ACS Submission: Low Pay Commission Review 2016

Executive Summary

- There are 51,524 convenience stores in Britain, employing 407,000 staff, contributing £37.7bn in sales to the economy and adding £5bn in gross value added.

- Retailers have responded to the introduction of the National Living Wage by reducing staff hours and reducing staff numbers while independent retailers are also increasing the number of hours they work in their business.

- Retailers with more than one store have limited capacity to increase their own working hours, so are delaying business investment plans and reducing paid working hours in their business at a faster rate in response to rising wage rates.

- The National Living Wage has forced retailers to review their employment packages, for example cutting premium pay for working antisocial hours, cancelling benefits and development training, and changing policies on lone working. Some of these measures are one-off and cannot be repeated, meaning future actions to mitigate rising staff costs will have a greater impact on the overall structure of staff hours in the business.

- Increasing employment costs and the consequent closure of sites and loss of investment in stores may lead to a decline in the range of services and essential products available to local communities, particularly in more remote rural and deprived urban areas.

- ACS members have recommended that they would like to see a freeze in future National Minimum Wage rates. With the introduction of the National Living Wage we understand a freeze is unlikely but this recommendation reflects the serious pressure the National Living Wage has put on retailers' businesses.

- ACS members are concerned about the current path of the National Living Wage and 60% of median earnings target. The 60% of median earnings target is constantly moving which will result in uncertainty and unnecessary cuts in business investment plans. We recommend that if this target is maintained, the Low Pay Commission increases the proportion of average earnings evenly each year when setting the National Living Wage.

- The Low Pay Commission has proven itself to be an objective body to monitor, review and recommend wage rates. It should not be constrained by political interventions such as the 60% of median earnings target for the NLW but should have its independence reinstated to recommend wage rates on the basis of thorough economic deliberation.

- The Low Pay Commission should urge the Government to revisit its policy on Statutory Sick Pay. Employer obligations to fund Statutory Sick Pay result in businesses having to absorb substantial and unexpected rises in employment costs. Central funding of Statutory Sick Pay would provide meaningful help to businesses seeking to mitigate overall employment costs.

Introduction

ACS (the Association of Convenience Stores) welcomes the opportunity to provide evidence to the Low Pay Commission. We support the recommendation of minimum wage rates that do not damage employment prospects. We also support the consolidation of dates for changes in rates for both the National Minimum Wage and National Living Wage, which will provide greater administrative clarity for retailers in planning their wage budgets.

ACS has used a range of data sources to inform this submission. This includes ACS' annual Local Shop Report, which details employment in the sector, plus information on store numbers, sales, and services offered in store and trends in the market. Data from ACS' Voice of Local Shops (VOLS) survey of 1,210 retailers that details retailer's future recruitment intentions and ACS' Investment Tracker gives a definitive view on retailers' business investment plans.

ACS has completed a bespoke survey of members specifically to inform the Low Pay Commission's deliberations during this consultation process. ACS' National Living Wage Survey has collected information from retailers on the pay rates that are used within the sector, the impact the National Living Wage is having on employment practices and recommendations for the rates to apply from April 2017. The survey also indicates the retailer perspective on how the Government should act to mitigate increases in employment costs.

For the first time ACS has completed a survey of employees working in local shops to get a better understanding of the benefits they receive from working in convenience stores. ACS' Colleague Survey provides an overview of those working in the sector, why they work in the sector, and their opinion on the National Living Wage and its implications. The full results of ACS' Colleague Survey can be found in Annex B.

Convenience Sector

Despite difficult trading conditions, turnover in the convenience sector grew by over 5% between 2014 and 2015 and overall the sector is currently estimated to be worth £37.7 billion in terms of sales[1]. However, growth projections for the next five years a projected to slow to 3.5% per year[2]. Growth in convenience market sales and store numbers has not been shared evenly and is largely driven by the insurgence of multiple retailers into the market. Multiple retailers have increased their sales by 13.1% in the last year, whilst unaffiliated independents have seen their market share increase by just 0.5%[3].

The convenience market is still benefitting from a range of social trends, such as the increase in single person households and increases in the population's working hours. This means that consumers continue to want to shop little and often in a convenient location close to home or work. However, consumers are increasingly price sensitive, a trend driven by a competitive grocery marketplace and long-term price deflation. This has forced retailers to put more goods on promotion, resulting in squeezed margins and reduced business profitability. Grocery retail has seen a 4.2% year-on-year growth in volume bought at the till as well as a 1.6% growth in transaction values, but much of this is cancelled out by food

[1] IGD UK Convenience in Numbers 2015
[2] IGD UK Convenience in Numbers 2015
[3] ACS Local Shop Report 2015

deflation, with the ONS Retail Sales Bulletin for May 2016 showing that store prices have fallen by 2.8% year-on-year[4].

ACS' Voice of Local Shops survey shows that retailers retain optimism about future sales. Figure A illustrates an increase in this retailer optimism between February 2016 and May 2016. However, this optimism around sales is not replicated with optimism for working hours. This is the first time since the ACS' Voice of Local Shops quarterly research began in 2012 that the indices for future working hours have fallen and sales optimism has risen.

This suggests a tipping point has been reached where sales increases no longer match employment costs due to tighter product margins and the increasing cost of employment. We will have to wait to see the extent of this trend but this view is reinforced from our members' survey with a clear indication they will reduce paid working hours on the path to 2020 and the 60% median earnings target.

Figure A: ACS Voice of Local Shops Survey May 2016: Optimism Index

Social Role

Convenience stores now offer a range of services beyond food grocery items including Post Offices (in 20% of convenience stores), free-to-use cash machines (38%) and bill payment services (53%). Reductions in store investment and staffing capacity diminishes the capability of stores to offer these services. Store closures would reduce these service provisions, and could leave a village centre or local neighbourhood without local access to cash, postal services, and other services which can act as a footfall driver for the wider high street.

In some locations, the provision of a full range of high street stores is unlikely to be viable and the convenience store is often the only remaining service. Here, convenience stores mitigate against food deserts where people cannot easily access essential food and drink, so the closure of stores would have a material impact on customers who rely on these stores. ACS' Community Barometer shows that convenience stores are valued by consumers and rated as the second most positive business provision for local communities. Only Post Offices are perceived to have a more favourable impact on local communities, which when considering that 20% of convenience stores host Post Offices, reinforces the social value of the sector[5]. Moreover, ACS' Voice of Local Shops survey finds that retailers undertake a

[4] ONS Retail Sales Bulletin: May 2016
[5] ACS Community Barometer

range of community activity such as collecting money for charity (78%), funding local community events (30%), and providing sponsorship for sports teams (18%)[6].

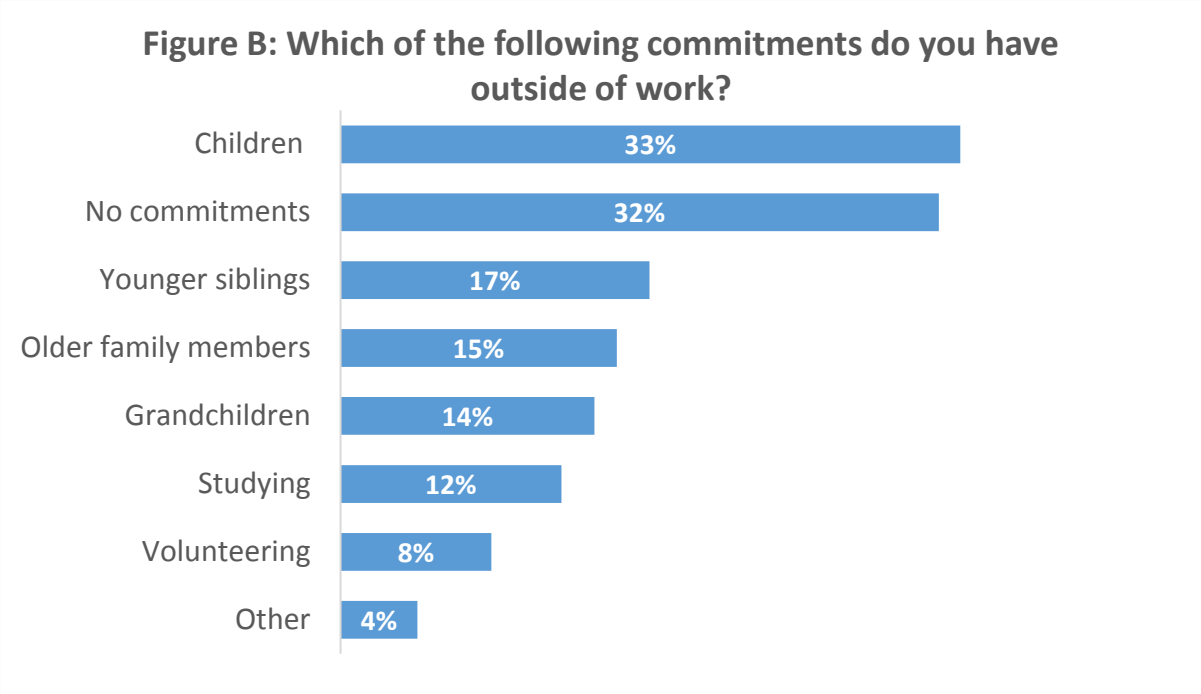
Employment

ACS' Local Shop Report 2015 shows that convenience retailers employ over 407,000 people, promoting entrepreneurship and providing a route to market for a broad range of goods and services. The report shows that the convenience sector provides employment to people from a range of ages and backgrounds. 22% of employees are aged 16-24, 11% are aged over 60 and 63% are women. The majority, 63%, work 30 hours a week or less, and staff turnover for the sector, defined as people employed for less than a year, remains low at 17%[7].

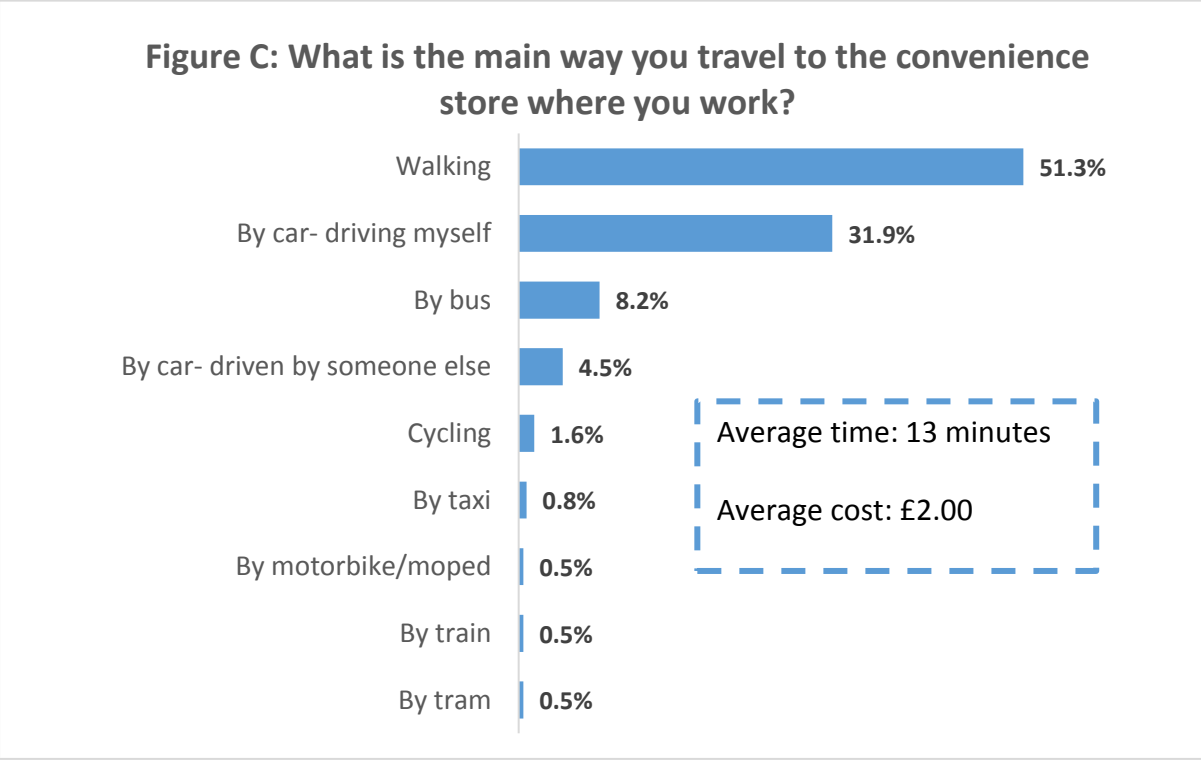
The convenience sector recognises the importance of developing staff, with many shops offering training, for example, 35% of shops offer food safety training and independent stores alone offer first aid training to over 48,000 people[8]. ACS' Colleague Survey uncovers positive feedback on in-store training provisions. Although ratings were similar across all types of training, preventing under aged sales elicited the most positive responses (95%, rating 'fairly good' or 'very good'). Career development (e.g. management training/ apprenticeships) produced the least positive ratings, however was still rated highly (74% rating 'fairly good' or 'very good')[9].

ACS' Colleague Survey gives a further perspective on the people in this sector. Many staff juggle their work with other commitments including looking after children (33%), younger siblings (17%), older family members (15%), and grandchildren (14%), and with studying (12%). The flexibility offered by working shifts in a local shop is an attractive option for people needing to manage these important commitments.

