



# RETAIL EXCELLENCE

Submission to  
The Low Pay Commission  
in its consideration of the appropriate  
National Minimum Wage rate for 2021

# ABOUT RETAIL EXCELLENCE

Retail Excellence is a not for profit company which supports Irish retailers to be the best they can be.

Retail Excellence involves over 2,000 leading retail companies who operate over 13,000 stores in the Irish market. Our members are the most progressive and innovative in the market. We make every effort to deliver activity which is wholeheartedly based on member needs. Retail Excellence is by far the largest retail industry body in Ireland.

Established in 1995, Retail Excellence is owned by the Members, for the Members and is the largest retail industry trade body in Ireland. Our aim is to enhance the consumer's retail experience by developing top class retail standards and skills and promote a vibrant and competitive world class retail industry in Ireland.

## THE RETAIL INDUSTRY IN IRELAND

Retail provides employment to 284,000 people in every village, town and city in the country which is the same as the combined number employed in IT, agriculture, forestry, fishing and financial services.

The industry contributes €5.7 billion annually to the Exchequer.



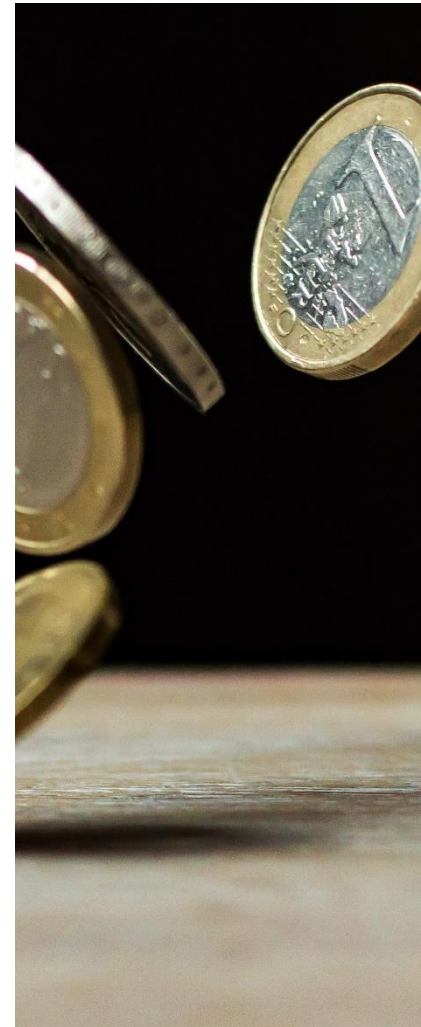
# INTRODUCTION

Wages are the single largest cost to any business so any increase in the National Minimum Wage acts as an obvious blockage to the creation of new retail industry jobs and is a key contributor to lost retail hours of work.

The doubling of the Class A Employers PRSI rate for low paid workers from 4.25% to 8.70%, in addition to the increase in the National Minimum Wage (NMW), has created a significant challenge for the industry.

The Low Pay Commission has previously recommended that any increase in the NMW should be met with an equal and proportionate decrease in the Employers PRSI rate. Wage increases will make Irish businesses less competitive and threaten job creation at a time when many parts of the Irish economy are still in recovery mode and faced with internal and external challenges relating to the withdrawal of the United Kingdom from the EU.

A significant part of the SME competitiveness problem relates to high business costs (Source: NCC's "Costs of Doing Business in Ireland 2015") and previous reports note issues around UORR rent on legacy leases, commercial rates, utility costs (energy costs 6th highest in EU), credit & financial costs (SME loans less than €1m are 60% more expensive than EU average), transport costs (diesel costs 4th highest in EU), waste costs, liability insurance costs, business services costs (9th most expensive to enforce a legal contract, and 6th longest to achieve that), all before the cost of labour is added.



# BIENNIAL REVIEWS

Retail Excellence believes in order to provide certainty and give businesses a chance to plan, the now annual review of the National Minimum Wage should instead take place every two years.

## PAY MODERATION

Wage moderation strategy can help a national economy or economic region compete favorably against other economies in other parts of the world. We believe in order to keep the Irish economy competitive and stave off inflation pay moderation is vital.

Retailers have a finite amount of money to invest in their wage bill. Pay moderation is needed particularly outside of the Dublin region as any increase in wages lead to less labour hours being invested in. Retailers will simply work with less hours and look to automation.

The OECD states that "a nationwide minimum wage may have detrimental effects in regions and/or sectors with many low-productivity workers. The Jobs Study recommended delegating minimum wage determination to the regional level to reduce the risk of having a large number of workers being unable to price themselves into work in certain areas. The purchasing power of a given level of the minimum wage may differ significantly across regions, and a differentiated minimum wage may help in establishing a more equitable structure of real minimum wages across a country." <sup>1</sup>



<sup>1</sup> OECD Submission to the Irish National Minimum Wage Commission



# MAINTAINING IRELAND'S COMPETITIVENESS

According to the National Competitiveness Council report "Ireland's Competitiveness Challenge 2018" (December 2018), Ireland remains a relatively expensive location in which to do business as highlighted by their previous "Cost of Doing Business in Ireland 2018" report.

"High cost and rising" was the way the report described the Irish economy which warned against a series of upward cost pressures faced by Irish businesses particularly wage bills as referenced previously.

"Maintaining sustainable wage levels is essential to Ireland's cost competitiveness. Between 2016 and 2017, hourly labour costs grew by 1.9 per cent in Ireland. In the year to Q2 2018, average hourly total labour costs in Ireland were €26.42 across all the economic sectors, an annual increase of 2.2 per cent. The growth rate in average hourly labour cost was similar in public sector (+2.2%, from €31.98 to €32.68) and the private sector (2.2% from €24.12 to €24.64) in the same period."

## EMPLOYER'S PRSI

The re-introduction of a permanent 4.25% Employer's PRSI rate for low paid workers earning less than €380 per week will help businesses absorb the cost of minimum wage increases, enhance job retention and creation in the retail industry in the face of ongoing challenges it currently faces.

<sup>2</sup> National Competitiveness Council report "Ireland's Competitiveness Challenge 2018" (December 2018)



# THE KNOCK ON IMPACT OF AN INCREASE

In a survey of our Membership conducted by Retail Excellence in 2019, most employers cited that if a casual weekend worker now earns a given amount per hour, it is obvious and clear that permanent staff members expect a rate of pay that is higher than a casual hourly rate and that rate must be proportionate to the permanent nature of their contract and their experience in the business.

## CONCLUSION

In the context of Brexit and its obvious negative impact on the Irish Economy, any planned increase in minimum wage should be viewed with extreme caution.

At the time of writing this submission the threat of a no-deal "crash out" withdrawal of the United Kingdom is still a potential reality. In such an environment, keeping Irish businesses competitive, keeping job losses to a minimum and inflation at bay should be the overriding priority of government.

Placing the burden on employers only serves to drive up inflation and puts the hard won recovery of the Irish economy at further risk.





# SUBMISSION TO THE LOW PAY COMMISSION

PREPARED BY  
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