

ACS Submission: Low Pay Commission Consultation 2025

Table of Contents

1.	Executive summary	2
2.	Recommendations	3
3.	Introduction and Research overview	4
4.	The Impact of Rising Wage Rates	5
	Responses to the 2025 rate increase.....	5
	Impact of changes to Employer National Insurance Contributions (NICs)	7
	Pay Differentials.....	7
5.	Future Wage Rates	8
	2026 National Living Wage Rates	8
	The Future Remit of the Low Pay Commission	9
	Lowering the age of entitlement to the NLW to 18.....	11
6.	Apprenticeships	12
7.	Wider Employment Reforms	12
	Sick Pay Reforms	13
	Two-sided flexibility.....	13
	Third Party Harassment.....	15
8.	Compliance and Enforcement	15
9.	Economic Outlook	16
	Staff recruitment and retention.....	16
	Business Performance and Wider Economic Outlook	17
10.	Conclusion	19
	Annex: ACS Employment Group: National Living Wage Focus Group Transcript of the Meeting held on 20 May 2025, 9:30-10:20	20

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1. Executive summary

- There are 50,387 convenience stores in Britain, providing 445,000 jobs in all types of communities. The average store employs 9 people¹.
- The convenience sector offers local, secure, and flexible job opportunities, serving as a prime example of two-sided flexibility. 96% of colleagues are on a permanent contract, 45% of whom work part time. 81% of staff feel secure in their current role. The average commute time to work is 13 minutes².
- Businesses in our sector are facing significant financial pressure, driven in large part by the increase in Employer NICs and the reduction in the NICs threshold. 85% of retailers report that these changes alone will result in a significant increase in their employment costs, even before taking into account rising wage rates³. These pressures are further compounded by persistently high inflation, the ongoing cost of living crisis, and escalating operational costs across the board.
- Retailers are having to make difficult decisions in response to rising employment costs. Following the recent increases in April, more than half of retailers reported taking lower profits or absorbing the costs, increasing prices, and reducing staff hours⁴.
- These last few years have been particularly challenging for the labour market, with 71% of employers in our sector admitting that they found it difficult to recruit staff in the last twelve months, and 38% saying they found it harder to retain staff⁵.
- Retailers are operating in an increasingly challenging environment, with many facing pressure to reduce staff hours and scale back operations. Rising costs are making it harder for businesses to maintain stability and invest in their workforce. That being said, retailers are optimistic about the relevance and importance of their stores in the future, with more than half expecting sales to increase.
- The Low Pay Commission must adopt a cautious approach to future NLW increases and maintain a balanced remit that considers the impact on employers and job creation. The current target of two-thirds of median earnings should not be exceeded in order to avoid harming viability in labour-intensive sectors. Emerging risks, including reduced in-work progression, gig economy growth, and falling investment, must be closely monitored.
- We support a phased reduction of the NLW age threshold to 18 to give businesses time to adapt.
- Employment reforms under the Employment Rights Bill must minimise unnecessary bureaucracy and be drafted from a pro-business perspective that promotes productivity. To maintain good quality work and encourage investment, policies should be deliverable for small businesses and support long-term workforce planning.

¹ ACS Local Shop Report 2024

² ACS Colleague Survey 2025

³ ACS Employment Survey 2025

⁴ ACS Employment Survey 2025

⁵ ACS Employment Survey 2025

2. Recommendations

- **Adopt a cautious approach to future National Living Wage increases.**

Rising NLW rates continue to present challenges for local shops, particularly in the context of increased Employer National Insurance Contributions and the reduction in the NICs threshold. These pressures are compounded by the ongoing cost of living crisis and escalating operating costs across the sector.
- **Maintain a balanced remit that includes the impact on business and labour market outcomes.**

The Low Pay Commission's remit must explicitly consider the impact of minimum wage rises on employers, labour market access, and the availability of good quality work. In line with the 2024 remit, the LPC should consider the impact on business, and should assess 'emerging risks' such as:

 - Reduction in overall job availability
 - A shift towards gig economy models over secure employment
 - Stalling in-work progression opportunities
 - Reduced attractiveness of entrepreneurship
 - Decreased levels of business investment and innovation
 - Store closures or business scaling-back
 - Reduced willingness to recruit individuals from non-traditional or disadvantaged backgrounds, as higher wage costs may make some businesses more risk-averse in hiring candidates who may require additional training, support, or flexibility to succeed in the workplace.
- **Do not exceed the current NLW target of two-thirds of median earnings as a sustainable benchmark.**

The Government should not go beyond the existing target and avoid setting new or higher thresholds that could undermine job creation or viability in labour-intensive sectors.
- **Continue the phased approach to lowering the age of NLW entitlement.**

We support reducing the age of eligibility for the NLW to 18 and welcome the options put forward. A phased approach – lowering the threshold by one age group at a time – would provide businesses with much-needed planning certainty and allow them to adapt gradually to increased employment costs.
- **Ensure the impact of employment reforms alongside increases in the NLW are accounted for**

We welcome the direction of the Employment Rights Bill and the Government's Plan to Make Work Pay. However, these reforms must avoid introducing excessive bureaucracy or compliance burdens. To support investment and productivity, changes must be workable for businesses and avoid unintended consequences that reduce operational flexibility.

3. Introduction and Research overview

ACS (the Association of Convenience Stores) welcomes the opportunity to provide evidence to the LPC on the economic and labour market conditions that retailers are facing, the impact of the increases in the NLW in April 2025 and the affordability and effects of an increase in April 2026. We also value the opportunity to share our views on the approaches to lowering the age of entitlement to the NLW to 18.

ACS represents 50,387 shops, including thousands of independent retailers operating under brands like Spar, Budgens, and Nisa. These retailers are present in diverse locations, including neighbourhoods, villages, petrol forecourts, and city centres, with a primary focus on secondary shopping areas close to where people live and work⁶. Convenience stores play a distinctive role in local communities, offering access to essential goods and a wide range of services. Their importance has only grown in recent years, particularly as other high street services – such as banks – have continued to disappear.

Our 2025 Employment Survey collected responses from 28 businesses, representing 1,636 stores and employing 24,992 staff. Data was gathered between 7th May and 9th June 2025. The survey was conducted online and distributed to ACS members via email and the ACS website. As the survey is based on a non-random sample, there is a likelihood of bias toward those more significantly affected by recent increases in the NLW.

In addition to submitting written evidence, ACS facilitated a focus group session with several Low Pay Commissioners and members of ACS' Employment Expert Group, which includes senior HR professionals and independent retailers. The session was chaired by LPC commissioners to ensure objectivity. ACS staff attended the session in a neutral capacity and did not participate in the discussion. A transcript of the session is included in the annex, with speaker names anonymised. Amendments have been made for clarity, including corrections to transcription errors, removal of redundant dialogue, and grammatical improvements, while preserving the substance of all contributions.

ACS also supported the LPC's regional engagement, facilitating a visit to a retailer near Swansea on 15th May 2025. Additionally, ACS representatives will provide oral evidence to the Commission on 17th July 2025.

This submission also draws on the following research:

- **ACS Colleague Survey 2025:** Online survey of 568 colleagues working in the convenience sector, conducted between 13th January – 28th February 2025.
- **ACS Local Shop Report 2024:** Research based on a sample of 2,128 independent retailers, combined with data from ACS multiple members and weighted to represent the UK market. The report also includes relevant secondary data sources. You can read the report [here](#).
- **ACS Voice of Local Shops Surveys (2023-2025):** Bi-annual surveys of a random sample of 1,100 symbol and independent retailers, with responses weighted to reflect UK regional distribution.

Further methodological information is available upon request.

⁶ ACS Local Shop Report 2024

4. The Impact of Rising Wage Rates

Responses to the 2025 rate increase

The recent increase to the National Living Wage has placed significant additional financial pressure on businesses in the convenience sector. 96% of respondents to the ACS Employment Survey reported that the increase to £12.21 in April 2025 will lead to a significant rise in their wage costs over the next 12 months. The scale of these cost increases is forcing retailers to make increasingly difficult decisions about how to maintain the viability of their businesses.

