ACS Submission: Low Pay Commission Consultation 2026

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1. Executive Summary

- There are 50,486 local shops in the UK, providing employment to 443,000 people in every type of community[1].

- The convenience sector offers local, secure and flexible job opportunities, and remains a prime example of two-sided flexibility. 97% of colleagues are on a permanent contract, 77% feel secure in their current role, and 44% walk to work – underlining the deeply local nature of the employment local shops provide[2].

- Retailers are now contending with the cumulative effect of several consecutive years of substantial NLW increases, and the latest uplift is no exception: 90% of retailers describe the 4.1% increase as having a significant impact on their wage costs[3]. Crucially, these increases are not being absorbed in isolation. They are stacking on top of a range of other escalating costs – including the rise in Employer NICs, reforms to Statutory Sick Pay, business rates, energy and wider inflation. The sector is now approaching the limit of what it can sustainably absorb.

- The most common response to the latest NLW increase is for retailers to cut the hours they employ staff for. While this is broadly in line with the actions retailers have taken in previous years, it is now being done by a markedly greater proportion of businesses, with many owner-operators taking on additional hours themselves to compensate[4].

- The toll is already visible in the sector's headline figures. Alongside the fall in jobs, the amount invested by retailers has dropped from £1bn to £900m, total projected sales have fallen, and only 14% of retailers now plan to invest in or improve their stores – the lowest level in over two years[5].

- Labour market conditions remain difficult. More than half of retailers say recruiting staff has become more difficult over the past year, and 45% say they are now recruiting fewer people overall[6]. This is a direct consequence of high employment costs, and one that is narrowing the entry-level opportunities the sector has traditionally offered.

- The Low Pay Commission must moderate the pace of future NLW increases, recognising that local shops cannot continue to shoulder rises of this magnitude alongside everything else they now face. The current benchmark of two-thirds of median earnings should be retained as a reference point and not exceeded, and the LPC's assessment of business impact should explicitly monitor emerging risks, including reduced staff hours and job availability, stalling in-work progression, falling investment, and store closures.

- We support a continued phased reduction of the NLW age threshold to 18, proceeding one age group at a time to give businesses the certainty they need to plan and adapt.

[1] ACS Local Shop Report 2025
[2] ACS Colleague Survey 2026
[3] ACS Employment Survey 2026
[4] ACS Employment Survey 2026
[5] ACS Voice of Local Shops Survey April 2026
[6] ACS Employment Survey 2026

2. Recommendations

- **Set future increases at a level that reflects the mounting pressure on local shops**
  After several consecutive years of significant uplifts, labour costs have become one of the largest and fastest-growing cost pressures facing retailers. These increases are not being absorbed in isolation; they are stacking on top of a range of other escalating costs, including energy, business rates and wider inflation. The Low Pay Commission must therefore moderate the pace of future increases, recognising that local shops cannot continue to shoulder rises of this magnitude alongside everything else they now face.

- **Apply the 2026 remit's consideration of business impact and labour market conditions within the wider context of cost pressures.**
  We welcome that the 2026 remit already requires the Low Pay Commission to consider the impact on businesses and the condition of the labour market. We recommend that this consideration explicitly accounts for the cumulative cost pressures set out above, assessing the NLW as one element of a much broader cost burden rather than in isolation. To make this meaningful, the LPC should set out the emerging risks facing businesses, including:
    - Stalling in-work progression opportunities
    - Reductions in staff hours and job availability
    - Decreased business investment and innovation
    - Store closures and businesses scaling back
    - The reduced attractiveness of entrepreneurship

- **Do not exceed the current benchmark of two-thirds of median hourly earnings.**
  We understand the current benchmark of two-thirds of median hourly earnings as a recognised measure of low hourly pay. This benchmark should not be exceeded, in order to avoid undermining job creation and business viability in labour-intensive sectors such as convenience retail.

- **Continue the phased approach to lowering the age of NLW entitlement.**
  We recognise the Government's commitment to removing the age bands for 18–20 year olds. A continued phased approach is essential: businesses need certainty to allow them to plan and adapt gradually to increased employment costs, rather than facing abrupt changes that are difficult to absorb.

- **Account for the cumulative impact of wider employment reforms alongside NLW increases.**
  As reforms under the Employment Rights Act are introduced, it is essential that their impact is considered alongside increases to the NLW. Statutory sick pay reforms have already added to the cost of employing staff at the same time they absorb successive wage rises. Forthcoming measures to tackle one-sided flexibility must not risk impacting the flexibility that works well for the sector, nor place disproportionate administrative burdens on retailers.

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 2026, and the affordability and effects of an increase in April 2027. We also value the opportunity to share our views on the timing and approach to aligning the 18–20-Year-Old Rate with the NLW, as well as on the wider economic and labour market conditions shaping the cost of trading for retailers.

ACS represents 50,486 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 work. Convenience stores play a distinctive role in local communities, offering access to essential goods and a wide range of services. Retailers want to continue investing in these services for the communities they serve, but the rising cost of doing business and fierce competition have made this increasingly difficult to sustain, forcing many to take difficult decisions about the services they can offer and the people they can employ.

Our 2026 Employment Survey collected responses from 33 businesses, representing 2,288 stores and employing 27,495 staff. Data was gathered between 5th May and 5th June 2026. 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 an in-person focus group session with 14 retailers at the LPC offices in London on Tuesday 19th May. The session was chaired by LPC commissioners to ensure objectivity, with ACS staff attending in a neutral capacity and not participating in the discussion. A write-up of the session is included in the annex to this submission. The write-up was generated using Microsoft Copilot and checked against contemporaneous notes for accuracy; nothing is attributed to any individual retailer in the room.

ACS representatives will also give oral evidence to the Commission on Thursday 16th July. In addition, we were pleased to support the LPC's regional engagement programme, facilitating a visit from commissioners to a retailer near Peterborough on 10th June. We hope this combination of written evidence, first-hand retailer testimony, and direct engagement gives the Commission a rounded picture of the conditions facing the sector.

This submission also draws on the following research:

- **ACS Colleague Survey 2026**: Online survey of 686 colleagues working in the convenience sector, conducted between 14th January – 27th February 2026.
- **ACS Local Shop Report 2026**: Research based on a sample of 2,129 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**: 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.

4. ACS Employment Survey Results

Convenience retailers are now contending with the cumulative effect of several consecutive years of substantial increases to the National Living Wage, layered on top of a wider set of cost pressures that show no sign of easing. Rising employment costs, including last year’s changes to Employer NICs and this year's reforms to Statutory Sick Pay, are compounding the impact of each successive NLW uplift. At the same time, retailers are absorbing significant non-employment costs, from business rates to the broader effects of inflation across energy, stock and other operating expenses.

The compounding of these costs poses a real and growing risk to the sustainability of businesses across the sector, to their capacity to create and sustain jobs, and to their ability to invest in their stores and communities. Where retailers once had a range of options to manage rising costs, those options are narrowing. The Commission should be in no doubt that continued increases of this scale, set against the wider cost environment, are pushing a significant number of retailers towards difficult decisions about how they can continue to operate. The results of the Employment Survey reflect this.

