

ACS Submission: Jobs, Growth & Productivity After Coronavirus

1. ACS (the Association of Convenience Stores) welcomes the opportunity to submit evidence to the House of Commons Treasury Select Committee and its inquiry on jobs, growth and productivity. ACS represents 33,500 local shops and petrol forecourts including Co-op, McColls, BP and thousands of independent retailers, many of which trade under brands such as Spar, Nisa and Costcutter.
2. The convenience sector directly employs over 412,000 people in communities across the country¹. The impact of Covid-19 on individual stores varies greatly depending on trading location. Many rural and neighbourhood stores have seen uplifts in sales but the crisis has proven particularly challenging for stores in city centres and transport hubs more reliant on passing trade. Further information about ACS is available at Annex A.

For more information on this submission, please contact Steve Dowling, ACS Public Affairs Manager, via steve.dowling@acs.org.uk

How successful has the Government's pandemic response been in protecting jobs to date, and how can it help reduce and mitigate the economic scarring effects of the pandemic going forward?

Protecting Jobs – Existing Interventions

3. We have welcomed the unprecedented action from government to support business during the pandemic. The Government has explicitly prioritised jobs via its 'Plan for Jobs' and objectives for a jobs-led recovery.
4. The 100% business rates relief provided to all convenience stores relieved financial pressure on retailers, allowing them to focus time and resource on adapting to Covid-19 quickly as essential businesses continuing to trade in most instances and make rental payments. The Small Business Grant Fund and Retail Grant Fund both improved cashflow to sustain supply chains and supported retailers to finance significant increases in operating costs. This includes the cost of staffing stores: high absence rates and increased demand required temporary recruitment, onboarding, and additional costs for absent employees.
5. The Covid-19 Sick Pay Rebate Scheme offset much of the rise in sick pay bills for independent retailers but retailers with 250 or more employees were excluded. The Job Retention Scheme has been used to furlough 8% of convenience store colleagues and prevent redundancies². The scheme has mainly been used by retailers trading from locations reliant on transient footfall, for example city centres and around transport hubs, which was removed due to government guidance to work from home and stay local where possible. Polling from May 2020 found 75% of retailers did not apply for Covid-19 business interruption loans, while 11% accessed new loan or credit facilities because of Covid-19³.

¹ ACS Local Shop Report 2020

² ACS Covid-19 Impact Survey: May 2020

³ ACS Covid-19 Impact Survey: May 2020

Protecting Jobs – Next Steps

6. Truly delivering a jobs-led recovery requires policy makers to accept the sensitive financial position of businesses supporting large sections of the labour market. The economic recovery is reliant on enabling the survival of all businesses that were viable before the pandemic to support the jobs they provide.
7. A key challenge for convenience retailers is the rising cost of employment which is largely driven by annual increase in the National Living Wage (NLW). The timetable for the NLW to reach two-thirds of median earnings must be extended. The existing 2024 deadline was set before the pandemic but 'subject to sustained economic growth' with the Low Pay Commission able to recommend amendments due to 'emerging risks'⁴. The pandemic has introduced significant economic risks for the labour market and the existing NLW results in retailers delaying investments and reducing working hours available in-store⁵. 70% of retailers do not think the 2024 target is sustainable⁶. Maintaining the 2024 target but with lower annual increases in 2022 and 2023 is not sufficient as this requires steep increases in minimum rates thereafter.
8. The rising cost of employment should be offset via the employer NICs system. Continual increases in statutory wage rates and non-wage costs mean retailers must make difficult choices about their future employment strategies. The Government must support businesses to mitigate increased employment costs. The Government should consider raising the lower earnings limit for employer NICs to deliver meaningful support across the sector. ACS' modelling suggests increasing the threshold to the equivalent of 30 hours per week on the NLW would save the sector 4.2% of its wage bill⁷.
9. The Kickstart Scheme has encouraged retailers to innovative with new job opportunities and young people into productive employment. Some barriers to accessing the scheme linked to gateway requirements have now been removed but placements under the scheme must begin by the end of 2021. ACS polling in April 2021 finds that 16% of retailers participate in the scheme, 24% have applied but have not yet started placements, and 20% would be interested in offering opportunities⁸. We would support an extension of the kickstart scheme.