As shown in Figure 1, retailers are responding to these cost pressures primarily by absorbing the costs through lower profits, increasing prices, and reducing staff hours – with these being taken by more than half of respondents. While these measures help businesses to remain open in the short term, they also put pressure on already tight margins, limit capacity for future investment, and ultimately restrict the ability of businesses to grow and create new jobs.

Figure 1: ACS Employment Survey - Which, if any, of the following actions are you taking following the April 2025 increases in wage costs (including rising NLW and changes to Employer NICs)?⁷

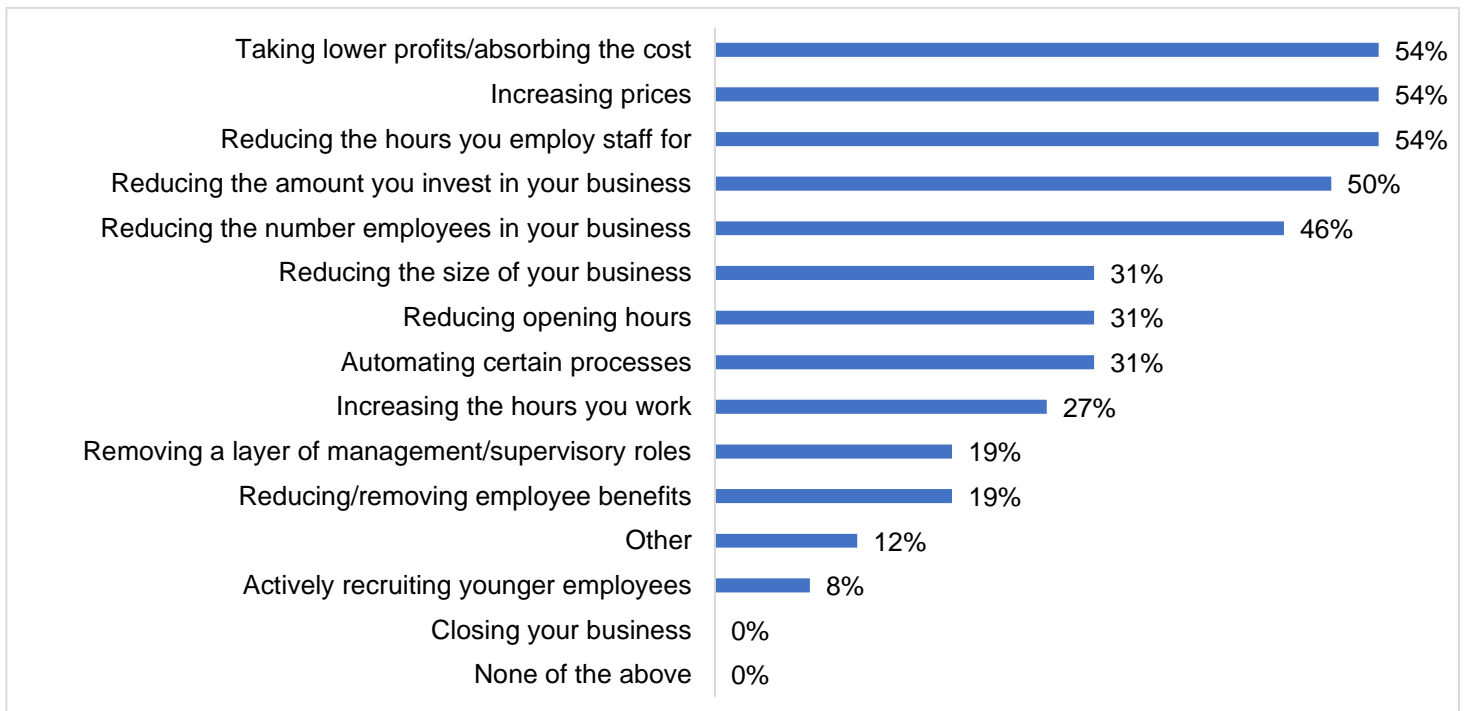


Figure 2 shows that the response to this year’s wage increase marks a notable shift compared to previous years. More retailers are now actively reducing staff hours, and there has been an increase in the number of businesses looking to reduce overall headcount. This indicates a growing recognition that employment costs, rather than other areas of spending, have become the primary area where businesses can make savings to offset rising operating costs – a trend that has likely been exacerbated by recent increases in Employer NICs.

⁷ ACS Employment Survey 2025

Figure 2: ACS Employment Survey: Which, if any, of the following actions are you taking following the April NLW increase? (2021-2025)

Action	2021 ⁸	2022 ⁹	2023 ¹⁰	2024 ¹¹	2025 ¹²	YoY, 2024-2025
Taking lower profits/absorbing the costs	68%	67%	69%	47%	54%	Increase
Increasing prices	48%	50%	31%	53%	54%	Increase
Reducing the hours you employ staff for	36%	42%	56%	47%	54%	Increase
Reducing the amount you invest in your business	20%	33%	50%	53%	50%	Decrease
Reducing the number of employees	32%	50%	38%	41%	46%	Increase
Reducing the size of your businesses	8%	0%	6%	29%	31%	Increase
Reducing opening hours (<i>new option for 2025</i>)	N/A	N/A	N/A	N/A	31%	N/A
Automating certain processes	44%	25%	50%	41%	31%	Decrease
Increasing the hours you work	28%	25%	31%	24%	27%	Increase
Removing a layer of management/supervisory roles	20%	17%	19%	12%	19%	Increase
Reducing/removing employee benefits	16%	8%	38%	29%	19%	Decrease
Actively recruiting younger employees	24%	8%	19%	0%	12%	Increase
Closing your businesses (<i>new option for 2025</i>)	N/A	N/A	N/A	N/A	8%	N/A

Interestingly, fewer retailers are planning to introduce new automation compared to previous years, suggesting that many who were able to automate certain processes have already done so. This leaves many businesses with limited further options to mitigate rising wage costs, increasing the strain on existing staffing models and business operations.

It is in this context that we see 31% of retailers considering reducing the size of their business – either by selling a store if they operate more than one (as reflected in the responses from multiple retailers in Figure 3 below), or by closing their only store. This figure rises to 45% when retailers are asked about their future plans as the NLW increases further (see Figure 5). Until last year, this was not a common response, but the increase in retailers taking this action should be a concern for the Commission and other policymakers who must consider the consequences of fewer stores offering essential products and services – particularly in communities where other businesses have already closed or consolidated around the remaining convenience store.

Figure 3 breaks down the differences in how independent retailers and multiples have responded to rising employment costs, showing some variation but also clear similarities in overall trends. Both independent and multiple retailers report that they are likely to reduce staff hours and increase prices as a way to offset higher wage bills.

One notable distinction is that independent retailers have greater flexibility to increase the number of hours they work themselves, absorbing some of the additional labour demands rather than hiring staff at higher wage rates. This reflects the hands-on nature of many independent businesses, but also highlights the growing pressure on owner-operators who are increasingly having to work longer hours to sustain their businesses in the face of rising costs.

⁸ ACS National Living Wage Survey 2021
⁹ ACS National Living Wage Survey 2022
¹⁰ ACS National Living Wage Survey 2023
¹¹ ACS Employment Survey 2024
¹² ACS Employment Survey 2025

Figure 3: ACS Employment Survey: Which, if any, of the following actions are you taking following the April 2025 NLW increase? (Independents vs Multiples)

Rank	Independents (35,775 stores in mainland UK)	Multiples (14,612 stores in mainland UK)
1	Reducing the amount you invest in your business	Taking lower profits/absorbing the cost
2	Reducing the hours you employ staff for	Reducing the hours you employ staff for
3	Increasing the hours you work	Increasing prices
4	Increasing prices	Automating certain processes
5	Taking lower profits/absorbing the cost	Reducing the number employees in your business
6	Reducing the number employees in your business	Reducing the size of your business (e.g. closing stores)

Impact of changes to Employer National Insurance Contributions (NICs)

The recent changes to Employer NICs have placed significant additional upward pressure on employment costs for businesses in the convenience sector. In our survey, retailers were specifically asked to assess the impact of these NICs changes *excluding* any increases in the NLW. 97% of retailers reported that the combination of the increased NICs rate from 13.8% to 15%, alongside the reduction in the threshold at which employers begin paying NICs from £9,100 to £5,000, has resulted in higher employment costs. 85% of respondents described this increase as significant, highlighting the substantial cost pressures created by the NICs changes even before factoring in the additional burden of higher wage rates¹³.