Responses to the 2026 rate increase

The latest increase to the NLW has placed further significant pressure on businesses in the convenience sector. 81% of respondents to the ACS Employment Survey describe the 4.1% increase in the NLW as having a significant impact on their wage costs over the coming year[7].

As shown in Figure 1, retailers are responding to this increase in a number of different ways. The most common action, taken by 65% of employers, is reducing the hours for which they employ staff. The majority of independent retailers who have taken this step also responded to say they are increasing the hours they work themselves (54%) to offset the staff hours they are cutting. 54% of retailers also report taking lower profits or absorbing the costs, and an increasing number (50%) are now reducing investment in their businesses and seeking to automate certain processes – something many retailers in the sector had previously been reluctant to do.

Figure 1: ACS Employment Survey - Which, if any, of the following actions are you taking following the April 2026 increases in wage costs? (all retailers)

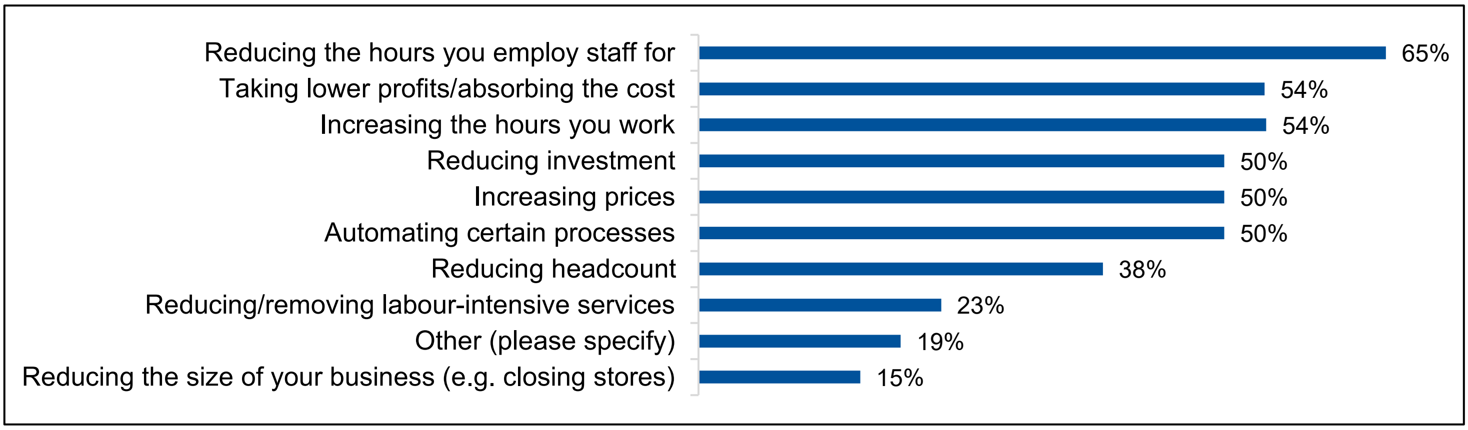

Figure 2 shows some continuity with the past couple of years in terms of which actions retailers are taking most frequently. What is most concerning, however, is the rising proportion of retailers now taking these actions. The clearest example is the reduction of staff hours, which has risen from 54% in 2025 to 65% in 2026. What is different this year is the extent to which retailers feel compelled to work more hours themselves in direct response to cutting back on staff hours, placing further strain on owner-operators who are already stretched.

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[7] ACS Employment Survey 2026

We have also now seen a significant increase in the number of retailers (50%) looking to automate certain processes, compared with previous years. This marks a notable departure from the sector's historic reluctance to automate and suggests that businesses are reaching a tipping point, with many having exhausted the more conventional means of managing rising costs and now turning to options they would previously have avoided.

Figure 2: ACS Employment Survey: Which, if any, of the following actions are you taking following the April NLW increase? (2022-2026)

Action	2022[8]	2023[9]	2024[10]	2025[11]	2026[12]	YoY, 2025-2026
Reducing the hours you employ staff for	42%	56%	47%	54%	65%	Increase
Taking lower profits/absorbing the costs	67%	69%	47%	54%	54%	Same
Increasing the hours you work	25%	31%	24%	27%	54%	Increase
Increasing prices	50%	31%	53%	54%	50%	Decrease
Reducing the amount you invest in your business	33%	50%	53%	50%	50%	Same
Automating certain processes	25%	50%	41%	31%	50%	Increase
Reducing the number of employees	50%	38%	41%	46%	38%	Decrease
Reducing/removing labour intensive services (new 2026)	N/A	N/A	N/A	N/A	23%	N/A
Reducing the size of your businesses	0%	6%	29%	31%	15%	Decrease
Reducing opening hours	N/A	N/A	N/A	31%	8%	Decrease
Removing a layer of management/supervisory roles	17%	19%	12%	19%	8%	Decrease
Reducing/removing employee benefits	8%	38%	29%	19%	4%	Decrease
Actively recruiting younger employees	8%	19%	0%	12%	4%	Decrease

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. Across both groups, the most common responses are broadly consistent: independents and multiples alike are increasing prices and taking lower profits in order to offset higher wage bills, reflecting the shared pressures that rising employment costs place on businesses of all sizes within the sector.

Figure 3: ACS Employment Survey: Which, if any, of the following actions are you taking following the April 2026 NLW increase? (Independents vs Multiples)

Rank	**Independents (35,845 stores in mainland UK)**	**Multiples (14,641 stores in mainland UK)**
1	Reducing the hours you employ staff for	Automating certain processes
2	Increasing the hours you work	Reducing the hours you employ staff for
3	Reducing the amount you invest in your business	Reducing/removing labour-intensive services
4	Taking lower profits/absorbing the cost	Taking lower profits/absorbing the cost
5	Increasing prices	Increasing prices

Both independents and multiples are also reducing the hours for which they employ staff. Among independents, 74% are cutting staff hours, a figure closely tied to the 68% who report working more hours themselves[13]. This underlines how owner-operators are absorbing the shortfall personally rather than carrying the cost of additional paid staff. The clearest point of divergence is around automation. Multiples are far better placed to

[8] ACS National Living Wage Survey 2022
[9] ACS National Living Wage Survey 2023
[10] ACS Employment Survey 2024
[11] ACS Employment Survey 2025
[12] ACS Employment Survey 2026
[13] ACS Employment Survey 2026