What policies are effective in helping people to reskill, move between occupations and sectors and take advantage of new opportunities?

10. The convenience sector directly provides 412,000 jobs, with the average store employing ten people, 77% of whom work fewer than 30 hours per week⁹. Convenience retailers are providing high quality jobs at all levels of the labour market. These jobs are genuinely flexible, local and secure. 79% of colleagues flex their working hours around caring, study and/or other external commitments, 55% of colleagues walk to work and 37% have worked for their current employer for more than five years¹⁰.

⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/871414/nmw-nlw-lpc-remit-2020.pdf

⁵ ACS. Low Pay Commission 2020 Submission.

⁶ ACS National Living Wage Survey 2020

⁷ https://www.acs.org.uk/sites/default/files/lobbying/acs_2020_budget_submission.pdf

⁸ ACS National Living Wage Survey 2021

⁹ ACS Local Shop Report 2020

¹⁰ ACS Colleague Survey 2021

Targeting Regulation

11. New employment regulations should be targeted in line with its objectives, to avoid introducing unnecessary burdens on good employers. The Government's Good Work Plan outlines commitments to address one-sided flexibility present elsewhere in the labour market, such as the gig economy. These policy interventions could burden convenience retailers despite being good employers. For example, requirements to record notice periods for shifts would incur software investment costs and payments for cancelled work shifts would not account for circumstances outside an employer's control.

Opening Apprenticeships

12. The apprenticeships system has great potential for growing skills and helping progression. However, engagement is low in the convenience sector, with the apprenticeships system perceived as too complex and bureaucratic for small retailers. Only 5% of independent retailers currently employ an apprentice while just 9% have previous experience of providing apprenticeships¹¹. There is low demand for retail apprenticeships due to low entry requirements into the sector. Levy funds are typically being used for head office job roles and offered to existing colleagues to encourage progression from assistant manager/supervisor roles to store manager roles.
13. Facilitating a modular approach to training under the apprenticeship levy would encourage upskilling from colleagues unable to commit to longer-term courses and part-time workers. Without action, the levy system could become irrelevant to improving productivity against wider T Level reforms. We would also support the government reviewing apprenticeship policy to simplify requirements for small employers.

Is the Government doing enough to encourage corporate investment?

14. Convenience retailers were operating in a context of rising operating costs undermining investments before the pandemic and today. Investments from retailers declined by 29% from 2019 - 2020¹². Covid-related reliefs have proven invaluable but the return of business rates bills and rising National Living Wage will impact businesses capacity to invest. The Government's business strategy must both incentivise investment and deploy new regulation proportionately in line with the government-commissioned *Power to the People Review*¹³.

Business Rates

15. The business rates review should better incentivise investment. This could be achieved by introducing a Business Growth Accelerator Relief, reducing the multiplier and enhancing reliefs for retailers expanding beyond a single store. A Business Growth Accelerator, modelled on the Scottish Government policy, would delay increases in bills for at least two years to unlock investment by allowing retailers to recoup costs. Reducing the multiplier would address the increasing incidence of the tax and help rebalance business taxation as online retail grows. The existing Small Business Relief scheme withdraws support when most retailers expand to operate

¹¹ ACS Voice of Local Shops Survey: February 2016

¹² ACS Investment Tracker

¹³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/961665/penrose-report-final.pdf

a second convenience store. This disincentive to independent retailers expanding into other often underserved and isolated communities should be removed.

