Snapshot by:

THE VOICE OF BREWERS & PUBS

The cost of doing business:

Foundational Sector Snapshot

Beer, Pubs and Breweries

Key messages

- The UK's beer and pub sector is a major employer and a cornerstone of local communities, supporting almost 1 million jobs across the UK[1]. The sector plays a particularly important role in providing first-time employment opportunities for young people, with 52% of pub employees aged between 16 and 24 compared with a UK average of 11%[2].
- Brewing and pub businesses are facing acute cost pressures, with labour costs rising sharply as wages and salaries increased from 23% to 27% of turnover between 2019 and 2025, while higher energy costs continue to add pressure to already tight operating margins[3].
- Government can support investment, employment and venue viability by addressing structural cost pressures within the operating environment. Reforming business rates, avoiding further increases in employment costs and reducing unnecessary regulatory burdens would help brewing and pub businesses continue supporting jobs, local economies and community life across the UK.

Table 1: Key business tax contribution figures for the beer, pubs and breweries industry[4]

Analysis produced on behalf of the British Beer and Pub Association (BBPA) indicates that the total direct tax contribution for the beer, pubs and breweries industry was nearly £13 billion in 2025[5]. The CBI's figures below do not include a net figure for VAT or excise duty, while other differences reflect smaller methodological variations.

	2024/25	2025/26	Difference
Business tax contribution	£2.80bn	£3.15bn	+12.6%
Tax contribution as a share of GVA	18.1%	19.1%	+1.0 ppt
Employers' NICs	£0.93bn	£1.18bn	+27.1%

Strategic importance

The brewing and pub sector is not only a large and diverse employer in the UK, it is also a vital contributor to local economies, communities and social infrastructure. The sector provides employment opportunities across every region and nation of the UK, supporting millions of jobs directly and through its extensive supply chains.

The sector plays a particularly important role in providing first-time employment opportunities for young people. Pubs alone employ 619,000 people directly, with 52% of pub employees aged between 16 and 24, significantly above the UK average of 11%[6]. The sector therefore acts as a critical entry point into the labour market, helping young people develop skills, gain work experience and progress into long-term careers. Hospitality businesses also provide substantial opportunities for part-time and flexible employment, with 63% of pub sector workers employed part-time, supporting workforce participation across a wide range of demographic groups, including parents and those seeking flexible working arrangements[7].

Beyond its economic contribution, brewing and pubs play an important role in supporting vibrant local communities and town centres. Pubs provide social spaces that strengthen community cohesion, support local high streets and attract visitors to towns and cities across the UK. The pub sector alone generated £28.6bn in economic activity in 2022, with every £1 of GVA generated directly by pubs supporting a further £1.40 elsewhere in the economy[8]. Beyond that, breweries provide critical jobs in areas around the country, with major brewing hubs in the Midlands and the North East. Regional and family brewers have been major employers in towns and cities across the UK for upwards of 300 years in some cases[9].

Growing cost pressures

Brewers and pubs are facing significant cost pressures across labour, energy, taxation and supply chains. Labour costs have emerged as the most significant challenge for many operators. In the pub sector, wages and salaries increased from 23% of turnover in 2019 to 27% in 2025[10]. Rising National Living Wage rates, increases to employer National Insurance Contributions (NICs) and the labour-intensive nature of hospitality mean that businesses have experienced significant cost increases.

Energy costs have also increased sharply. Utilities costs for the average pub increased from 4% of turnover in 2019 to 5.4% in 2025[11]. Energy remains substantially more expensive than pre-pandemic levels, while many businesses report increasing difficulty securing competitive contracts. Higher energy costs continue to feed through supply chains, increasing the cost of food, drink and other hospitality inputs. Brewing has recently been left out of the British Industrial Competitiveness Scheme, despite the fact that brewing is an energy and resource intensive industry. For international brewers who have mobile capital and face global competition, this is a large risk to their UK operations which employ thousands.

The sector is also facing growing pressure from taxation. Changes to Employer NICs have increased employment costs substantially, while pubs remain disproportionately exposed to business rates because of their reliance on physical premises and turnover-based valuation methodology. Brewers spend 40% of their turnover on tax due to high rates of beer duty[12]. For many operators, these cost increases are occurring at a time when consumer spending remains constrained and businesses have limited ability to pass costs on through higher prices without affecting demand. As a result, businesses increasingly report reducing hiring, limiting investment, reducing opening hours and scaling back operations in response to rising costs.

Improving the operating environment

Brewing and pubs' contribution to growth depends on an operating environment that supports investment and employment. However, businesses report that several structural challenges are increasing costs, constraining investment and placing pressure on venue viability.