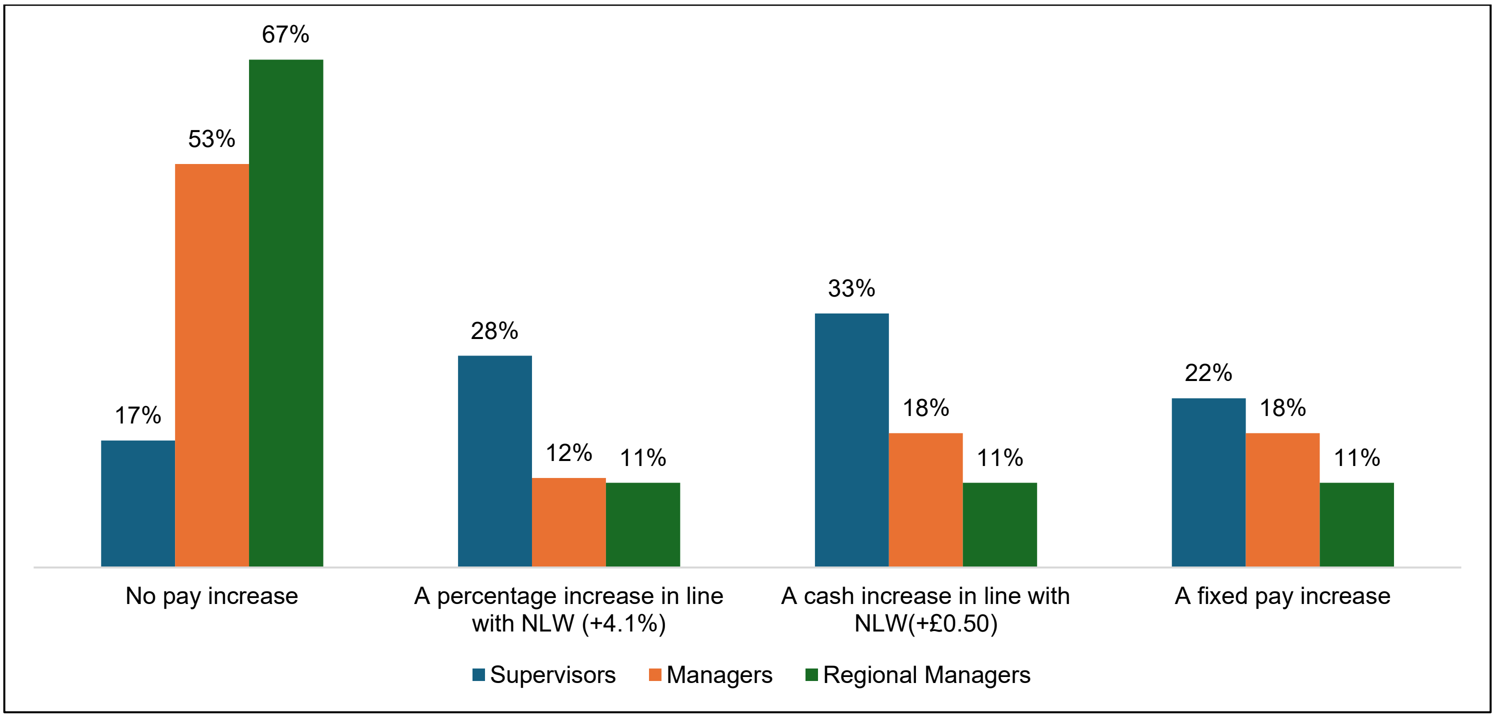
automate certain processes, whereas for independents the upfront costs mean any decision to automate has to be weighed carefully against that return on that investment.

Impact on Pay Differentials

The latest increase in the NLW has once again placed additional pressure on pay differentials within the sector, and to an even greater extent than last year. As the wage floor rises, retailers are finding it increasingly difficult to maintain appropriate wage gaps between entry-level roles and more senior positions, with many unable to lift pay for supervisory and management staff at the same rate as their frontline colleagues.

As shown in Figure 4, the majority of retailers were not able to increase pay for store-based employees who are not on the NLW at the same pace as frontline staff. For example, of those that employ these positions in their businesses, only 28% of store supervisors and 12% of store managers received percentage pay increases in line with the 4.1% NLW uplift. The most common approach for these roles was instead to apply a smaller cash increase of 50p in line with the NLW fixed pay increases, taken by 33% of retailers for supervisors and 36% for managers. Of those businesses that employ people at regional manager level, two-thirds of those in that role did not receive a pay increase from April.

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)



As the NLW continues to rise, these figures highlight how maintaining pay differentials is becoming increasingly difficult. The persistent compression of pay between entry-level and more senior roles weakens the financial incentive for colleagues to take on additional responsibility and progress into supervisory or management positions. Over time, this risks undermining career progression within the sector and placing further strain on staff retention, as the reward for stepping up no longer reflects the added responsibility involved.

NLW increases in the context of wider labour and operational costs

The impact of the NLW cannot be considered in isolation. For many retailers, each uplift lands alongside a series of other rising employment costs that together determine the true burden of employing staff – and it is the cumulative effect of these costs that is driving the difficult decisions set out above.

The most significant of these in the past year has been the changes to Employer NICs. 97% of retailers reported that the combination of the increase in the 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[14]. Crucially, this interacts directly with the NLW: as the wage floor rises, more of a retailer's staff are pushed above the lowered NICs threshold, meaning employers begin paying contributions on a greater share of their wage bill. This compounding effect helps explain why so many retailers are now looking to reduce staff hours, as cutting hours becomes one of the few levers available to contain a cost base that is rising on multiple fronts at once.

These costs are mitigated to some degree by the Employment Allowance, but a significant awareness gap remains. 44% of retailers are not aware of the Employment Allowance and therefore unable to claim the support it offers[15]. ACS actively raises awareness of the Allowance among its membership, but further Government-led communications would help ensure that more eligible businesses benefit. In the longer term, making the Employment Allowance automatic, rather than requiring businesses to actively claim it, would prevent smaller operators from missing out altogether.

A further major employment cost that retailers are now grappling with is Statutory Sick Pay. Last April's removal of the Lower Earnings Limit, together with the introduction of eligibility from day one, has increased these costs further. There is also growing evidence that the reforms may be having the opposite effect to that intended, and are likely to lead to an increase in absences. 45% of retailers report that their absence rates in April 2026 – just one month into the policy taking effect – are higher than at the same point last year[16]. In response, retailers anticipate that employers will increasingly apply Bradford-style absence indices, which risks leading to more dismissals on the grounds of ill health[17].

Taken together, these employment costs must be understood in the context of the wider cost pressures bearing down on the sector, including increases in business rates, rising energy costs and broader inflationary pressures. It is the accumulation of all of these factors, on top of successive NLW uplifts, that is stretching the sector's capacity to absorb further increases.