[6] ACS Voice of Local Shops Survey: May 2016
[7] ACS Local Shop Report 2015
[8] ACS Local Shop Report 2015
[9] ACS Colleague Survey



Convenience stores are a source of local employment. Over half of convenience store staff walk to work, the average time to get to work is 13 minutes, and the average cost is £2. This time and cost efficiency is important to staff. To illustrate, a person walking five minutes to work in their local shop for a four hour shift at £7.21 per hour would earn more for each hour of their time than a person travelling half an hour their and back at a cost of £5 to work a four hour shift for £10 per hour.



Costs and issues faced by the sector

In addition to increases in the National Living Wage and the National Minimum Wage, retailers are facing other cost pressures which are driving up the overall cost of doing business;

Statutory Sick Pay

The Government has passed the responsibility of funding long-term Statutory Sick Pay onto employers. With Statutory Sick Pay currently standing at £88.45 per week, this forces a considerable and unexpected expenditure onto retailers who have to pay this in addition to another wage to cover the employee absence[10].

ACS' National Living Wage Survey shows that the convenience retailers have paid Statutory Sick Pay to 9% of employees in the last year[11]. For smaller businesses, requirements to pay Statutory Sick Pay can markedly increase expenditure on staff, which impacts investment decisions and undermines business planning. Figure M shows that action to reduce the burden of Statutory Sick Pay ranks as the top priority for convenience retailers.

Business Rates

ACS welcomes the extension of Small Business Rate Relief announced in the Budget. 59% of shops currently pay a reduced level of business rates and benefit from some form of rate relief, a figure which is set to increase[12]. However, multi-site operators and large single-site operators will benefit less from the revise Small Business Rate Relief thresholds. A Small Business Rates Allowance would allow multi-site operators to spread reliefs across their property portfolio to enhance business planning.

Budget 2016 also abolished the Retail Rate Relief scheme. This scheme supplied high street retailers with rateable values under £50,000 with a £1,500 annual business rates discount to unlock investment in retail within the context of a significant sector restructure. Its removal has caused a significant increase in rates liability that coincided with the introduction of the National Living Wage.

The Valuation Office Agency is updating the rateable value of all non-domestic properties for the first time since 2008. This revaluation will come into effect in April 2017 based on rental values from April 2015. The growth in the convenience market in this time period has been significant with multiple retailers entering the market and paying premium rents to secure prime sites. This is likely to result in a significant increase in the overall price of retail premises and a consequent increase in business rate liabilities for retailers in 2017. This matches a longer term trend in inflated property taxes, with business rates increasing by over 14% since 2010[13].

[10] https://www.gov.uk/statutory-sick-pay/overview
[11] ACS National Living Wage Survey 2017
[12] ACS Voice of Local Shops Survey: May 2015
[13] Based on annual September RPI index

Auto-Enrolment

The majority of larger retailers in the convenience sector have now reached their staging date for delivering on auto-enrolment pensions responsibilities, although some smaller members have yet to pass this landmark. Requirements on retailers from auto-enrolment are an additional cost and administrative burden for the sector. Many of the larger businesses within our membership have used the deferral mechanism to cope with the administrative difficulties, while many smaller businesses will have to administer their newfound pensions responsibilities without a HR function or experience in providing pension provisions.

ACS' National Living Wage survey finds that opt out rates have been much lower than expected. 23% have had no employee opt-outs, 35% say a small minority have opted out, while only 16% of retailers have had all their employees opt-out of auto-enrolment[14]. As a result, retailers are paying contributions for a larger number of staff than anticipated.

Based on the April 2016 National Living Wage rate of £7.20 per hour, a convenience store employee would need to work 15 hours per week to reach the lower level of qualifying earnings (£5,824), and 26 hours per week to be automatically-enrolled (£10,000). ACS data shows that 64% of employees work 16 hours or more per week, meaning that a majority of convenience store staff require the availability of auto-enrolment[15]. The National Living Wage and its set target to reach 60% of median earnings by 2020 means that the proportion of convenience store staff that meet these thresholds is expected to increase sharply over the course of this Parliament. The costs of auto-enrolment will rise as a direct result of increases in the National Living Wage.

Apprenticeship Levy

The Apprenticeship Levy will supply employers with a £15,000 allowance against a 0.5% levy on their overall wage bill. This means the Levy will effectively be paid by businesses with a wage bill greater than £3 million per year. The Apprenticeship Levy is therefore concerning for the larger retailers within our membership who will be liable for an additional cost typically equating to millions of pounds. It is also unclear how much of this will be recouped in apprenticeship provisions, given that it is very difficult to promote apprenticeship up take in the convenience sector. Only 5% of retailers currently employ an apprentice[16].

The delivery of apprenticeships in the convenience sector is affected by a range of factors. The main factor is that 43% of staff aged 18 to 24 years old expect to leave the sector within the next five years[17]. The sector is also unlikely to significantly contribute towards the Government's apprenticeship target for 16 to 18 year olds because most staff in the sector are aged 18 and above in order to sell age-restricted products without supervision.

The need for Ofsted assessment for training provision is also a concern for retailers that currently provide in-house training. Compliance with Ofsted inspections could significantly increase costs and lead to employers that currently provide in-house training schemes seeking to avoid these costs by outsourcing to apprenticeship providers. These external

[14] ACS National Living Wage Survey
[15] ACS Colleague Survey
[16] ACS Voice of Local Shops Survey: February 2016
[17] ACS Colleague Survey

providers may not offer the same standards in bespoke training, yet the cost of compliance may undermine the provision of effective in-house training.

ACS National Living Wage Survey

The annual ACS National Living Wage Survey has collected information from 97 businesses representing a total of 5,356 stores across the convenience sector, employing 64,585 staff. Data gathered from the survey has been weighted to be nationally representative of the UK convenience sector[18]. Cited figures are from the National Living Wage survey unless stated otherwise. The full questionnaire design is available in Appendix A.

National Living Wage

The median average wage for a convenience store worker aged 25 or over is £7.20. The £7.20 average wage for those entitled to the National Living Wage shows that the vast majority of employers in the sector cannot afford to pay above the set rate. This implies that fewer employers have employment costs under their own control. This means as wage rates increase retailers are forced to reduce costs elsewhere in the business to maintain profitability and competitiveness.

National Minimum Wage

For workers aged between 21 and 24 years old, the median average wage paid in the convenience sector is £6.74. This is only 4 pence above the National Minimum Wage rate for April 2016. ACS' survey results for 2015 showed that convenience retailers were paying 15 pence on average above the National Minimum Wage rate of £6.50 in 2015. This reduction in retailers' ability to pay above the statutory minimum is a reflection of wider increased employment costs. Jobs in the convenience sector are now overwhelmingly paid at the statutory minimum rate.

Youth and Development Rates

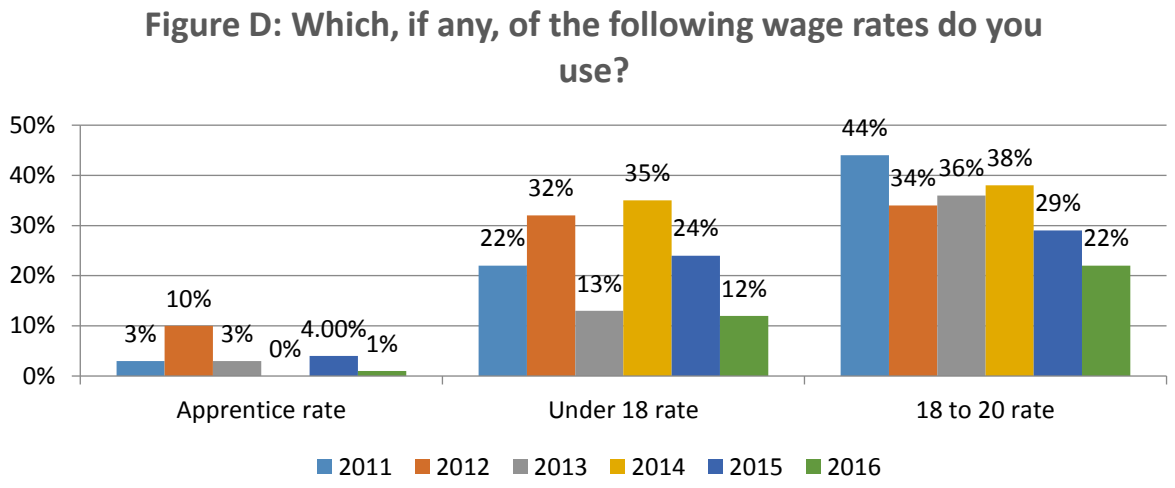
The median average wage in the sector for 18 to 20 year olds is £5.50, while 16-17 year olds typically earn £4.66 per hour. For apprentices, the median average is £4.71. Although there is a larger differential between these averages and the relevant minimum rate, this is likely in part due to some retailer's opting to pay all staff the National Living Wage rate for reasons of perceived fairness and equity amongst staff for the same job position.

The graph below tracks the use of the youth, development and apprenticeship wage rates in the convenience sector. The graph shows a steady decline in the use of these rates since 2014. The 2016 figures show 1.4% of retailers using the apprentice rate, 12% using the youth rate and 21% using the development rate.

In the convenience sector the use of the youth and development rate is influenced greatly by the proportion of age restricted products sold in-store. This means that retailers favour employing staff aged 18 and over because they can sell age restricted products without supervision at the till. The decline in the use of the development rate may also be a reflection of the internal difficulties associated with paying staff different rates for very similar

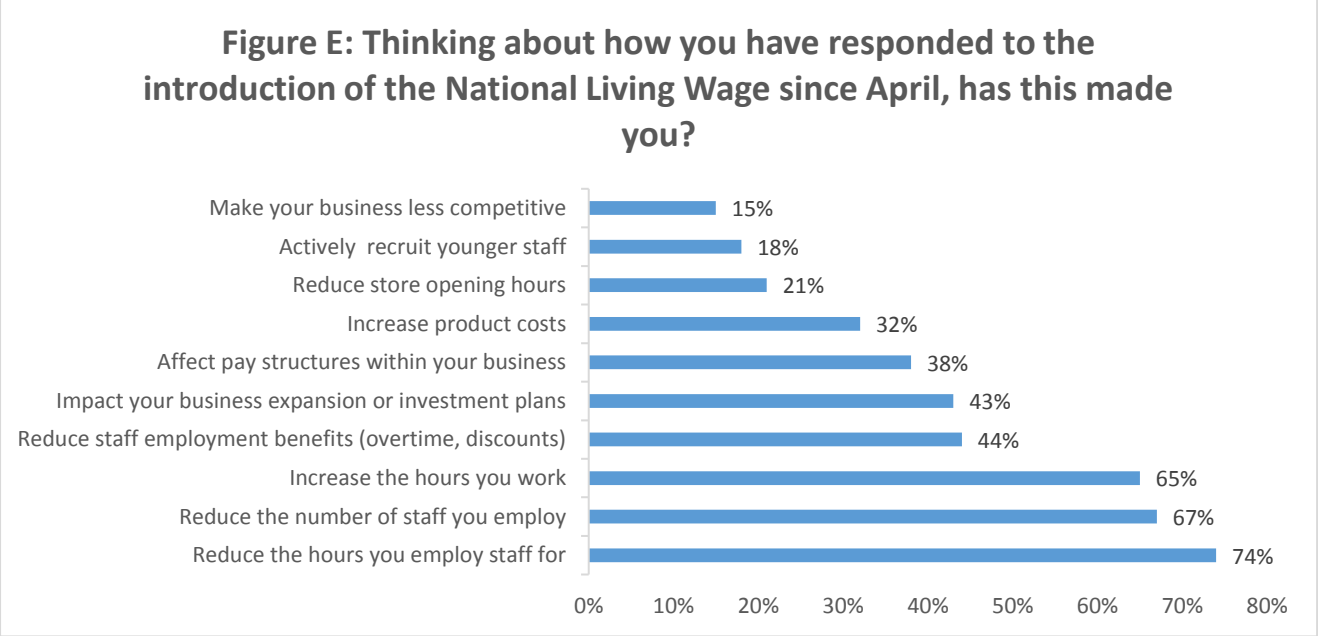
[18] Based on ACS Local Shop Report 2015 data

roles. Therefore, the convenience sector is not currently benefitting from the lower youth and development rates.

