

**ECONOMY, ENERGY AND FAIR WORK COMMITTEE****DRAFT BUDGET 2019-20****SUBMISSION FROM Scottish Grocers' Federation****Introduction**

The Scottish Grocers' Federation (SGF) is a trade association for the Scottish Convenience store sector and is the authoritative voice of the Scottish convenience trade. There are 5,286 convenience stores in Scotland, which includes all the major symbol groups, co-ops and convenience multiples in Scotland. SGF promotes responsible community retailing and works with key stakeholders to encourage a greater understanding of the contribution convenience retailers make to Scotland's communities.

SGF welcomes the opportunity to provide a submission in response to a call for written views by the Economy, Jobs and Fair Work Committee.

**Supporting the economy**

Convenience retail is worth £5.2 billion per annum to the Scottish Economy and contributes about £530 million every year.

The retail sector is currently Scotland's largest private sector employer, employing approximately 245,000<sup>1</sup> people directly which comprises 13% of the private sector workforce. A key contribution is made by the Scottish Convenience Sector which alone provides around 41,000 jobs.

Scottish convenience stores offer local jobs for local people, jobs which contribute to the economic prosperity of the communities which they serve and allow employees to have flexible jobs which enable them to balance both work and family commitments. For example, in 2017, 67% of employees worked on a part-time basis when defined as 30 hours a week or less, 32% of those employed in convenience stores were the only income earner, 71% of jobs were filled by female employees and 64% of employees were aged 25 to 60 years old<sup>2</sup>.

**Rising costs**

Convenience sector retailers operate in a hyper-competitive market where adaptability, flexibility and responding to changing customer demands is essential. Additional costs therefore have a negative effect on the industry, some examples of which are given below:

- National Living Wage (NLW)/ National Minimum Wage (NMW) – increases to the NLW and NMW are adding to staff costs. The previous increase was 4.4% rather than in line with inflation and so cost retailers significantly more.
- Auto-enrolment – Employers contributions doubled from 1% to 2% in April 2018 and that will increase further in 2019. Retailers are paying into workplace pensions for a larger proportion of staff than anticipated.
- Statutory Sick Pay (SSP) – For smaller businesses like some convenience stores, full liability for SSP can markedly increase expenditure on staff.

<sup>1</sup> Scottish Annual Business Statistics 2016

<sup>2</sup> The Scottish Local Shop Report 2017

- Taylor Review of Modern Working Practices - The principles set out in the report would, in our view, create significant difficulties for retailers e.g. complicating payroll administration and retailers ability to project employment budgets all of which could be at an additional financial cost.
- Interchange Fee Cuts for ATMs & Card Payment Fees – Retailers are concerned that the recent reduction in ATM interchange fees will undermine the commercial viability of hosting an ATM. In most instances this will involve ATM providers changing their ATM contracts with convenience retailers to reduce their commission payments. Any reduction in commission payments will increase costs on retailers. We note however that LINK has scrapped its planned cut to interchange fees in 2020 and is reviewing another cut lined up for 2021. In addition, there are costs that retailers incur in relation to card acquiring services. This issue is now subject to review by the Payment Systems Regulator.

### **Rising tax burden on retailers**

The Scottish Government Annual Business Statistics 2016 show that the total tax take faced by the retail sector increased by 27.9% to 579.3 million between 2008 and 2016. SGF believe that if the convenience retail sector and the retail industry as a whole is to continue to positively contribute to the Scottish economy and society, the system of business taxation must be fair and proportionate.

An example of the tax burden – which we appreciate in this case is a reserved issue – is the Apprenticeship Levy. SGF acknowledge that the scheme may offer potential benefits to certain industries and types of businesses. However the convenience sector is already under significant pressure from rising employment costs and having this levy adds to the tax burden. The majority of people employed in the convenience store sector work 30 hours a week or less making it difficult to deliver apprenticeship training to staff. Given these hours, employees need to balance their current employment with other life commitments.

### **Declining numbers of convenience stores and jobs**

Rising costs and the rising tax burden is impacting on the commercial viability of retailers. Recent SGF Scottish Local Shop Reports have shown that retailers are now employing less staff and hours are being cut. For example, in 2016 convenience stores in Scotland provided almost 42,000<sup>3</sup> jobs and those working between 17 to 30 hours was 33%. In 2017<sup>4</sup> these figures had dropped to 41,000 and 28% respectively. On top of this retailers are having to do more hours themselves with 21%<sup>5</sup> of shop owners in Scotland working more than 70 hours a week and are now looking towards utilizing staff-less shopping lanes to cut costs.

---

<sup>3</sup> The Scottish Local Shop Report 2016

<sup>4</sup> The Scottish Local Shop Report 2017

<sup>5</sup> The Scottish Local Shop Report 2017

### **Supporting retailers**

The Scottish Convenience Sector provides both an economic and social value to both the communities it serves and at a national level. Now more than ever retailers operate in a hyper-competitive market where new challenges and developments arise recurrently. Retailers require support from the Scottish Government to help create the economic conditions where businesses can grow, expand and be profitable.

With this in mind, the SGF would want the Scottish Government's budget for 2019-20 to ensure that the Small Business Bonus Scheme (SBBS) is maintained and without any conditionality attached. The SBBS has and continues to make a real difference for many small shops during challenging times and helps secure their future which in turn benefits the communities which they serve.