ULEV Infrastructure

16. Future driver behaviour is extremely hard to forecast, making retailers' investment decisions extremely uncertain. The Government must focus on incentivising and supporting investment in EV infrastructure and charging points to help fuel retailers to transition to a zero-carbon economy. More funding is also needed to facilitate direct connections between fuel retailing sites and the National Grid to meet consumers' rapid charging needs on the go. Currently, fuel retailers must invest in new substations at fuel sites to deliver rapid charge points, at a cost of millions of pounds for each installation with limited prospects to recoup these costs.

Regulatory Overstretch

17. New regulations should not impose disproportionate or misguided investments. We estimate that thousands of convenience retailers, including some operated by independent retailers, will have to invest £13,000 to comply with restrictions on the location and promotion of high fat, salt and sugar products. The introduction of a deposit return scheme will also add additional operating costs, the impact of this could be reduced by strategically mapping return points to align with consumer demand, rather than mandating reverse vending machines to take back containers for every location that sells drinks.

Commercial Rents

18. Most landlords and tenants have managed constructive discussions to navigate rental payments during the pandemic, but some retailers with less amenable landlords remain under threat of immediate eviction after existing protections expire on 30th June. This is despite remaining viable businesses in the medium-term without coronavirus restrictions. The Government must back these businesses to survive beyond the pandemic to both support future jobs and the economic recovery and vindicate interventions to date.
19. Existing measures should become targeted to businesses passing a simple financial impact assessment and extended for 12 months to enable some business recovery. Existing proxies for a financial impact assessment include the criteria used by the VOA¹⁴ to assess material change in circumstances applications and the approved financial impact test developed for the withdrawn Job Support Scheme for businesses still able to trade¹⁵.

For more information on this submission, please contact Steve Dowling, ACS Public Affairs Manager, via steve.dowling@acs.org.uk

¹⁴ Valuation Office Agency. [Rating Manual section 3: valuation principles](#) 22 October 2019.

¹⁵ HMRC. [Complete a Financial Impact Test if you're a large employer claiming through the Job Support Scheme](#) Open 30 October 2020.

Annex A

ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 46,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS' membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.

Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.



WHO WE REPRESENT

INDEPENDENT RETAILERS



ACS represents over 19,000 independent retailers, polling them quarterly to hear their views and experiences which are used to feed in to Government policy discussions.

These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

SYMBOL GROUPS AND FRANCHISES



ACS represents over 14,000 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Londis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits.

Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

MULTIPLE AND CO-OPERATIVE BUSINESSES



ACS represents over 12,000 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls and others.

Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

THE CONVENIENCE SECTOR



In 2018, the total value of sales in the convenience sector was £39.1bn.

The average spend in a typical convenience store transaction is £6.50.



There are 46,262 convenience stores in mainland UK. 72% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 365,000 people.

24% of independent/symbol stores employ family members only.



24% of shop owners work more than 70 hours per week, while 19% take no holiday throughout the year.

70% of business owners are first time investors in the sector.



Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors.

81% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2017 and May 2018, the convenience sector invested over £814m in stores.

The most popular form of investment in stores is refrigeration.

OUR RESEARCH

ACS polls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

ACS VOICE OF LOCAL SHOPS SURVEY

Regular quarterly survey of over 1,200 retailers, split evenly between independent retailers, symbol group retailers and forecourt retailers. The survey consists of tracker questions and a number of questions that differ each time to help inform ACS' policy work.

ACS INVESTMENT TRACKER

Regular quarterly survey of over 1,200 independent and symbol retailers which is combined with responses from multiple businesses representing over 3,000 stores.

ACS LOCAL SHOP REPORT

Annual survey of over 2,400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 7,669 stores. The Local Shop Report also draws on data from HIM, IGD, Nielsen and William Reed.

BESPOKE POLLING ON POLICY ISSUES

ACS conducts bespoke polling of its members on a range of policy issues, from crime and responsible retailing to low pay and taxation. This polling is conducted with retailers from all areas of the convenience sector.

For more information and data sources, visit www.acs.org.uk