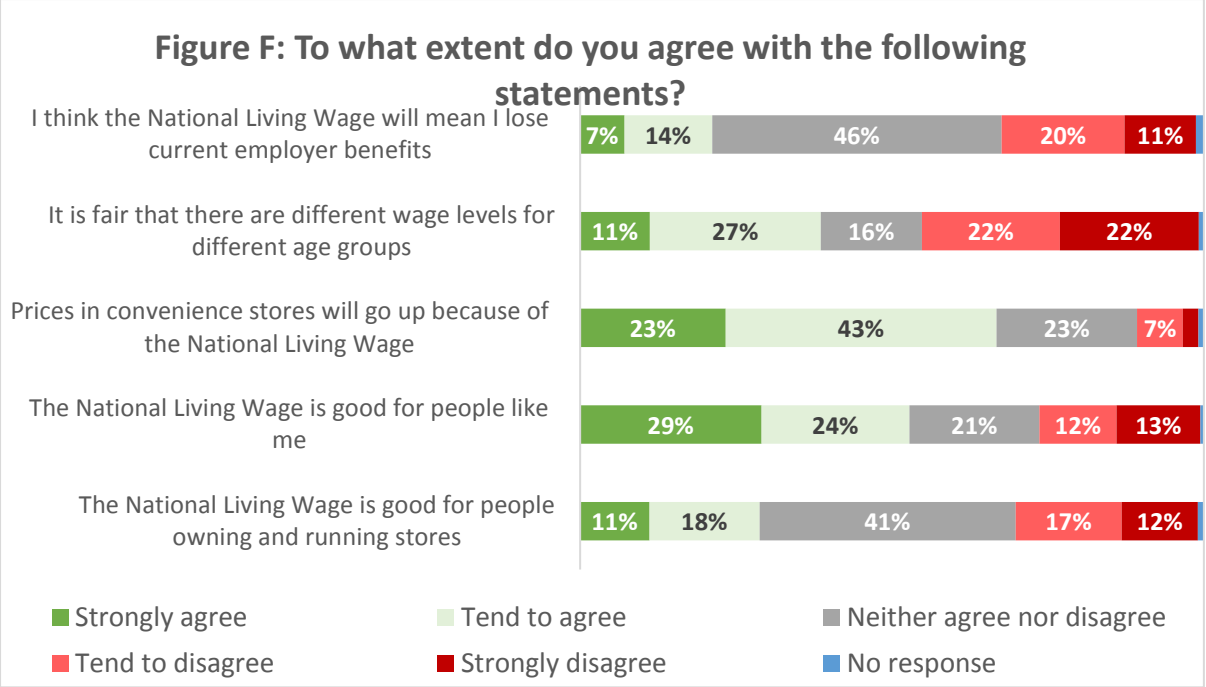


Impact of the National Living Wage

ACS' National Living Wage Survey asked retailers how they had responded to the introduction of the National Living Wage since April 2016. The results have uncovered three clear responses that retailers have taken; reducing paid working hours, reducing the number of staff employed and retailers increasing their own working hours in the business.



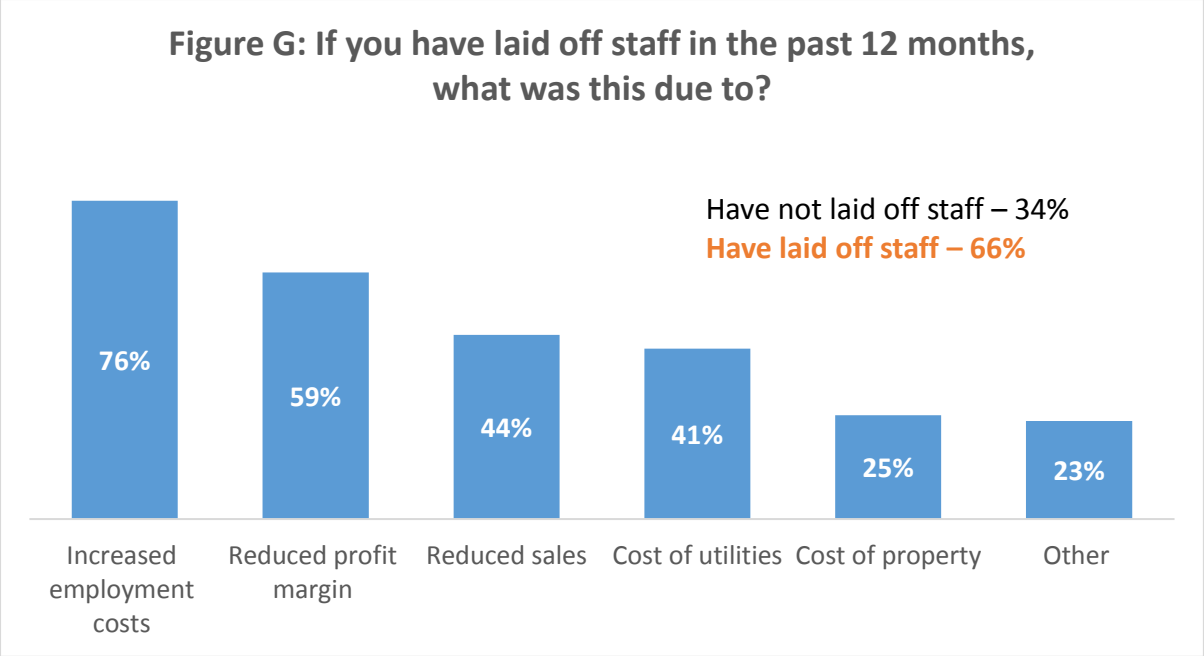
The National Living Wage is causing a shift in the number of paid working hours in convenience stores and total number of jobs in the sector. Where possible independent retailers are taking on more working hours themselves. However, it should be noted this response to wage increases is not an option for multiple retailers (discussed later). It is not yet clear if this will result in an uplift in overall productivity in the convenience sector, or if retailers will have to accept lower levels of customer service to customers.



Another significant response to the introduction of the National Living Wage is that 44% of retailers have reviewed staff benefits in their business. These benefits can include premium pay for working antisocial hours, paid breaks and staff discounts. This approach to reducing employment costs is not unique to the convenience sector and has recently been used by a range of large retailers to manage increases in employment costs[19]. This retailer response to the National Living Wage is well understood by employees. ACS' Colleague Survey finds that 21% of staff believe they will lose existing workplace benefits as a result of the National Living Wage[20].

Figure G below shows that 66% of retailers have laid off or not replaced leaving staff in the last 12 months and that 76% of businesses clearly attribute the need to reduce staffing numbers to an overall increase in employment costs. It should be noted that this is not solely attributed to an increase in the National Living Wage but also other employment costs as addressed earlier in this submission.

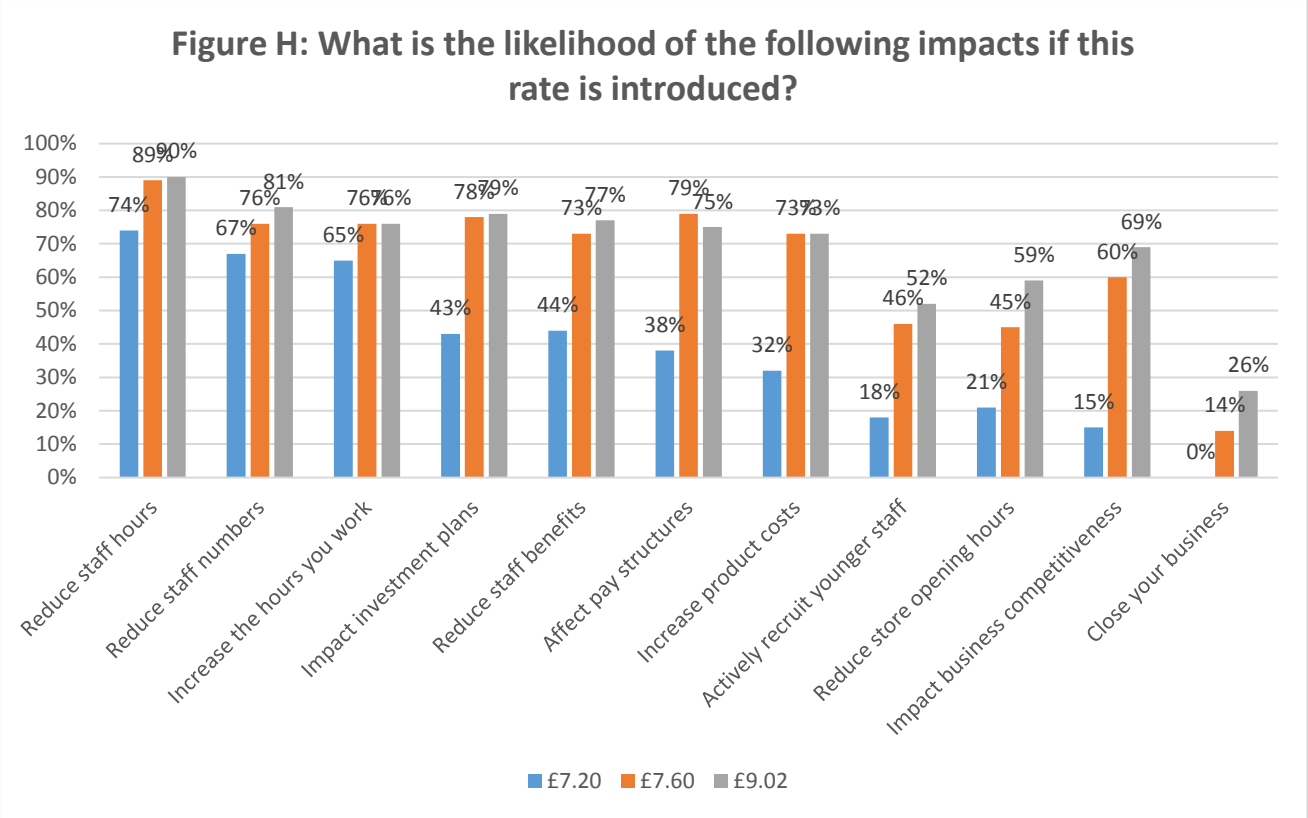
[19] The Independent. 15 March 2016. Tesco and B&Q cut overtime pay ahead of 'national living wage'
[20] ACS Colleague Survey



Future Impact of the National Living Wage

The survey asked members how they would respond to the Low Pay Commission's indicative rate of £7.60 for April 2017 and the £9.02 projection for 2020. Responses to both questions suggest that the level of retailer reactions to mitigate the National Living Wage will increase as the National Living Wage rate rises.

Figure H below compares retailers' reactions to the introduction of the £7.20 rate to their intended future actions for the £7.60 rate projected for 2017 and £9.02 rate projected for 2020 when the survey was live. There was an acceleration of retailer's activity to cut costs across all options but reductions in paid working hours, reductions in staffing levels and retailers taking on more working hours themselves remained the most favourable options.



There is a significant jump in activity in all areas as the wage rate increases. There is a 36% increase in the number of respondents saying wage increases will affect their investment plans and there is a 33% increase in the number of employers that will reduce staff employment benefits. There is also a 41% increase in the number of retailers saying they will increase product prices by 2020.

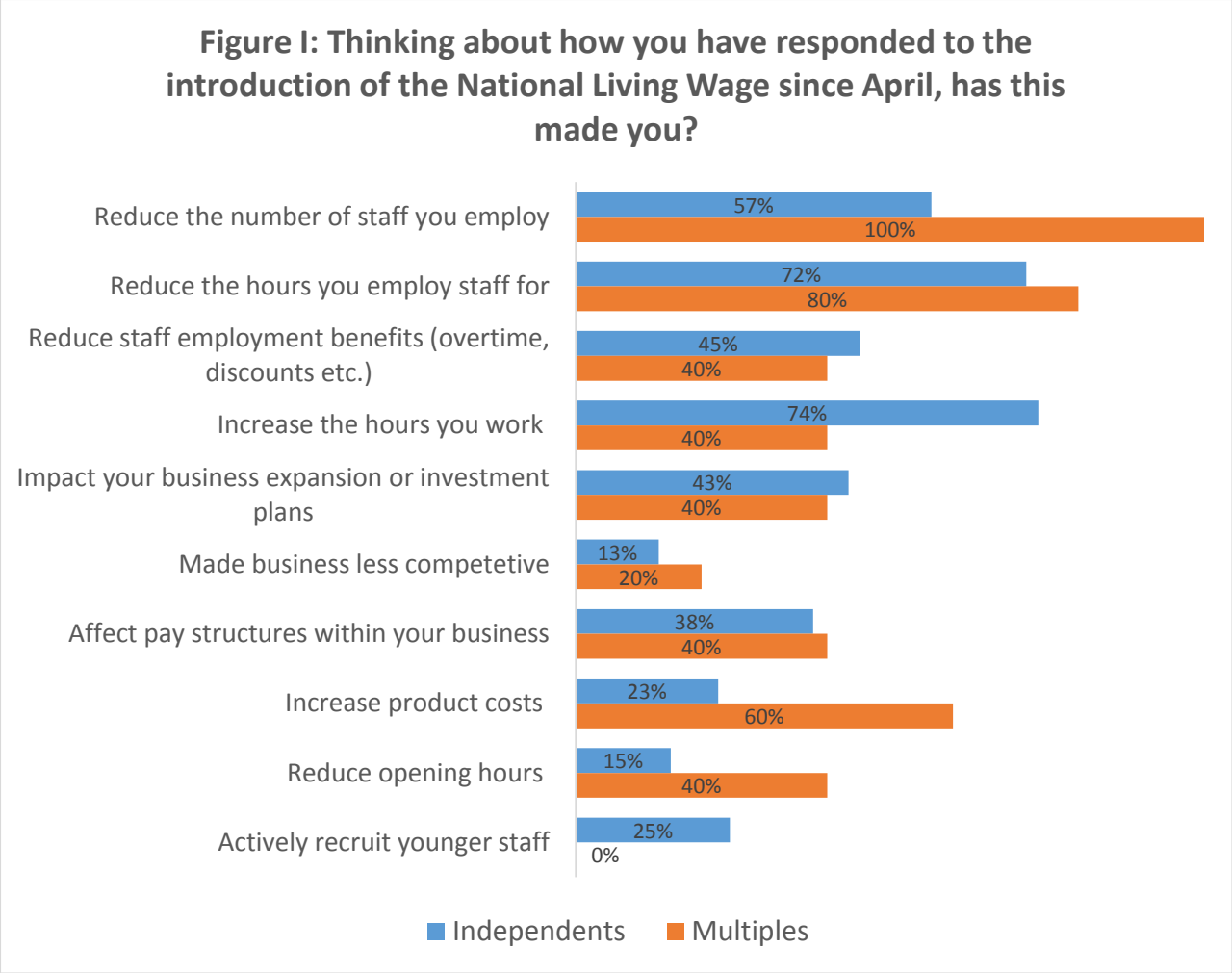
The graph shows that retailers are extremely concerned about the impact of National Living Wage on their business. It appears that increasing wage costs will result in structural change in staffing levels and overall employment levels by 2020.

