European countries, to support union access and collective bargaining

The UK has some of the most restrictive trade union laws in Western Europe. The Strikes (Minimum Services Level) Act 2023 is just the latest in a long line of legislation that has hampered unions' ability to organise and drive up the pay and conditions of ordinary working people. Unite has welcomed Labour's commitment to repealing this particular piece of legislation. But, they must go further.

Unite is demanding that an incoming Labour government:

- Grant unions straightforward access to workplaces to talk to workers
- Overhaul and simplify the legal framework for trade union recognition

The next government will need to act decisively if it wants to turn around our stagnant economy. Labour will need to choose whose interests it represents. Will it continue the Conservative record of aiding relentless profiteering and managed decline? Or stand with workers, communities, and our future.

SECTION SIX

Methodology

6. Methodology, Sources and Acknowledgements

6.1 The analysis is based on company profit and loss statements filed with Companies House

Our analysis used data from company Income Statements (also known as Profit and Loss accounts) filed with Companies House. However, not all companies are required to file Income Statements. Companies, known as "micro-entities", are exempted if they satisfy two of the three following conditions:[97]

- turnover must not more than £632,000
- balance sheet total not more than £316,000
- average number of employees not more than 10.

Therefore, our analysis does not cover micro-entities.

Private companies have nine months from the end of their financial year to file accounts. For public companies, the time limit is six months.[98] For example, this means that for 2022 accounts, many companies whose accounting year runs to the end of December do not have to file reports until the end of September 2023. This is why we do not yet have a full data set for financial year 2023.

We obtained Companies House data through Creditsafe.

6.2 Methodology

Data Preparation

Two key issues in data preparation were removing the possibility of double counting profits across a group of companies, and finding the highest level UK company in a group. The second is conditional on the first.

Double counting would occur if Company A (further up in the group structure) had consolidated accounts (i.e., reports results for its subsidiaries), and Company B (a direct or indirect subsidiary of Company A) was included separately in the analysis, irrespective of whether its accounts were consolidated.

For our sample we took the ultimate UK parent company of a group where it reported consolidated accounts. Otherwise, we took every UK company with unconsolidated accounts in the group (with some exceptions due to other factors, e.g. where subsidiaries are not fully owned by a parent).

After the full cleaning process set out below, we saw enough consistency between the distributions of consolidated and unconsolidated accounts to have confidence in comparing the two types of accounting processes.

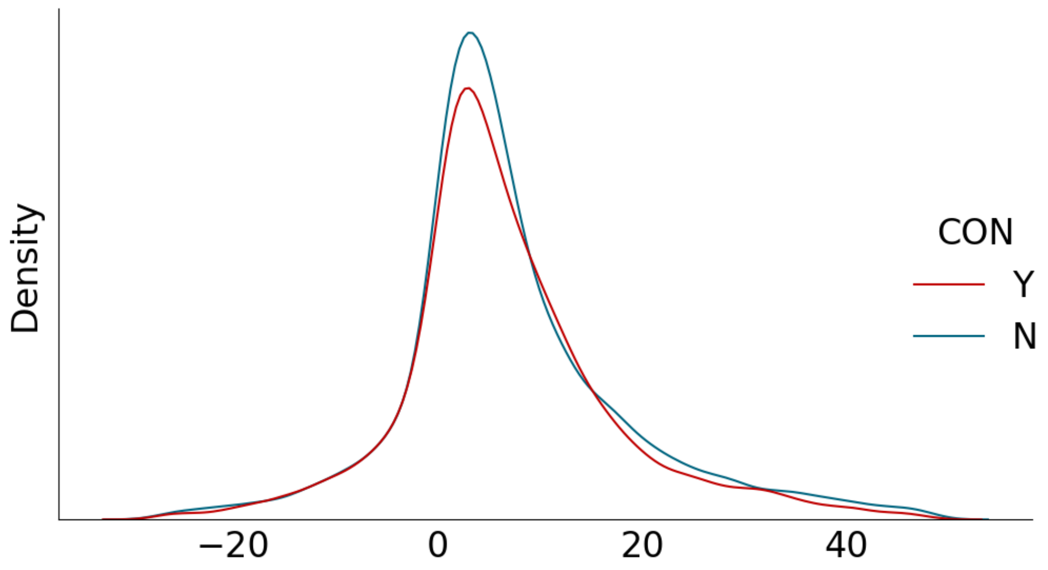

Figure 33 2022 post tax margin distribution for consolidated and unconsolidated accounts at non financial corporations. X-axis refers to margin in % terms. Y = consolidated and N = unconsolidated.