While the Government’s decision to raise the Employment Allowance from £5,000 to £10,500 was intended to provide some relief for small businesses, the vast majority of retailers continue to face higher NICs bills overall. Only 4% of respondents reported that their total National Insurance bill was lower following these changes, while 54% confirmed that their Employer NICs payments remain higher despite the increase in the allowance¹⁴. This demonstrates that the changes to the allowance have not been sufficient to mitigate the wider cost increases, leaving many retailers facing substantial additional employment costs at a time of already significant financial pressure.

Notably, 16% of respondents – entirely independent businesses – reported that they had never heard of the Employment Allowance, highlighting an ongoing awareness gap¹⁵. ACS actively raises awareness of the Employment Allowance among its membership, but further government-led communications could help ensure that all eligible businesses benefit from available support. In the longer term, making the Employment Allowance automatic rather than requiring businesses to actively claim it would help prevent smaller operators from missing out altogether.

Pay Differentials

The increase in the NLW has placed additional pressure on pay differentials within convenience stores, as businesses struggle to maintain appropriate wage gaps between entry-level and more senior roles. As shown in figure 4, the majority of retailers have not been able to increase pay for store-based employees not on the NLW at the same pace as frontline staff. For example, of those that employ this type of position in their businesses, only 19% of store supervisors and 14% of store managers received percentage pay

¹³ ACS Employment Survey 2025

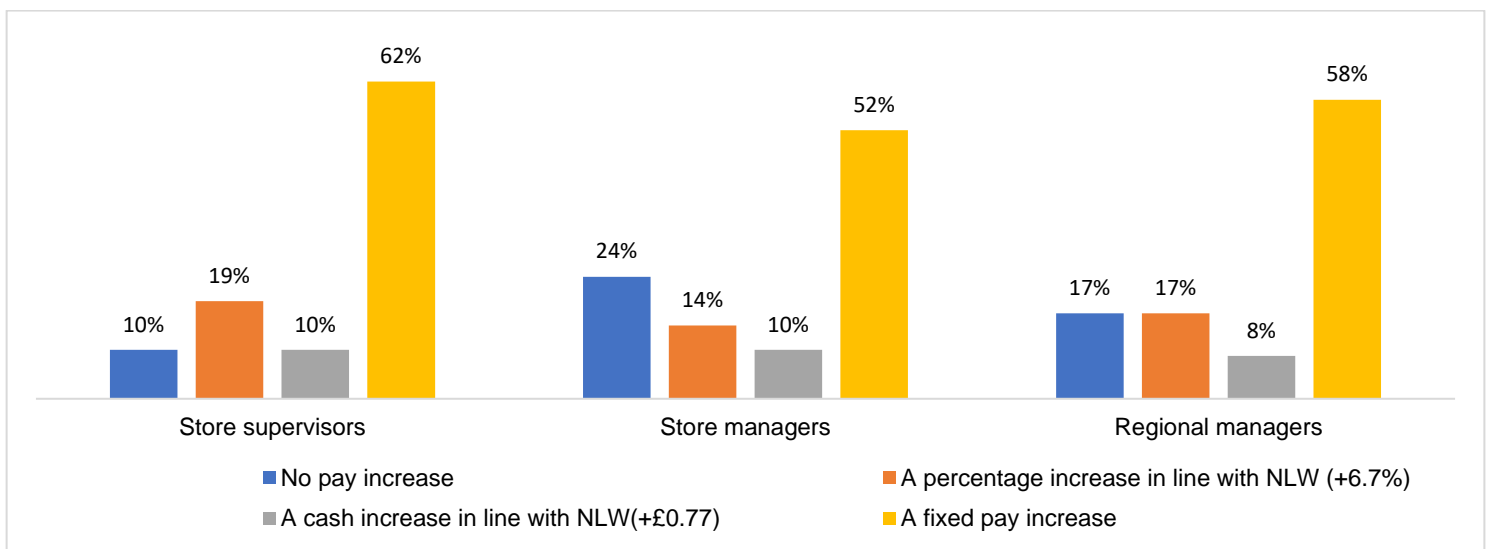
¹⁴ ACS Employment Survey 2025

¹⁵ ACS Employment Survey 2025

increases in line with the 6.7% NLW uplift, while the most common approach for these roles was to apply smaller fixed pay increases (62% for supervisors and 52% for managers)¹⁶.

This pattern is even more evident at higher management levels. For regional managers, nearly half of businesses (48%) reported that this role does not exist in their business, reflecting smaller organisational structures, but among those who do employ regional managers, 17% received increase aligned with NLW growth. The majority (58%) received a smaller fixed pay increase, and 17% saw no increase at all¹⁷. As the NLW continues to rise, these figures highlight how maintaining pay differentials is becoming increasingly difficult, risking pay compression, weakening incentives for progression, and placing further strain on staff retention across the sector.

Figure 4: ACS Employment Survey: Please indicate which, if any, pay rewards have been given to other store-based employees not on the NLW (of those that have this position in their business)¹⁸



5. Future Wage Rates

2026 National Living Wage Rates

Figure 5 shows retailers' anticipated response to a further increase in the NLW to £12.65 in April 2026, which reflects the LPC's central estimate in order to maintain the two-thirds of median earnings target in the absence of a new remit for this year. The results suggest that the impact of this increase would closely mirror the consequences already observed following the 2025 wage rise, as shown in Figure 1, with businesses continuing to face similar pressures and responding in similar ways.

The overwhelming majority of retailers anticipate having to take further cost-saving measures if the NLW increases again to £12.65. 83% of retailers expect they will need to reduce staff hours, while 79% say they will be forced to increase prices¹⁹. This indicates that many businesses feel they have little flexibility left to absorb further increases without