Responses by Operating Format

A consistent response from the survey is that retailers will take on more working hours in the business to account for increased employment costs and reduced staffing levels. This is concerning because we know that independent retailers already work extensively long hours. 25% of retailers work more than 70 hours per week and 20% of shop owners take no annual holiday[21]. Making retailers work in their business means they have less time to work to strategically plan to grow and expand their business. Retailers working longer hours will also devalue the attractiveness and entrepreneurial value of the sector, disincentivising new investors into the convenience market.

The option of working more hours in the business is only open to independent retailers. Multiple retailers are having to take greater action in other areas such as staff working hours, investment plans and price increases. Figure I compares the reactions of independent and multiple retailers to the introduction of the National Living Wage.

[21] ACS Local Shop Report 2015



A range of conclusions can be drawn from Figure I, which shows that multiple retailers are reducing the number of staff they employ and increasing the price of goods at a faster rate than independents. As stated above this is because multiple retailers do not have the option to work more hours in their businesses.

Therefore, the overall impact of the National Living Wage could affect the business competitiveness of multiple retailers more so than independent retailers. This may allow independent retailers to take on sites previously occupied by multiple retailers that have become unprofitable. However, in Q2 2016 multiple retailers invested on average £6,107 per store compared to the £2,218 per store average for independent retailers[22]. Therefore, this trend would negatively impact investment in the sector for store development and employees.

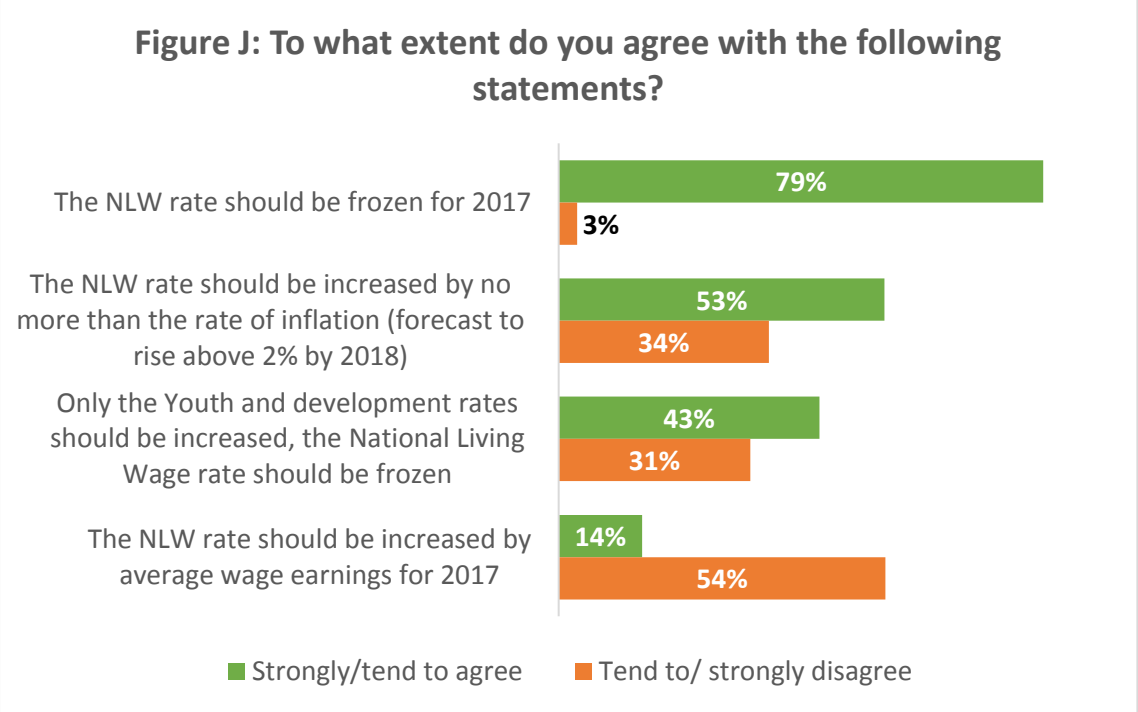
National Living Wage Rate Recommendation

We recommend that the Low Pay Commission remit is amended so that the National Living Wage rate is assessed on the same criteria as other rates in the National Minimum Wage framework. This means helping as many low-paid workers as possible without damaging their employment prospects. The Low Pay Commission's current role in assessing the National Living Wage rate has been significantly undermined by the introduction of the 60%

[22] ACS Investment Tracker: May 2016

median earnings target. We would like to see wage rates monitored, evaluated and reviewed objectively and not guided by arbitrary targets.

However, we understand that the remit of the Low Pay Commission is to recommend the trajectory of the National Living Wage towards its target of 60% of median earnings by 2020. Therefore, we understand that the National Living Wage rate is unlikely to be frozen in 2017. However, the feedback from retailers in Figure J demonstrates the severity of the impact of wage increases on the sector and the impact on their business and employees in the future. It is notable that retailers now favour increasing wage rates in line with inflation to clearly track with economic growth and provide better predictability than an increase aligned to average wage earnings.

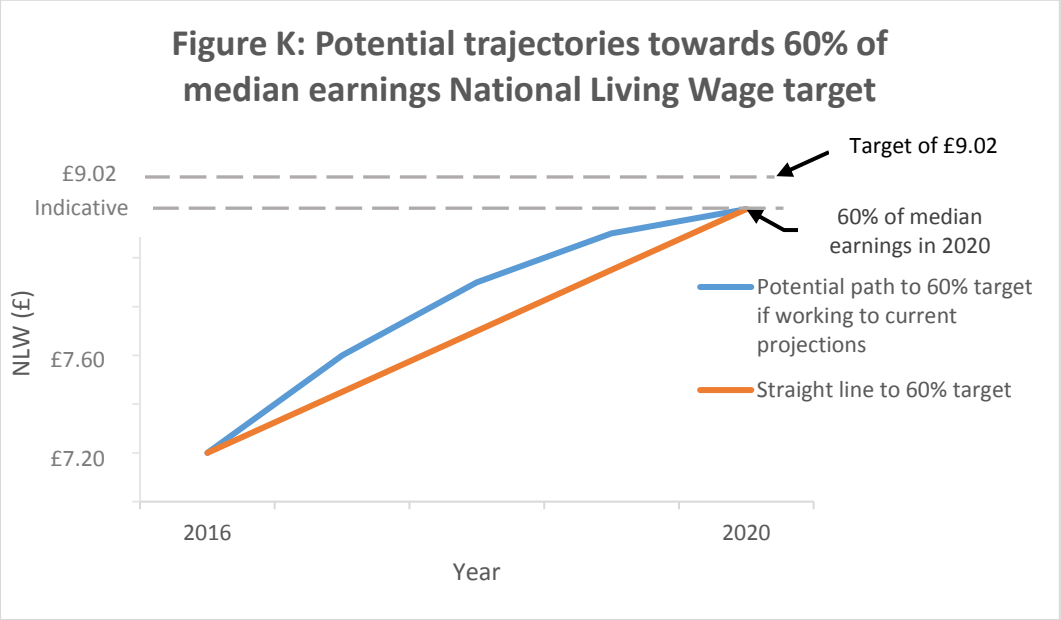


We also note that concerns over the impact of the National Living Wage are not limited to employers. One in four (25%) employees responding to our Colleague Survey did not agree that the National Living Wage was good for them, and we suggest this is because they are aware of the mitigating actions retailers are undertaking. This further demonstrates the need for caution in setting the NLW rate.

We are concerned about the 60% of median earnings and its impact on investment decisions. Since the National Living Wage policy was announced at Budget 2015, retailers have been making investment decisions based on the rate being above £9 per hour in 2020. However, projections for the 60% of median earnings 2020 target have been continually downgraded since the policy's unveiling. The original rate was predicted to be £9.35 (in July 2015), then £9.16 (November 2015) and now £9.02 (March 2016). The Resolution Foundation report, *The First 100 Days: early evidence on the impact of the National Living Wage,* includes a number of projections of 60% of median earnings in 2020, all of which are below the latest Office for Budget Responsibility estimate.

This means that increases along a straight line bite path towards the current projection of 60% of median earnings in effect front-loads as the 60% of median earnings target is revised downwards. This will impact retailers' investment and expansion plans. As low margin

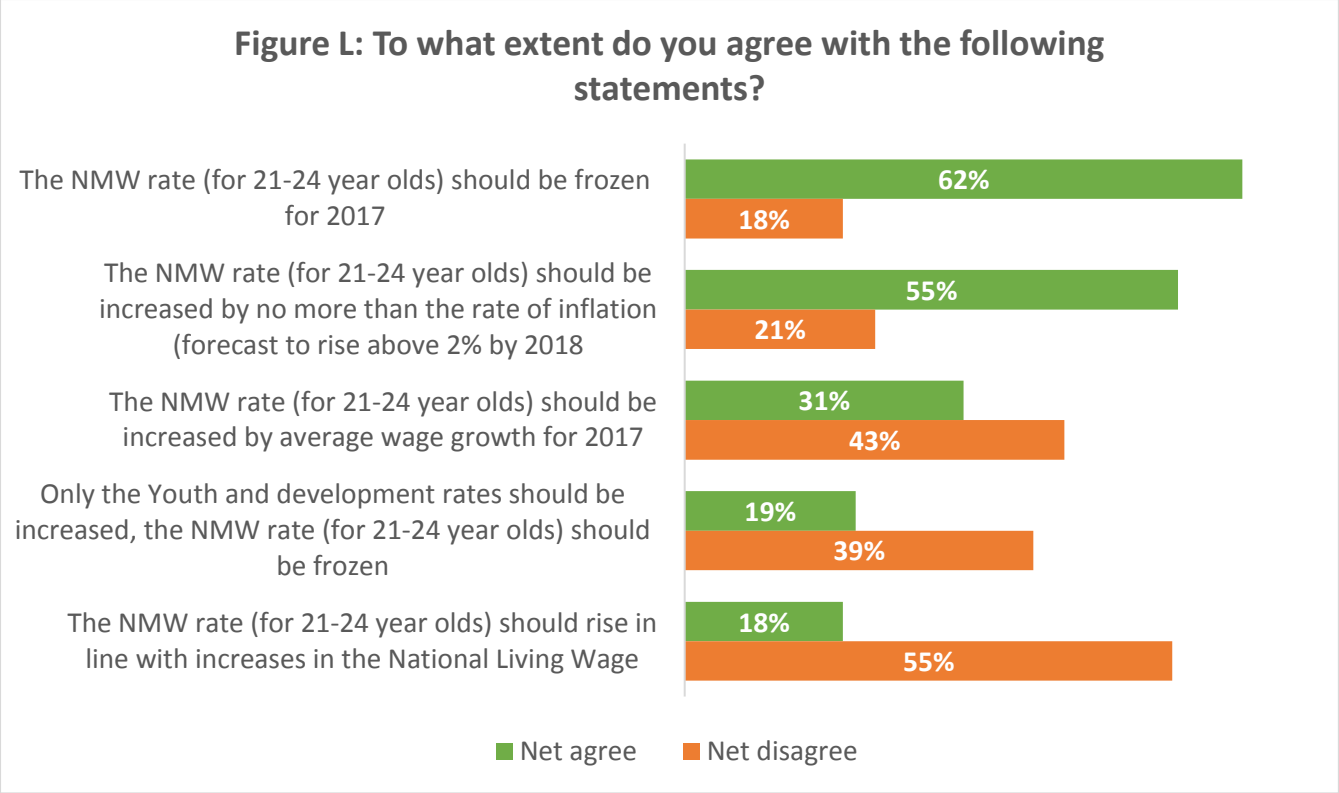
businesses the viability in a store can easily be determined by the 4% difference between £9.35 and £9.02. Figure K provides a graphical representation of the path that the National Living Wage is currently taking and a backloaded alternative.



If the National Living Wage follows the convex blue curve, retailers are more likely to make cuts and delay investment decisions because of higher projections for the future rate. These reactions will cause unnecessary job opportunities and missed expansion opportunities. We urge the Low Pay Commission to consider adopting a more conservative approach to projecting the National Living Wage rate to account for the decline or increase of median earnings. For example, the Low Pay Commission could set an annual median earnings target so that as the National Living Wage for 2016 is 55% of median earnings, 2017 would be 56.25% of median earnings and so on until 2020.