1. Business rates and property costs

Business rates continue to represent a significant fixed cost for pubs. Despite the introduction of a lower Retail, Hospitality and Leisure multiplier, operators report that business rates remain disproportionate relative to the sector's margins and ability to absorb costs. Given the sector's dependence on physical venues and high street locations, property taxes can reduce investment capacity and place additional pressure on venues that already face rising labour, energy and supply chain costs. Pubs also face structural issues with their unique turnover-based methodology which results in unfair and unpredictable rateable values.

2. Employment costs and labour market flexibility

Pubs rely heavily on flexible, part-time and seasonal employment models. Rising labour costs, changes to Employer NICs and reforms to employment legislation are increasing the cost of recruitment and workforce management. Businesses report that these pressures are affecting hiring decisions and reducing flexibility at a time when the sector continues to face labour shortages due to the inability to shoulder additional wage costs. While vacancies appear to be falling, that is reflective of jobs being removed from the market, publicans taking on unpaid labour to sustain operations, and other operational decisions to reduce staff overheads.

3. Investment, licensing and access to energy

Brewing and pub businesses require regular investment in venues, equipment and customer facilities to remain competitive. However, rising operating costs, higher financing costs and planning and licensing complexities can reduce investment appetite and slow business expansion. Many pub operators report that delays in planning approvals, licensing processes and wider regulatory requirements can increase costs and create uncertainty, particularly for operators seeking to refurbish, expand or diversify existing venues. Costs and infrastructure barriers to accessing reliable energy sources makes the UK a less appealing place for brewery investment and growth.

Tackling the regulatory burden

Brewers and pubs operate within a broad regulatory environment spanning employment law, consumer protection, environmental regulation, licensing, food safety, security requirements and sector-specific regulation. Businesses report that the burden is often driven not by individual regulations in isolation, but by the cumulative impact of multiple compliance requirements, reporting obligations and regulatory changes being introduced simultaneously.

For many operators, the challenge is compounded by limited management capacity and tight operating margins. Compliance costs can therefore absorb resources that would otherwise be invested in staff, venues, product innovation and customer experience. Businesses also report concerns about the proportionality of regulatory interventions, the clarity of guidance and the consistency of enforcement across different regulators and jurisdictions.

Brewing and pub businesses engage with a wide range of regulations and enforcement bodies across government, including:

Department for Business, Innovation, Science and Trade (BIST)	
Regulation	**Regulator**
Labour market enforcement	Fair Work Agency
Employment (Allocation of Tips) Act 2023	BIST/employment tribunals
Weights and Measures Act 1985	OPSS
Companies Act 2006	Companies House
The Pubs Code etc. Regulations 2016	Pubs Code Adjudicator
The Scottish Pubs Code Regulations 2024	Scottish Pubs Code Adjudicator
Consumer Protection from Unfair Trading Regulations 2008	CMA
GDPR	ICO

Department for Environment, Food and Rural Affairs (DEFRA)	
Regulation	**Regulator**
Environmental Protection Act 1990	Defra/EA/Local Councils
Glue Traps (Offences) Act 2022	Natural England
The Producer Responsibility Obligations (Packaging and Packaging Waste) Regulations 2024	EA
Water Industry Act 1991	Environment Agency
Environmental Permitting (England and Wales) Regulations 2016	EA
Regulation (EC) No 183/2005 (retained, feed hygiene)	APHA
Animal Feed (Hygiene, Sampling etc. and Enforcement) (England) Regulations 2015	APHA

Department for Energy Security and Net Zero (DESNZ)	
Regulation	**Regulator**
Minimum Energy Efficiency Standard (MEES) Regulations	Local Authorities
Climate Change Agreement	Environment Agency
The Environmental Protection (Plastic Straws, Cotton Buds and Stirrers) (England) Regulations 2020	Local Authority Trading Standards

Home Office	
Regulation	**Regulator**
Right to Work Checks	Home Office
Licensing Act 2003	Licensing Authority/Home Office
Licensing (Scotland) Act 2005	Local Licensing Boards/Licensing Standards Officers
Licensing (Northern Ireland) Order 1996	The Magistrates' Courts
Confiscation of Alcohol (Young Persons) Act 1997	Local Trading Standards/Local Police Forces
Modern Slavery Act	Fair Work Agency / Home Office
Terrorism (Protection of Premises) Act 2025 aka Martyn's Law	SIA
The Regulatory Reform (Fire Safety) Order 2005	Home Office
Private Security Industry Act 2001	SIA
Proceeds of Crime Act 2002	NCA