¹⁶ ACS Employment Survey 2025

¹⁷ ACS Employment Survey 2025

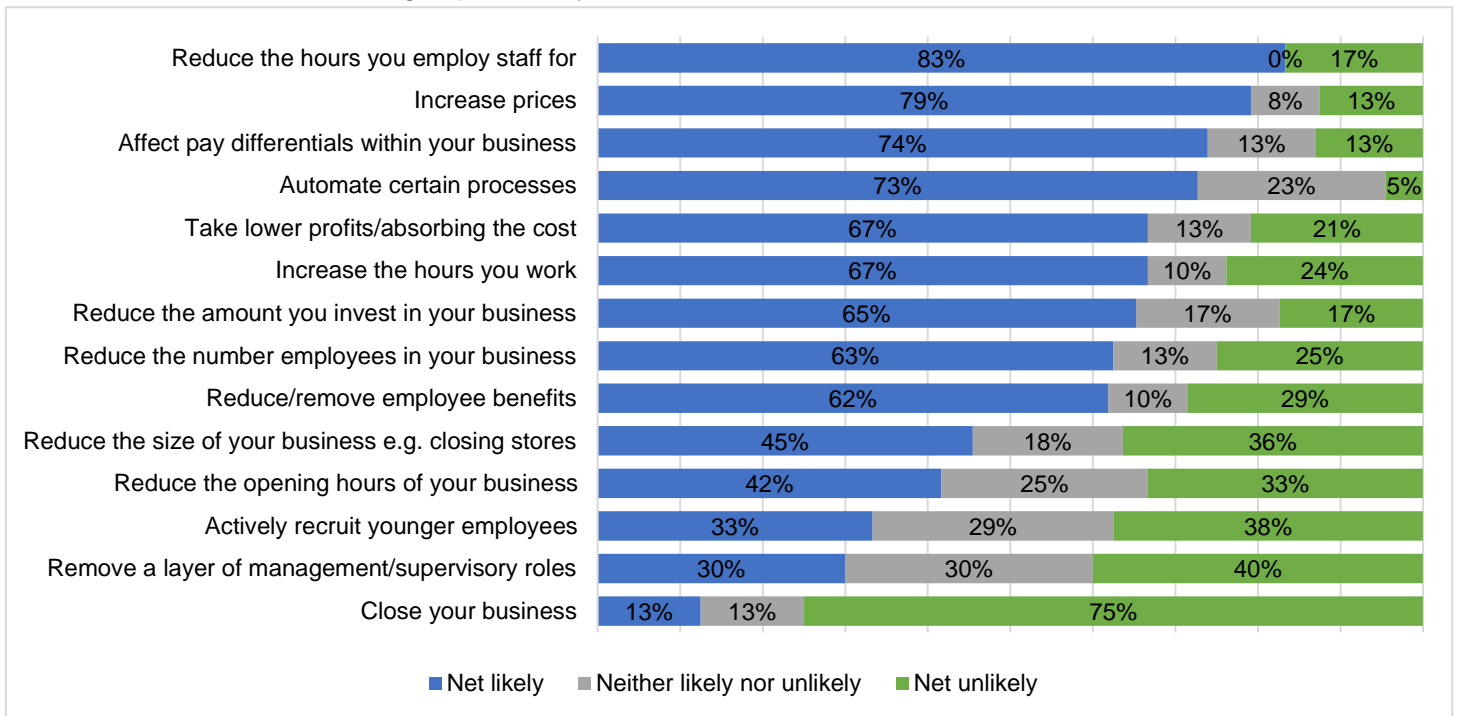
¹⁸ ACS Employment Survey 2025

¹⁹ ACS Employment Survey 2025

passing costs onto customers or scaling back their workforce, which raises concerns about the long-term sustainability of employment levels and pricing in the sector.

Importantly, even though the assumed increase represents a smaller percentage rise of 3.6%, 74% of retailers say it would still negatively affect pay differentials within their business²⁰. This highlights that even modest headline increases continue to erode the gap between entry-level and more senior roles, reducing the financial incentive for progression and making it harder for businesses to reward experience and responsibility appropriately. As pay differentials continue to narrow, the challenge of retaining skilled staff and developing future store managers becomes increasingly difficult for retailers across the sector.

Figure 5: ACS Employment Survey: In 2026 the National Living Wage rate is estimated to rise to £12.65. What is the likelihood of the following impacts on your business if this rate is introduced?²¹



Retailers’ future plans also show a continued increase in those saying they will raise prices as a result of higher wage costs. In a highly competitive market – with strong pressure from discounters, supermarkets, online operators, and others – this is a difficult decision for retailers, but many feel they have no alternative. These price increases will be inflationary and felt most acutely by those on low incomes and in remote areas.

The Future Remit of the Low Pay Commission

Although the remit for the LPC beyond 2024 has not yet been published, it is essential that future remits adopt a principled, evidence-based approach to wage setting. The LPC should retain the current target of two-thirds of median earnings as a sustainable long-term benchmark for the NLW. This approach has provided businesses with stability and predictability while balancing increases in pay with the need to safeguard employment. Introducing new or higher thresholds risks undermining job creation and business viability,

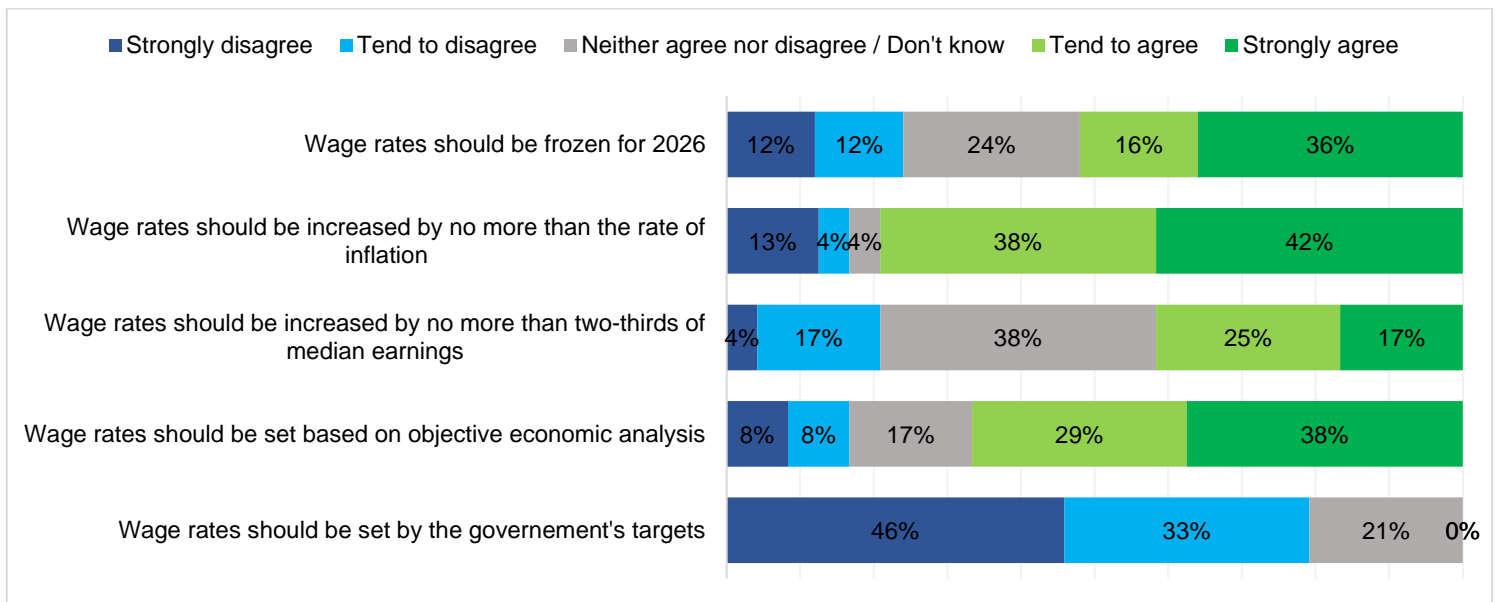
²⁰ ACS Employment Survey 2025
²¹ ACS Employment Survey 2025

particularly in labour-intensive sectors such as retail, where wage costs account for a significant share of total operating expenses.

It is vital that future decisions on wage rates are not driven by arbitrary or politically motivated targets, but instead reflect independent, objective analysis of economic conditions. As set out in last year’s LPC report *National Minimum Wage Beyond 2024*, the Government could adopt a remit that clearly sets the LPC’s purpose as: “increasing minimum wages to protect the living standards of low-paid workers but without significant risk to their employment opportunities.”²² This principled approach would continue to balance fairness for workers with economic sustainability for businesses.

Retailers strongly support this approach. As shown in Figure 6, 79% of retailers disagree with the idea of wage rates being determined by Government targets, while 79% believe wage increases should be limited to no more than the rate of inflation. In addition, 67% support wage rates being set through objective economic analysis²³. This highlights the clear preference among businesses for a depoliticised process that allows for careful consideration of wider economic conditions and the pressures facing both employers and employees.

Figure 6: ACS Employment Survey - Thinking about the expected NLW rate for 2026, to what extent do you agree or disagree with the following statements?



As with the 2024 remit, any future remit should also require the LPC to closely monitor developments in the labour market and advise on emerging risks to both employment and business sustainability. These risks include:

1. **A reduction in job opportunities:** Higher wage costs could shrink the labour market, with some employers unable to afford to hire, particularly in sectors heavily reliant on labour.
2. **A shift towards gig economy models:** Employers may move away from traditional employment models in favour of lower-cost, more flexible labour arrangements.

²² [Low Pay Commission: The National Minimum Wage Beyond 2024](#) (Page 22, paragraph 2.84)

²³ ACS Employment Survey 2025

Currently, 81% of colleagues in the convenience sector say they feel secure in their current job, but this could be at risk if stable employment becomes less viable²⁴.

3. A reduction in in-work progression: Businesses struggling to absorb wage increases may be less able to invest in staff development, limiting career advancement opportunities. While 64% of colleagues see themselves still working in the convenience sector in five years, only 20% say their job does not offer good prospects for progression²⁵. This balance could be undermined if further wage pressures reduce training and development investment.
4. A decrease in entrepreneurship: Rising wage costs may deter prospective entrepreneurs from starting new businesses, particularly smaller operators. 86% of retailers say that recent NLW increases have made running a convenience store less attractive for new entrants.
5. A reduction in business investment: Higher wage costs may force businesses to divert resources away from innovation and growth, potentially slowing wider economic development and technological progress.
6. A net decline in store numbers: 31% of retailers report plans to reduce the size of their business, and 8% say they may close stores altogether as a result of rising costs²⁶. This trend could be especially damaging in remote, deprived, or underserved areas, where convenience stores often provide essential goods and services in the absence of other retail or public infrastructure.
7. Reduced willingness to recruit individuals from disadvantaged backgrounds: Higher employment costs may lead some businesses to become more risk-averse in hiring people who require additional training or flexibility, such as ex-offenders, care leavers, or refugees. The retail sector already has a strong record in providing opportunities for individuals from underrepresented groups, as highlighted in the [Retail Sector Council's Employment Opportunities for Everyone](#) report. This important contribution to social mobility risks being undermined if businesses feel unable to absorb the additional costs of supporting these workers into employment.

