



Submission to the Low Pay Commission

Review of the impact of the increase of the Minimum Wage as of 1st January 2016

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Restaurants Association of Ireland

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The Low Pay Commission, an independent body, the main function of which is to advise the government of the day on the appropriate rate of the National Minimum Wage.

In July 2015, the Low Pay Commission recommended that the National Minimum Wage be increased from €8.65 to €9.15 on 1st January 2016. In light of this increase, the low pay commission are seeking a review of the impact of this increase on employers and employees.

The Restaurants Association of Ireland would like to thank the Low Pay Commission for affording it the opportunity to put forward a submission.

The Irish Restaurant Industry – An Overview

With over 3,000 restaurants in Ireland, the Restaurant sector employs 72,000 people and contributes €2 billion to the Irish economy each year. The RAI now represents in excess of 1,700 members with establishments representing fine dining, casual dining, ethnic, family, gastro pubs, hotel restaurants, cafes and some fast food operations.

The Restaurant sector encompasses a large number of owner operated SMEs, but is also a crucial supporter of small businesses, local agriculture and food producers throughout the country. In what has been a very difficult and challenging economic environment, the restaurant and tourism sector has stood out like a beacon of light over the past couple of years with an increase of over 30,000 jobs in the Foodservice & Accommodation sector.¹ The ability to increase prices is still very limited and with many of the costs of doing business under pressure, the sector continues to be characterised by tight margins, challenging trading conditions and a severe Chef shortage. Restaurants deal with on average, twenty-five different agencies and authorities in the day to day running of their business. Now is not a time for imposing further red-tape and increased costs on business.

¹ *9% VAT – Food, Tourism & Jobs – Rebuilding Ireland’s Economy’ published by the RAI*
<http://keepvat9.ie/why-keep-the-vat-at-9/economic-reports/>

Economic Background

Consumer Confidence continued its trend upwards throughout 2015. In its end of year review for 2015 the ESRI noted that *'Confidence among consumers in the rest of Ireland also increased in the final three months of 2015, continuing its steady improvement evident through recent quarters.'*



With a slight decrease in February 2016 as noted by the ESRI/KBC Bank consumer sentiment barometer, Daniel Foley, ESRI, said, *"The consumer sentiment index fell in February after significant increases in recent months. The underlying trends for the main indices continue to point upward suggesting that confidence is still broadly positive. The results reflect a more cautious outlook by consumers."*

Ireland's inflation rate has remained extremely low over the past number of years and was recorded at 0.1% in January 2016. As prices continue to remain low, the cost of doing business continues to escalate; utilities, rates, rents, local services and wage increases are combining to add significant pressure on restaurants and retailers margins. Our low prices and value for money will not hold if costs continue to rise.

Tourism numbers have been steadily increasing and our American and UK market share has grown significantly, given the very favourable exchange rates. This may not always continue and we have to ensure that the restaurant business remains viable and offers value for money.

It is clear to see that whilst confidence has grown significantly since the economic recession, consumers are still wary. Many are yet to feel the impact in their pockets, particularly in rural areas. A three tier recovery is evident with Dublin leading the way followed by urban then rural areas, whose primary business comes on a Friday and Saturday evening. The footfall in rural areas, particularly in the midlands, where no cohesive tourism plan exists, fell have a cliff during the recession with large scale emigration. It will be a long time before these areas see an increase in footfall again.

Restaurants Association of Ireland Members Survey

The majority of our members are small, family owned and family run businesses in every corner of Ireland.

We surveyed 100 of our members to find out what type of impact the increase in the National Minimum Wage in January has had on their restaurant business.

Survey Findings

Full and Part-time staff on Minimum Wage

- Out of the 100 restaurants surveyed, on average they employ 12 full-time staff and 10 part-time staff.
- On average 5 of the full-time staff and 7 of the par-time staff are on the minimum wage €9.15 per hour
- During the economic recession on average, each restaurant let go 3 full-time staff and 1 part-time staff member

What has been the impact on your business since the increase in the Minimum Wage from €8.65 to €9.15 on January 1st.

