Submission to the Low Pay Commission Consultation Process 2016		
Name: Thomas Burke		
Organisation: Retail Ireland		
Are you (Please tick)	Employer	
	Employee	
	NGO	
	Union	
	Other (please specify)	Trade Body
Size of Organisation (Number of Employees)	0-10	X
	11-25	
	26-50	
	51-100	
	100+	
Submission Topic (Please tick all that apply)	The board and Lodging allowances provided for under the National Minimum Wage	□
	The National Minimum Wage	X
	Consultation	
Please indicate if you would be willing, if requested, to meet with the Commission to present your views on this topic	Yes	

Submission to the Low Pay Commission on the issue of the National Minimum Wage

February 2017

The following reflects the views of the members of Retail Ireland on the issue of the level of the National Minimum Wage.

Executive Summary

Retail Ireland supports the minimum wage as a principle and recognises that the wage floor should increase or decrease depending on the prevailing economic conditions. It is vital; however, that the minimum wage is appropriate, competitive and affordable whilst also taking into account the cost of living and the current economic outlook.

Economic evidence demonstrates that there has been no increase to the cost of living in recent years. The latest CSO data indicates that last year saw no inflation and that goods prices were down 2.9% year-on-year in quarter three 2016. The NMW has grown at a rate far greater than inflation over the last 16 years, and is now 7% higher than it was in 2015. The minimum wage has actually continually outstripped inflation for the past 12 years and would be 28% lower if it were pegged to the Harmonised Index of Consumer Prices.

In 2016, the performance of the retail sector has been mixed with a notable reduction in the pace of retail sales growth following the UK's vote to leave the EU. Brexit and political uncertainty in Europe and globally has softened consumer sentiment. The quantity of goods sold is currently 20% higher than it was in 2011, but turnover is only 7% higher. This divergence has come about due to increased competition in the retail sector, which is keeping prices low meaning that margins are now much smaller than they once were. The fall in the value of sterling, in recent months, has intensified pressure on retailers from competitors in Northern Ireland and UK based online retailers. Allied to this retailers have also had to contend with increasing labour costs, rents, utility costs and local authority rates.

Employment growth in this labour intensive sector remains slow. Employment has grown by 2.3% in the past four years with only 6,300 more people working in retail than four years ago. With roughly 72% of those employed in the sector based outside of the Dublin. Any increase in labour costs could significantly impact upon the sectors ability to create new jobs across the country but especially in the regions and could also jeopardise the competitiveness of the entire Irish retail sector.

Taking into account the challenges facing the economy from external political and economic factors, 2017 is going to be a difficult year for Irish domestic businesses. Retail Ireland and its members are advocating for the retention of the National Minimum Wage at its current €9.25 level.

The following is the basis for our position:

1. ***There is no evidence base for any further increase in the level of the National Minimum Wage in 2017***

There has been no increase in the cost of living in recent years. In fact, prices remained flat for the past three years and last year saw no inflation. It is the firmly held view of Retail Ireland that the level at which the NMW is set should be a function of available economic evidence. During this time of uncertainty an evidenced-based approach is the only way to determine a fair and sustainable rate that will ensure competitiveness. Retail Ireland supports the independent work of the Low Pay Commission. We welcome the Minister for Jobs, Enterprise and Innovation's clarification that the Commission is to reach its conclusion based on its own terms of reference and without being influenced by the Programme for a Partnership Government commitment to increase the NMW to €10.50 per hour by 2021. With so much uncertainty in Europe, and globally, any final decision on the minimum wage must be based on available economic evidence.

2. ***A further increase in the National Minimum Wage at this point would negatively impact upon the creation of new jobs in retail as the sector continues to recover***

Retail is the largest private sector employer in Ireland with over 275,000 people employed. Recent employment figures suggest growth in employment levels in the retail sector remains stubbornly slow. In the period 2012-2016, employment in this labour intensive sector has grown by 2.3% with only 6,300 more people working in retail than four years ago. These growth figures are very disappointing for a sector that lost over 44,000 jobs in recent years. The quantity of goods sold is currently 20% higher than it was in 2011, but turnover is only 7% higher. This divergence has come about due to increased competition in the retail sector, which is keeping prices low. Overall this has meant margins are now much smaller than they once were and this is having a significant impact upon the sectors ability to create new jobs. No further pressure should be applied to the cost base of a sector still in recovery mode.

3. ***A further increase in the National Minimum Wage could potentially lead to job losses in the sector and/or reduced hours for employees in those businesses who could not afford to pay the increase***

In some retail operations labour costs can account for up to 30% of the total cost base. Any further increase in the hourly cost of labour at this point would only serve to further inhibit the sector's recovery and restrict retailers' ability to grow their employee numbers and in turn ease the Live Register burden on the State. For those who could not afford an increase in the rate, they would have to consider other cost saving measures such as a reduction in hours for some employees. Increases in employment costs in the UK have contributed to the materialisation of such a situation in that jurisdiction.

