



**VINTNERS' FEDERATION OF IRELAND**

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

**2017**

## **Background**

The Vintners' Federation of Ireland (VFI) is the representative body for publicans in the 25 counties outside of Dublin. We have close to 4,000 members who, for the most part, run family-owned businesses. They operate in all parts of the country, both urban and rural, city, town and village, where they employ over 40,000 staff.

Our members operate small and medium sized businesses. Figures from Revenue, based on licence bands, indicate that over 55% of VFI members have a turnover of less than €190k while almost 80% have a turnover of less than €380k. From 2005 to 2015 over 1,400 pubs closed in Ireland.

For pubs trading in 2017 the pattern of business and employment has changed dramatically. Changing demographics and lifestyles mean that what was once a seven day-a-week business now is concentrated around weekends. Many pubs are closed during the day, only opening for a few hours at night.

The sale of alcohol in the On-Trade (pubs, hotels and restaurants) has reduced by over a third in the past eight years. This has led to a shift in employment patterns while there has also been significant pressure on profitability and sustainability.

## **The new reality**

We are living in a two-tier economy where Dublin and its hinterland is thriving while the rest of the country continues to experience the negative effects of the recession. Discretionary consumer spending remains flat.

As a nation we are facing economic uncertainty in the short term. Factors such as exchange rates and interest rates, which have been in our favour, can and will change. Brexit is a massive threat to our economy while there is an ever-present threat of a global economic slowdown.

The National Minimum Wage (NMW) has increased by 7% in less than two years, significantly above wage increases in other sectors. It is the VFI's position that any wage increase should not be above the rate of inflation, which is currently tracking under 1%.

Our NMW is one of the highest in Europe, a situation exacerbated by the fact that due to the competitive nature of the trade, VFI members find it impossible to pass the wage increases on to consumers.

## **Cost of doing business**

Any discussion about the potential for wage increases must recognise that for Publicans to meet these demands the cost of doing business has to be reduced.

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.

A major problem facing VFI members is the dramatic increase in the cost of public liability insurance. In some cases publicans are being quoted four times their annual insurance premium, which is an unsustainable position for many of our members and may put some of them out of business.

The size of claims also needs to be tackled and brought in line with the European average. In other areas 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. VAT remains at 23% so any reduction would help competitiveness.

As stated by The Low Pay Commission's 2015 report: "A moderate increase in the current minimum wage rate without an appropriate adjustment in employer PRSI will have a major impact, particularly on small business costs". Any increase in the NMW must be accompanied by an appropriate adjustment to the PRSI system so the employer is not disadvantaged.

## **Knock-on pay claims**

A serious repercussion of any increase in the NMW is VFI members coming under pressure to meet so called 'knock-on' pay claims where staff earning above the NMW also expect an increase, in order to maintain their position.

Publicans who cannot afford to meet wage demands are at risk of damaging relations with their staff.

## **Tourism in an age of uncertainty**

The hospitality sector relies heavily on tourism. While the past couple of years have seen a steady increase in tourism numbers, as a county we remain vulnerable to external economic shocks that could lead to a collapse in tourist trade.

The UK decision to leave the EU has huge ramifications for the island of Ireland. A weak sterling will inhibit British tourist numbers while the negative effects of introducing a customs barrier between North and South will impact discretionary spending. Since the Brexit vote and fall in value of sterling Ireland is 25% more expensive for tourists visiting from the UK.

Alcohol in Ireland is the most expensive in the EU. Adding further pressure to the sector is that with the fall in sterling alcohol products for sale in the North are now up to 40% cheaper than in the south.

Ultimately, we must remain competitive in this sector. Wages are one of the highest costs experienced in the trade and any increase will have an effect on 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.

## **Conclusion**

In early 2017 the Government launched a new National Planning Framework, which set out the challenges facing the country. Although the population will grow by over 500,000 over the next 25 years most of that growth will be centred around Dublin. The Government has admitted that stimulating regional growth must be a priority if we are to break free of the existing two-tier economy.

Many VFI members are based in the areas most affected by the current economic imbalance. They are struggling to run their businesses as going concerns and are not in a position to absorb further increases in the cost of doing business. While recognising the value staff provide to any business we recommend the National Minimum Wage remains at its current level.