One-sided flexibility & Zero hours contracts

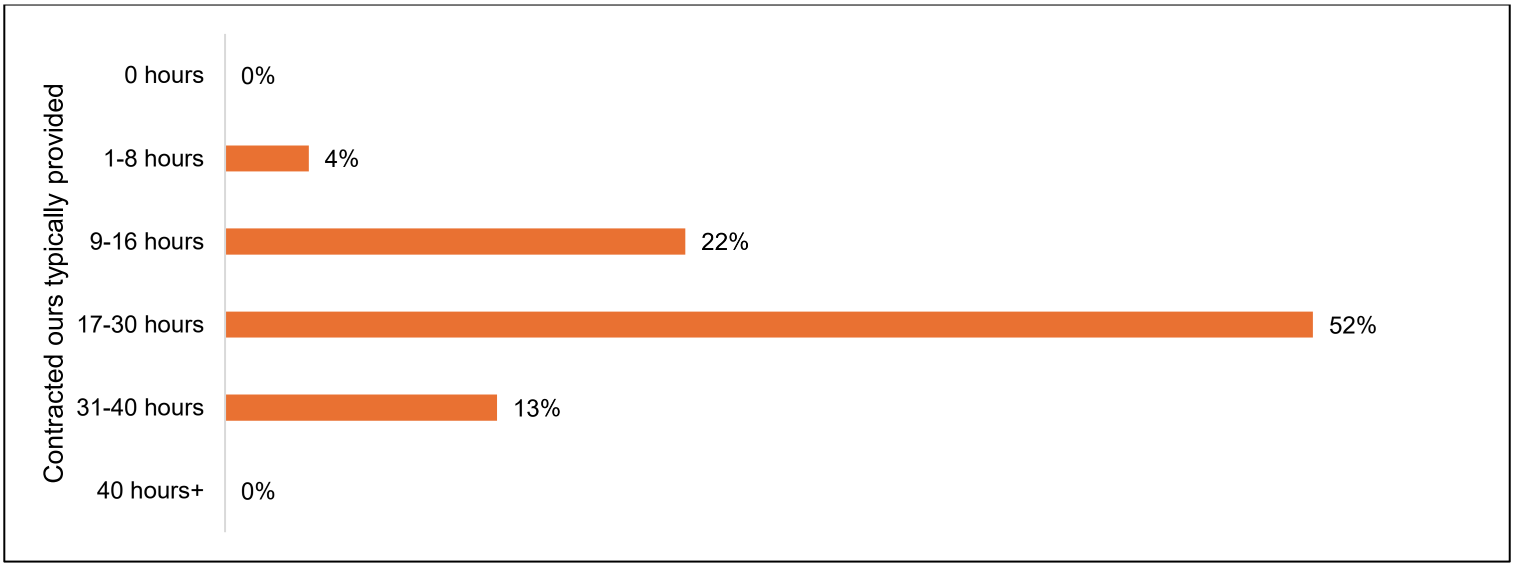
ACS supports the Government's aim of addressing one-sided flexibility and ensuring that all jobs offer a baseline of security and predictability. We welcome the Government's consultation on these measures, to which we will be responding in detail with data on employment practices across the sector. Our central message is a straightforward one: in tackling the genuine problem of one-sided flexibility, these reforms must not introduce new cost burdens for retailers or undermine the two-sided flexibility and security that the sector already provides.

Convenience retailers are responsible employers. The overwhelming majority offer their colleagues regular, guaranteed hours and reasonable notice of shifts as a matter of course. As shown in Figure 5, only 4% of employers typically provide contracts of between one and eight hours, with most offering contracts ranging between 9 and 30 hours. 68% of employers

[14] ACS Employment Survey 2025
[15] ACS Employment Survey 2026
[16] ACS Employment Survey 2026
[17] LPC Focus Group Session with retailers (19th May) – see annex

offer part-time contracts with regular guaranteed hours. While around a quarter offer zero hours contracts, three quarters of those do so specifically for seasonal staff or students working during the holidays, and typically at the request of the worker rather than the employer. This is not a sector built on precarious, one-sided arrangements; it is one in which flexible contracts are used in a limited and largely consensual way.

Figure 5: ACS Employment Survey: Which of the following best reflects the typical contracted hours for store-based employees in your business?



Crucially, this flexibility works well for colleagues, not just employers. 70% of colleagues say their employer offers good flexibility when they ask to change shifts or adjust their working hours, and 78% say they have never had a shift cancelled[18]. Of the small number who have, only 9% report typically being given less than 48 hours' notice, underlining that short-notice changes are the exception in rare circumstances rather than a feature of how the sector operates. These figures reflect the genuinely reciprocal relationship between local retailers and their teams, in which flexibility is something colleagues benefit from as much as their employers.

It is precisely because this two-sided flexibility works that the detail of the new measures matters so much. While we support the underlying objective, unless key details – such as the low-hours threshold, the criteria for what constitutes reasonable notice of shifts, and the length of reference periods – are designed with the realities of the sector in mind, these proposals risk adding further cost and complexity at a time when retailers are already under significant pressure from higher business taxes and increased regulation. Poorly calibrated thresholds or notice requirements could create administrative burdens that bear little relation to the actual problem the reforms are intended to solve.

Above all, it is important that any new rights do not inadvertently reduce flexible employment opportunities for both employers and employees, or add unnecessary costs to hiring at a time when the labour market is already tight and retailers are increasingly cautious about taking on staff. The goal must be to end genuinely one-sided arrangements without dismantling the mutually beneficial flexibility that so many colleagues in the convenience

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[18] ACS Colleague Survey 2026

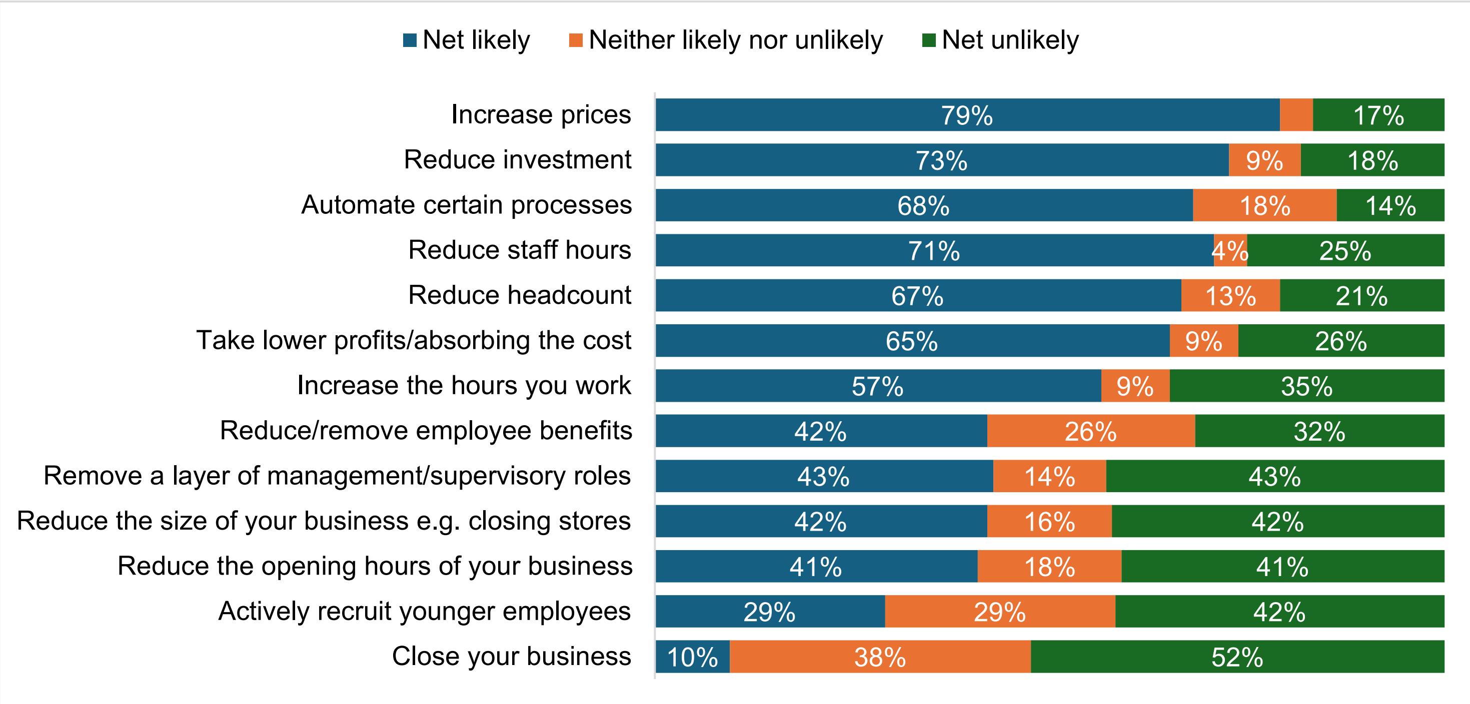
sector value – and we look forward to working with the Government through the consultation to help achieve that balance.

