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Concerns grow over rising staff costs

C-stores prepare for pension and wage rises amid Brexit uncertainty

SIMON BANKS

Retailers have voiced concerns about their long-term sustainability given next year's anticipated rise to the National Living Wage (NLW), the phased introduction of staff pensions, and continued uncertainty over future implications of Brexit on small businesses.

Mike Dorey, owner of Eastcombe Londis, Gloucestershire, said: "In isolation, the NLW is a good thing; good staff should be rewarded with a good wage. However, when you couple that with the pension burdens next year, everything becomes really tight.

"It's almost impossible for us to reduce costs further; we can't run the store with any fewer staff and we've already invested in energy efficiency - and we can't raise prices. We are feeling the squeeze from competition including discounters and online retailers."

John Mitchell, owner of two Spar stores in Ceres, Fife, said: "I'm not sure how some businesses are going to cope. The NLW has added £15,000 to our wage bill across our stores and automatic pension enrolment has added £900, but we have been lucky as we are doing well, with profit margin up 24%.



NLW rises and employer pension contributions are expected to put further strain on c-stores' finances

"One of my biggest concerns, though, is Scottish independence as a result of Brexit. I believe that Scotland will get another referendum and vote to become independent and join the EU and the Euro, which will have a massive effect on all Scottish retailers."

The Association of Convenience Stores (ACS) recently joined 18 other trade associations representing more than 388,000 businesses in writing to the new business secretary Greg Clark urging caution over planned NLW increases over the next four years.

James Lowman, ACS chief executive, said: "The Low Pay Commission should regain its powers to recommend all minimum pay rates based on economic circumstances and the needs of both employers and employees, instead of having to work to targets set by politicians."

OPINION

Uncertain times

“It isn't clear what the implications of Brexit will be. If the UK goes into recession it will mean people will be conscious about what they spend, and with Lidl and Aldi dropping prices, it could make it difficult to compete.”

Conrad Davies, owner of five Spar stores, North Wales

“The NLW will potentially cripple retailers. I don't know how they will be able to compete. I have had to cut staff hours and looked into self-service tills.”

Barrie Seymour, Londis store owner, West Yorkshire

COST OF WAGES AND PENSIONS RULES

The Office for Budgetary Responsibility estimates that the NLW will rise to £7.65 in April 2017 and to £9.30 an hour by 2020, based on the government's target rises.

Meanwhile, the deadline to comply with the pension auto-enrolment scheme is April 2017 for small businesses. The minimum employer contribution will rise from 2% in October 2017

to 3% from October 2018.

Retailers who fail to comply could face large fines: £500 for those employing five to 49 members of staff; up to £2,500 for those with 50-plus staff.