LOGILE
The Logic of Retail

Navigating the Labour Crisis:

How Retailers Can Optimise Workforce Management Amid Rising Costs and Policy Changes

Executive Summary

The UK retail sector is facing significant challenges in workforce management due to new government policy changes effective from April 2025. These include increases in employer National Insurance Contributions (NICs), a reduced secondary NIC threshold, and hikes in the National Living Wage (NLW). Collectively, these factors are projected to add an estimated £7 billion in additional expenses by the end of 2025, necessitating a strategic reassessment of labour planning for retailers (forbes.com).

Key Policy Changes and Their Impact

1. Increase in Employer National Insurance Contributions (NICs)

- The employer NIC rate will increase from **13.8% to 15%**, placing additional financial pressure on businesses.
- Retailers with large workforces will experience a sharp rise in payroll costs, necessitating more efficient scheduling and workforce management.

2. Reduction in Secondary NIC Threshold

- The earnings threshold for employer NICs will decrease from **£9,100 to £5,000**, meaning businesses will pay NICs on a larger portion of employee earnings.
- This change will disproportionately affect lower-wage and part-time employees, a key demographic in retail.

3. National Living Wage (NLW) Increase

- The NLW for workers aged **21 and over will rise by 6.7%, from £11.44 to £12.21 per hour**.
- Apprentices and younger workers will also see significant wage increases, with the apprentice rate rising by **18% to £7.55 per hour**.

Key Challenges for Retailers

The upcoming policy changes will introduce significant financial and operational pressures on retailers. Rising labour costs are expected to add an estimated **£7 billion** in additional expenses by the end of 2025 (forbes.com). Without strategic workforce planning, many businesses will struggle to absorb these increases, placing profitability at risk.

Workforce retention will also become a critical issue. Higher wages may lead to staffing reductions, limiting career growth opportunities and increasing turnover rates. Retailers that rely on flexible workers will face added complexity in scheduling, as balancing cost controls with operational efficiency becomes more challenging. Inefficient labour strategies may result in understaffed stores, longer customer wait times, and decreased service quality, ultimately impacting customer satisfaction and loyalty.

The financial pressures on profit margins are another major concern. With retailers typically operating on **slim profit margins (~3%)**, failing to optimise workforce deployment and manage labour costs could threaten overall business viability. The ability to mitigate these challenges through proactive workforce strategies will be essential for retailers aiming to remain competitive in an increasingly costly environment.

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The Cost of Inaction

Failing to proactively manage these labour challenges may result in severe operational and financial consequences. Increased voluntary turnover could lead to an annual employee churn rate exceeding **40% in the retail sector**, adding significant recruitment and training expenses, with an average cost of **£3,000 per new hire**. Additionally, scheduling inefficiencies could force retailers to rely more on overtime pay, increasing payroll costs by as much as **20% per store**.

Retailers who fail to optimise their labour costs may see their already thin profit margins erode by **2-5%**. Poor scheduling and understaffing can also lead to service disruptions, reducing customer satisfaction. Studies indicate that **63% of shoppers are less likely to return to a store after a poor service experience**, while long wait times can drive away potential sales (fasterlines.com). Research shows that **86% of consumers abandon their purchases if lines are too long**, leading to lost revenue opportunities (fasterlines.com).