5. The NLW in 2027 and beyond

2027 National Living Wage Rates

Figure 5 shows how retailers anticipate responding to a further increase in the NLW to £13.85. The top answers broadly mirror those in Figures 1-3 on how retailers have responded to the most recent uplift: 79% expect to increase prices, 73% to reduce investment, 71% to reduce staff hours, and 68% to automate processes. The consistency between retailers' actual responses to this year's increase and their anticipated responses to the next is telling – these are no longer contingency plans, but established patterns of behaviour that each successive uplift entrenches further. More than half of retailers think that wage rates should be frozen in 2027[19].

Figure 5: In 2027 the National Living Wage rate is estimated to rise to £13.85, a 3.7% increase. What is the likelihood of the following impacts on your business if this rate is introduced?



These figures show that the sector would find it increasingly hard to stay competitive on two fronts at once. Raising prices puts local shops at a growing disadvantage against larger format stores and discounters at a time when customers are highly price-sensitive, while reduced investment and fewer staff hours weaken the in-store offer and the sector's ability to compete for workers in the job market. A rate of £13.85, without changes to Employer NICs rates/thresholds, would deepen the trade-offs retailers are already making, with the cost increasingly being borne through fewer hours, less investment, and higher prices for the communities that local shops serve.

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[19] ACS Employment Survey 2026

The LPC's Remit

We welcome the Government's remit to the Low Pay Commission, in particular the requirement to consider both the conditions of the labour market and the impact on businesses and competitiveness. However, further detail is needed on what this consideration will look like in practice – how business impact will be measured, and what indicators the LPC should be monitoring to identify emerging risks. Without clear metrics, there is a danger that this element of the remit becomes a statement of intent rather than a meaningful check on the pace of increases.

This approach is consistent with the expert evidence on which the current NLW framework was built. The 2019 Dube Review of the international evidence on minimum wages recommended that a more ambitious wage floor should be accompanied by a clear mandate for the Low Pay Commission to monitor the impact of increases and adjust course where evidence of harm emerges[20]. As the NLW reaches historically high levels relative to median earnings, that monitoring function becomes more important, not less. We recommend that the LPC's assessment of business impact explicitly tracks the following emerging risks:

- Stalling in-work progression opportunities
- Reductions in staff hours and job availability
- Decreased levels of business investment and innovation
- Store closures or businesses scaling back
- The reduced attractiveness of entrepreneurship

The evidence presented in the Economic Outlook section of this submission – covering staff hours, sales performance and investment levels across the sector – demonstrates that several of these risks are no longer hypothetical, and underlines why systematic monitoring of them should be built into the LPC's approach.

We recognise the case for retaining this benchmark of two-thirds of median earnings as a reference point for the NLW, and we do not believe a new or higher threshold should be introduced. Stability in the framework matters: businesses plan their staffing, pricing and investment decisions around the expected trajectory of the wage floor and moving the goalposts to a higher target would compound the pressures set out throughout this submission.

Lowering the age of NLW eligibility

Young people are an important part of the retail workforce, with roughly 11% of staff in the sector aged between 18 and 21. The sector has long provided accessible local employment for people at the start of their working lives.

There has been a notable shift this year in how employers in the sector are using the age-related rates. In previous years, take-up of the lower minimum wage rates was quite limited: most retailers chose not to pay colleagues different rates purely on the basis of age when they were working at the same level and performing the same functions, regarding a single rate as both fairer and simpler to administer.

This year, however, more retailers report using the NMW rate for staff aged 18 to 20 – not as a means of reducing their wage bill outright, but in order to fund pay above the NLW for older, more experienced staff and retain them. This shift is itself a symptom of the cost pressures set out throughout this submission. As the headline rate has risen, the age-related

[20] Impacts of minimum wages: review of the international evidence, Arindrajit Dube (Chapter 5)

rates have become one of the few remaining sources of flexibility through which retailers can maintain any meaningful pay differential within their teams.

ACS supports the continued phased approach to lowering the age of NLW entitlement. We recognise the Government's ambition to extend the NLW to 18 year olds, but alignment should continue to proceed one age group at a time, giving businesses the planning certainty they need to adapt to gradual 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. Compliance and Enforcement

Retailers in the convenience sector dedicate significant time and resources to ensuring they remain compliant with minimum wage regulations and wider employment law requirements. The sector is highly engaged in understanding and meeting its legal obligations, recognising the importance of treating colleagues fairly and upholding strong employment standards. This commitment is reflected in how colleagues experience their workplaces: 82% of colleagues in the sector report that they understand their employment rights, and 71% say their manager communicates well with them about the business[21]. Where breaches of minimum wage or other employment requirements do occur, they are typically the result of accidental error or administrative oversight, rather than any intention to circumvent the rules.

The administrative and compliance burden on small retailers

Many retailers operate without a dedicated HR function and with limited resources to manage an increasingly complex set of employment obligations. For these retailers – often a single store owner or a small head-office team supporting a handful of sites – compliance is frequently managed alongside the day-to-day running of the business. The administrative demands are considerable, spanning onboarding paperwork such as right to work checks, ongoing record-keeping requirements, and the management of payroll, holiday entitlement and absence. Calculating payroll accurately is a particular challenge, requiring retailers to apply rules on income tax, statutory sick pay and other deductions correctly and consistently. Each new layer of regulation adds to this burden, and for the smallest businesses the cumulative weight of administrative compliance can be disproportionate relative to their capacity.

Supporting compliance across the sector

Retailers draw on Government resources, including Gov.UK and ACAS guidance, to ensure they meet their requirements. ACS supplements these resources with additional information tailored to the sector, helping members interpret broad guidance and apply it to their specific circumstances. This includes clear and accessible information on employment law changes, such as the annual updates to the NMW and NLW. Most recently, ACS produced dedicated guidance on the Statutory Sick Pay reforms to help retailers understand how to prepare for and implement the changes, accompanied by a template letter members can use to communicate the changes to their staff.