In summary, the LPC's future remit must retain its current evidence-led approach, with an explicit focus on balancing improvements in living standards for low-paid workers with the economic realities facing businesses. A remit that gives the LPC independence, stability, and the flexibility to respond to emerging risks will ensure that minimum wage policy remains both ambitious and sustainable.

Lowering the age of entitlement to the NLW to 18

ACS is not opposed to the Government's proposal, as set out in the consultation, to lower the age of entitlement for the NLW to 18. In principle, we recognise the argument that younger workers performing the same roles and responsibilities as older colleagues should be paid equally for their work.

Historically, the use of lower minimum wage rates for younger workers has been relatively limited in the convenience sector. This has been driven by both principled and practical considerations. From a principled perspective, many retailers find it difficult to justify different pay rates based purely on age, particularly in small store environments where employees of different ages often carry out the same job functions. From a practical standpoint, a key responsibility for many convenience store employees is the sale of age-restricted products,

²⁴ ACS Colleague Survey 2025

²⁵ ACS Colleague Survey 2025

²⁶ ACS Employment Survey 2025

including alcohol, tobacco, and vaping products. This means that employees typically need to be at least 18 years old to perform their full duties, at which point most retailers already apply the full adult NLW rate.

However, this year's ACS Employment Survey indicates a shift in how retailers are using age bands to manage employment costs. 48% of retailers reported paying employees aged 18 to 20 less than the NLW rate, suggesting that an increasing number of businesses are now relying on the lower youth rates as a way to offset rising labour costs elsewhere²⁷. This reflects the growing financial pressures businesses face, which may make sudden changes to wage structures for younger workers particularly challenging to absorb. In addition, following the April 2025 increase in the NICs threshold and rate, retailers are also looking at hiring staff under 21 as they are exempt from employer NICs up to the Upper Secondary Threshold, helping to reduce overall employment costs²⁸.

Of the two options presented in the consultation, ACS would support a phased approach to lowering the age of NLW entitlement. While we recognise the case for extending the NLW to 18-year-olds, implementing this change in stages – lowering the threshold by one age group at a time – would give businesses much-needed planning certainty and allow them to adapt gradually to the associated cost increases. This approach would ensure that businesses can continue to provide job opportunities for young people while maintaining the long-term viability of their operations.

6. Apprenticeships

Apprenticeships remain limited in the convenience sector, with 79% of respondents to the ACS Employment Survey reporting that they do not currently take on apprentices. Among those not offering apprenticeships, the reasons cited were varied: 35% said there was no demand, 30% felt there was no need for apprenticeships within their business model, and 30% cited the time-intensive nature of managing apprenticeship programmes²⁹. The structure of the sector, which is heavily reliant on flexible, part-time working patterns and varying shift schedules, often makes it difficult to accommodate the fixed training and supervision requirements associated with apprenticeships. This creates additional barriers for small businesses already balancing complex operational demands.

7. Wider Employment Reforms

ACS supports the principles behind the measures set out in the Employment Rights Bill, particularly those aimed at improving job security and clarity for workers. However, with the cost of employing people rising significantly - driven by increases to the NLW and Employer NICs – it is essential that the implementation of these reforms does not create additional unintended burdens on businesses. Convenience retailers play a vital role in local labour markets, creating secure, flexible jobs in every community across the UK. Our sector epitomises the principles of good work, and 82% of colleagues say they understand their employment rights³⁰. It is crucial that future employment reforms support, rather than hinder,

²⁷ ACS Employment Survey 2025

²⁸ LPC Focus Group Session 20 May 2025 (see Annex)

²⁹ ACS Employment Survey 2025

³⁰ ACS Colleague Survey 2025

retailers' ability to continue investing in jobs and delivering essential services on high streets, in rural areas, and within neighbourhoods across the country.

Sick Pay Reforms

ACS supports efforts to ensure workers receive appropriate support when unwell, but we have significant concerns about the impact of the Government's proposed reforms to Statutory Sick Pay (SSP) on small businesses – particularly the removal of the three-day waiting period and the introduction of an 80% wage replacement rate for those earning below the Lower Earnings Limit (LEL).

The removal of the three-day waiting period is expected to increase both the cost of providing sick pay and the number of absences. 80% of retailers expect absences to rise once employees are eligible for SSP from the first day of illness, with over half anticipating a significant increase. In response, 31% of retailers said they would work more hours themselves to cover staff absences, and 25% plan to review and tighten internal policies around sickness leave to manage the anticipated rise in short-term absences³¹.

This change will disproportionately affect small businesses, particularly in sectors like convenience retail that operate on tight margins and with small teams. Evidence suggests that around 70% of sickness absences last three days or less, meaning retailers will bear the cost of absences that were previously unpaid, placing an additional and immediate financial burden on businesses³². We estimate that the SSP bill for the convenience sector was £14.7 million in 2023, a figure likely to rise considerably if these reforms are implemented³³.

Crucially, there is little evidence to suggest that these changes will meaningfully reduce presenteeism. While the intent is to encourage workers to rest when unwell and return to work when fully fit, the reality is that many employees already take time off when needed. Instead, the proposed changes risk encouraging unnecessary absences without supporting businesses in managing the consequences.

We are also concerned about the affordability of the proposed 80% wage replacement rate for those earning below the LEL. While intended to support lower earners, this approach will create unpredictable costs for small employers who will be required to fund a greater proportion of sick pay for part-time or lower-paid staff, many of whom are prevalent in the convenience sector.

To ensure these reforms are workable, the Government should introduce a rebate scheme to help businesses recover the cost of SSP for the first three days of absence. This could be modelled on the pre-2014 Percentage Threshold Scheme or the more recent Coronavirus SSP Rebate Scheme, both of which helped ensure that smaller businesses could continue to support staff without jeopardising their own financial stability.

Two-sided flexibility

ACS supports the principle of two-sided flexibility and the Government's aim to ensure workers receive appropriate rights around working hours and scheduling. However, it is vital that the implementation of these measures recognises the existing flexibility and security already offered in the convenience sector, and avoids placing disproportionate administrative and operational burdens on small businesses.

³¹ ACS Employment Survey 2025

³² [WPI Economics: Modelling Costs for SSP, 2022](#)

³³ ACS Employment Survey 2024

Convenience stores provide a strong example of flexible, secure employment in practice. 75% of colleagues report that their employer offers good flexibility, and 65% say they are happy with the hours they work³⁴. The sector does not rely heavily on zero-hours contracts – 79% of retailers do not use them at all. Among those that do, the use is often driven by employee preference (17%) or to manage seasonal peaks and holiday cover³⁵. Furthermore, 96% of colleagues in the sector are employed on permanent contracts, underlining the security that is already embedded in these roles³⁶.

In regard to the right to request guaranteed hours for those on zero-hours or low-hours contracts, we support the principle that workers should be able to request more predictable hours if they wish to do so. However, the threshold at which a contract is deemed “low hours” must be set at a level that maintains operational flexibility and avoids unnecessary administrative burdens. ACS recommends this threshold should be no higher than six hours per week. Our data shows that 83% of retailers already contract staff to work more than nine hours per week, and colleagues generally value the flexibility of current arrangements.

We also welcome the Government’s reassurance that employees will not be penalised for rejecting an offer of guaranteed hours. However, the requirement to continually make these offers could still create unnecessary and ongoing administrative challenges for small retailers, particularly where working arrangements are informal but mutually agreed.

