

22nd May 2015

Dr. Donal de Buitléir,
Chairperson,
Low Pay Commission,
Room 2.01,
Davitt House,
Adelaide Road,
Dublin 2.

Dear Dr. de Buitléir,

The Irish Hotels Federation, founded in 1937, is the national representative organisation of the hotel and guesthouse sector in Ireland. We are a key stakeholder in Irish tourism and the SME sector.

The Irish Hotels Federation supports a National Minimum Wage Rate for all workers. However, such a rate must be appropriate, competitive and affordable.

The outlook for Irish tourism is positive and we believe that the industry will continue to grow and prosper if it remains competitive and sustainable. It is vital therefore that a very cautious approach must be taken when considering an increase in the National Minimum Wage.

Tourism is one of Ireland's largest indigenous industries and provides almost 205,000 jobs – equivalent to 11 per cent of total employment in the country a figure that has grown by 30,000 since 2011. It accounts for almost 4 per cent of gross national product. Fáilte Ireland estimates total tourism revenue in 2014 at €6.45bn up 9.4% on 2013. With over 54,000 people directly employed by hotels and guesthouses across every county and town, the hotel sector is playing a critical role in contributing to recovery in the tourism industry and the wider economy.

While Irish tourism is recovering, we are concerned that unjustified increases in the minimum wage will have a strong negative effect on many small and medium sized hotels particularly outside the main urban areas. The international tourism market is exceptionally competitive and every tourism Euro spent in Ireland is hard won. Value for money is an important factor in achieving growth in overseas visitors as reflected in research published by Fáilte Ireland.

For a minimum wage to be fair and sustainable it must not create a barrier to employment at entry level. The most unfair situation that can arise is the exclusion from the workforce of those that wish to enter employment and are prevented from doing so because of uneconomic and inflexible minimum rates of pay.

Hotels are very labour intensive business activities. In 2014 payroll costs were approximately 40% of turnover compared to 8% in manufacturing. Because of the service nature of hotels, labour productivity is low compared to other sectors in the economy. Labour productivity in manufacturing is over five times the level in hotels. Over the past 20 years the payroll share of hotel turnover increased from 28% to 40% with many hotels, particularly in rural areas, operating on payroll costs well in excess of 40%.

The hotel sector provides many highly skilled jobs both directly and indirectly. These include managers, accountants, chefs, IT specialists, marketing executives, sales executives and HR executives. However, the nature of the business is that many lower skilled occupations are also required to provide the quality of service demanded by customers. These include cleaners, waiting staff, accommodation staff and kitchen assistants. On balance the high quality hotel product requires a high proportion of lower skill occupations. This applies internationally in the hotel sector. Consequently wage costs, particularly at the lower level, are a major part of hotel competitiveness. The role of labour costs is much more significant in the hotel sector than in high productivity sectors such as pharmaceuticals, information technology and financial services. As a service industry there is limited scope for cost-reducing productivity developments as can occur in manufacturing.

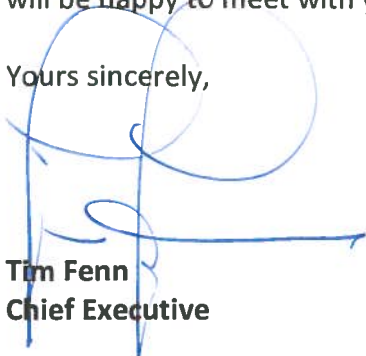
Therefore, the reality of labour costs in the hotel sector, with payroll and related expenses amounting to approximately 40% of total revenue, is that it would be greatly affected by an inappropriate National Minimum Wage Rate. The best way to achieve sustainable increases in wage rates is to grow revenue and increase the demand for lower skilled workers whereby in employment they gain the opportunity to acquire new skills through development programs that open up opportunities for career advancement.

The Irish Hotels Federation recommends that the National Minimum Wage should not be increased in the immediate future. The economy is in a period of negative inflation and is still at a fragile stage in its recovery, particularly outside the main urban areas. An increase at this time would jeopardise the hard-won competitiveness gains achieved and would risk excluding younger and lower skilled workers from employment and opportunities for advancement.

The Irish Hotels Federation supports a minimum wage for all workers but it must be appropriate, competitive and affordable.

Should you wish to discuss any of the above matters, our President, Stephen McNally and I will be happy to meet with you.

Yours sincerely,



Tim Fenn
Chief Executive