These updates are communicated through multiple channels, including social media, ACS' weekly newsletter, and sector-wide press releases. ACS also maintains a dedicated People Hub on the member portal, offering detailed guidance on a wide range of employment

[21] ACS Colleague Survey 2026

issues, including right to work checks, modern slavery obligations, TUPE transfers, and broader HR matters.

The Employment Rights Act and the Government's wider Make Work Pay programme represent a significant volume of change for retailers to absorb and act upon. To support members through this period, ACS regularly invites officials from the Department for Business and Trade, the Department for Work and Pensions, and the Home Office to speak directly to retailers, explain forthcoming changes, and give members the opportunity to ask questions and raise concerns.

Working with the Fair Work Agency

We are keen to work constructively with the Fair Work Agency now that it has been established. ACS sees a clear role for itself in supporting the Agency's objectives – whether by signposting and raising awareness of key changes among members, sharing data and evidence from the convenience sector, or helping to surface practical issues as the new framework beds in. A collaborative relationship of this kind will help ensure that compliance is achieved through understanding and support, recognising that the overwhelming majority of retailers want to get this right.

7. 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. The average store serves 2,896 people living within a 500m radius, and 32% of stores have no other store within that same radius – underlining how often the local shop stands alone in meeting the everyday needs of its community[22]. This reach is consistently recognised by the public: a poll of 2,000 consumers ranked local shops among the top three services making the biggest difference to their local area, alongside pharmacies and post offices as having the most positive impact on their community[23].

Much of this value lies in the breadth of services convenience stores provide, many of which operate on very low margins but remain a lifeline for the customers who rely on them – including bill payment services (offered by 82% of stores), free-to-use ATMs (41%), parcel services (28%) and post office services (18%).

As 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. Retailers have shown themselves to be remarkably resilient. Yet they are operating in an increasingly challenging trading environment, one that is in large part a direct result of Government policy. As a consequence, many are being forced into difficult decisions simply to keep their doors open.

Staff Recruitment and Retention

As has been widely reported, the labour market remains tight, particularly for entry-level roles, and retailers continue to do what they can to remain competitive in attracting staff. 57% of retailers say that recruiting staff has become more difficult over the past 12 months, while 22% report difficulties retaining staff. Both figures are an improvement on last year, when 71% said recruitment had become harder and 38% reported greater retention

[22] ACS Local Shop Report 2026
[23] ACS Community Barometer 2026

difficulties[24]. While this easing is welcome, it should be read in context: with fewer retailers actively hiring, fewer are exposed to the difficulties of doing so.

Figure 6: ACS Employment Survey: Which of the following changes are you implementing when it comes to recruiting new staff?

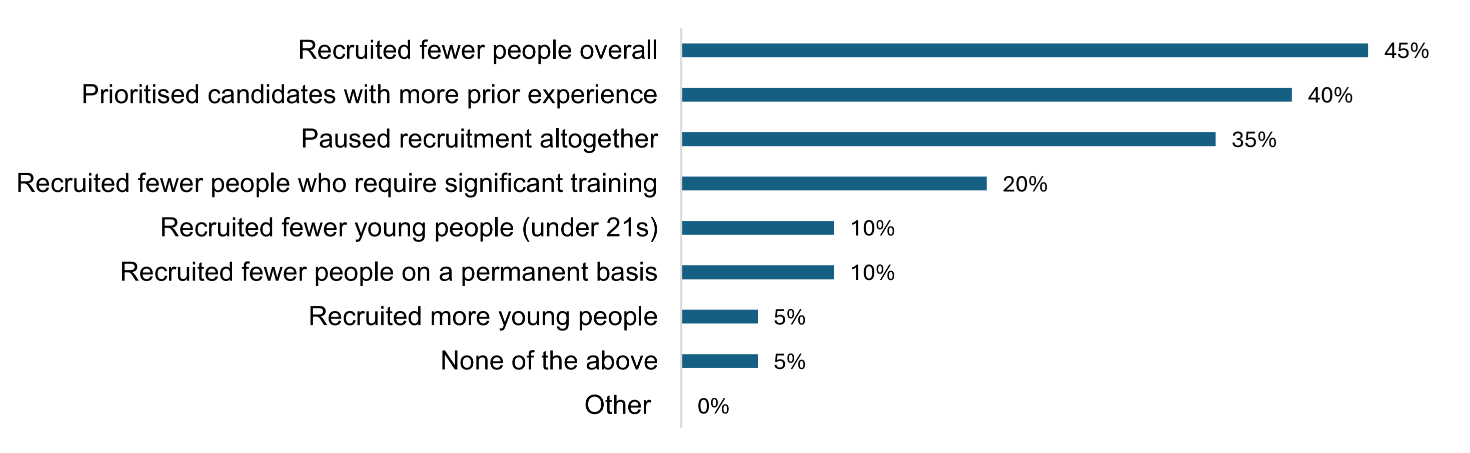


Figure 6 shows the changes retailers have made to their recruitment policies in response to rising employment costs. 45% are recruiting fewer people overall – consistent with the high employment costs set out earlier in this submission, and helping to explain why so many retailers are instead looking to reduce hours across their existing workforce. Notably, around 40% have prioritised candidates with more prior experience. With the cost of employing staff now so high, there is less incentive for retailers to take a risk on inexperienced candidates, given the time and money involved in training and onboarding. This trend should concern policymakers in light of the recent Milburn Review into young people and work, which warned that entry-level roles are becoming scarcer and harder to access, contributing to record numbers of young people not in education, employment or training. Retailers have traditionally offered exactly the kind of accessible first jobs the review identifies as disappearing, and rising employment costs risk further eroding that route into work.

When competing for staff, retailers report that their main competition comes from supermarkets (81%), followed by the hospitality sector (24%). These are the same top two as last year (67% and 46% respectively)[25], but supermarkets have become by far the dominant competitor – perhaps reflecting their ability to offer more structured opportunities for progression, alongside larger reward packages that smaller retailers find difficult to match.