4. ***An increase in the National Minimum Wage has the potential to negatively impact upon competitiveness in the sector***

Brexit is already having a significant impact on the retail sector. The recent fall in value of sterling has intensified pressure on retailers from competitors in Northern Ireland and UK based online retailers, resulting in a softening in retail sales growth in the last six months of 2016. Allied to shifting exchange rates, retailers are also facing uncertainty around trade and cross-border price differentials. Ireland's NMW is currently 18% higher than the UK and our VAT rate of 23% is significantly out of line with our nearest neighbour who has a more favourable VAT rate of 20%. Other factors, such as higher input costs in the Republic further contribute to price differentials between our nearest neighbour and biggest competitor. Staying competitive must now be a central pillar of determining the NMW. A further increase in employment costs would put domestic retailers at a competitive disadvantage to foreign online retailers and other markets.

5. ***An increase in the National Minimum Wage has the potential to negatively impact upon investment in the sector***

Investment in badly needed capital programmes and online sales platforms have proved logistically and financially challenging for Irish retailers, in recent years. Investment has not been easy with margins tight and capital investment opportunities constrained by limited credit availability. A further increase in employment costs would give retailers cause to question potential future investment in their businesses, which would in turn negatively impact upon those industries that support the sector. With over 50% of Irish consumers having made an online purchase in the past 12 months, and recent currency movements highlighting the increasing challenge of intense online competition from UK internet only retailers, labour costs must reflect the needs of businesses to compete successfully in a highly competitive and increasingly global market.

6. ***An increase in the National Minimum Wage will only further add to wage inflation across the sector due to relativity wage claims***

While it is too early to show using hard data, Retail Ireland has received anecdotal evidence which suggests that the decision to increase the National Minimum Wage in the past two years has exerted further pressure on retailers to maintain relative wage levels for other employee grades. Such a move is motivated by a desire for recognition of higher levels of experience and service, for those at grades in excess of the National Minimum Wage level. Businesses also want to recognise and reward employees with long service and greater experience through wage rates. This continues to place great pressure on the cost base of Irish retailers at a time when operating margins continue to be extremely tight.

7. ***Modest increases in the National Minimum Wage should be applied rather than large one off adjustments***

Retailers require certainty in their cost base, as large one off adjustments can be detrimental to planning, budgeting and forecasting especially for small businesses who are most impacted by rising input costs. In future years, if it is decided by the Low Pay

Commission that the economic conditions require a further increase to the NMW, Retail Ireland would like to see modest increases introduced rather than large one off adjustments. Modest increases ensure that businesses are better able to absorb wage cost increases as opposed to larger one off increases every 2/3 years. Increasing the minimum wage modestly would mitigate the need for a significant correction in the future as has traditionally been the case (the exception being the most recent increase applied).

1. Introduction

Retail Ireland is the representative body for the entire retail sector in Ireland and is affiliated to Ibec. Our members include the majority of Ireland's high street retail brands, including department stores, DIY, electrical retailers, fashion and footwear retailers, major supermarket groups, symbol groups, and forecourt and specialist retailers.

Retail is Ireland's largest industry and largest employer, with a presence in every city, town and village, right across the country. The sector employs over 275,000 people (and supports thousands of additional spin-off jobs), while paying over €7 billion in wages, generating over €5 billion in taxes every year and accounting for approximately 12% of Irish GDP, retail proudly stands tall as Ireland's largest industry and largest employer. There are close to 44,000 retail and wholesale businesses in Ireland with 90% of these Irish-owned and Irish-operated.

Retail Ireland welcomes the opportunity to comment on the existing position with regard to the National Minimum Wage. Furthermore, Retail Ireland and its members would like to express support for the Ibec submission on this issue and would like to build on that submission by making some observations specific to the retail sector.

