



## **RGDATA Submission to the Low Pay Commission on the National Minimum Wage**

**6 March 2020**

RGDATA, the representative organisation for the owners of 3,500 independent grocery/convenience shops in Ireland, would like to make the following submission on the National Minimum Wage.

February 2020 saw a 30-cent rise in the national minimum wage following a decision by the Government to accept the recommendations of the Low Pay Commission. Initially the decision was to defer the increase until there was greater certainty around Brexit, however, this policy was reversed in December 2019.

RGDATA has previously expressed its concern that these consultations are not meaningful, as it is our members' opinion that "the deliberations of the Low Pay Commission on this issue are effectively predetermined to grant an increase and the only issue concerns the scale of the increase to be granted." (*RGDATA submission to the Low Pay Commission 2019*). Despite the concerns of RGDATA and other SME representatives, the NMW was increased, with a possible further increase following this consultation.

RGDATA would like to make the following points:

- Given the Low Wage Commission's statutory obligation is to 'set a rate that is both fair and sustainable' and one which does not create 'significant adverse consequences for employment or competitiveness' the employers that RGDATA represents believe that any further increase in the Minimum Wage should not be recommended at this time.
- The employers that RGDATA represent pay rates that are above the Minimum Wage. However, the National Minimum Wage acts as a benchmark for employees who either expect their wages to go up when it does or who expect to always continue to earn the same amount more than new trainees or part-time staff just joining the team. Hence, if the National Minimum Wage increases, it puts pressure on all the wage rates in the business.
- In addition to the hourly NMW rate there are also additional costs associated with employment which add to the cost of doing business and need to be worked in to the equation from an employer's perspective – for instance employers' PRSI and training costs must also be factored into the overall cost of employment in the context of doing business.

- Employers in the independent convenience retail sector employ over 90,000 people generally on rates that are above the National Minimum Wage. It is an extremely competitive and low margin sector with most Irish owned family shops competing daily with a discount supermarket model based on low employment levels, limited stocks and tight cost controls. In order to be competitive local independent retailers must manage their wage bill and ensure it remains at a certain percentage of their turnover – this means cutting hours in order to remain in business and keep the shop viable.
  
- In addition to an extremely competitive sector, independent convenience retailers also face the challenges posed by Brexit and the Covid 19 virus. The impacts on independent shops are as yet unknown but there is no doubt that there will be increased costs as a result. Business that are run on very tight margins do not have a safety net or rainy day fund that they can use and in the current market conditions putting up prices for consumers to absorb additional costs is not an option if you want to run a viable supermarket business.
  
- RGDATA is of the view that since there is still a significant level of uncertainty around the exit of the UK from the EU the Government should freeze the National Minimum Wage from any further increase until businesses can see the true implications of Brexit. The situation regarding the movement of goods from Great Britain to Northern Ireland has not been resolved and concerns for retailers in border areas on trade impacts are considerable. This is not the time to pile on further financial pressures by increasing employment costs.
  
- The advent of the Corona Virus has introduced an additional unknown which will have a real and significantly negative impact on business confidence and productivity. Until the scale, extent and impact of the Corona Virus become clear, no additional operating costs should be imposed on businesses.
  
- **Retail is a low margin business:** It is imperative that the Low Pay Commission takes account of the cost of doing business in Ireland, particularly with businesses who are in the service industry. Retailers face several business costs that are out of their control, including:
  - Spiralling public liability and employer liability insurance premiums – recent insurance reforms have had no impact.
  - Commercial rates
  - Security costs – such as CCTV, security firms, alarm upgrades etc.
  - Utilities – e.g. waste, water, electricity
  - Labour costs
  - Compliance costs

In the highly competitive retail grocery sector, there are limits on the extent to which these cost pressures can be passed onto customers through higher retail prices. The response of retailers is typically to cut operating costs and reduce the operating margin further. There comes a point at which a low operating margin becomes unsustainable and the business is no longer viable.

Rather than passing on increased costs to consumers, many retailers will try to reduce operating costs that they can control, such as labour costs. As a result, many retailers may be forced to cut back on staff hours and increase their own hours in their shop. This has a toll, not only on the retailer but also on the staff who depend on a certain number of hours per week. The Low Pay Commission needs to factor this consequence into its deliberations on this issue – SME entrepreneurs, as business owners are a cohort of workers that operate without the statutory protections afforded to others in the workplace – but given their economic contribution as employers and creators of economic activity the impact of the measures on them needs to be considered.

In light of the above considerations RGDATA requests the Low Pay Commission to apply a moratorium on any increase to the National Minimum Wage on this occasion. Sanctioning an increase would be a reckless and irresponsible act with far reaching consequences for a sector that is a significant employer nationally.