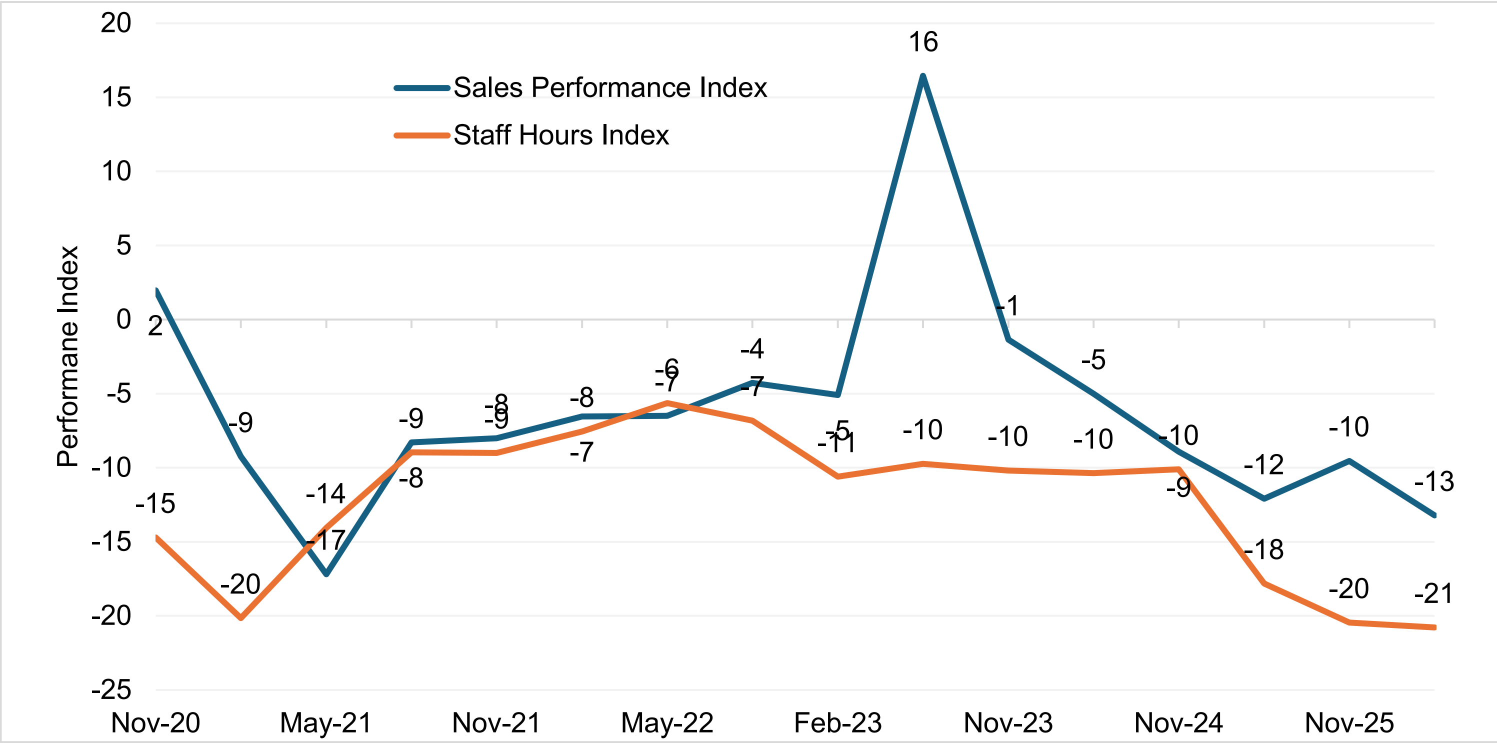
Despite the recruitment challenges, the sector's employment offer remains a strong one, reflected in the loyalty of its workforce. 76% of staff have been with their current employer for at least three years, 61% of colleagues say they plan to stay working in the sector, and just 26% plan to move on[26]. These figures underline that the sector offers secure, valued local employment – and reinforce why protecting the sector's ability to sustain those jobs matters.

[24] ACS Employment Survey 2026
[25] ACS Employment Survey 2026
[26] ACS Colleague Survey 2026

Business Performance and Wider Economic Outlook

Local shops are working hard to deliver everyday low prices for their customers, even as their own operating costs and food inflation continue to rise. This balancing act is becoming harder to sustain, and the difficult decisions retailers are already being forced to make are reflected in their responses to the latest rate increase, as shown in Figures 1–3.

Figure 7: ACS Voice of Local Shops Surveys (November 2020-April 2026): 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?[27]



The wider trading picture confirms how challenging conditions have become. Polling of 1,100 independent retailers in April 2026 found that only 20% reported their sales had increased compared with the same six-month period a year earlier – the lowest figure across the past three years of polling, as seen in Figure 7. 34% reported that sales had decreased, while 46% said sales had stayed the same. This pressure on turnover is translating directly into reductions in staff hours. In April 2026, just 8% of retailers reported increasing paid staff hours over the past year – the lowest figure in the series, while 29% reported reducing them.

These trends are borne out in the sector's headline figures. The ACS Local Shop Report 2025 found that, despite a slight increase in the number of convenience stores trading in the UK to 50,486, the number of jobs the sector provides has fallen from 445,000 to 443,000. Over the same period, the amount invested by retailers has dropped by £100m, from £1bn to £900m, and total projected sales for the year have fallen to £48.8bn, down from £49.4bn the year before. The reluctance to invest is set to continue: only 14% of retailers now have plans to refurbish or improve their store, the lowest level since November 2023, largely because

[27] ACS Voice of Local Shop Surveys Nov 2020-Apr 2026- Performance Index is calculated by % of retailers who responded *increased* - % of retailers who responded *decreased*

retailers are having to absorb rising operating and compliance costs at the expense of investment[28].

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 the wider community support network.

8. Conclusion

Convenience retailers are now contending with the cumulative effect of several consecutive years of significant NLW increases, layered on top of rising Employer NICs, reforms to Statutory Sick Pay, and escalating non-employment costs from business rates to energy and wider inflation. The latest NLW uplift has prompted the same difficult responses seen in previous years – reduced staff hours, higher prices, and cuts to investment – but to a markedly greater degree. These are no longer contingency measures but established patterns of behaviour, and they are taking a visible toll: fewer jobs, less investment, and a sector approaching the limit of what it can sustainably absorb. Throughout this, retailers continue to offer flexible, secure, and locally accessible jobs – something that must be protected as the Government introduces

Looking ahead, we urge the Low Pay Commission to moderate the pace of future increases and to adopt an evidence-based approach that fully reflects the cumulative burden of rising costs now bearing down on the sector. The current benchmark of two-thirds of median earnings remains a credible reference point and should not be exceeded; setting higher or politically driven thresholds risks undermining employment opportunities, particularly in labour-intensive sectors like retail. We also welcome the requirement in the LPC's remit to consider the impact on businesses and the labour market, and urge that this be made meaningful through the systematic monitoring of emerging risks, including reduced staff hours, stalling in-work progression, falling investment, and store closures.

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

[28] ACS Voice of Local Shops Survey April 2026

9. Annex: LPC Focus Group Session with retailers (19th May)

Attendees: 15 retailers (8 independent, 7 representing multiples/Co-op)

Commissioners present: Simon Sapper, Andrew Goodacre, Michael Fell

Impact of rising wage rates

Retailers set the scene by describing the overall operating environment driving their employment decisions:

- Active focus on cost savings across the board, including investment in self-checkout to reduce labour costs — but with that mitigated against the elevated theft risk that comes with reduced staff presence.
- Wider cost pressures compounding the labour issue: rising energy costs, business rates increases, and a declining sales market all squeezing profitability.
- Retailers are cutting back on the more labour-intensive parts of the offer (later confirmed in transcript as food-to-go and fresh).
- Use of younger workers being reconsidered, with knock-on effects on pay differentials — particularly the inability to adequately reward supervisors and managers given the compression at the bottom of the scale.
- Significant concern about the cost of sickness following the Employment Rights Act, with a clear retailer view that more employees are likely to be dismissed through ill health as a consequence.
- General challenges around hiring and retaining younger workers.

