

Retail jobs at risk from rising employment costs



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The BRC's latest survey of retail CFOs (Chief Financial Officers) and Finance Directors reveals a sharp rise in anxiety about labour costs over the next year. These concerns have shot up the agenda since the start of implementation of the Employment Rights Act, which became law in January.

With weak wage growth, low consumer confidence, and rising business costs, CFO sentiment has deteriorated markedly in the past six months. More than two-thirds (69%) describe themselves as 'Pessimistic' or 'Very Pessimistic' (up from 56% in July 25), and only 14% 'Optimistic' (11% in July 25). This downbeat outlook reflects unease about the 2025 Budget, which three-quarters (74%) of CFOs suggested would make it 'harder to invest'.

Labour market pressures dominate CFOs' worries for the year ahead: 84% ranked labour and employment costs in their top three concerns, up dramatically from just 21% last July. Other significant risks include falling demand (77%), rising input costs (39%), and the growing tax and regulatory burden (29%).

These pressures build on an already challenging backdrop. Retail employment costs rose by £5bn in 2025 owing to increases to employer National Insurance Contributions and a higher National Living Wage. The BRC has calculated that the cost of employing a full-time

entry-level worker rose by 10%, while for a part-time worker it rose by over 13%. Meanwhile, youth unemployment has risen to 15.9%, with 730,000 under-24s not able to find work.

The result of higher employment costs is clear. A majority of CFOs (52%) plan to 'reduce number of hours/overtime' of staff, and 32% would need to 'freeze recruitment'. Jobs are likely at risk, with almost half (48%) planning to 'reduce head office headcount' and 32% to 'reduce stores headcount'. Meanwhile, retailers will work on making up for a smaller workforce by 'driving higher productivity' (68%) and 'investment in automation' (61%).

This matters. Retail is the largest private-sector employer, providing significant numbers of part-time and entry-level opportunities. Yet the sector has shed 74,000 jobs in the past year and more than 250,000 over the last five. Now, as secondary legislation for the Employment Rights Act goes out for consultation, the stakes are rising further.

The risk does not lie with the Act's aims, but in how it is implemented. Retailers fear that several clauses within the new Act – such as on guaranteed hours - could add significant cost and complexity for retailers, while reducing job flexibility and employment opportunities. If job flexibility is treated as job insecurity by default, employers will become more cautious – resulting in fewer entry-level roles, fewer part-time opportunities, and reduced hiring of those with limited experience or complex needs.

Helen Dickinson, Chief Executive at the BRC, said:

"The economy is expected to remain fragile, with weak wage growth, unemployment rising, and low consumer confidence, all pointing towards falling demand. At the same time, businesses face sharply higher costs, from rising input prices and wage bills to new burdens created by government policy.

"We all want more high-quality, well-paid jobs. But retail has already lost 250,000 roles in the past five years, and youth unemployment is climbing fast. The Employment Rights Act is the biggest shakeup of employment rules in a generation, and how it is delivered will make or break job opportunities. Done well, the reforms can raise standards while supporting flexible and entry-level roles that are vital for people whose lives don't fit a fixed 9-5 pattern. If the Government fails to consider business needs on policies including guaranteed hours and union rights, they will add complexity and reduce flexibility, ultimately stripping away entry-level and part-time opportunities at precisely the moment the country needs them most."