Food Standards Agency (FSA)	
Regulation	**Regulator**
Food Safety Act 1990	FSA
Food Hygiene Regulations 2013	FSA
Food Information Regulations 2014	FSA
Calorie Labelling (Out of Home Sector) (England) Regulations 2021	Local authority trading standards
Food Standard/Composition Rules	FSA
Food Hygiene Rating Act (Wales) 2013	FSA
Regulation (EC) No 852/2004 (retained)	Local Authorities/FSA
General Food Law Regulation (EC) 178/2002 (retained)	FSA
Regulation (EC) No 1333/2008 / 1334/2008 / 1332/2008 (retained, as amended)	FSA
Genetically Modified Food (England) Regulations 2004	FSA

Department for Work and Pensions	
Regulation	**Regulator**
Health and Safety at Work Act 1974	DWP
COSHH Regulations 2002	HSE

Ministry of Housing, Communities & Local Government (MHCLG)	
Regulation	**Regulator**
Landlord and Tenant Act 1954	MHCLG
Business and Planning Act 2020	Local Authorities
Town and Country Planning (Use Classes) Order 1987	Local Authorities
Building Regulations 2010	Building Safety Regulator

Department for Culture, Media and Sport (DCMA)	
Regulation	**Regulator**
Gambling Act 2005	The Gambling Commission
Copyright and Film Licenses	Various independent bodies

HM Revenue & Customs (HMRC)	
Regulation	**Regulator**
Finance Act 2024	HMRC
Alcohol Duty Regulations 2023	HMRC
Alcohol Liquor Duties Act 1979	HMRC
Value Added Tax Act 1994	HMRC
Excise Goods (Holding, Movement and Duty Point) Regulations 2010	HMRC
Windsor Framework	HMRC/Defra
Finance Act 2015	HMRC
Customs and Excise Management Act 1979	HMRC
Taxation (Cross-border Trade) Act 2018	HMRC

Other	
Regulation	**Regulator**
Food Business Registration	Local Authorities
Single-Sex Spaces	EHRC
Road Traffic Act 1988	Local Police Forces

Within this wider regulatory landscape, the British Beer and Pub Association (BBPA) has identified the following regulatory burdens as having a particularly significant impact on business costs and competitiveness.

1. Employment Rights Act

Challenge: Pub businesses have raised concerns about the cumulative impact of the Employment Rights Act, particularly given the sector's reliance on flexible, part-time and seasonal employment models. Businesses report that measures relating to guaranteed hours, day-one rights and wider employment protections will increase administrative requirements, reduce workforce flexibility and make it more difficult to match staffing levels to fluctuating consumer demand.

Businesses are concerned that the additional costs and complexity associated with the reforms could reduce employment opportunities for younger workers and those seeking flexible work. One publican reported that recent increases in employer costs had already resulted in the loss of 20 staff hours per week simply to maintain existing operating levels, forcing longer working hours for operators and shorter shifts for employees. Businesses are concerned that further employment regulation could intensify these pressures and reduce flexibility across the sector.

BBPA recommendation: Government should review the implementation of the Employment Rights Act and ensure reforms are introduced in a way that reflects the operational realities of hospitality businesses. In particular, businesses are seeking a phased and proportionate approach that minimises unintended impacts on flexible employment models and reduces compliance burdens for SMEs.

Expected impact: A more proportionate implementation approach would help preserve labour market flexibility, support recruitment and workforce participation, and reduce compliance costs for hospitality businesses. This would help operators continue creating employment opportunities, particularly for young people and those seeking flexible work, while maintaining investment in venues and customer experience.

2. Extended Producer Responsibility (EPR)

Challenge: Brewers and pubs support efforts to improve recycling rates and reduce waste, but have raised concerns about the design, cost and implementation of the EPR scheme. Businesses report that the scheme is threatening viability of producers and product lines, putting immense pressure on already very slim margins, and risking business-led sustainability measures.

Broadly, producers are concerned about the cumulative impact of packaging regulation, particularly where EPR requirements sit alongside existing packaging obligations, particularly where labelling is concerned. Businesses argue that this risks increasing costs without delivering a proportionate improvement in recycling outcomes. Glass fees in particular are of concern, costing brewers alone £124 million per year, eroding margins and threatening further price increases of up to 5%[13].

A particular concern is the treatment of packaging consumed within hospitality venues. Under the current framework, businesses can be charged for packaging that never enters the household waste stream despite already paying separately for commercial waste collection and disposal services. The BBPA estimates that this double counting creates an additional cost of approximately £50m per year for pubs and brewers alone[14]. Brewers also argue that the scheme places costs on producers without providing sufficient influence over how waste is subsequently managed by local authorities, limiting their ability to reduce costs through operational changes.

BBPA recommendation: Government should review the operation of EPR to ensure proportionate fees relative to recycling costs, especially for glass fees, ensure that hospitality businesses are not charged for packaging that remains within commercial waste streams and remove instances of double counting. The sector is also seeking a more joined up approach that better links producer obligations with regards to labelling and product-line changes.