National Minimum Wage Rate Recommendation

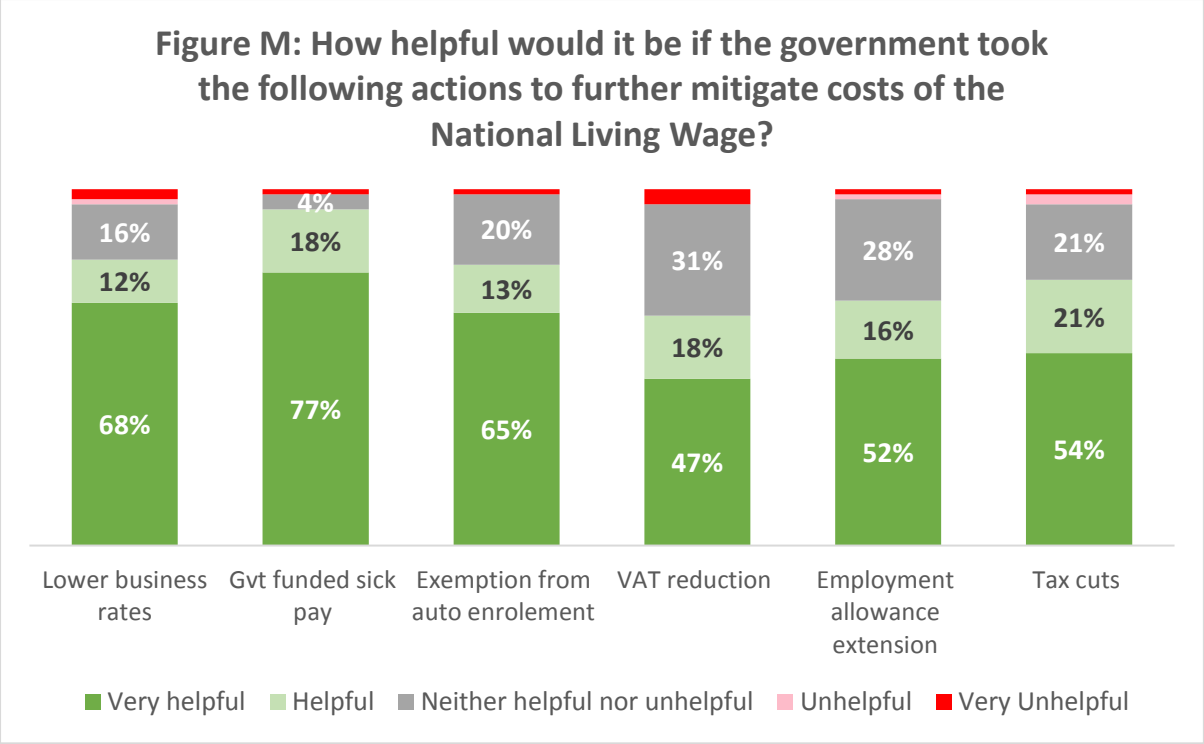
Figure L below sets out retailer opinion on the National Minimum Wage rate for April 2017. The n £7.20 of retailers (62%) favour a freeze in the current wage rate or an increase based on current inflation rates (55%).



Although these results favour a freeze in the National Minimum Wage, we recognise that with a target to increase the National Living Wage that it is likely the National Minimum Wage will also have to increase to reduce the differential between the two rates. However, we strongly advise the Low Pay Commission to consider the business impact and exercise restraint when setting the April 2017 rate.

Mitigating the cost of National Living Wage

Figure M details our member feedback on prominent actions the Government could take to mitigate the cost of wage increases.



This data shows that retailers overwhelmingly support the return of government-funded Statutory Sick Pay. The retailer requirement to fund statutory sick pay means unplanned funding for an additional wage to cover the absentee must be found. Four in five would find lower business rates either 'helpful' or 'very helpful', while changes to responsibilities on auto-enrolment and an extension of the Employment Allowance would help offset the National Living Wage. Therefore, we recommend the Government re-visits funding Statutory Sick Pay to mitigate the impact of wage rate increases.

From April this year, the Employment Allowance was increased to £3,000 to allow businesses to claim a greater reduction on their employer NICs liability. However, independent retailers and retailers with multiple stores will only acquire minimal savings from this policy. This is because 64% of employees in the sector are part-time, meaning convenience retailers already pay relatively little in employer NICs. For larger businesses, the employment allowance also fails to offer a substantial saving because the allowance applies to a businesses' overall PAYE bill rather than per store.

Cuts in Corporation Tax have also not helped to mitigate the cost of the National Living Wage. Convenience retailers receive very limited benefits from Corporation Tax cuts because the sector is low margin and therefore does not record high total profits. ACS and a wider group of business representative bodies have recently written to the Chancellor stating that cuts to Corporation Tax are not an effective stimulus for economic growth as reductions in other taxes such as business rates[23].

Conclusion

ACS' evidence to the Low Pay Commission clearly shows that the introduction of the National Living Wage is having a significant impact on retailers' recruitment and investment

[23] Daily Telegraph. 9 July 2016. Retail lobby groups unite to demand urgent reform of business rates system

plans. Retailers have reacted to the National Living Wage by reducing both staff hours and staff numbers. Independent retailers have also increased the hours they work in the business; an action which multiple retailers cannot undertake. Importantly, the sector is exploring all mitigating actions to cope with rises in the National Living Wage but the policy will still undermine the competitiveness of many convenience businesses.

We urge the Low Pay Commission to evaluate whether the 60% of median earnings target for the National Living Wage is appropriate in the context of uncertain economic conditions for the foreseeable future. We also urge the Government to look beyond the Employment Allowance and Corporation Tax cuts and bring forward other policies that will help businesses mitigate increases in employment costs. These could include action on Statutory Sick Pay, auto-enrolment, the Apprenticeship Levy and business rates.

For more information on the submission please contact steve.dowling@acs.org.uk or call 01252 5151001.

Appendix A

In response to the Low Pay Commission consultation on the National Minimum Wage and National Living Wage rates from April 2017, ACS is looking to evaluate the impact of the National Minimum Wage and the National Living Wage on the convenience sector. This information will be used to inform ACS' submission to the Low Pay Commission and all individual responses will be kept confidential.

If accurate numbers are not available, please use considered estimates.

If you have any questions about the survey, or need support completing it, please contact Steve Dowling, Public Affairs Assistant via email (steve.dowling@acs.org.uk) or telephone (01252 515001).

General Information

Contact information (to be kept confidential)

1. [Name, company, postcode, email]

2. The information that we gather as part of the National Living Wage Survey is crucial for communicating to the Low Pay Commission, the impact that wage increases have on employment in the convenience sector. Please choose one of the following options regarding your responses to this survey

- I am happy for my responses to be shared confidentially with my local MP to highlight the issues with rising wage costs
- I would not like my responses shared with my local MP

If you would like to arrange a store visit with your MP, you can contact us directly via email at steve.dowling@acs.org.uk

3. How many stores do you have? [Write in]

4. How many staff do you employ at store level? [Write in]

Wages and tax

5. How many of the following staff do you employ?

- Staff aged 25+ [Write in]
- Staff aged 21-24 [Write in]
- Staff aged 18-20 [Write in]
- Staff aged 16-17 [Write in]
- Apprentices [Write in]

6. What is your typical hourly rate for the following staff, who are not on probation or in a supervisory role? (£)

- Staff aged 25+ [Write in]
- Staff aged 21-24 [Write in]
- Staff aged 18-20 [Write in]
- Staff aged 16-17 [Write in]
- Apprentices [Write in]

7. In total, what does your business pay in Employer National Insurance contributions? [Write in]

Business Impact

8. In 2016, the Employment Allowance has risen to £3,000 per annum and it has been announced that corporation tax will be cut to 17% by 2020. The intention of these policies is to help employers meet the objective of supporting employment.

How helpful would it be if the government took the following actions to further mitigate costs of the National Living Wage? (Very helpful, helpful, neither helpful nor unhelpful, unhelpful, very unhelpful)

- Lower business rates

- Government funded Statutory Sick Pay
- Exemption from Automatic Enrolment
- Reduction in VAT
- Employment Allowance extension
- Corporation Tax cuts
- Other (please specify)

9. If you have laid off staff in the past 12 months, what was this due to? (Select all that apply)

- Increased employment costs
- Reduced sales
- Reduced profit margins
- Costs of utilities
- Costs of property
- I haven't laid off staff in the past 12 months
- Other (please specify)

10. The National Minimum Wage now applies for 21-24 year olds the current rate is £6.70, but will increase to £6.95 in October 2016. For 18-20 year olds the National Minimum Wage is £5.30 per hour. The rate for 16-17 year olds is £3.87 per hour and the apprentice rate is £3.30 per hour.

To what extent do you agree with the following statements? [Strongly agree, tend to agree, neither agree nor disagree, tend to disagree, strongly disagree]

a. The NMW rate (for 21-24 year olds) should be frozen for 2017
b. The NMW rate (for 21-24 year olds) should be increased by average wage growth for 2017
c. The NMW rate (for 21-24 year olds) should be increased by no more than the rate of inflation (forecast to rise above 2% by 2018)
d. The NMW rate (for 21-24 year olds) should rise in line with increases in the National Living Wage
e. Only the youth and development rates should be increased, the NMW rate (for 21-24 year olds) should be frozen

11. Which of the following statements best describes the level of Automatic Enrolment Pension opt outs amongst your employees?

a. All of my employees have opted out of pension contributions

b. The large majority of my employees have opted out of pension contributions

c. About half of my employees have opted out of pension contributions

d. A small minority of my employees have opted out of pension contributions

e. None of my employees have opted out of pension contributions

12. What do you intend to do in the future to mitigate the costs of rises in the National Minimum Wage? (Select all that apply) [Multi choice]

a. Close your business

b. Reduce the number of staff you employ

c. Reduce the hours you employ staff for

d. Reduce staff employment benefits (overtime, discounts, training)

e. Increase the hours you work

f. Impact your business expansion or investment plans

g. Make your business less competitive

h. Affect pay structures within your business

i. Increase product costs

j. Reduce store opening hours

k. Actively recruit younger staff

l. None - I don't employ staff

National Living Wage

The National Living Wage came into force in April 2016. It replaces the National Minimum Wage rate for all those aged 25 or over. The current rate is £7.20 and is forecast to rise to £9.02 an hour by 2020.

13. Thinking about how you have responded to the introduction of the National Living Wage since April, has this made you? (Select all that apply) [Multi choice]

a. Close your business

b. Reduce the number of staff you employ

c. Reduce the hours you employ staff for

d. Increase the hours you work

e. Reduce staff employment benefits (overtime, discounts, training)

f. Impact your business expansion or investment plans

g. Make your business less competitive

h. Affect pay structures within your business

i. Increase product costs

j. Reduce store opening hours

k. Actively recruit younger staff

l. None

m. Other (please specific)

14. What do you intend to do in the future to mitigate the costs of rises in the National Living Wage? (Select all that apply) [Multi choice]

a. Close your business

b. Reduce the number of staff you employ

c. Reduce the hours you employ staff for

d. Reduce staff employment benefits (overtime, discounts, training)

e. Increase the hours you work

f. Impact your business expansion or investment plans

g. Make your business less competitive

h. Affect pay structures within your business

i. Increase product costs

j. Reduce store opening hours

k. Actively recruit younger staff

l. None

m. Other (please specify)

15. In 2017 the NLW rate is expected to rise to £7.60 an hour. What is the likelihood of the following impacts on your business if this rate is introduced? (Very likely, somewhat likely, neither likely nor unlikely, somewhat unlikely, very unlikely)

a. Close your business

b. Reduce the number of staff you employ

c. Reduce the hours you employ staff for

d. Reduce staff employment benefits (overtime, discounts, training)

e. Increase the hours you work

f. Impact your business expansion or investment plans

g. Make your business less competitive

h. Affect pay structures within your business

i. Increase product costs

j. Reduce store opening hours

k. Actively recruit younger staff

If you do not employ staff over the age of 25 please state [Write in]

16. In 2020 the NLW rate is expected to rise to £9.02 an hour. What is the likelihood of the following impacts on your business if this rate is introduced?

a. Close your business

b. Reduce the number of staff you employ

c. Reduce the hours you employ staff for

d. Reduce staff employment benefits (overtime, discounts, training)

e. Increase the hours you work

f. Impact your business expansion or investment plans

g. Make your business less competitive

h. Affect pay structures within your business

i. Increase product costs

j. Reduce store opening hours

k. Actively recruit younger staff

If you do not employ staff over the age of 25 please state [Write in]

17. To what extent do you agree with the following statements? [Strongly agree, tend to agree, neither agree nor disagree, tend to disagree, strongly disagree]

a. The National Living Wage rate should be frozen for 2017

b. The National Living Wage rate should be increased by average wage earnings for 2017

c. The National Living Wage rate should be increased by no more than the rate of inflation (forecast to rise above 2% by 2018)

d. The National Living Wage rate should rise in line with rises in the National Living Wage

e. Only the youth and development rates should be increased, the National Living Wage rate should be frozen

18. When do you calculate your wage bill for the year ahead? [Single choice]

- Monthly
- Tax year (April)
- Calendar year
- Other, please specify

19. Which of the following best describes your approach to zero-hour contracts?

a. I do not use zero hour contracts

b. I use zero hour contracts for seasonal workers

c. I use zero hour contracts for new workers

d. I use zero hour contracts on request

e. I use zero hour contracts for all workers

f. Other (please specify)

20. Which of the following best describes your intentions with regards to zero-hour contracts?

a. I will increase the use of zero hour contracts

b. I will decrease the use of zero hour contracts

c. I will no longer use zero hour contracts

d. I will not change the use of zero hour contracts

21. Currently, employers are required to pay Statutory Sick Pay (£88.45 per week) to employees who are off sick between 4 days and 28 weeks.

How many of your employees have taken Statutory Sick Pay over the past 12 months? [Write in]

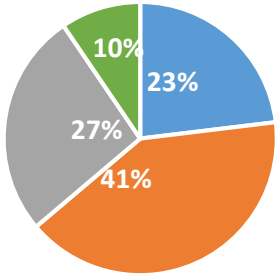
24. Are there any other comments or issues you would like to raise? [Write in]

Appendix B

The ACS Colleague Survey is a mixed quantitative and qualitative research project based on primary research into the employment and work of convenience store staff. It is the first time that data has been gathered direct from shop floor staff. This research is based upon a sample consisting of 1252 respondents, all of which are staff working within the convenience sector.