Similarly, on the issue of reasonable notice of shifts, the convenience sector already demonstrates strong practice. 75% of retailers provide at least two weeks’ notice of shifts as standard, and 80% of colleagues report that their shift notice works well for them³⁷ ³⁸. Shift cancellations are rare: 72% of colleagues say they’ve never had a shift cancelled, and among those who have, fewer than half experienced cancellations with under 48 hours’ notice.

However, the way shifts are arranged in our sector reflects the diversity of business size and structure. 58% of retailers use a paper timetable or notice board, while 46% use informal digital tools like WhatsApp groups to coordinate shifts. These methods are practical, low-cost, and responsive to the dynamic staffing needs of small businesses³⁹.

As the Government develops secondary legislation to define “reasonable notice,” it is critical that this definition remains flexible and allows for operational realities. Retailers may need to make short-notice changes in response to staff illness, personal emergencies, extreme weather, or supply issues. Employers should not be unfairly penalised for disruptions outside their control, and the system must avoid a rigid one-size-fits-all approach.

In general, ACS recommends that government and enforcement bodies use sector-led guidance and best practice, such as that developed by ACS, to support compliance. For small retailers using informal scheduling methods, the expectation to implement robust digital systems and formal processes could be both disproportionate and financially burdensome. Requiring investment in new technologies or procedures could result in

³⁴ ACS Colleague Survey 2025

³⁵ ACS Employment Survey 2025

³⁶ ACS Colleague Survey 2025

³⁷ ACS Employment Survey 2025

³⁸ ACS Colleague Survey 2025

³⁹ ACS Employment Survey 2025

considerable challenges, especially when these changes offer little added value to businesses already meeting the needs of their employees.

Third Party Harassment

ACS recognises the importance of protecting employees from harassment in the workplace, including from third parties such as customers. Convenience retailers take this responsibility seriously and have invested significantly in crime prevention measures to protect their colleagues and deter antisocial behaviour. Across the sector, over £265 million has been invested in safety measures, with the average store spending £5,259 on crime prevention⁴⁰.

Despite these efforts, violence and abuse toward shop workers remains widespread. Our latest Crime Report shows that 83% of colleagues experienced verbal abuse in the last year – a net increase of 33% compared to the previous year⁴¹. In addition, 61% experienced threats of violence. We estimate that there were around 1.2 million incidents of verbal abuse in the past year, with 44% of these believed to be hate-motivated⁴². These figures highlight the daily reality for retail workers and the need for effective safeguards.

While we support the aim of ensuring employers take reasonable steps to prevent harassment, we are concerned that the open-ended nature of the proposed duty in legislation risks creating unrealistic expectations – particularly for businesses that serve the public. 83% of retailers are concerned that employers could be held liable for harassment by customers, even when they have taken all possible precautions to protect staff. Given the unpredictable and sometimes volatile nature of public interactions, it is nearly impossible to eliminate the risk of third-party harassment entirely.

To support businesses in complying with the new duty, clear and unambiguous guidance is essential. This guidance must define what constitutes “reasonable steps” in practice and reflect the realities of customer-facing sectors like retail and hospitality. The definition of reasonable steps must be developed in close consultation with employers and industry groups, taking into account differences in business size, operating models, and the tools realistically available to deter and respond to incidents.

In principle, retailers are committed to creating safe and respectful working environments. However, legislation must not expose them to disproportionate risk for factors beyond their control. A clear, proportionate framework is vital to ensure employers are supported in meeting their responsibilities without being penalised for the actions of individuals they cannot reasonably predict or prevent.

8. Compliance and Enforcement

Retailers in the convenience sector dedicate significant time and resources to ensure they remain compliant with minimum wage regulations and wider employment law requirements. Where breaches do occur, they are typically accidental or due to administrative error, rather than intentional non-compliance. The sector is highly engaged in understanding and meeting its legal obligations, recognising the importance of treating colleagues fairly and upholding employment standards. 82% of colleagues in the sector report that they understand their

⁴⁰ ACS Crime Report 2025

⁴¹ ACS Colleague Survey 2025

⁴² ACS Crime Report 2025

employment rights, while 71% say their employer communicates well with them about workplace issues⁴³.

ACS plays an active role in supporting compliance across the sector, providing clear and accessible information to members on employment law changes, including annual updates to the NMW and NLW. Recent changes were communicated to retailers through multiple channels, including social media, ACS' weekly newsletter, and sector-wide press releases. In addition, ACS maintains a dedicated People Hub on the member portal, offering detailed guidance on a wide range of employment issues, including right to work checks, modern slavery obligations, TUPE transfers, and broader HR matters. We also regularly work with Government departments to ensure their official guidance remains up to date and fit for purpose.

While retailers are committed to compliance, ACS has raised concerns with officials about the unintended consequences that may arise from some of the new measures within the Employment Rights Bill and wider employment reforms. In particular, proposed requirements around shift scheduling to address two-sided flexibility present operational challenges for small businesses that rely on flexibility to meet unpredictable customer demand, seasonal variation, and staff availability. Prescriptive rules on shift changes risk creating unnecessary administrative burdens and reducing the ability of small stores to manage staffing in a way that works for both employers and employees. More information on this is in section X.

9. Economic Outlook

Convenience stores play a unique and essential role in every part of the UK economy, operating at the heart of local communities across town centres, high streets, housing estates, and rural villages. Their reach extends into areas where few other businesses operate, with 33% of stores located in isolated areas without any other retail or service business nearby⁴⁴. This highlights the sector's importance not just as a place to shop, but as a vital community hub offering essential services, social interaction, and support networks – often open long hours, seven days a week.

The value of convenience stores to local communities is consistently recognised by the public. A poll of 2,000 consumers found that convenience stores are ranked among the top three businesses having the most positive impact on their local area, alongside post offices and pharmacies⁴⁵. As many other services have withdrawn from local high streets, the role of convenience stores in sustaining communities, providing employment, and supporting vulnerable groups has become increasingly important.

Staff recruitment and retention

Convenience stores continue to play an important role in providing employment opportunities within local communities, often offering roles at or slightly above the NLW to remain competitive in attracting staff. However, tighter labour market conditions and rising wage rates have made it increasingly difficult for retailers to recruit staff at these levels. As shown in Figure 7, 71% of retailers reported that recruitment has become more difficult over the past 12 months, reflecting the growing competition for workers across lower-wage sectors.

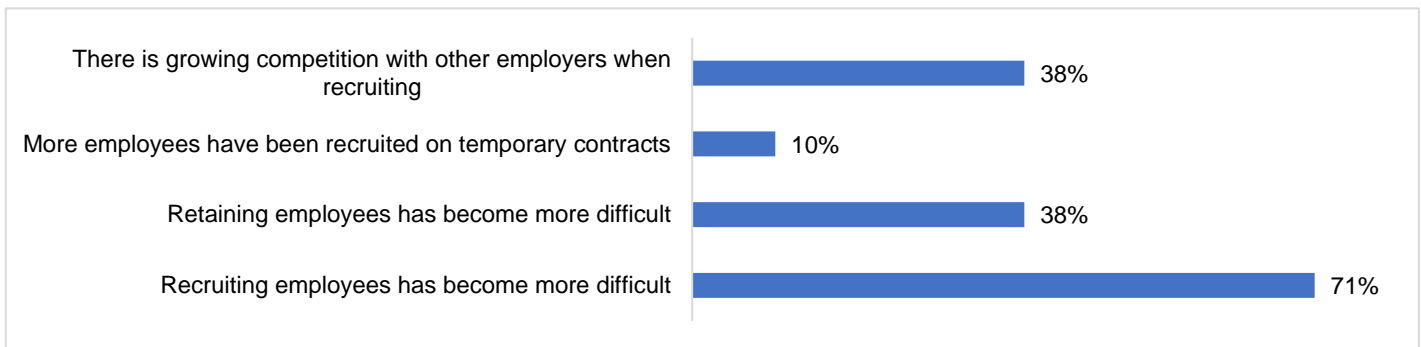
⁴³ ACS Colleague Survey 2025

⁴⁴ ACS Local Shop Report 2024

⁴⁵ ACS Community Barometer 2025

When asked whether they feel they have enough staff to meet the needs of their business, the survey revealed a fairly even split across the sector overall. However, independent retailers were significantly more likely than multiples to report staffing shortages, highlighting the particular recruitment pressures facing smaller businesses that may have fewer resources or less ability to compete on pay, benefits, or wider employment packages.