Data Cleaning

Once we had obtained the full set of companies, we removed duplicates and companies at the extreme ends of the distribution. We also ensured that all companies had 12 month accounts for each year, dropping any that didn't.

Next, we classified the data by year, which was defined at the accounting period end date, from January 16th yyyy to January 15th yyyy + 1. Fifteen days were added to account for any companies where there was slight misreporting for any reason. For example, some companies would report a financial year of 01/01/19 – 08/01/20, clearly a 2019 accounting period, but with a slightly extended period for whatever reason.

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There were also cases where companies produced multiple accounts for the same year. In these cases, we kept the record where they were consistent with other years and closest to 365 days.

Our dataset now contained a record for each year a company reported. We pivoted it to contain columns for years of each measure (pre and post-tax profit, turnover). We also added additional columns for profit margins. This meant it now had a record for each company. We then dealt with sector misallocation using the process described below.

The final step was to remove outliers by removing the top and bottom 1% of companies by profit margins for each year, as well as the bottom 1% of companies by turnover. Additionally, any companies where there appeared to be zero profit consistently were removed, i.e., any where the majority of results were zero.

Sector Misallocation by Companies

Sector data is based on companies' self-reporting to Companies House. Companies House itself does 'not have the statutory power or capability to verify the accuracy of the information that companies send to [them]'. Consequently, there appears to be no process in place to ensure that companies accurately report their sector.

There are also several unhelpful sectors that companies can allocate to themselves. For example, 'Activities of Head Offices' (SIC 70100) is often used by parent companies, even if all their subsidiaries are engaged in the same activity.

To deal with this issue, we reassigned companies reporting as SIC 70100 by identifying the SIC codes of their subsidiaries, and reassigning if most of their group revenue came from a substantive SIC code, where possible. In addition, we manually checked sector allocations for companies which make up over 1% of a sector's turnover. Again, any reallocations here were reimported back into the dataset.

6.3 Acknowledgements

Thanks to Alexander Guschanski and Ozlem Onaran from the University of Greenwich for their contributions and feedback during the production of this report.

7. Appendix 1: ONS Section Abbreviations

Section Code	ONS Section Name	Abbreviation
A	Agriculture, Forestry And Fishing	Agriculture Forestry & Fishing
B	Mining And Quarrying	Mining And Quarrying
C	Manufacturing	Manufacturing
D	Electricity, Gas, Steam And Air Conditioning Supply	Electricity and Gas Supply
E	Water Supply; Sewerage, Waste Management And Remediation Activities	Water and Sewage
F	Construction	Construction
G	Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles	Wholesale And Retail Trade
H	Transportation And Storage	Transport & Logistics
I	Accommodation And Food Service Activities	Hospitality
J	Information And Communication	ICT
K	Financial And Insurance Activities	Finance
L	Real Estate Activities	Real Estate
M	Professional, Scientific And Technical Activities	Professional
N	Administrative And Support Service Activities	Administrative
O	Public Administration And Defence; Compulsory Social Security	Public Administration And Defence
P	Education	Education
Q	Human Health And Social Work Activities	Health and Social Work
R	Arts, Entertainment And Recreation	Arts And Recreation
S	Other Service Activities	Other Services
T	Activities Of Households As Employers; Undifferentiated Goods-And Ser-	Activities Of Households As Employers; Undifferentiated Goods-And Ser-

Section Code	ONS Section Name	Abbreviation
	vices-Producing Activities Of House-holds For Own Use	vices-Producing Activities Of House-holds For Own Use
U	Activities Of Extraterritorial Organ-isations And Bodies	Activities Of Extraterritorial Organ-isations And Bodies