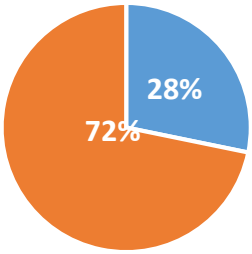
- Staff working within the convenience sector were most likely to report that in five years' time they see themselves working in a 'similar role', with the same employer. This highlights an element of consistency that the convenience sector provides to employees.
- 51% of staff surveyed walk to work and the majority of staff found their roles through a family/friend, or within store, highlighting how the convenience sector is a local/community based job which is convenient for those living within the area.
- In addition, 68% of staff have at least one commitment outside of work, with the majority working less than 30 hours a week over five days. This suggests that working within the convenience sector provides a flexible working pattern for those with commitments outside of work (such as having children or studying).
- Another key finding from the Colleague Survey is how positively staff rate their training.
- Overall, surveying staff that work within the convenience sector has highlighted how important convenience stores are in providing key job opportunities for a variety of different ages, with a number of different commitments and lifestyles.

Figure I: What is your age?



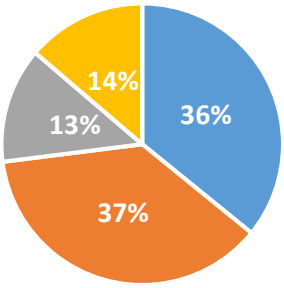
Up to 24 25-44 45-59 60 years or more

Figure II: What is your gender?

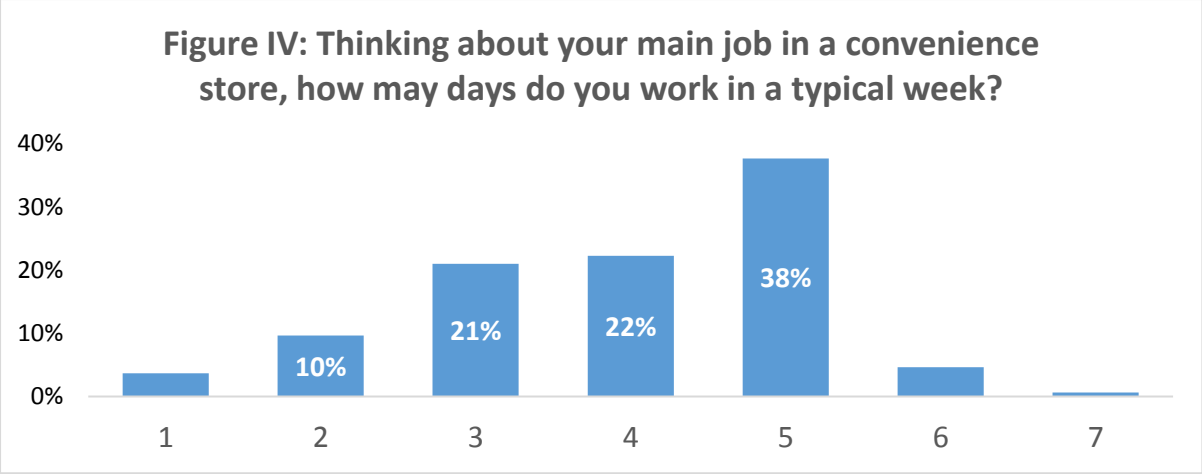


Male Female

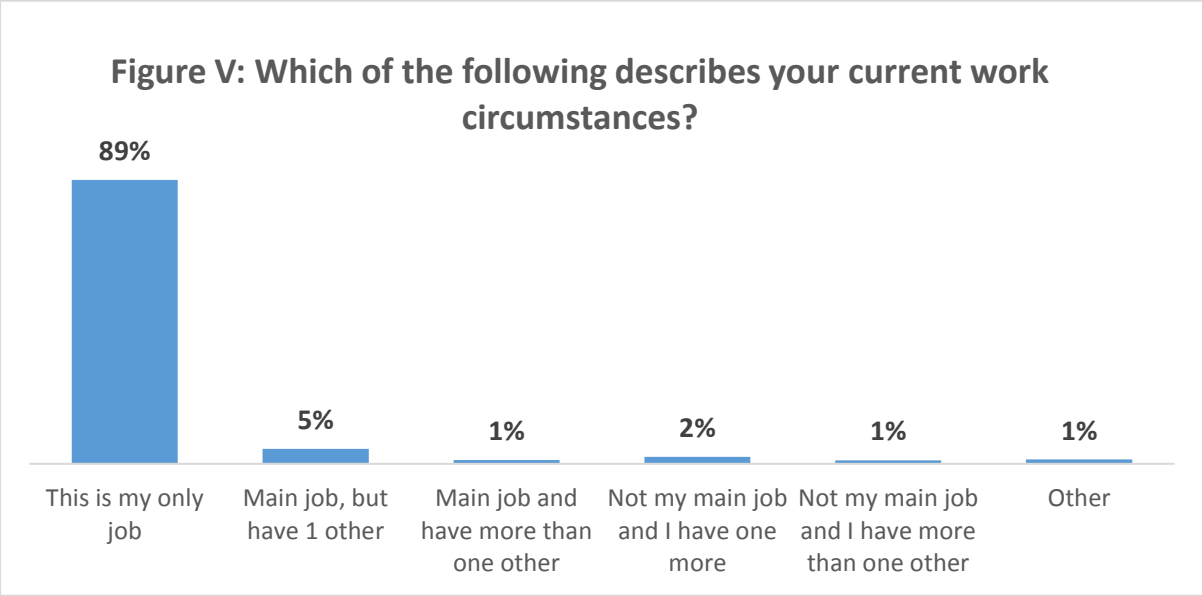
Figure III: Thinking about your main job in a convenience store, how many hours do you work in a typical week?

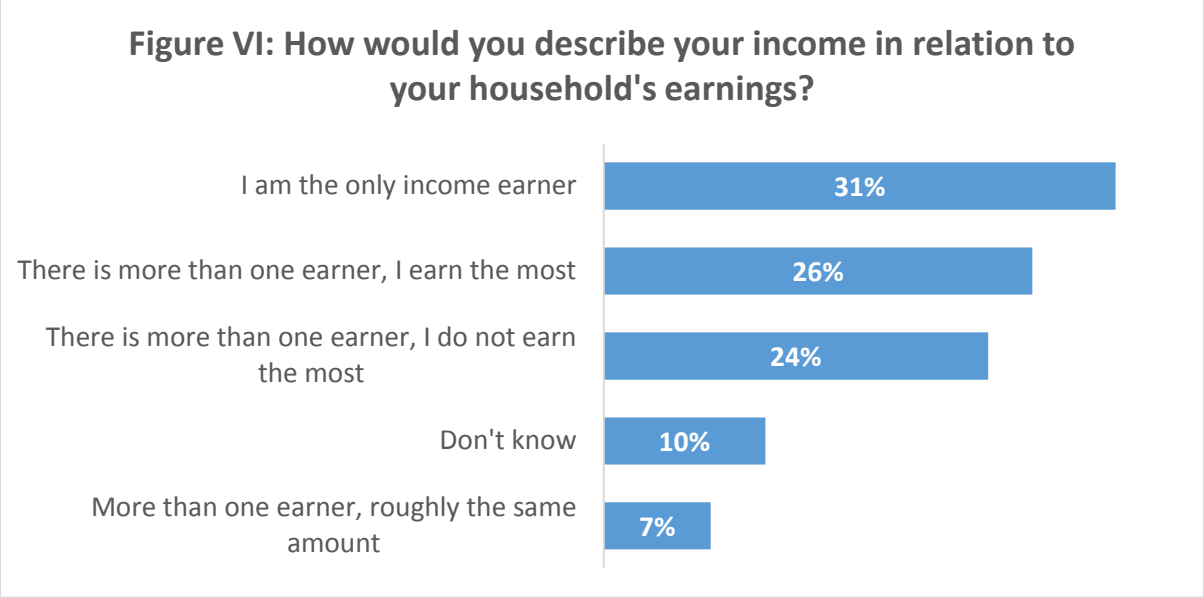


0-16 hours 17-30 hours 31-40 hours 41 > hours



Figures I and II show that the sample of the survey reflects a sector that over-indexes on female employment and employs from a varied age range. Figures III and IV show that 86% of respondents work 40 hours or less per week, with 73% working fewer than 30 hours. Workers most commonly work five day weeks (38%) and fewer than 5% work six or seven days a week.





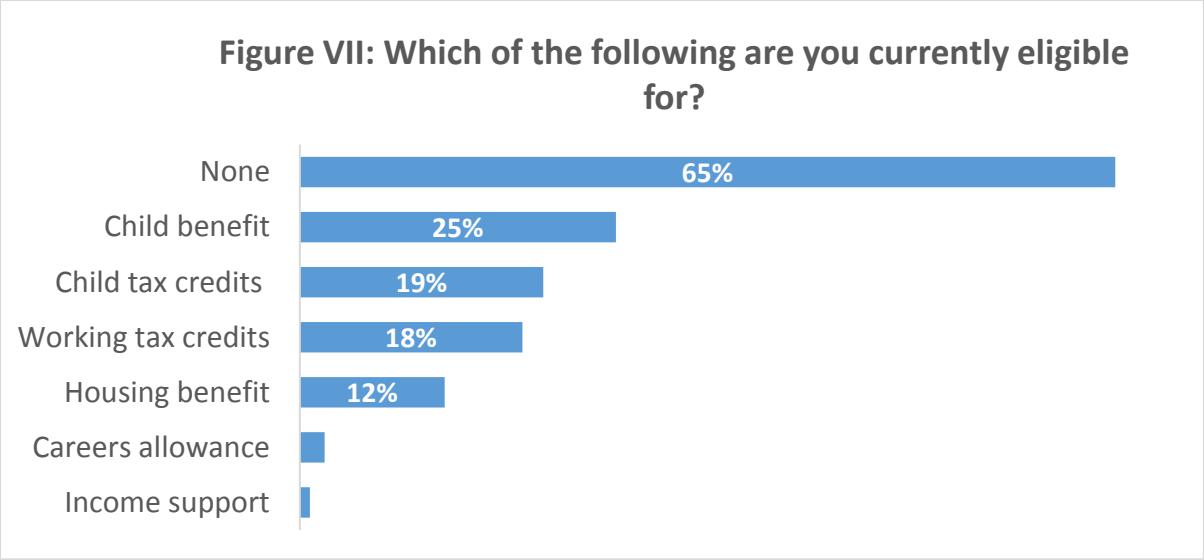
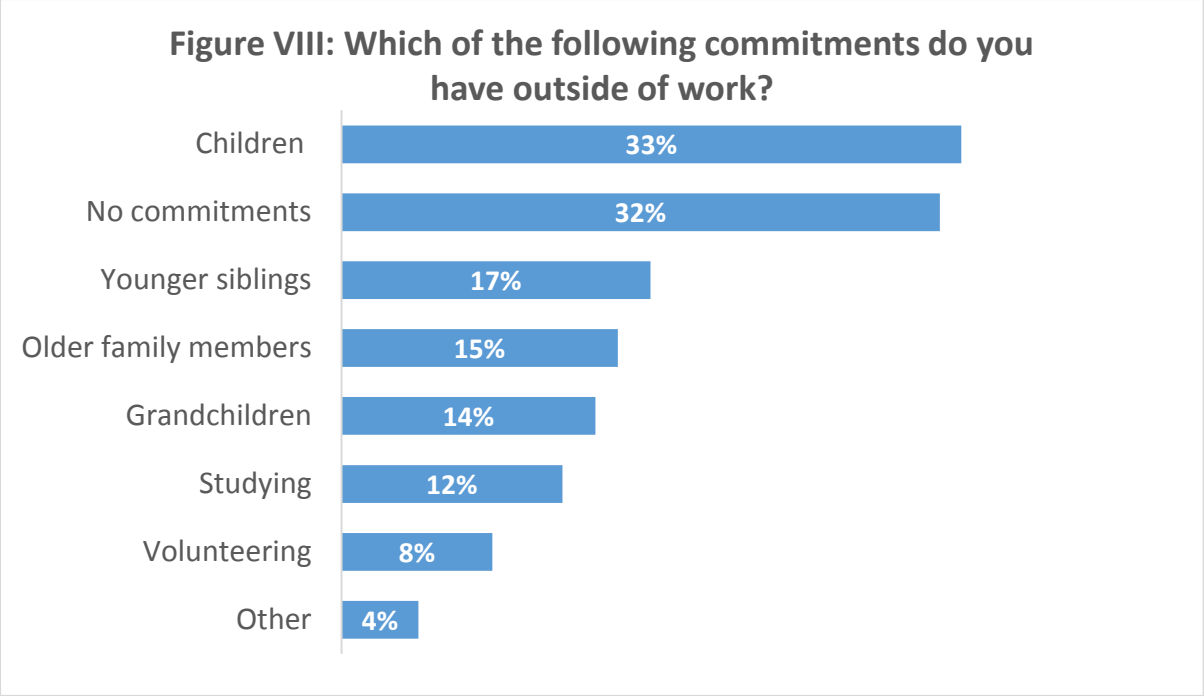
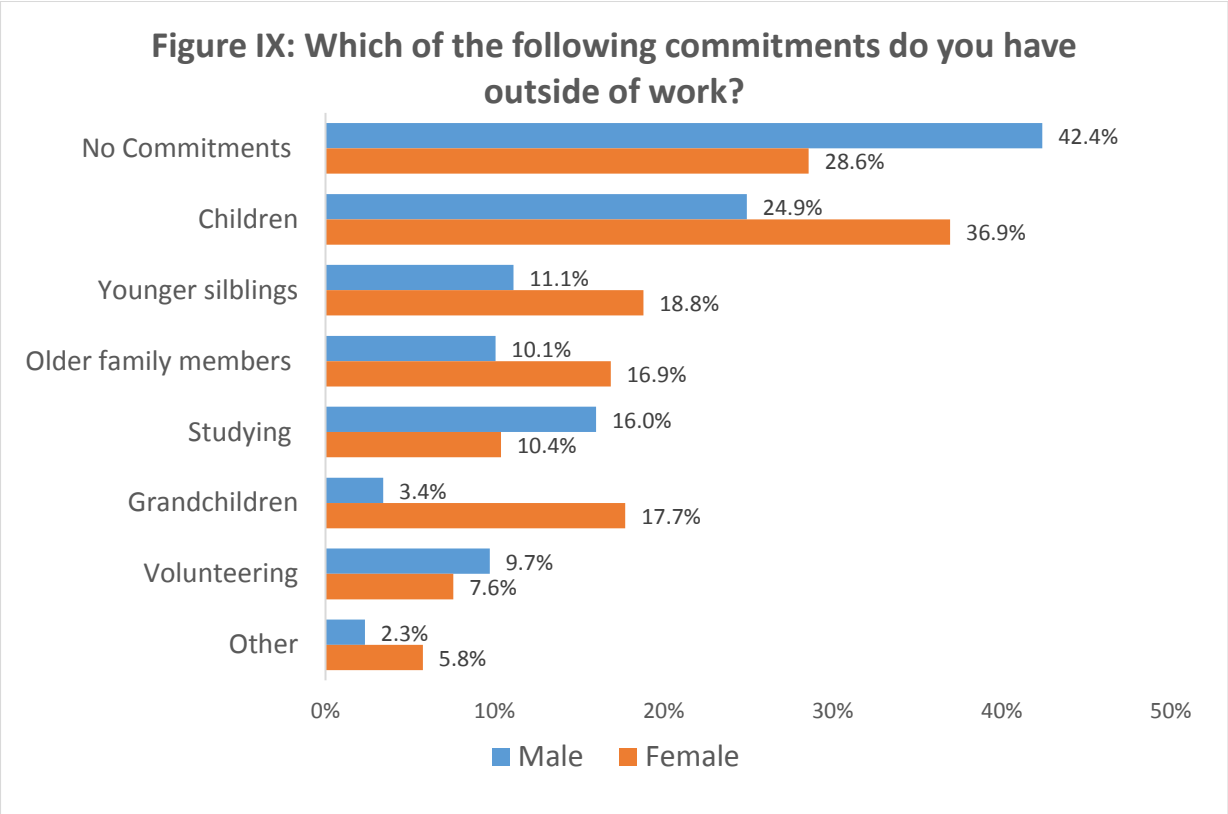