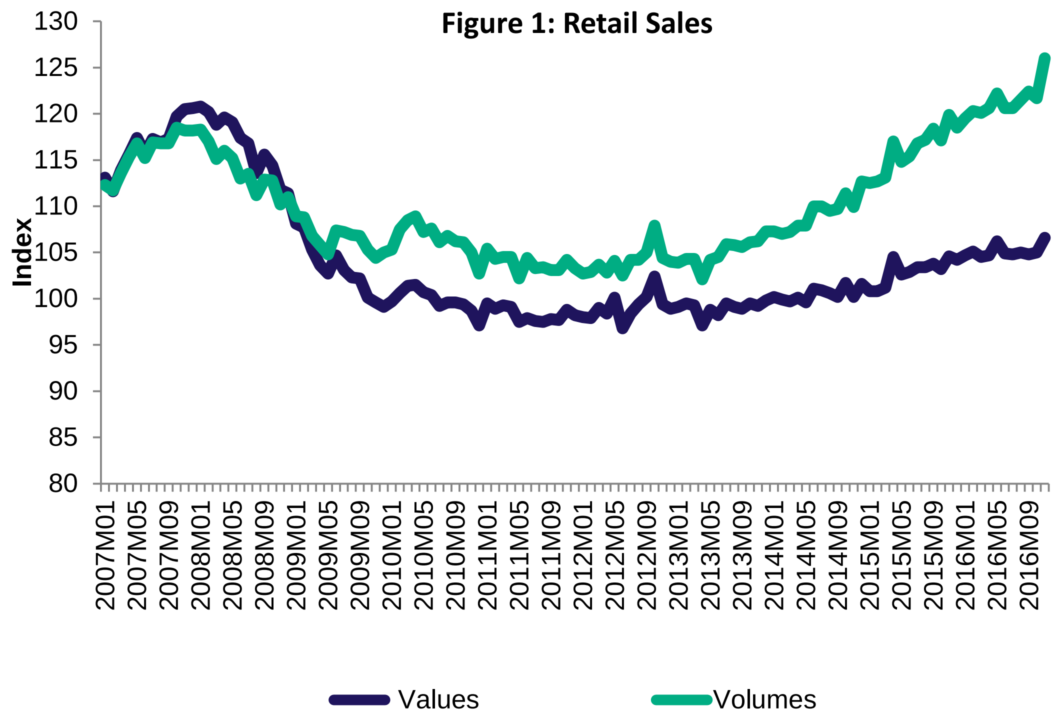
2. Economic Environment

2.1 Overview of general economic environment

Growth in the first three quarters of 2016 came in at 4.7%. This is very strong growth, but such growth rates are not expected to continue into 2017. The confluence of strong growth in the US and UK, a benign global environment, low interest rates and falling oil prices played a significant role in Ireland's economic recovery. However, these factors are now under threat and will not have the same positive impact on our economy as they did in the past. Furthermore, the combination of Brexit, political uncertainty in Europe and threats to globalisation will pose a significant threat to Ireland's economic prospects in 2017. General economic forecasts are expected to be substantially lower than previous years at only 2.8%.

A number of leading indicators are already showing signs that a slowdown is already happening in the Irish economy. Retail sales, tax receipts, industrial production and exports have shown signs of weakness in recent months. If this continues, the situation for those businesses dependent on the domestic economy and domestic demand remains difficult, as they have not experienced the growth levels of those businesses with an export focus but remain challenged by a creeping cost base. Intense competition and eroding margin will call into question the long term sustainability of these businesses.

Overall 2017 looks set to be a challenging year for domestic businesses.



Source: CSO

2.2 Current retail sector performance

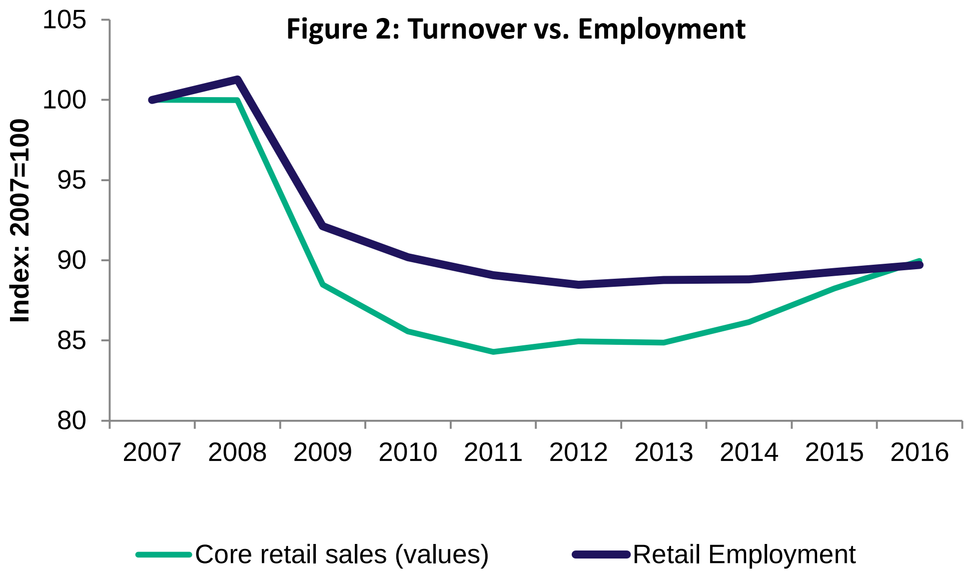
A year of two halves

The Irish retail sector remained in growth in 2016. In the full year to the end of 2016, total sales value grew by 1.9% compared to 2015's growth of 2.4%. While 2016 did deliver growth there was a noteworthy reduction in the pace of retail sales growth in the entire second half of last year following the UK's referendum vote in June. Retail sales growth fell from 3% in the period January to June to 1% in the July to December period.

Heavy emphasis on price remains

The retail sector remains an intensely competitive market with prices at a historically low level, currently running in line with 2000 price levels. This has led to intense competition between retailers and this competition has in turn helped keep prices low as value for money has become the main driving force behind the consumers' choice of shopping destination. Consumers now, more than ever, make a purchasing decision on the basis of price and this drive for value for money shows no sign of abating in the short term. Retailers have been forced to react to this and the drive for internal cost savings in order to offer better value for money to the consumer remains intense. As figure 1, demonstrates the dramatic divergence between sales value and sales volumes has been a consistent trend since 2009. The recovery in the volume of sales continues to run at two and a half times the rate of sales value growth across all major retail categories. This reflects the absolute necessity for retailers to keep costs down in order to remain competitive and stay in business.

Employment
Retail employment has remained relatively flat since 2010. In the first nine months of 2016 employment in the sector only grew by 1.2%. This is half the rate of the rest of the economy. This is worrying given that our sector is Ireland's second largest employer and is currently limiting Ireland from retuning to peak levels of employment. This slow growth in retail is not surprising given that the sector has faced extreme difficulties in recent years. Employment typically grows in line with turnover, however as turnover still remains 10% below peak levels, employment has failed to recover (figure 2).