8. Appendix 2: Manufacturing Sector Names

Division Code	ONS Division Name	Abbreviation
10	Manufacture of food products	Food
11	Manufacture of beverages	Beverages
12	Manufacture of tobacco products	Tobacco
13	Manufacture of textiles	Textiles
14	Manufacture of wearing apparel	Clothing
15	Manufacture of leather and related products	Leather
16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	Wood
17	Manufacture of paper and paper products	Paper
18	Printing and reproduction of recorded media	Recorded Media
19	Manufacture of coke and refined petroleum products	Refinery
20	Manufacture of chemicals and chemical products	Chemicals
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	Pharmaceuticals
22	Manufacture of rubber and plastic products	Rubber and Plastic
23	Manufacture of other non-metallic mineral products	Other Mineral Products
24	Manufacture of basic metals	Basic Metals
25	Manufacture of fabricated metal products, except machinery and equipment	Fabricated Metal, exc Machinery
26	Manufacture of computer, electronic and optical products	Computers, Electronic and Optical
27	Manufacture of electrical equipment	Electrical
28	Manufacture of machinery and equipment nec	Machinery and Equipment nec
29	Manufacture of motor vehicles, trailers and semi-trailers	Vehicles and Trailers

Division Code	ONS Division Name	Abbreviation
30	Manufacture of other transport equipment	Other Transport
31	Manufacture of furniture	Furniture
32	Other manufacturing	Other Mineral Products
33	Repair and installation of machinery and equipment	Repair and Install-ation

Endnotes

1
https://assets.publishing.service.gov.uk/media/649aa7cfde86820013bc8e8e/Companies_Register_Activities_FYE_2023.xlsx

2The main analysis looks at non-financial corporations (NFCs) i.e. those which produce goods and non-financial services. They include the private companies people deal with day to day directly or indirectly: retailers, utilities, manufacturers, advertisers, vets, and much more. Excluded are banks, insurers, and asset managers; much of their work has little direct impact on the cost of living for workers. However, since rising interest rates in particular may also contribute to rising finance sector profits at the expense of workers and their families, we do examine the profits of financial corporations elsewhere.

3https://www.gov.uk/government/publications/life-of-a-company-annual-requirements/life-of-a-company-part-1-accounts#micro-entity

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5We look at financial companies separately as much of their work has little direct impact on the cost of living for workers. However, since rising interest rates in particular may also contribute to rising finance sector profits at the expense of workers and their families, we do examine the profits of financial corporations here.

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13 Unite analysis of Shell and BP profit margins and levels from 2018-2023. Shell: Statement of Income. BP: 2019-23 group income statement, 2018 Annual Report, pg 129.

14 Unite analysis of oil and gas producers (Shell, BP. Harbour Energy, Total Energie, Delek Group, CNOOC, APA, Spirit Energy, and Repsol Sincopec Resources UK) profit margins and levels from 2018-2023. Shell: Statement of Income. BP: 2019-23 group income statement, 2018 Annual Report, pg 129. Harbour Energy: 2018-19 pg 134 (Premier Oil), 2020-21 pg 114, and 2022-23 pg 7. Total

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16 IEA, Distribution of cash spending by the oil and gas industry, 2008-2022, IEA, Paris https://www.iea.org/data-and-statistics/charts/distribution-of-cash-spending-by-the-oil-and-gas-industry-2008-2022, IEA. Licence: CC BY 4.0

17 Unite analysis of the oil and gas producers (Shell, BP. Harbour Energy, Total Energie, Delek Group, CNOOC, APA, Spirit Energy, and Repsol Sincopec Resources UK) profit margins and levels from 2018-2023. Shell: Statement of Income. BP: 2019-23 group income statement, 2018 Annual Report, pg 129. Harbour Energy: 2018-19 pg 134 (Premier Oil), 2020-21 pg 114, and 2022-23 pg 7. Total Energie: 2018-19 pg 3, 2020-21 pg 3, and 2022-23 pg 3. Delek Group (owners of Ithaca). CNOOC Ltd. APA Corporation (Apache). Spirit Energy: 2018 pg 12, 2021-2022 pg 22, and 2019-2020 pg 29. Repsol Sincopec Resources UK: 2018 page 14, 2019-20 pg 23, and 2021-22 pg 22

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21 Unite analysis of electricity generation revenues and profits of major UK generators taken from consolidated segmental statements and financial accounts for major electricity generators. Profit margin increase is calculated as increase in EBIT (from consolidated segment statements or Centrica, EDF, SP and SSE, else the closest equivalent, operating profit, for companies where we have used their annual reports) margin in 2022 compared to average of 2018 and 2019. See, Centrica (https://www.centrica.com/media/4011/centrica-2019-ofgem-statement.pdf p5, https://www.centrica.com/media/atfjr41y/ofgem-consolidated-segmental-statement-2022.pdf p5); EDF
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