- Reduction in duration of shifts
- Increase in P30 payments
- Staff per service decreased
- Menu price increases between 2%-5%
- Pay claims from employees earning in excess of €9.15 per hour
- Increase pressure on cashflow
- Reduced opening hours (particularly in midlands and border county areas)

- Owners working more hours to cover reduction in staff hours
- Considering closing in winter months.

Labour Costs

We also asked our members what were their annual labour costs as a percentage of their turnover. In 2012, the average was between 31-35%, in 2016 this is now between 36% - 42%.

Staff Training

When a restaurant takes on a new employee the average training costs is between €500-€1,000 per employee. Restaurants are spending anything between €1,500 - €15,000 per year on continuous professional development training for their staff. There are however many who do not spend anything on training.

Inability to pay clause in the National Minimum Wage Act

- 21.28% are aware
- 74.47% are not aware

Staff Breaks – do you pay for them

- Yes 61.05%
- No 38.95%

Staff Meals

- 87.5% provide staff meals and refreshments free of charge
- 4.1% deduct meals from their salary
- 6.25% offer a discounted rate on meals to their staff members

Restaurateurs reflect on the minimum wage increase

At the end of our survey to members, we asked them to share their thoughts on the impact that the increase in the minimum wage has had on their business.

“If the cost of doing business continues to rise, I can categorically state that I will let go of staff as I can’t run my business due to increased running costs etc. I can guarantee my prices will go up which will have a detrimental effect on Ireland’s recent position of offering value for money, this will drive restaurants out of business and lead to job losses across the industry.” **Restaurant employing 40 people, Sligo.**

“We have to bear the extra cost as the market is so sensitive to price increases. Extra costs for no extra productivity. In fact we as owners have to work more hours to fill in the gap of cut hours of the staff to keep the business going.” Restaurant employing 6 people, Tipperary.

“Our industry is in decline. It’s horrendous how much pressure is being levied on us. My business is two years old and I cannot see it making it to three years now. It has gone beyond breaking point for new businesses. Policy seems so distant from reality.” Restaurant employing 13 people, Donegal

“We are prepared to pay staff a fair wage and if that is €9.15 per hour so be it. The problem is there is a lack of skilled staff and those without experience still think they are entitled to the minimum wage. There is a lot of confusion and misinformation around this topic.” Restaurant employing 10 staff, Clare.

“The costs of business has continued to increase and wages are the largest part of this. We are unable to increase the selling price as clients won’t pay.” Restaurant employing 8 people, Dublin.

“After decreasing staff numbers during the recession, we have had to decrease them again to try to keep our labour costs in line.”

“We are fully compliant and treat our staff very well but these wage increases are going to negatively affect costs and will ultimately increase prices to the consumer.”

Recommendation and Conclusion

Before any further increases in the minimum wage are to be proposed by the Low Pay Commission, the Restaurants Association of Ireland would like to see a full review of all regulatory and inspection bodies that the restaurant industry deals with annually. Commercial rates, upward only rents, energy and rising insurance costs need to be examined. Should any of these costs come down, employers would be in a far better position to absorb further pay increases for their staff.

Many owners will have had little or no wages paid to themselves over the last 5 years as they struggled to keep their businesses alive, keep salaries paid to staff, pay rates to the Local Authorities and meet the ever increasing cost of business, be it energy, insurance and in many cases rent.

As the Minister for Business, Ged Nash, stated in an address to the Seanad on the 27th May 2015,

“So long as pay increases are commensurate with the performance of both the enterprise and the economy, and so long as they do not hamper the emergence of job opportunities or impact on

competitiveness, locally or internationally, then such increases can only benefit the economy and strengthen domestic demand.”

The Restaurants Association would like to once again thank the Low Pay Commission for providing the opportunity to submit on the review of the minimum wage and would be delighted to meet to discuss any details enclosed.