Source: CSO

Consumer sentiment
The retail sector also remains susceptible to any downturn in consumer confidence. The reason for emerging concern in the sector at present is largely, but not exclusively, due to softening consumer sentiment. International factors have had a direct impact on the Irish retail sector in 2016. Potential threats to the Irish economy posed by the US Presidential election result and the upcoming Brexit negotiations have fed back into domestic demand levels here in Ireland. The ESRI Consumer Sentiment Index reports that sentiment has deteriorated in the past six months and consumers are less optimistic about their own financial circumstances now than they were twelve months previous. This softening is also reflected in recent retail sales numbers. Turnover was actually 0.1% lower last December compared to December 2015. Not in many years have we seen international geopolitical developments impact so significantly upon domestic consumers and businesses. The sector has reacted to the declining consumer sentiment through price reductions and promotions, however, due to already tight operating margins such actions cannot continue in the long term and retailers will be required to adjust their business input costs accordingly.

Creeping cost base
The National Minimum Wage is now 7% higher than it was in 2015. Along with increases in employment costs, the retail sector remains challenged by increases in other crucial input costs. In recent months retailers have been reporting a noticeable increase in rents in key locations. A recent report by the CBRE entitled 'Ireland Retail Estate Market Outlook 2017' reported an increase in rents in prime retail areas in Dublin of 13% in the year to the end of 2016. This highlights the pace of rent increases facing Irish retailers in the capital. During the downturn some retailers were able to negotiate a rent freeze for a fixed period of time, this period has now lapsed in most cases and rent increases in double digits are once again becoming the norm.

Together with employment and rent costs a myriad of other costs are also beginning to climb once more. These include local authority rates, insurance and utility costs. This is evidenced by recent CSO data which shows services inflation of 1.9% in the 12 months to the end of December. Given the inability to recover these costs in the market place, retailers have been forced to absorb these costs, thereby further limiting their already small margins on sales.

An uneven recovery
The recovery in our sector is uneven with the greater Dublin area and other urban areas continuing to record the strongest recovery. Regional locations continue to lag behind. Brexit and intense competition from pure play online retailers will pose a major challenge to the long term sustainability of the sector in these areas. The retail sector is a crucial component in the social fabric of rural Ireland. To further increase input costs at this time would put regional retailers at a competitive disadvantage to foreign internet only retailers and other markets such as Northern Ireland and could potentially damage the tentative growth in job numbers in the sector.

Credit
Access to credit is still an issue for the retail sector. This is affecting the capacity of retailers to reinvest in their stores. Revamping our stores is now becoming more necessary arising from a period of low investment in this area due to the recession. A number of retail operations continue to grapple with debt which is a hangover of the boom. Debt books have been sold to venture funds who are putting undue pressure on retailers regarding repayments. In some other cases, retailers who were previously leasing from Irish property businesses are now leasing from hedge funds or private equity funds with less certainty of the future.

Brexit
As a sector, retail is one of the most exposed to Brexit pressures and as we review full year sales data it becomes obvious that this impact is already telling in our sector. There was a notable reduction in the pace of retail sales growth during the entire second half of last year, down from 3% in the period January to June, to 1% in the July to December period. The 23% slump in the value of sterling since the beginning of 2016 has prompted more consumers to travel North to shop and central bank statistics show that e-commerce transactions recorded on Irish debit and credit cards jumped by 20% from €1 billion to €1.2

billion between July and September as sterling fell compared to the same period in 2015. This was way above trend and is likely to be tracking the currency shift.

There are already significant causes for concern and immediate threats to the domestic retail sector from UK retailers and pure play online retailers due to the volatility of the British Pound. In last year's report, the Low Pay Commission mentioned that almost half of minimum wage workers are employed in retail and hospitality. Both of these sectors suffered serious losses in 2008 when sterling depreciated. Therefore it is likely that 2017 will also be extremely difficult for our sector.

If Irish retailers are to adapt to the changed retail landscape it is vital that business inputs costs are not allowed to stifle their competitiveness or their ability to react to currency shifts.

3. Retail Ireland's Position on the National Minimum Wage

It is the view of Retail Ireland and its membership that any adjustment in the minimum wage needs to take into account the trends in prices, overall economic conditions, employment and the competitiveness implications of Brexit. During this time of heightened uncertainty, an evidenced–based approach is the only way to determine a fair and sustainable rate that will ensure competitiveness.

The retail sector prides itself in its ability to provide significant employment opportunities for people at all levels of qualifications and to reward employees with fair and sustainable wages. Since 2000, Retail Ireland Skillnet, Ireland's leading body in retail education and training, has provided certified learning programmes to 14,000 people within the Irish retail sector. Allied to this many of our members are committed to generous and fair terms and conditions that provide measures such as private health insurance and pension provision. Retail Ireland's members seek to support, engage and motivate their employees by raising the levels of education and skills within their organisations and through measures that enhance job quality and job security.

While we understand the remit of the Low Pay Commission in respect of this particular consultation, it is disappointing that the debate on terms and conditions in the retail sector continues to revolve around one single number and does not take the broader package on offer into account.

