# British retailers brace for job cuts amid rising costs



Every British retailer is preparing for potential job cuts in response to the anticipated effects of the recent autumn Budget, as highlighted by industry leaders. According to reports, the £25 billion increase in employers' National Insurance (NI) contributions, set to take effect next month, has prompted major supermarkets, including Morrisons, Sainsbury's, and Tesco, to reconsider their staffing levels.

Morrisons has announced it is at risk of cutting 365 jobs as part of its strategy to close 52 in-store cafés, all 18 Market Kitchen hot food counters, as well as 17 convenience stores and 35 meat and fish counters. This follows a previous reduction of 200 jobs announced in January. The company's chief executive, Rami Baitiéh, described the actions as "necessary" due to "recent significant cost increases," suggesting that these cuts were a direct response to the economic pressures stemming from the Chancellor's policies.

Speaking to the BBC, Andy Higginson, chair of the British Retail Consortium, stated that "every retailer in the country" is currently evaluating ways to mitigate what he termed the "economic gut punch" of a 6.7 per cent minimum wage increase alongside the rise in National Insurance. He elaborated that retailers are focusing less on growth and more on how they can absorb rising costs without compromising their operations. Higginson warned, "Only a very small proportion will have to be absorbed and in time the rest will come through in higher prices, I fear."

The Chancellor, Rachel Reeves, announced the changes in October, which include increasing the NI employer contributions to a 15 per cent rate on salaries above £5,000 and a significant increase in the National Living Wage to £12.21 per hour, up 6.7 per cent. Furthermore, the minimum wage for employees aged 18 to 20 will rise by 16.3 per cent to £10 per hour. Hospitality businesses will also see a reduction in the business rates discount, down from 75 per cent to 40 per cent, capping at £110,000 per firm.

Morrisons estimates that the policy changes will cost them approximately £75 million. Concurrently, Sainsbury's has reported plans to lay off 3,000 staff members due to "a particularly challenging cost environment," a sentiment echoed within the retail sector as businesses look to cope with rising operational costs.

Wetherspoon chair Tim Martin has raised concerns over the implications of the NI hike on the pub industry. He explained that wages account for approximately 35 per cent of the cost of a pint in pubs, starkly contrasting with the 5-6 per cent wage impact on supermarket prices. Martin expressed frustration towards the Chancellor, stating that engaging in dialogue with her is a "lost cause."

Analysis by property data firm Altus Group revealed that over 400 pubs closed in 2024, averaging more than 34 closures each month. Alex Probyn from Altus warned that many pub owners are deeply concerned that the financial landscape might render their businesses unviable following the Budget changes.

Retailers have united in an open letter to the Treasury, warning of a £7 billion bill stemming from wage and NI increases. The correspondence indicated that the cumulative financial burden would likely result in job losses and higher consumer prices. The Chancellor's forthcoming spring statement is expected to have significant implications for the economic landscape, with ongoing speculation regarding potential welfare cuts amounting to £5 billion.

As the situation develops, there is an overwhelming consensus among business leaders that urgent measures are required to ensure the survival of the sector amid growing economic pressures. The Bank of England Governor Andrew Bailey has also commented on the need for collective global cooperation to address trade tensions exacerbated by recent tariff policies, highlighting the interconnected nature of domestic and international economic conditions.

The Treasury has yet to release a comment in light of these developments.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://fashionunited.com/news/retail/nearly-120-000-uk-retail-jobs-lost-in-2023/2024010857714> - This article supports the claim that the UK retail sector has been facing significant job losses and economic challenges. It mentions a large number of retail job losses in 2023 due to store closures and highlights the impact of economic pressures on retailers.
* <https://www.retailgazette.co.uk/blog/2025/02/shop-floor-workers-jobs/> - This source corroborates the claim that UK retailers, including major supermarkets like Tesco and Sainsbury's, are experiencing job cuts due to increased costs and regulatory changes. It also warns of potential further job losses in the sector.
* <https://thestudentlawyer.com/2025/02/11/retail-troubles-what-sainsburys-job-cuts-reveal-about-the-uk-economy/> - This article supports the information about Sainsbury’s job cuts and the broader context of challenges faced by the UK retail sector due to rising costs and regulatory changes from the Autumn Budget.
* <https://www.telegraph.co.uk/business/2025/01/06/taxation-fears-hit-record-high-reeves-devastating-budget/> - This article discusses concerns regarding taxation and its impact on businesses, aligning with the economic pressures faced by retailers due to the Autumn Budget.
* <https://www.ft.com/content/f46d32e0-0865-4d90-be74-0cb0a4a35478> - The article provides context on how business costs and tax changes can affect profitability and workforce strategies in various sectors, including retail and hospitality.