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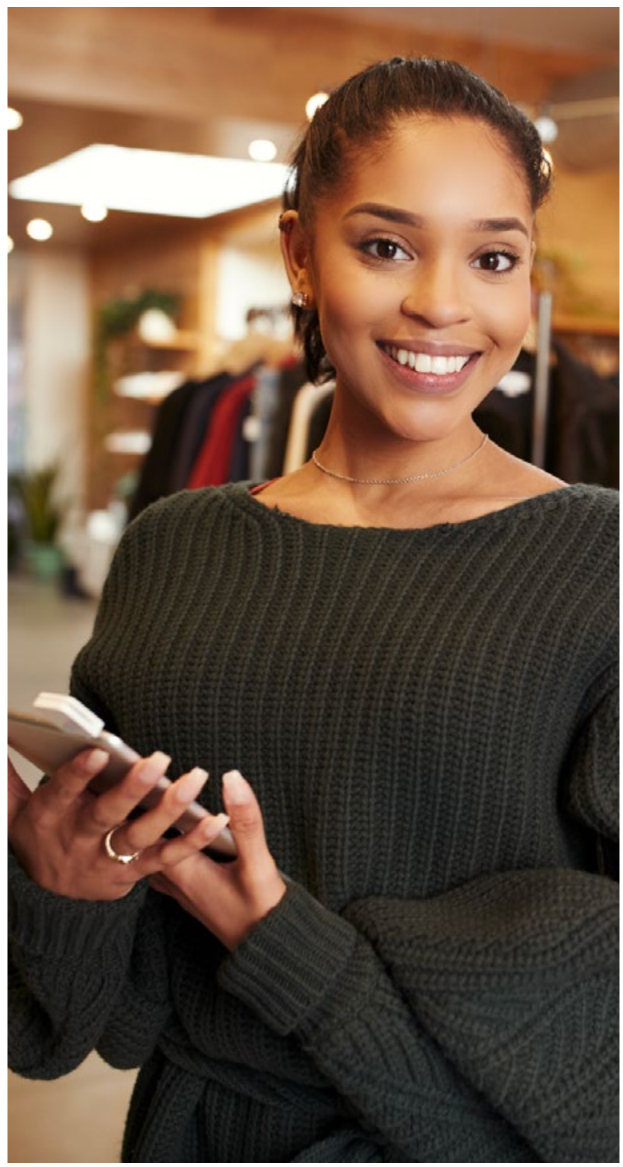
Furthermore, declining customer satisfaction can damage brand reputation. Many retailers have seen their **Net Promoter Scores (NPS) drop by 10-15 points** due to chronic understaffing and inconsistent service levels. Ultimately, businesses that fail to act risk losing both customers and market share to competitors with more agile and efficient workforce management strategies.



How Logile's Labour Planning and Workforce Management Solutions Can Help

Logile provides innovative AI-driven solutions to help retailers optimise labour deployment while ensuring compliance and enhancing employee engagement. With intelligent forecasting, automated scheduling, and real-time workforce analytics, retailers can achieve significant efficiency gains while maintaining high levels of service quality.

1. AI-Driven Forecasting for Precision Planning

Logile's advanced forecasting technology **averages 97% accuracy**, utilising machine learning to analyse foot traffic, sales trends, weather and historical data to provide highly precise staffing predictions. Retailers have **realised a 50% reduction in overtime and 5% decrease in labour costs** by aligning labour needs with real demand patterns to avoid both overstaffing, which increases costs, and understaffing, which degrades customer experience. Ensuring the right employees are scheduled at the right times prevents revenue loss from poor service coverage and maximises workforce efficiency.

2. Automated Scheduling for Cost Efficiency and Employee Satisfaction

Intelligent scheduling tools match workforce availability with demand forecasts, ensuring optimal labour allocation. Logile's automated scheduling **delivers 95% scheduling effectiveness and 100% compliance with labour laws**, while also including self-scheduling and shift-swapping features that give employees greater control over their work schedules. This flexibility improves job satisfaction and retention, **resulting in 3% less employee turnover** while reducing administrative burdens on managers.
With balanced and demand-driven shift assignments, retailers can maintain service quality while keeping payroll costs in check.

3. Task-Based Workforce Management for Enhanced Productivity

Labour planning with Logile goes beyond simple shift scheduling. The platform breaks down workforce needs by specific tasks, ensuring employees are assigned where they can be most productive at any given time. Whether replenishing stock, assisting customers or handling checkout queues, employees are positioned efficiently to maximise output and service delivery. By dynamically adjusting staff allocation based on real-time demand, retailers can eliminate inefficiencies, ensure seamless operations and **manage 100,000+ tasks completed per day**.

Conclusion

Retailers must act swiftly to navigate these labour policy changes. Rising costs and complex compliance requirements demand a proactive, data-driven approach to workforce management. Failing to adapt will result in higher expenses, reduced service quality, and declining profitability.

Logile provides the tools retailers need to successfully manage these challenges. With AI-driven forecasting, automated scheduling, and real-time analytics, Logile enables businesses to strategically optimise their workforce, ensuring cost efficiency without sacrificing customer satisfaction. By partnering with Logile, retailers gain a competitive edge, leveraging advanced workforce planning solutions to enhance employee engagement, streamline operations, and safeguard profitability in an increasingly challenging market landscape. Now is the time to embrace intelligent workforce management – and Logile is the partner to make it happen.

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