Given the combination of Brexit, political uncertainty in Europe and declining consumer confidence, there can be no justification for a further increase in the level of the National Minimum Wage at this time. Maintenance of the existing rate is the minimum requirement at this juncture.

Our reasons for this conclusion are outlined below.

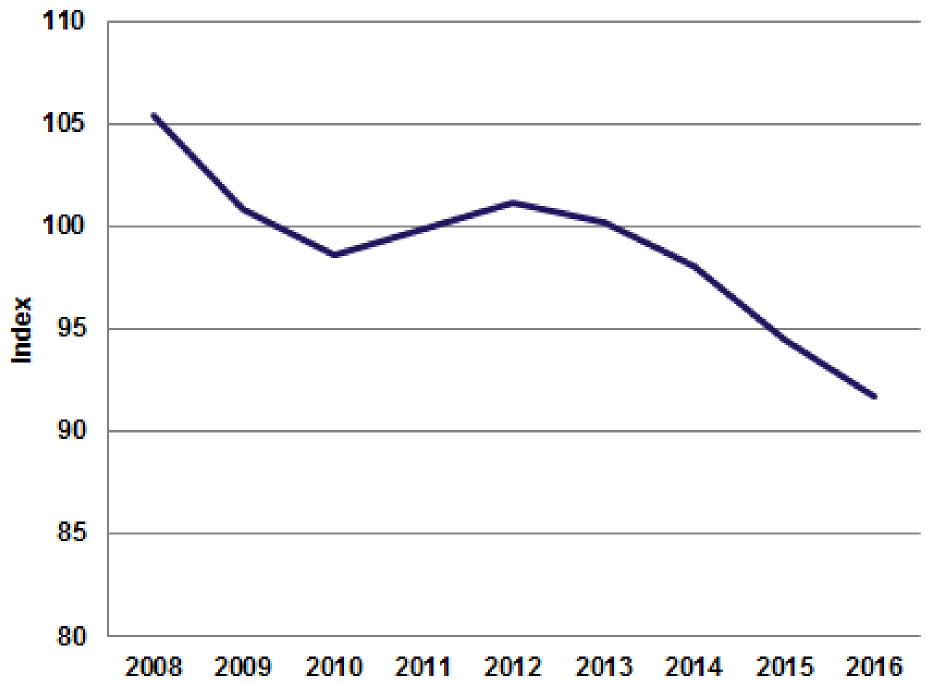
3.1 Our closets neighbour and biggest competitor

The minimum wage in Ireland is currently 18% higher than the UK and our VAT rate of 23% is significantly out of line with our nearest neighbour who has a more favourable VAT rate of 20%. Other factors, such as higher transportation costs, excise duties on fuel, tobacco and alcohol, insurance costs, commercial rents and rates and energy charges in the Republic further contribute to price differentials between us and our biggest competitor.

Since the UK's referendum, a weakened sterling has payed a significant role in the rise of cross-border shopping. While we have no official measure, proxies are already showing that this is taking place. In Q2 of last year the number of cars with an ROI registration in Northern Ireland shopping centres was 30%, in Q3 it jumped up to 58%. This is now just short of the peak of 65.5% seen in Q4 of 2008. Other indicators are also showing similar trends. New figures from the central bank showed e-commerce transactions on Irish debit and credit cards increased by 20% between July and September.

To further increase input costs for Irish retailers at this time will reduce our ability to compete with shops north of the boarder and will seriously damage the domestic retail market especially in the border regions.