Expected impact: Reducing unnecessary EPR costs would improve fairness within the system, lower operating costs for brewers and pubs and support investment in the UK, supporting jobs and communities. A more proportionate framework would also help ensure environmental objectives are achieved without imposing avoidable costs on businesses.

3. Pubs Code

Challenge: The Pubs Code, overseen by the Pubs Code Adjudicator (PCA), regulates the relationship between the UK's largest pub-owning businesses and their tied tenants. While the Code was introduced to address concerns within the sector, the BBPA argues that many of the issues that originally justified the legislation have now been resolved. Survey evidence indicates that most tied tenants are satisfied with their relationship with pub companies, with satisfaction levels averaging 7.6 out of 10[15].

Despite this, the Code continues to impose significant compliance and administrative costs on businesses. The BBPA estimates that the Pubs Code costs operators approximately £4.6 million per year, equivalent to around £187,000 for each free-of-tie agreement made through the Code[16]. Businesses also report that the PCA provides limited formal guidance, requiring operators to learn through practical experience rather than receiving clear advice on compliance expectations. Concerns have also been raised about instances of regulatory intervention that extend beyond the original statutory intent of the Code, creating additional compliance burdens and uncertainty for limited practical benefit.

BBPA recommendation: Government should conclude the ongoing statutory review by repealing the statutory Pubs Code and replacing it with a voluntary industry-led code. In the interim, the PCA should provide clearer formal guidance and adopt a more proportionate, risk-based approach to enforcement focused on material disputes and compliance issues.

Expected impact: A more proportionate framework would reduce compliance and administrative costs, improve regulatory certainty and allow operators to focus resources on investment, venue improvements and workforce development. Businesses argue that this would maintain appropriate protections for tied tenants while reducing unnecessary regulatory burdens across the sector.

Endnotes

[1] Oxford Economics (2026), Local Impact of Beer and Pub Sector 2026
[2] Oxford Economics (2026), Local Impact of Beer and Pub Sector 2026
[3] Frontier Economics (2025), *Impact of recent economic trends on pubs and brewers,* available at: BBPA and Frontier Economics - Impact of recent economic trends on pubs and breweries | BBPA
[4] The CBI used its business tax contribution analysis in which we break down taxes by industry on a 2-digit SIC level. For employers' NICS we used the latest ASHE and BRES datasets to distribute ER NICs by industry. To estimate the contribution as a share of GVA, we used the latest ONS GVA estimates by industry to estimate the sectoral business tax contribution. Where it was not possible to assign the sector firmly to one or multiple 2-digit SICs, we asked TAs to provide data which we used and scaled accordingly. It should be noted that for some sectors there is a larger margin of error in the contribution statistics given 2-digit SICs do not necessarily fully align with the specific activities progressed in certain sectors. For the brewing and pub sector, we used SICs 11 and 56 as a base and scaled them down to SICs 11.05 and 56.302.
[5] This analysis includes Net VAT and excise duty. Net VAT refers to the difference between the VAT charged by businesses on their sales (output VAT) and the VAT paid on their purchases (input VAT). It captures the amount of VAT the sector pays on goods and services it receives, before any refunds provided by HMRC. As the sector primarily makes non-exempt supplies to its customers, HMRC will generally refund any input VAT paid. The CBI does not include alcohol duty in its business tax burden figures because, while formally paid by businesses, it is largely passed on to consumers and has significant social and behavioural policy objectives, making it distinct from taxes levied primarily for revenue-raising purposes.
[6] Oxford Economics (2026), Local Impact of Beer and Pub Sector 2026
[7] Oxford Economics (2026), Local Impact of Beer and Pub Sector 2026
[8] Oxford Economics (2026), Local Impact of Beer and Pub Sector 2026
[9] Shepherd Neame, based in Faversham, Kent since 1698; Greene King, based in Bury St Edmunds since 1799; Robinsons Brewery, based in Stockport since 1838; etc. etc.
[10] Frontier Economics (2025), *Impact of recent economic trends on pubs and brewers,* available at: BBPA and Frontier Economics - Impact of recent economic trends on pubs and breweries | BBPA
[11] Frontier Economics (2025), *Impact of recent economic trends on pubs and brewers,* available at: BBPA and Frontier Economics - Impact of recent economic trends on pubs and breweries | BBPA
[12] Frontier Economics (2025), *Impact of recent economic trends on pubs and brewers,* available at: BBPA and Frontier Economics - Impact of recent economic trends on pubs and breweries | BBPA
[13] BBPA own estimates based on glass tonnage prices, average bottle size, number of bottles and profit of brewers)
[14] BBPA own estimates based on volume of in scope containers within the pub on-trade, EPR material fees, and average weight per container
[15] KAM (2024), *Licence Index Report*
[16] BBPA (2026)

September 2026

cbi.org.uk