



VINTNERS' FEDERATION OF IRELAND

**SUBMISSION TO THE LOW PAY
COMMISSION ON MINIMUM WAGE**

Background

The Vintners' Federation of Ireland represent publicans in the twenty-five counties outside of Dublin. We have close to 4,000 members and, by and large, our members are family owned and family run businesses. Data will show that in excess of 93% of the total businesses in our area are family owned and run. They operate in all parts of the country, both urban and rural, town and village. There are upwards of 40,000 employed by our members across the breadth of the country.

Most of the pubs in the country are small, medium sized businesses. Figures from Revenue, based on licence bands, show that over half of the publicans in our area have a turnover of €190k per annum or less and almost 80% have a turnover of less than €380k per annum. Some of these are very small and struggling businesses. The full breakdown by licensed band is attached at appendix 1. (source: Revenue Commissioners 2014).

The pattern of business and employment in these enterprises has changed dramatically in recent years. The sale of alcohol in the On-Trade (pubs, hotels and restaurants) has reduced by over a third in the past seven years. The pattern of business has gone from being one of seven days to being very concentrated at the weekend particularly Fridays, Saturdays and Sundays up to tea time.

This has meant a shift in employment patterns from full-time employment to part-time employment in some cases. There has also been significant pressure on profitability and sustainability. Over 1,200 outlets have closed in that period with a consequent loss of jobs and loss of business for the proprietors.

Current Minimum Wage

The current minimum wage is €9.15 per hour, the second highest in Europe after Luxembourg. This has recently increased by 5.8% which is approximately three times the rate of wage increases where wage increases are being put in place. Because of the competitive nature of the business that our members operate in it is not possible for them to pass these kind of increases on to the consumer and, as a consequence, this results in reduced income and will inevitably lead to closures and further job losses.

Tourism

One of the major drivers of business in the hospitality sector is tourism. Over the past two to three years we have seen a resurgence in tourism leading to record numbers of inbound tourists in 2015. However, this is not something we can be complacent about. There have been some developments that have facilitated this drive like increased connectivity, lower air fares and competitive accommodation costs. However, it has also been driven by very favourable exchange rates -v- both sterling and the US Dollar and this may not be a sustainable scenario over time.

We must remain competitive in this sector. Labour costs are one of the highest costs experienced in the trade and any increase in these labour costs will have an effect on that competitiveness. It needs to be recognised that we are competing with countries like Portugal and Spain for tourism where the respective minimum rates are €4.27 and €5.27 or almost half of the rate in Ireland.

Relativities

There is a strong argument put forward that a relatively small percentage of employees are on the minimum wage and as such the overall impact of any increase on the minimum wage on wage rates is negligible. This is a fallacy. If the minimum wage is the base rate there are relativities from there and all of those in jobs with higher rates will seek to maintain relativities. Not alone that but their representatives will seek to maintain the relativities on their behalf. This leads to a spiralling effect on wage costs that will ultimately result in job losses and greater costs to the exchequer.

Cost of Doing Business

The issue for most of our members is not whether they would pay an increase in the minimum wage but rather whether they would be in a position to pay it. The answer to that question for most of them is that

they would not be in a position to accommodate a further increase in the current trading circumstances. What needs to happen is that the cost of doing business in this country needs to be significantly reduced to allow for a greater cake that can then be shared.

Specifically, at present insurance costs are rocketing. Insurance companies put this down to increased number and size of claims. Government needs to take action to ensure that awards in this area are brought back to the European norm. This would help to reduce insurance premium and improve sustainability. A total new approach to commercial and water rates needs to be put in place to incentivise rather than to penalise business.

Taxes on employment like employer's PRSI, health levies etc. need to be significantly reduced as a means to allow employers greater flexibility and latitude. The direct tax on employees must be reduced to obviate the need for an increase in the minimum rate of pay. VAT has recently increased by 2% and this increase needs to be reduced on a phase basis again to help competitiveness.

Conclusion

The vast majority of the members of the licensed trade are currently not in a position to absorb any further cost increases like labour cost increases and remain viable. Further increases will lead to job losses and indeed closures. What really needs to be addressed is the cost of doing business in this country as outlined above to allow small and medium enterprises be in a position to reinvest in the businesses, reinvest in the jobs and as a consequence reinvest in employment conditions.

APPENDIX 1.

County	Turnover Band and Duty Amount						County Totals
	Under €190,500	€190,500 to €380,999	€381,000 to €634,999	€635,000 to €952,499	€952,500 to €1,269,999	€1,270,000 or more	
	€250	€505	€1,140	€1,775	€2,535	€3,805	
CO. CARLOW	67	27	6	5	1	5	111
CO. CAVAN	150	43	9	5	2	4	213
CO. CLARE	205	81	23	8	6	3	326
CO. CORK	573	244	121	54	16	32	1040
CO. DONEGAL	251	100	26	12	5	4	398
CO. DUBLIN	161	130	165	164	103	196	919
CO. GALWAY	308	144	60	23	14	19	568
CO. KERRY	279	139	46	20	5	8	497
CO. KILDARE	72	55	41	19	17	9	213
CO. KILKENNY	131	55	10	8	3	6	213
CO. LAOIS	75	44	13	3	3	0	138
CO. LEITRIM	95	17	3	0	1	4	120
CO. LIMERICK	236	90	31	21	5	5	388
CO. LONGFORD	80	26	7	0	0	0	113
CO. LOUTH	98	68	19	13	0	6	204
CO. MAYO	259	113	30	8	4	7	421
CO. MEATH	95	73	30	16	2	9	225
CO. MONAGHAN	88	17	4	4	5	1	119
CO. OFFALY	87	34	8	6	1	1	137
CO. ROSCOMMON	164	35	7	2	2	1	211
CO. SLIGO	88	38	15	12	4	3	160
CO. TIPPERARY	331	100	25	13	4	0	473
CO. WATERFORD	143	69	27	15	4	4	262
CO. WESTMEATH	87	46	20	8	6	1	168
CO. WEXFORD	130	111	22	12	9	6	290
CO. WICKLOW	71	38	40	19	7	5	180
Total	4324	1937	808	470	229	339	8107
% of total	53.34%	23.89%	9.96%	5.79%	2.82%	4.18%	