Figure 3: Goods price inflation 2008 - 2016



Source: CSO

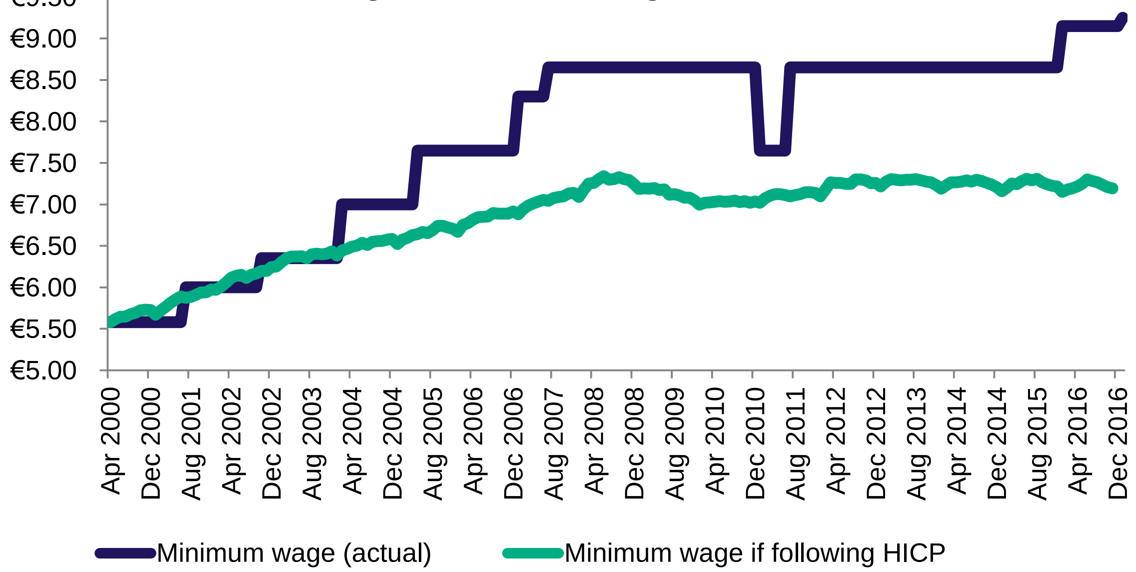
3.2 Cost of living changes

There is little evidence that rises in the cost of living justify increasing the minimum wage. The latest CSO data indicates that prices are currently lower than they were in 2015. Food prices in December 2016 decreased by 2.6% compared to the same month last year. Clothing fell by 3.7%, with prescribed medicines decreasing by 0.4% compared to December 2015. Overall last year saw no inflation and as a result prices are still lower than they were in 2008 (figure 3). Aggressive competition between retailers and recent currency shifts are driving prices down. This, while undoubtedly good news for Irish consumers, has made it very difficult for retailers to recoup any of their input costs as prices continue a race to the bottom. This is further reflected in the retail sales performance data from the CSO which continues to see volume growth running at two and a half times the rate of sales value growth. This highlights the large scale on-going discounting which remains a feature of the Irish retail landscape.

Forecasts from Ibec and other economic commentators forecast inflation of 0.6% for 2017. While oil prices may rise due to the OPEC agreement to cut output, continuing weak sterling will likely make imports cheaper. As 26% of our imports come from the UK this should put further pressure on prices in 2017.

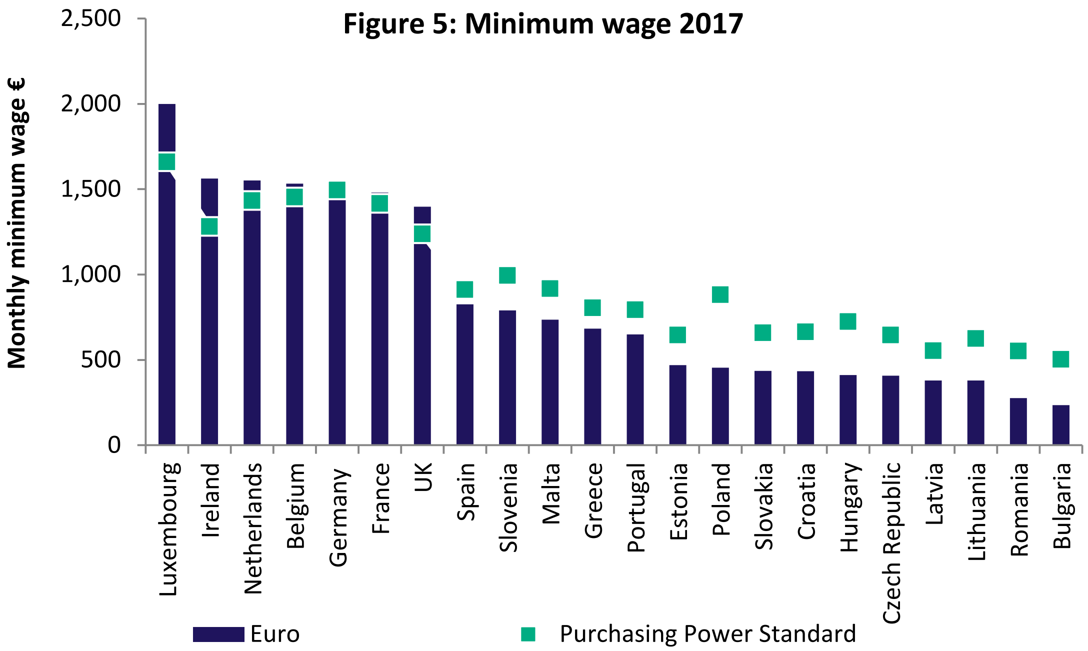
As figure 4, demonstrates the NMW has grown at a rate far greater than inflation over the last 16 years. From 2006 onwards there was a clear divergence between the NMW and the rate of inflation. Prior to this point the two tracked each other closely. The minimum wage has actually continually outstripped inflation for the past 12 years. The minimum wage would be 28% lower if it were pegged to the Harmonised Index of Consumer Prices (HICP).

Figure 4: Minimum Wage vs. HICP



3.3 International minimum wage comparisons

When considering the level at which to set the National Minimum Wage, consideration should also be given the level that prevails in competing economies in the Euro area and beyond. Ireland currently has the second highest minimum wage in Europe. Even when adjusted to reflect purchasing power, Ireland's national minimum wage remains in the top six highest in Europe behind countries such as Belgium, Germany and France. It is still, however, well ahead of other Western European countries including the UK. In purchasing power terms Ireland's minimum wage is €131 per month greater than the minimum wage in the UK. Given that the UK is our closest trading partner and due to the mounting pressure from UK online retailers, this salient point should be borne in mind also.



Source: Eurostat

Ireland has the sixth highest median wage in Wholesale and Retail of any country in Europe (table below). This directly conflicts with the assertion that Ireland, and the retail sector in particular, has a 'low pay problem' as made by certain commentators in recent months.