Cost of the Employment Rights Act

A commissioner asked retailers to unpack the costs of the Employment Rights Act now that it has been on the statute book for a few months.

Retailers identified several distinct cost pressures:

- **Administrative burden on managers**, particularly in small stores typically running with only one or two staff. Increased flexibility-working obligations and other procedural requirements pull managers off the shop floor at a time when visibility is critical given rising retail crime. Several retailers stressed the compounding effect of multiple changes hitting at once, demanding significant upskilling investment in managers.
- **Day-one sick pay** is generating real concern. One retailer described a 17-year-old who started a month ago and has already been off sick three times — describing it as a tipping point for the business. Retailers anticipated that employers will increasingly apply Bradford-style absence indices, leading to more dismissals through ill health. Another noted the potential for abuse, with workers theoretically able to claim sick pay across multiple employers simultaneously.
- **Anticipatory budgeting**: One large retailer has raised its budgeted absence allowance for next year on the basis that costs are expected to rise even if the

current data doesn't yet show it. They cautioned that the picture is only two months in and lacks the seasonal stress test of warmer weather, which historically drives a spike in coastal absence.

- Commissioners acknowledged that contingency-building and the need for new management systems represent genuine, current-year costs even where the headline figures are not yet visible.

Food-to-go and fresh

A commissioner queried why retailers were stepping back from food-to-go given previous evidence framing it as a footfall driver.

Retailers confirmed they are pulling back on food-to-go and fresh categories specifically because they are labour-intensive and the margin has been eroded by rising labour costs.

Decision not to employ under-21s

A commissioner asked retailers to unpack whether the move away from under-21s is driven by the narrowing of the youth-to-adult NLW differential, by overall headcount reductions requiring more experienced workers, or by something else.

Retailers gave several overlapping reasons:

- **Training cost vs return**: For an under-18 employee, retailers may invest two to three years of personal training time before reaching full productivity. With age-related restrictions on serving tobacco, lottery, and other regulated products, under-18s are limited to refill-type roles, and the training-to-return ratio no longer makes commercial sense.
- **Attitude and reliability concerns** with the 19–20 age cohort specifically. Retailers reported a different attitude to work compared to historical norms, including not turning up for shifts and consistent phone use during work. Two supervisors at one retailer reported spending significant time on probationary paperwork for younger workers.
- **Loss of early-career socialisation**: Retailers noted that the cultural habits associated with regular work are typically formed between ages 14–16, and the reduced availability of work for that age group means younger workers are arriving at retail without those foundational habits.
- **Automation shifting the skills demand**: As more processes automate, the value of someone with prior experience and a baseline skill set increases — and at compressed pay differentials, the cost of hiring an experienced worker is broadly similar to training a younger one.
- One retailer stressed they had historically valued younger workers and the under-21 pipeline, but that policy is forcing operational changes they did not want to make.

Job market, recruitment and retention

Commissioners asked about the wider labour market.

Retailers reported:

- High application volumes but low quality. A significant proportion of applicants are not serious — applying from too far away to commute, failing to attend interviews, or applying purely to satisfy benefits requirements. Some new starters steal early in their employment.

- **Regional variation**: For one multi-site retailer with a national footprint, recruitment is meaningfully harder the closer stores are to London (High Wycombe, Reading and similar), where competing London-commute roles are more attractive. Recruitment is more stable further north.
- A common pattern of applicants underestimating the actual demands of the role — due diligence requirements, regulatory burdens, exposure to crime — and leaving quickly once they encounter the reality.
- **Retention is a particular issue with younger team members**, who are increasingly questioning why they should tolerate the abuse and violence they encounter (knives being pulled on them, physical confrontations) for the pay on offer. Longer-serving staff have arguably become acclimatised; junior staff increasingly have not.
- Despite the pressures, several retailers reported very low turnover among their own existing teams (one had not recruited for 15–16 months).

Pay rates and differentials

Retailers confirmed that everyone in the room is paying NLW or above, often with deliberate margin (5p, 10p or more above) to avoid HMRC NMW breach risk from overtime miscalculations.

Key points:

- **The cost of differentials is more significant than the headline NLW uplift**. As NLW rises, retailers must lift supervisor and manager pay in lockstep, and that knock-on cost is often the bigger budget challenge in annual pay negotiations.
- One retailer described moving stores to a franchise model rather than closing them. TUPE protects existing colleagues, but new hires in the franchised stores are typically employed on NLW with less generous holiday and sick pay entitlements — a way of preserving the store and the community service while reducing the corporate labour cost base.
- Retailers are increasingly questioning the personal economics of running their businesses given the alternative earnings available in corporate roles for comparable or less stressful work.

NICs and broader cost pressures

Retailers emphasised that NLW is not the only — or even principal — cost pressure. Employer NICs were repeatedly flagged as a major issue. One small post office reported employer NICs roughly doubling year-on-year (with the wage bill rising significantly alongside), even before changes in headcount are accounted for.

Retailers asked for some form of NIC relief for the sector, framing the question as: paying teams more is not the problem, but the wider tax cost of doing so is becoming unsustainable.

Commissioners noted that NICs sit outside their remit but confirmed that feedback would be reflected in their end-of-year report and in their conversations with government departments and Treasury.

LPC reference point and process

A commissioner explained that, while the formal recommendation is made in October, the LPC publishes its reference midpoint on the LPC website on a regular basis. Based on current data, the midpoint sits at approximately £13.18 per hour, though this will move with earnings and inflation data between now and October. The remit has been slightly adjusted from the previous "maintain two-thirds" formulation.

Apprenticeships

A commissioner asked whether retailers use apprenticeships as part of their workforce development.

Retailers reported mixed-to-poor uptake. Two main barriers:

- The literacy and numeracy assessment requirements at the start and end deter many candidates.
- A cultural/PR issue: retail apprenticeships are perceived as low-status compared to skilled trades (electricians, plumbers), and younger people don't see retail as a career launchpad. Where retailers have run successful apprenticeships, the apprentices have gone on to use them effectively, but commitment in the first instance is the persistent challenge.

Salary sacrifice benefits

Retailers raised a structural issue: because so many workers are paid only marginally above NLW, salary sacrifice schemes (pension, cycle-to-work, etc.) are effectively off-limits, since participation could push individual workers below the NLW floor. The risk pushes employers to exclude their largest workforce group from benefits arguably designed for lower earners. Retailers asked whether this could be revisited.

Migrant workers

One retailer described actively recruiting via the Skilled Worker visa route as an alternative pool, with a team of six on three-year commitments. Retailers noted the contrast with the difficulty of securing reliable domestic candidates.

Forward planning

Retailers asked for longer-term NLW forecasting to support business planning — recognising the LPC may not be able to provide certainty, but flagging that even indicative best/worst/most-likely-case ranges would help with multi-year budgeting.

Confidentiality

It was clarified that the session is recorded only to ensure accurate capture and is then wiped; any direct quotation in the LPC's final report would be sought individually from participants.