Figure 7: ACS Employment Survey - Thinking about the past 12 months, which of the following statements apply to your business? (select all that apply)⁴⁶



While recruitment remains a significant challenge, there are some encouraging signs on retention. Only 38% of retailers said that retaining staff has become more difficult in the past year, a notable improvement compared to last year when 69% reported greater retention difficulties. This suggests that, despite the challenges in hiring, many businesses are succeeding in holding on to their existing workforce, likely helped by the strong employment offer convenience stores can provide at a local level.

When competing for staff, retailers report that their main competition comes from supermarkets (67%), followed by the hospitality sector (46%)⁴⁷. These sectors often offer similar entry-level roles, sometimes with the additional attraction of larger organisations offering more structured career progression or additional staff benefits, making it more difficult for smaller convenience retailers to compete directly.

Despite these challenges, job satisfaction and security within the sector remain strong. 81% of colleagues report feeling secure in their jobs, 70% say they are satisfied in their current role, and 64% say they would like to continue working in the convenience sector over the next five years⁴⁸.

Business Performance and Wider Economic Outlook

Retailers are operating in an increasingly challenging trading environment, with many facing growing pressure to reduce staff hours and scale back operations in response to ongoing financial pressures. Rising costs are making it harder for businesses to maintain stability, retain staff, and invest in their workforce. Polling of over 1,000 independent convenience retailers in February 2025 found that only 23% reported sales growth over the past six months, while 35% reported a decline, resulting in a net fall of 12%⁴⁹ (Figure 8).

⁴⁶ ACS Employment Survey

⁴⁷ ACS Employment Survey

⁴⁸ ACS Colleague Survey 2025

⁴⁹ ACS Voice of Local Shops, February 2025

Figure 8: ACS Voice of Local Shops Surveys (November 2019-February 2025): i) When comparing the past six months to the same six months last year have your sales increased/decreased/stayed the same? ii) Over the past year have the number of paid staff hours in your business increased/decreased/stayed the same?⁵⁰

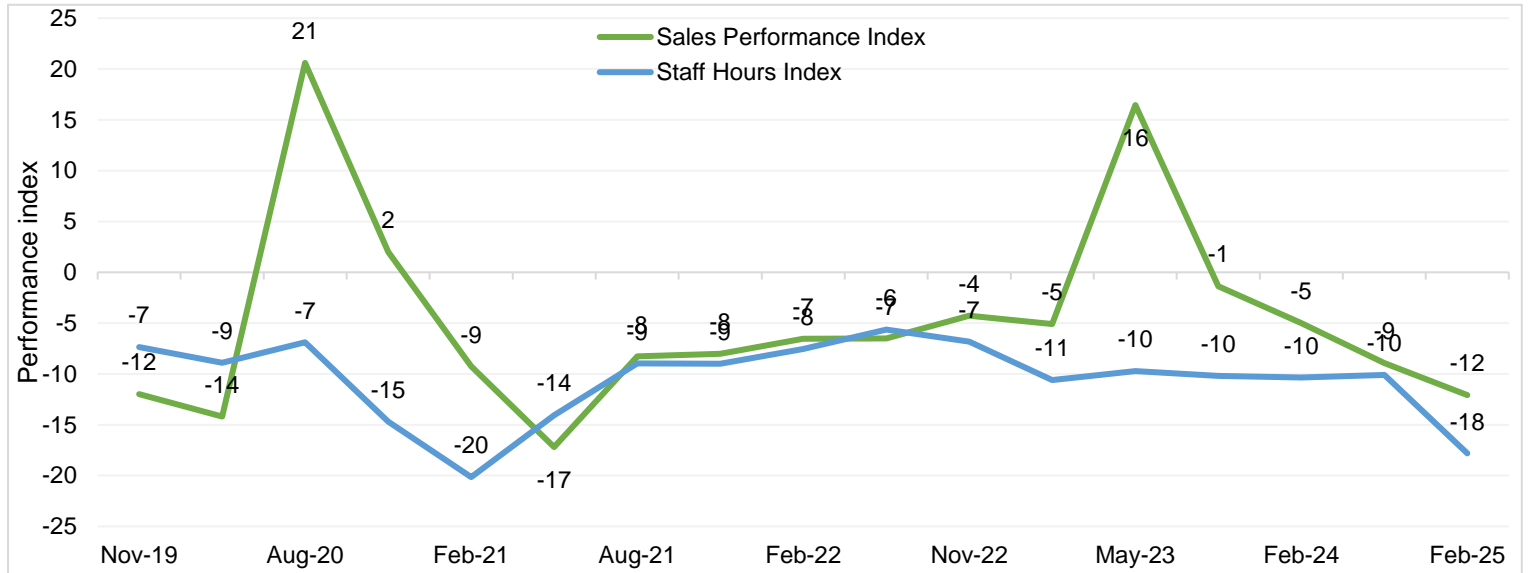


Figure 8 also shows that this reduction in turnover is reflected in staffing levels. Over the past year, just 11% of independent retailers reported increasing staff hours, compared to 29% who reported a decrease – a net decline of 18%. These reductions reflect the difficult decisions many retailers are having to make to maintain business viability amidst sustained cost pressures.

Despite these challenges, convenience retailers continue to demonstrate remarkable resilience, underpinned by the essential role they play in local communities. Their unique service offering, long opening hours, and presence in every part of the UK mean that they remain a vital part of the local economy and community support network. While more than half of retailers expect sales to increase over the next year, the prolonged period of trading uncertainty has understandably dampened confidence to invest. Currently, just 11% of retailers plan to invest in or improve their stores over the next 12 months, down from 18% in the previous quarter⁵¹.

Retailers need support to stay open and continue providing low-margin but vital services to their communities, including bill payment services, access to cash, and post office operations. These services are essential to the customers who rely on them, but often operate on very tight margins. That is why government announcements at fiscal events, such as decisions on business rates relief, multiplier freezes, and employer NICs, are so critical. Targeted support helps businesses remain viable, keep staff employed, and continue delivering essential services in every part of the UK.

⁵⁰ ACS Voice of Local Shop Surveys Nov 2019-Feb 2025 - Performance Index is calculated by % of retailers who responded *increased* - % of retailers who responded *decreased*

⁵¹ ACS Investment Tracker February 2025

10. Conclusion

Convenience retailers have faced significant cost pressures following the April 2025 increase to the National Living Wage and changes to Employer NICs. These policy changes have led to reductions in staff hours, price increases, and cuts to investment across the sector, all while retailers work hard to maintain services and secure employment in their communities. Despite these pressures, convenience retailers continue to offer flexible, secure, and locally accessible jobs – something that must be protected as employment legislation evolves.

Looking ahead, we urge the Low Pay Commission to adopt a cautious and evidence-based approach to future wage setting. The current benchmark of two-thirds of median earnings remains a sustainable and credible target. Setting higher or politically driven thresholds risks undermining employment opportunities, particularly in labour-intensive sectors like retail. Similarly, measures under the Employment Rights Bill must be implemented in a way that supports businesses to comply without creating unworkable or disproportionate burdens.

Our sector plays a critical role in every part of the UK economy, delivering essential services in communities that may otherwise be underserved. For these businesses to continue to invest, grow, and create jobs, they need a stable regulatory environment and targeted government support. We hope this submission helps inform the Commission's recommendations and we remain committed to working collaboratively to ensure future wage policy continues to support both workers and employers.

Annex: ACS Employment Group: National Living Wage Focus Group Transcript of the Meeting held on 20 May 2025, 9:30-10:20

Background

ACS (the Association of Convenience Stores) organised a meeting of convenience retailers to provide evidence to the Low Pay Commission to inform its recommendations on minimum wage rates for 2026. Retail delegates ranged from independent single-site operators to multiple-site national retailers.

The meeting was chaired by the commissioners on the call to ensure objectivity, and the ACS representatives remained neutral and did not participate in the discussion.

The transcript is provided below with speaker names anonymised. Amendments have been made for clarity, including the correction of transcription errors, removal of redundant dialogue, and improvements to grammar and flow while preserving the substance of all contributions.

