

## Submission to the Low Pay Commission Consultation Process 2016

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Name	<u>Peter Donohoe</u>	
Organisation	<u>BWG Foods</u>	
Are you (Please tick)	Employer	<input checked="" type="checkbox"/>
	Employee	<input type="checkbox"/>
	NGO	<input type="checkbox"/>
	Union	<input type="checkbox"/>
	Other (please specify) _____	
Size of Organisation (Number of Employees)	0-10	<input type="checkbox"/>
	11-25	<input type="checkbox"/>
	26-50	<input type="checkbox"/>
	51-100	<input type="checkbox"/>
	100+	<input checked="" type="checkbox"/>
Submission Topic (Please tick all that apply)	The appropriateness of the current sub-minima rates with regard to their impact on youth unemployment rates and participation in education	<input type="checkbox"/>
	The National Minimum Wage	<input checked="" type="checkbox"/>
	The underlying reasons for the preponderance of women on minimum wage	<input type="checkbox"/>

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7<sup>th</sup> March 2016

To Whom It May Concern:

This correspondence is in connection with the Low Pay Commission's public consultation process and expresses the views of BWG Foods on further reviews of the National Minimum Wage.

This submission is made as both an employer within the Retail and Wholesale Sector and a representative of over 1,000 independent retailers across the Republic of Ireland.

BWG Foods operates in the Grocery Retail, Wholesale & Distribution sector providing goods and services to the retail grocery trade as well as the licenced and catering trade. Operating on a multi-site basis, our retailers are serviced through our National Distribution Centre while other businesses are serviced through our network of 22 Cash & Carry's throughout the Republic of Ireland. BWG Foods also operates BWG Foodservice which provides a multi temperature solution to the Catering trade.

In addition, BWG Foods owns the franchising rights to SPAR, EUROSPAR, MACE, Londis and XL in the Republic of Ireland and through this we provide goods and services to over 1,000 independent retailers.

BWG Foods employs 837 employees in the Republic of Ireland and recognises both SIPTU and Mandate for collective bargaining purposes. The last twelve months has seen an improvement in the terms & conditions of our employees on foot of local bargaining with both SIPTU and Mandate.

While we are not a minimum wage employer, this representation seeks a curtailment of further increases to current national minimum wage which has already seen a 5.78% increase in January this year. This representation is on the basis that an increase will result in further pay claims from our employees.

A 5.78% increase to a rate of pay is unique and far exceeds the percentage increase experienced by other employees not only within our business, but within most businesses and industries in the Republic of Ireland. While we recognise the National Minimum wage had not increased since 2011 this does not serve as a justification to provide a 5.78% increase in an environment where pay freezes on employees have been a prominent feature since 2008.

While BWG Foods is not a minimum wage employer, the impact of further increases to the minimum wage may serve to place pressures on us to increase rates of pay beyond those already negotiated with employee representative groups to reflect the increase those on the National Minimum wage have experienced. We are a labour intensive business, and in a situation where our wages have



increased from 44% of our operating costs to 46% of our operating costs, further pay claims are likely to have a negative impact on our business and further increases may serve to have a negative impact on employees where we may have no option but to seek cost saving measures through the reduction of man hours within our business.

Currently Ireland has the second highest minimum wage in Europe, rivalled only by Luxembourg. While this is something that we should be proud of as a nation, it is important that this is considered in the context of our competitiveness and in particular when business such as ours is required to compete against the United Kingdom.

Operating to an already very tight margin, any further increases to wage costs will likely impact the numbers employed within our business, and in particular in those counties that are impacted by cross boarder trading (which represents 6 branches within our network where we employ 106 people). In addition an increase to our wage base may have a significant impact on our foodservice business which sees significant competition from the UK market which may have a negative impact across our Wholesale estate. Losses of Foodservice contracts to UK business have already seen redundancies and reduction in earnings for employees within our business and are a real possibility.

Where payroll costs cannot be achieved through reduction of man hours, it is likely that businesses may have no choice but to pass the costs to consumers. In such circumstances, an increase to the basic hourly rate of pay will not serve to improve the standard of living for low paid workers as it should aim to do.

Businesses have paid significantly towards improving the standards of living for low paid workers through the increase granted in January this year. It is now time that the Government do their part for low paid workers. In situations of increased taxes and charges within our state, the government now needs to review items such as PRSI, USC and other taxes or charges as the marginal decreases at the lower end of USC did not go far enough to support low paid workers. This would serve to increase the disposable income of low paid workers without impacting on the cost of goods and services.

Ireland is still in recovery mode and while great improvements have been felt in Dublin, this does not extend to all parts of the country. The 5.78% increase to the minimum wage acts as a great shock to smaller employers in rural areas. A further increase is likely to have a detrimental impact on them and could essentially cost jobs. Employers need the freedom and scope to negotiate terms and conditions which reflect their independent trading circumstances from both a sectoral and regional perspective.

In conclusion, further increases to the national minimum wage must be considered in line with the wider economy, overall competitiveness and in the context of the unilateral burden that has been placed on businesses this January irrespective of their region and sector.

I trust that you will take the above views and observations into consideration when making any proposals in respect of reviewing the current National Minimum Wage.

Yours faithfully,



Peter Donohoe

**Human Resources Director, BWG Group**