Table 1: Median wages and the low pay threshold

Country	Median wage	Low pay threshold	Median wage (Wholesales & Retail)
Denmark	€24.97	€14.98	€22.58
Ireland	€18.25	€10.95	€13.54
Luxembourg	€17.83	€10.70	€14.03
Belgium	€16.42	€9.85	€14.59
Finland	€15.96	€9.58	€14.12
Germany	€15.39	€9.23	€13.13
Netherlands	€15.32	€9.19	€15.66
Sweden	€14.91	€8.95	€14.71
France	€13.74	€8.24	€11.89

Austria	€12.96	€7.78	€11.21
United Kingdom	€12.62	€7.57	€9.06
EU	€11.95	€7.17	€9.96
Italy	€11.87	€7.12	€10.19
Spain	€9.41	€5.65	€7.86
Cyprus	€9.35	€5.61	€7.15
Greece	€9.06	€5.44	€7.48
Malta	€7.52	€4.51	€5.96
Slovenia	€7.20	€4.32	€6.12
Portugal	€5.06	€3.04	€4.54
Croatia	€4.77	€2.86	€4.61
Czech Republic	€4.44	€2.66	€3.93
Estonia	€4.09	€2.45	€3.32
Poland	€3.95	€2.37	€3.07
Slovakia	€3.93	€2.36	€3.54
Hungary	€3.44	€2.06	€2.96
Latvia	€2.85	€1.71	€2.47
Lithuania	€2.69	€1.61	€2.26
Romania	€1.96	€1.18	€1.73
Bulgaria	€1.52	€0.91	€1.28

This is in direct contrast to labour productivity rates. Unfortunately wage labour productivity in Ireland is not in line with our counterparts in other European Member States. The Irish retail sector has the third lowest level of wage labour productivity in the EU. This must be borne in mind when considering the appropriate level for the NMW (figure 6).

Figure 6: Wage adjusted labour productivity in retail

3.4 Employment growth in the retail sector

National and international evidence demonstrates that the high numbers currently employed in the retail sector is under threat. In the UK we have seen the representative trade body, the British Retail Consortium (BRC) suggest in its 'Retail 2020' report that up to 900,000 jobs, close to one third of all jobs in the sector, could be lost over the next ten years due to increasing employment costs and other technological factors. In the Netherlands the representative body, Detailhandel Nederland suggest in its 'Rewriting retail: a sector in acceleration towards 2025' report that 55,000-130,000 jobs, about 10-25% of total retail employment, of mostly young and blue-collar employees are at risk due to automation and the growing share of foreign online players over the coming years. While the Irish scenario is very different to this, retailers are very aware of the need to avoid replicating such a scenario here in Ireland.

While retail sales growth in 2016 did not meet expectations, the sector is growing and retailers remain optimistic about the future. Given the right conditions there is significant potential for employment growth within the sector over the coming months and years. As table 2, demonstrates retail is one of the few sectors with the ability to create a large number of jobs outside of the Dublin region. If we are to create new jobs in retail then it is vital that the eco-system in which our sector operates is enterprise friendly and conducive to growth.

Table 2: Retail as % of private sector employment	
Border	19.4%
Midland	20.4%
West	18.6%
Dublin	16.6%
Mid-East	19.0%
Mid-West	16.9%
South-East	19.5%
South-West	19.0%
State	18.3%

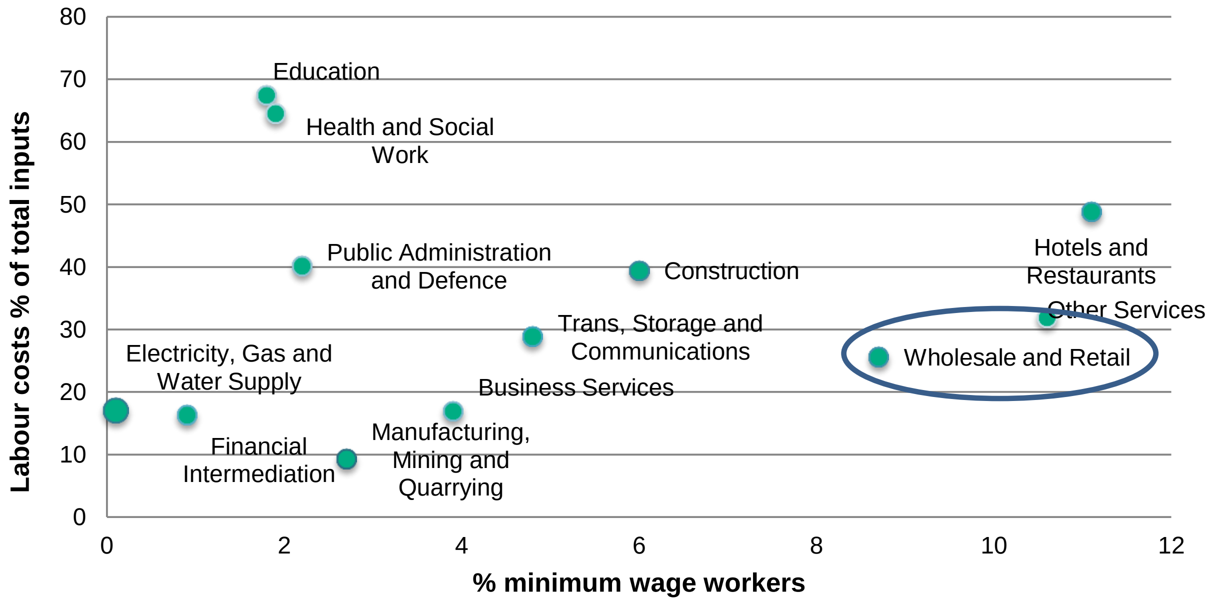
3.5 Labour costs as a proportion of total input costs