Figure V shows 89% of respondents reported that their job in the convenience sector was their only job, highlighting the importance that the sector has for employment. Figure VI shows that less than a third (31%) are a sole income earner for their household, and 24% do not have the largest income within their household earnings. 35% of the convenience sector workforce is eligible for some form of benefit, with child benefit, credit tax credits and working tax credits the most common form of income supplement.





Figures VIII and IX detail the commitments that those who work in the sector have. Over two-thirds (68%) have some form of commitment that affects the working hours they can undertake. Respondents were most likely to have childcare commitments (33%), while 12% have study commitments and 8% have volunteering commitments. Females were more likely to have commitments than males with only 29% of females reporting that they had no commitments compared to 42% of males.

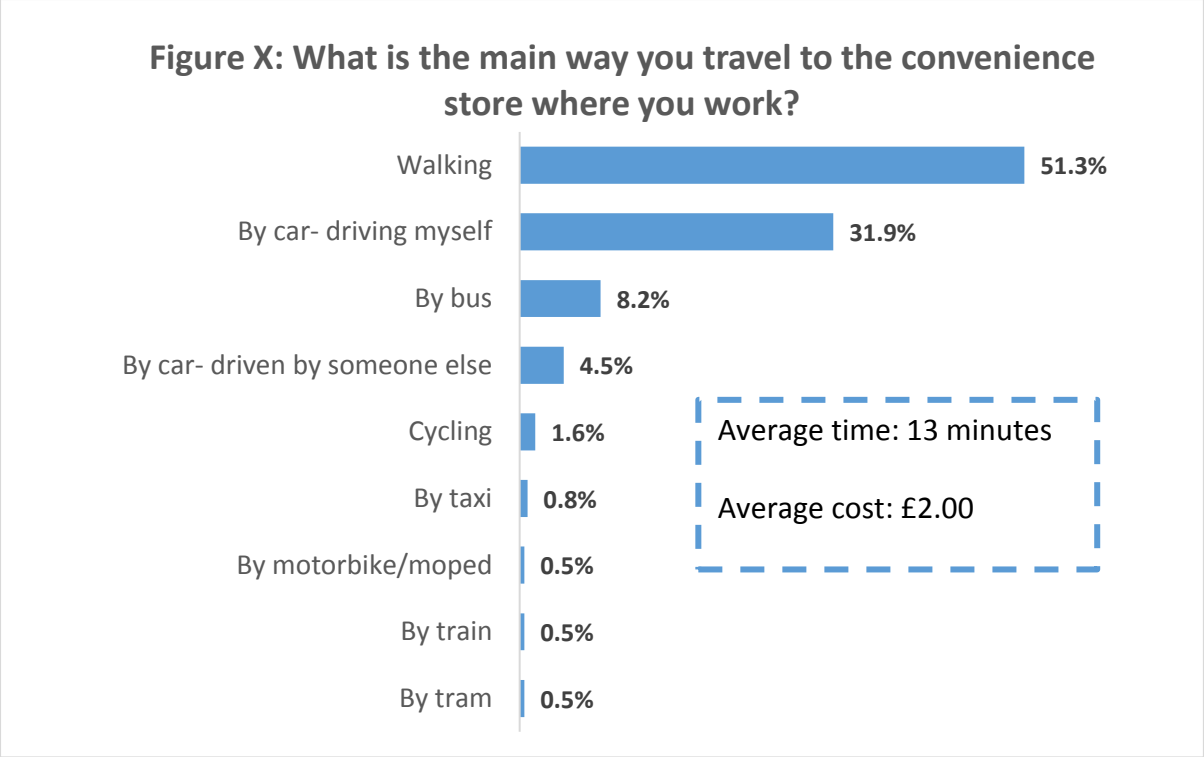


Figure X: What is the main way you travel to the convenience store where you work?
Walking
51.3%
By car- driving myself
31.9%
By bus
8.2%
By car- driven by someone else
4.5%
Cycling
1.6%
By taxi
0.8%
By motorbike/moped
0.5%
By train
0.5%
By tram
0.5%
Average time: 13 minutes
Average cost: £2.00


Figure XI: Which of the following best describes how you found your current job?
Family member/friend
30%
Advert in store
24%
Someone who worked in store
21%
Other
14%
Advert online
6%
JobCentre Plus
4%

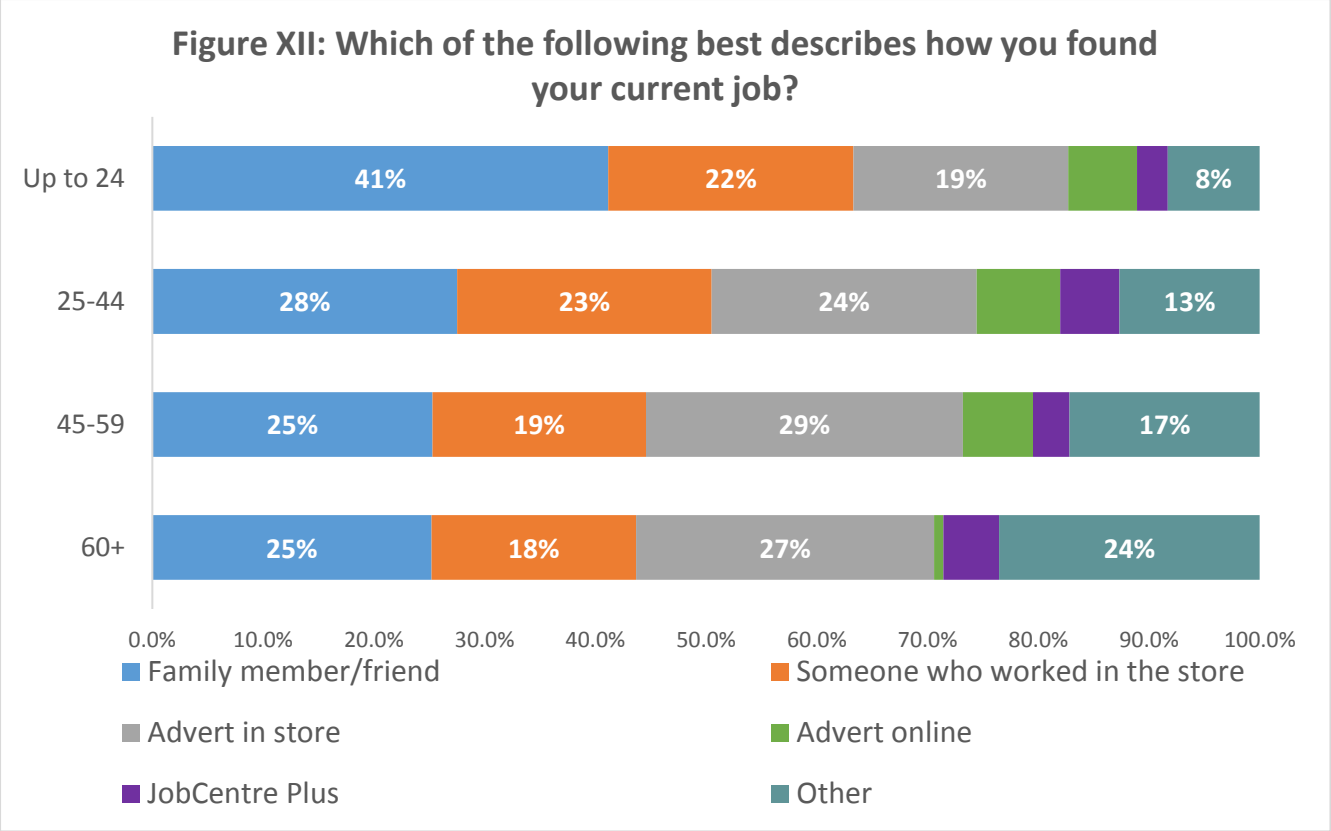


Figure X shows that over half (51%) of colleagues walk to work, suggesting they also live in close proximity to their workplace. The average time taken to get to work is 13 minutes at a cost of £2.00. Many colleagues also found their existing position through an advert in store (24%) or someone who worked in store (21%), suggesting that the sector offers hyperlocal employment for the communities that they serve. Figure XII shows that of those who found their position through a family member of friend, the highest proportion were aged up to 24 years old. This reflects the presence of family businesses in the sector, who often employ family members to offer them the opportunity to gain transactional employment skills.