Commissioner 1 (Chair):

One of the things we do each year is receive a remit from government. We're independent, but we advise them. This year, we've not had a remit, which leaves us in a bit of a quandary – understandable, perhaps, given the global economic turbulence. We don't know what's coming, but the government seems to have set a clear policy that two-thirds of median income for workers aged 21 and over is a floor rather than a ceiling.

If that policy holds, based on the latest data, a 3.5% increase would be needed to keep the National Living Wage (NLW) at that level – bringing it to around £12.64. There are caveats: we haven't had our remit and can't say for certain.

The government has also indicated an interest in standardising the age for NLW entitlement down to 18. We'd value your views on how this could work, and whether it's a good or bad idea.

We're also keen to understand the impact of the most recent NLW increase from 1 April this year, as well as other pressures on your business – perhaps changes to National Insurance among them.

Who would like to start?

Retailer 1 (Independent):

Our staff demographic has changed since the latest changes – we're seeing a much younger workforce. That's mainly because of National Insurance; younger staff cost less overall even if they're paid the same, due to the contributions. Historically, we employed older workers, but that's shifted.

We've been hit financially and are working on reduced margins. Fortunately, electricity prices have dropped, which has cushioned the blow slightly. As always, we weather the storm – but we've had to reduce staff hours.

I've never had a problem with sickness before. Since the government announced day-one sick pay, sickness levels have shot up. So I've reduced hours to reduce the liability.

Commissioner 1 (Chair):

That's interesting, though slightly concerning. It's perhaps too early to say if that's a blip due to changing employee behaviour...

Retailer 1 (Independent):

Honestly, I think this is the new reality. If someone's had a heavy night out, they just call in sick – and now they get paid. That's the reality we're dealing with.

Commissioner 1 (Chair):

There's data suggesting younger people are drinking less, though...

Retailer 1 (Independent):

They might drink less, but they still take days off after holidays, or tack a sick day onto their annual leave. I've never experienced anything like it.

Commissioner 1 (Chair):

Noted. Thank you.

Retailer 2 (Multiple):

Thanks. I'm speaking on behalf of our company's deployment strategy. I spoke to senior directors beforehand to gather feedback. We had budgeted for the NLW increase, but it came in higher than expected – so we had to revisit everything.

Like previous years, we've reduced in-store labour budgets. One big issue is differentials between customer service assistants (CSAs), shift leaders, and managers. Our biggest turnover and recruitment challenge is at the shift leader level. The differential has narrowed again this year, and we've had to reduce it – something we didn't want to do.

We usually pay just above NLW – we maintain a buffer because of fear around breaches. Years ago, we were caught out because we specified black trousers, which weren't provided – so technically, we breached the minimum wage. Now we pay a bit more to avoid such issues, but that squeezes our differentials.

The unexpected hit this year was National Insurance. It pulled many of our part-time staff into contributions. We weren't prepared for that – it's had a major impact. As a result, we've halted investment, reassessed store profitability, and are disposing of stores. We've cut new store openings in half, so by the end of the year, we'll employ fewer people than at the start.

Commissioner 1 (Chair):

Thank you. That's a big shift.

Commissioner 2:

Thank you. To both retailers: you mentioned reducing hours – can you quantify that as a percentage of payroll?

Retailer 2 (Multiple):

I don't have exact figures to hand, but I can get them. We reviewed our store operating hours. We already run lean, with typically one on one, so just two staff on shift in many

stores. We've just shifted hours from underperforming stores to better-performing ones. The overall labour budget is down.

Retailer 1 (Independent):

I can also share figures after. Our opening hours haven't changed since COVID, but staff hours have. Some staff have lost up to 50% of hours due to consistent sickness since day-one pay came in. I'm hiring more younger staff for fewer hours to spread the risk.

Commissioner 3:

Thanks. A question for **Retailer 1** – you mentioned paying from day one. That's not a legal requirement yet – did you introduce it early?

Retailer 1 (Independent):

Yes – we brought it in early to model the costs and predict patterns. That's likely why we've seen a big spike.

Commissioner 3:

Retailer 2, you mentioned a previous breach due to uniform. Was that staff buying trousers themselves?

Retailer 2 (Multiple):

Yes. We provided tops but required black trousers –. Meaning colleagues had to provide and buy their own trousers which had to be taken into account for NLW purposes. Since then, we allow more flexibility in dress and always maintain a buffer to avoid breaches. But that buffer eats into what we can pay other roles.

Commissioner 1 (Chair):

HMRC enforces the minimum wage and they confirm it's binary – you're either compliant or not, regardless of intent. That's an issue we've flagged.

Retailer 3, over to you.

Retailer 3 (Multiple):

Thanks. We made a structural change two years ago – removed permanent supervisors and replaced them with 'designate' team leaders who get a 50p/hour supplement only when covering. That saved us costs.

We anticipated the NLW increase but not the National Insurance hit – that pushed us to cut around 2,000 shop-floor hours per week across 135 shops (about 6% of total hours). Headcount fell by about the same.

We still maintain two staff per shift, but even that's challenging with rising retail crime. We're not yet disposing of stores, but we've frozen our expansion plans.

Unlike **Retailer 2**, we are a national living wage employer – we can't afford not to be.

Retailer 4 (Independent):

Just to speak for small rural stores – we only have one person on shift at any time. We've been cutting staffing each year for three years, and we're down to two people now. Can't go lower.

We've avoided National Insurance issues, but the only way we remain viable is through price increases. That, of course, adds to inflation – but it's our only lever.

Retailer 2 (Multiple):

Quick point. With NLW rising, pay's no longer a differentiator. It's hard to recruit for convenience roles – unsociable hours, lone working, exposure to crime – when people can get safer, 9–5 retail jobs elsewhere. Our sector's vital to communities, but it's harder than ever to attract people.

Commissioner 1 (Chair):

We hear you. Does anyone use the youth rates (18–20)? And what are your views on standardising the NLW to start at 18?

Retailer 3 (Multiple):

We apply rates by age. We'd prefer harmonisation – same job, same pay – but couldn't afford it last year. If the government proceeds, a phased approach would help – gradually narrowing the gap over time.

Retailer 2 (Multiple):

From a business view, we pay a flat rate regardless of age. But personally, as a parent of an 18-year-old, I worry standardising pay will reduce opportunities. Why would a business invest in training someone with no experience if they cost the same as a seasoned worker?

Commissioner 2:

About differentials – what's the ideal gap between levels? And what salary increase did managers get, compared to the 6.7% rise at NLW level?

Retailer 2 (Multiple):

Historically, our shift leader differential was 80p–£1. We'd like to pay more, but this year it narrowed. For salaried staff, average increases were 2.75%, though this varied based on performance.

Retailer 3 (Multiple):

We aimed for 5% gaps between roles but are closer to 3% now due to financial pressure.

Retailer 1 (Independent):

Same here – assistants got a rise with NLW, but team leaders and managers stayed flat. We'll review next year.

Commissioner 3:

On youth rates – should phasing out be by group (e.g., 18–20 as one) or year by year?

Retailer 3 (Multiple):

I'd need to model the impact before taking a view. Either option could work, but **Retailer 2's** point about excluding younger workers is worth thinking about.

Commissioner 1 (Chair):

Do apprentices feature in your workforce? Views on the apprentice rate?

Retailer 3 (Multiple):

We don't use the apprentice rate. It's hard to run apprenticeships in stores when shifts are so tight. Most uptake is at depot or team leader level, not at entry level.

Retailer 2 (Multiple):

Same. We'd like to use the apprenticeship levy but can't make it work. It's wasted money currently.

Commissioner 3:

You've mentioned part-time hours and flexible staffing. What's your sense of how many staff rely on their income as a primary wage? Are they students? Parents? Retirees?

Retailer 1 (Independent):

Many are using it as a top-up – either alongside a partner's income or another job. People are still affected by the cost-of-living crisis, but there's a trend toward spending on experiences like holidays.

Recruitment is really hard. People don't want to work weekends or evenings anymore. The industry isn't seen as attractive.

Commissioner 1 (Chair):

Where are you losing candidates to?

Retailer 1 (Independent):

Bigger retailers like Lidl and Tesco. Also, other industries altogether – though I'm not always sure which.

Retailer 4 (Independent):

We only employ retirees. It works well – they're reliable, already have income from pensions, and we avoid challenges around youth pay rates and reliability.