Similar to other sectors such as hotels and restaurants, labour costs account for a very significant proportion of total input costs. In the case of retail, labour costs make up close to 30% of total input costs in some retail businesses (figure 7). This means that changes to the National Minimum Wage and its relative effect on other wage rates within the sector, have a disproportionate effect on the retail sector.

Furthermore close to 40% of retail businesses are classed as SMEs with turnover of less than €200,000 per annum. A further 39% have turnover of less than €1 million per annum with only 35% having turnover in excess of €1 million each year. Given the labour intensive nature of the sector and the scale of the businesses operating within the industry, any change to input costs seriously affect the viability of these businesses which, as outlined above, are now facing heightened uncertainty.

There is no ability within the retail sector to absorb a further increase in the cost base given the challenges currently facing the sector and the cost recovery difficulty that exists in the marketplace.

Figure 7: Minimum wage sensitivity by sector



3.6 Pay trends in retail

In the past two years, many employees have sought wage increases through knock-on claims and this has fed into a significant rise on total labour costs in recent months. Retail Ireland highlighted concerns around this issue in previous submissions and during subsequent meetings with the Low Pay Commission. A recent Ibec survey of its members' intentions in this regard found that a little over 1 and 2 Irish retailers have paid wage increases in 2016 at pay grades in excess of the NMW. This would suggest that there is a disparity in relative performance and ability to award pay increases between firms in the retail sector.

Any rise in the minimum wage not only affects employers through its direct impact on wages but also through employers PRSI. When the minimum wage increased in 2016, a PRSI tax credit was introduced for employees to avoid the "step effect". This happened when an employee earned more than €351 a week, as once this threshold was reached they went from paying no PRSI, to paying it on all of their income, reducing their net-take home pay. In line with this, the entry point to the higher rate of employers PRSI increased from €356 to €376. Currently, a full time minimum wage worker earns €370 per week so they are below this threshold. However, many employees are paid a premium above the minimum wage and are now being pushed into this higher threshold. Any further increase in the minimum wage will see a dramatic rise in numbers going onto the higher rate of employers PSRI and this will put increased pressures on business.

Retailers continue to closely monitor input costs and efforts to remove any excess cost within their businesses continued during 2016 and will remain a priority over the coming year. Given that 2017 is going to be a difficult year for particular sectors, any pay increases should be kept on a voluntary basis to ensure undue cost pressures are avoided.

3.7 Maintain competitiveness in the retail sector

Irish retailers are facing growing competition from international, often internet only retailers. It has been estimated that up to 80% of e-commerce sales in Ireland are conducted with online retailers with no presence or employment in Ireland and 70% of Irish e-commerce spending goes to UK based online retailers. Brexit combined with a weak sterling are likely to accelerate this trend further over the coming months.

During 2016, many retailers expanded their footprint in the Irish market with several initiating substantial investment programmes. However, due to slower than expected growth most are limited in their ability to invest in there businesses or develop e-commerce channels to combat the flight of customers to international, internet only retailers.

Any move to increase input costs for retailers, either through labour costs or any other fixed cost would no doubt hinder future investment opportunities and force retail businesses to reconsider the prudence of long term investment at this point.

4. Closing Remark

Retail Ireland supports the Low Pay Commission and its role in reviewing and setting the level of the National Minimum Wage. On behalf of our members we would like to reiterate that the NMW should be a function of available economic evidence and increased or decreased depending on the prevailing economic conditions. According to last year's Low Pay Commission report, almost half of minimum wage works were employed in the retail and hospitality sector. Special care and attention must then be taken in determining the rate during 2017 due to the significant impact Brexit is already having on these two sectors.

Retail Ireland is advocating for the retention of the National Minimum Wage at its current €9.25 level. As outlined in this submission, the domestic economy is in for a difficult period over the next few years. Any move to increase the cost base of businesses in the domestic economy at this time would only serve to inhibit economic growth and stifle businesses ability to grow employment.

The Irish retail sector is going through a period of significant structural change. In recent months, retailers have had to contend with increases in employment costs and other input costs in addition to a weakened sterling and intensified pressure from competitors in Northern Ireland and UK based online retailers. All of this has been managed in the context of only marginally increasing sales values.

It is in this context that Retail Ireland calls on the LPC to maintain the NMW at its current level and offer retailers the opportunity to Brexit proof their businesses and maintain cost competitiveness, which will allow them to grow their employee numbers over the coming years.

For further information:

Should you require any further information, Retail Ireland and its members would be happy to provide it. In order to clarify any aspects of this submission please contact Thomas Burke, Director of Retail Ireland, at thomas.burke@ibec.ie or by phone at 01-6051558.