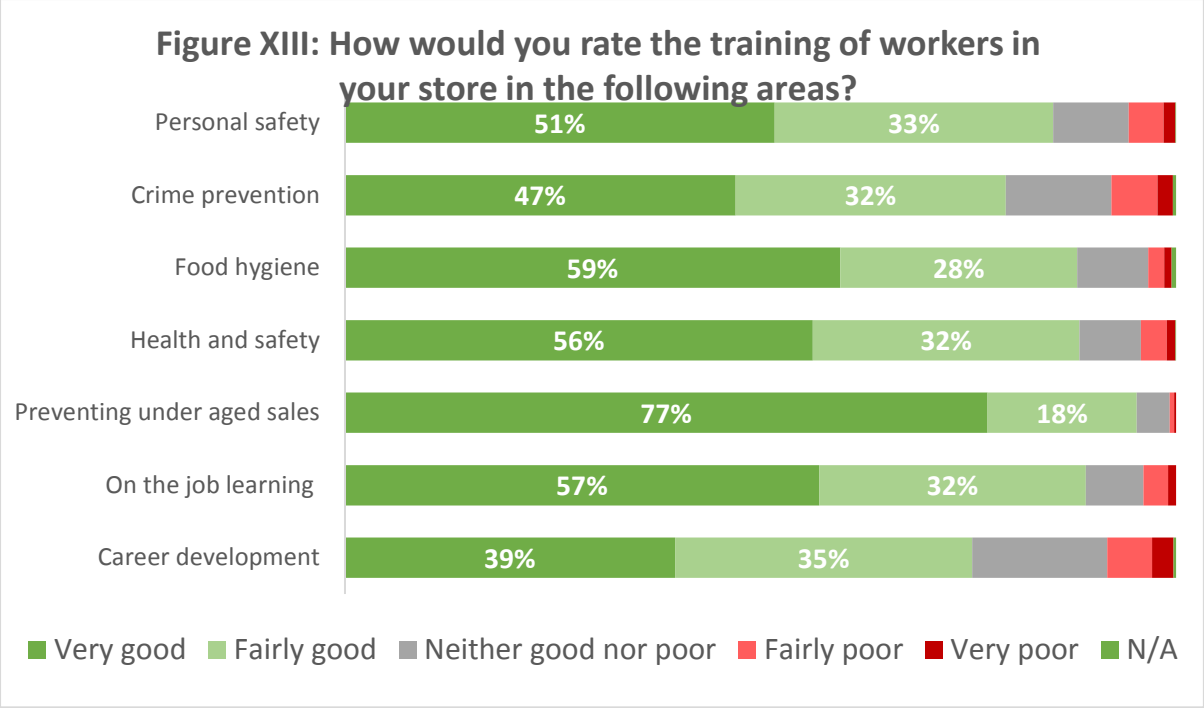
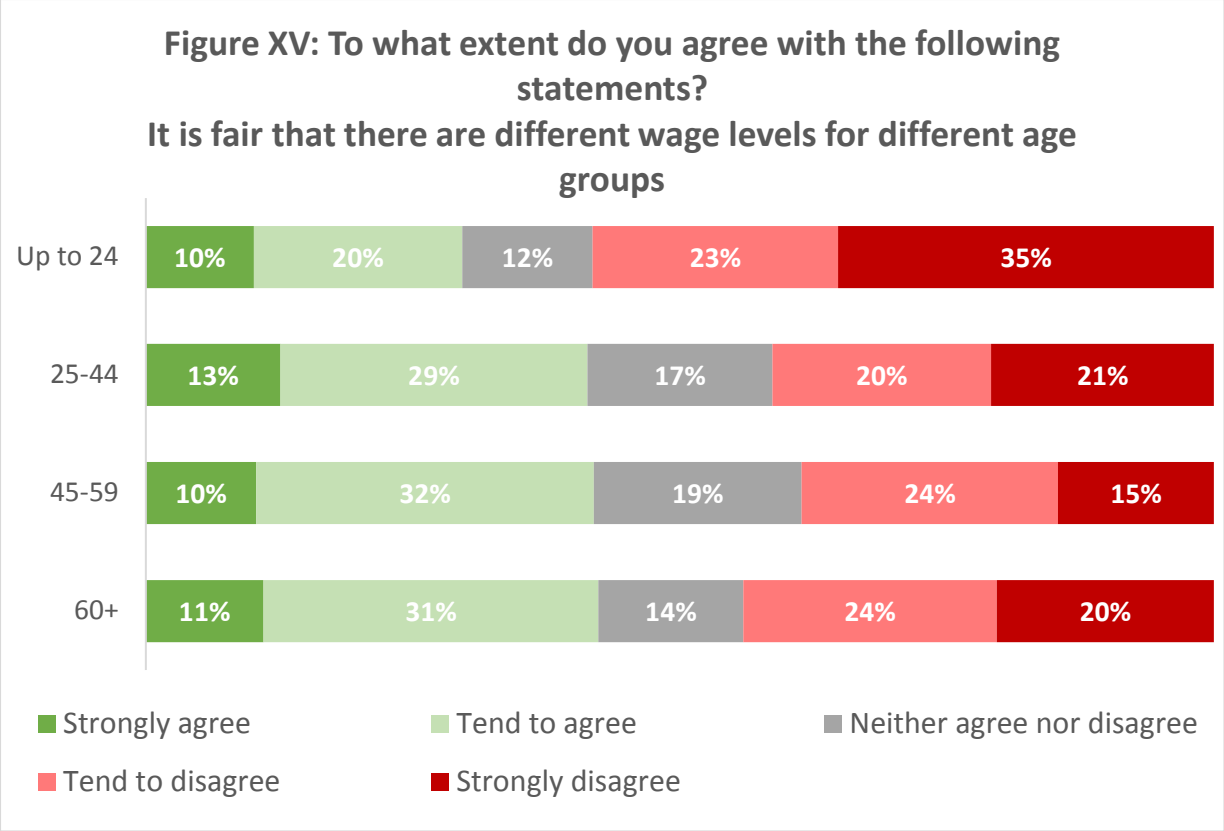


Figure XIII reflects the positive perception that workers have on training in the sector. An overwhelming 95% view their training on preventing under-aged sales as either 'very good' or 'fairly good', while 74% view their career development training as either 'very good' or 'fairly good'.



Figures XIV and XV convey the opinions of colleagues on the National Living Wage. Figure XIV shows a high level of uncertainty amongst the workforce for the future of their workplace benefits, and also shows a variation in opinion on the perceived fairness of the age threshold for National Living Wage eligibility. Two-thirds (66%) feel that retailers will increase product costs in response to the National Living Wage and 25% feel the policy will not be beneficial for their personal circumstances. 41% are unsure of the National Living Wage's net implication for store operators.

Figure XV shows that over half of the 16-24 age group (58%) either 'tend to disagree' or 'strongly disagree' with the premise that it is fair there are different wage levels for different age groups. This represents greater disagreement than for any other age bracket.

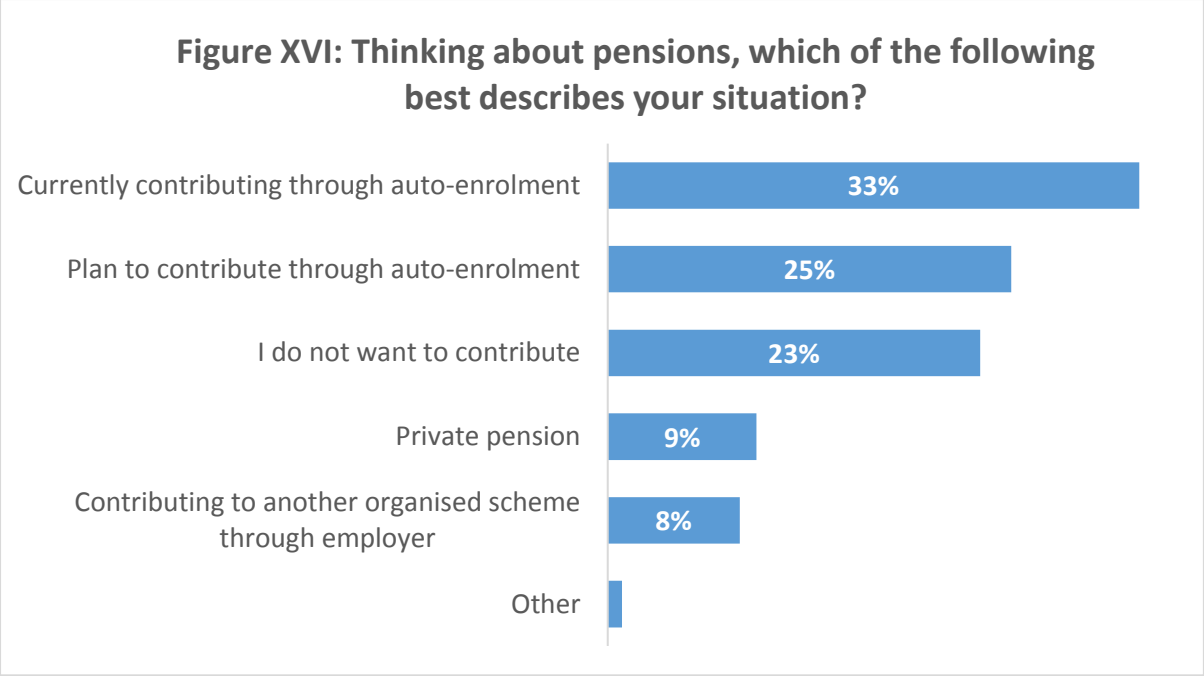
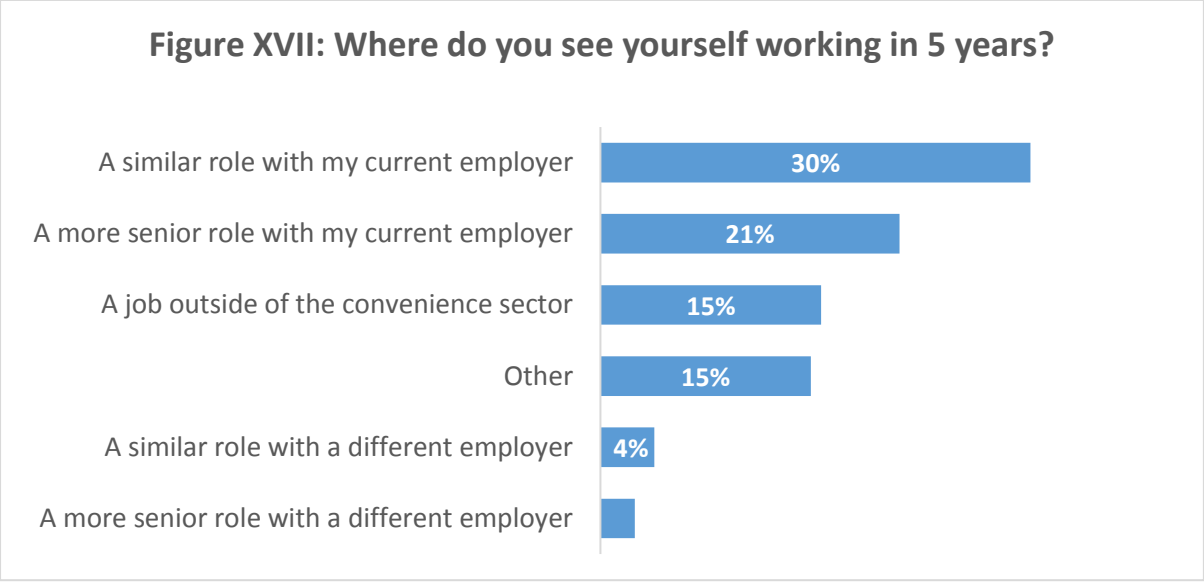
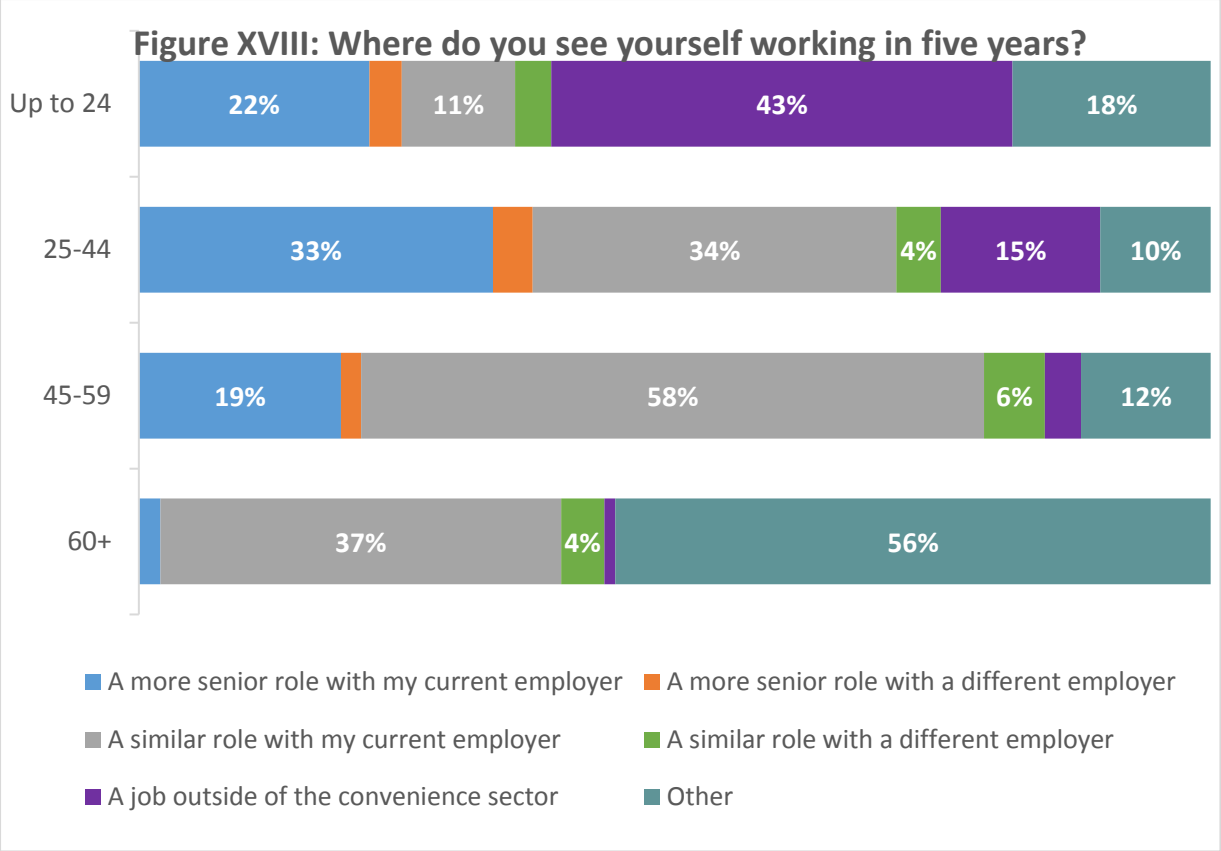


Figure XVI provides an insight into colleague reactions to auto-enrolment. One third (33%) are already contributing to an auto-enrolment pension, while 25% plan to contribute through auto-enrolment when their employer's staging date arises. 23% do not plan to contribute to auto-enrolment.





Figures XVII and XVIII express the situation that workers in the sector foresee for themselves in five years time. An impressive 51% believe they will remain with their current employer in five years time and only 15% feel they will be working outside of the convenience sector. However, there is an evident divide by age on futures in the sector, with 43% in the 16-24 age bracket feeling they will be working outside of the sector within this timeframe. Although this is partly reflected by 12% of workers in the sector having study commitments, it is likely also a reflection of a perceived minimisation of career opportunities in the sector as a result of pay differentials declining between shop floor and management level positions and the subsequent desirability of promotion.