



**VINTNERS' FEDERATION OF IRELAND**

**SUBMISSION**

**LOW PAY COMMISSION**

**MARCH 2020**

## **Background**

The Vintners' Federation of Ireland (VFI) is the representative body for publicans in the twenty-five counties outside of Dublin. Our membership is made up of small family-owned and family run businesses. We have 4,000 members in the twenty-five counties, both urban and rural and covering every parish in that geographic area.

The description of our members as small is predicated on figures from Revenue which are issued on an annual basis in relation to licence bands and turnover. Approximately 52% of our members have a turnover from alcohol of less than €190,000 per annum while 78% have a turnover of less than €380,000 per annum. It is important to emphasise that this is turnover and all costs including the cost of product, labour, overheads and repayments has got to be paid for from this turnover. The fact that the trade is under pressure is borne out by a statistic which shows that over 1,000 pubs, or 12.5% of all pubs, closed in the decade to September 2018.

The pattern of business has changed considerably also. Previously, this was a seven-day a week business but now we are looking at a significant emphasis on weekends and events. Indeed, many pubs are closed during the day only opening for a few hours at night.

A further statistic shows that of all alcohol sold in the country only about 40% is now sold in what is termed the On-Trade (pubs, restaurants and hotels). A decade ago this figure would have been 70%.

Notwithstanding these challenges there is still a very substantial number of people employed, either full-time or part-time, in the trade. It is estimated that approximately 38,000 people are employed in the industry in the geographic area that we represent.

## **Challenges**

While there may be a sense of significant recovery in the economy this is not being felt universally. Our industry is dependant firstly on people living in defined areas and then those people having a level of disposable income to allow them to socialise in our members outlets. There are many areas challenged on both of these fronts.

A majority of these 4,000 businesses are outside the main urban areas and are seeing the same challenges as other retail businesses in these areas.

We have just seen a very significant increase in VAT for our members who are either doing food or providing accommodation. This has further reduced both margins and viability for a lot of members.

Recent changes in drink driving legislation are also having an enormous effect on the trade. We have seen reductions of up to 20% in trade in many parts of the country and this has put further pressure on viability and will certainly lead to both job losses and closures.

There has been untold discussion on Brexit over the past number of years. While the headlines have abated the threats have not. The threats remain grave. One of the effects of Brexit has been a reduction in the number of UK visitors coming to Ireland. This would be the headline figure

but what is hidden behind that is that, not alone has the numbers of visitors reduced, but the actual spend of those that are coming has also reduced leading to a significant drop in Revenue.

This has a particular negative impact on the pub trade as the UK visitor has a much higher propensity to use the pub than other international visitors. In other words there is a much bigger pub culture among our British tourists than there are among others. Again, this is having a negative effect on the viability of many of our members.

### **National Minimum Wage**

Over the past three years we have seen an increase in the National Minimum Wage of just over 9%. This is significantly ahead of the rate of inflation and beyond the capability of our operators to recover from the consumer. It is not just the actual increase in the National Minimum Wage that is of concern but all of these increases lead to knock-on claims from other employees to maintain differentials with anybody on the National Minimum Wage.

### **Submission**

We believe that any adjustment to the National Minimum Wage must be fully evidence based and not be taken without a firm analysis of the effect that any such adjustment would have on jobs, viability of businesses and sectoral effects. We further submit that any adjustment should be not greater than the movement in the Consumer Price Index. Any other approach will have a significant detrimental effect upon the sector that our members operate in and that we represent. It will also result in either reduced hours for employees or less jobs