SIPTU

SIPTU calls on Irish Hotels Federation and Restaurants Association of Ireland to enter discussions on new Joint Labour Committee

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Introduction

Recovery in the hospitality sector is well underway with significant growth expected for hotels and restaurants over the coming years, according to employer organisations the Irish Hotels Federation and the Restaurants Association of Ireland as well as Fáilte Ireland. The Central Statistics Office (CSO) recorded tourism numbers at 2.1 million for the second quarter (Q2) of 2014 which was up 12.3% on same quarter in 2013.

Total spending in Q2 2014 by visitors increased to €1.3 billion - a rise of 18% on the same period last year. Total spending in the full year is expected to exceed €5.7 billion. Across each category of visitors the numbers showed marked increases with domestic holiday makers up by 5.2%, British visitors up by 15.2%, EU visitors up by 9.4% and US visitors up by 12.8%. A Fáilte Ireland survey shows that 75% of tourism businesses are positive about growth in their own company - up from 14% in 2008 when the banking and financial crisis began. It also shows that growth is country-wide and not just a Dublin and Cork phenomenon.

Employer bodies have recently complained of a shortage of skilled labour to meet the demand arising from these positive industry figures for the sector, including of chefs. However, their insistence on driving down wages and conditions of employment over the past five years has contributed to the shortage of qualified and skilled workers in the hospitality sector.

Employers in the sector have refused to engage in discussions for a new Joint Labour Committee which would set fair wage rates and conditions for workers in hotels and restaurants across the country. Although it is Government policy that the workers in these industries should be covered by a JLC, employers have been given an effective veto over this policy by refusing to engage with trade unions and the labour relations machinery of the State. SIPTU argues that this veto needs to be removed.

In response to this employer response towards Government policy, SIPTU has called on the Minister for Finance, Michael Noonan, to withdraw the favourable VAT reduction policy given to hotel and restaurant owners in 2011 unless they immediately agree to enter discussions on a new JLC for their industries.

VAT Reduction – who benefitted

The VAT reduction was clearly not used to improve wages for workers in the sector. Neither was it passed on to customers, according to a survey of restaurant menu prices commissioned by SIPTU.

This showed that in the period before July 2011 (when VAT was reduced) and September 2011, only 24% of restaurants surveyed decreased prices. There was no price change in 64% of restaurants while 20% actually increased prices.

In a further comparison between pre-July 2011 prices and those in September 2013 it was found that 24% decreased prices while there was no change in 40% of restaurant's surveyed and 36% of restaurants actually increased prices.

These findings are in stark contrast to a less than credible claim by the Restaurants Association of Ireland in September 2013 that 100% of its members had passed on the VAT reduction to customers.

The research carried out for the union shows that the VAT reduction, from 13.5% to 9%, was not passed on to customers as claimed by the organisations representing the hospitality industry. Neither have the savings achieved been used to improve wages for the low paid workers in the sector.

Employment

Employment in the industry has steadily increased over the past four year but the improvement is not as a result of the VAT reduction. Indeed, employers took advantage of a 50% fall in PRSI rates between 2011 and December 2013 to reduce the number of full-time jobs in the industry. Employers were incentivised to create part-time jobs rather than full-time positions as it reduced their PRSI costs.

Figures from the CSO show that while there has been an 11.7% increase in employment from Q4 of 2010 to the first quarter of 2014, the number of full-time positions has fallen by 24% over the same period. The number of people employed on fewer hours has also increased by 32% between Q4 of 2010 to Q1 of 2014.

The increase in employment in the sector began in 2010 (before the VAT reduction) and has been attributed to:

A) The weakening of the euro as US and UK tourists saw prices fall by 13% and 11%, respectively.

B) The abolition of the Travel Tax.

C) The Gathering in 2013 which was strongly promoted and led to increased tourism.

D) The 1.3% reduction in prices in the sector. (Department of Finance 2013 Assessment)

Earnings

Earnings in the hospitality sector fell by 3.4% between Q2 of 2011 and Q2 of 2014. The collapse of the JLC / Employment Regulation Order wage setting mechanisms in June 2011 paved the way for many employers to drive down wages.

JobBridge figures for September 2014 show that a significant (circa 10%) number of participants in the activation scheme are in the hospitality sector.

CSO figures show that in Q2 2011 some 10.8% of those working in the Accommodation & Food Services Sector earned the National Minimum Wage. By Q1 2014, this share had risen to 15%.

In August 2014 the National Employment Rights Authority (NERA) found that 60% of employments in the Food and Drink sector it inspected were in breach of employment rights.

At the end of 2013 there were 81,500 people who were working (two or three days a week) while in receipt of Jobseekers Allowance. Of these, 13,400 (12.5%) were employed in the Accommodation and Food Service activities i.e. the hospitality sector.

The 'race to the bottom' means employers are putting the burden on the State to pay a living wage through Jobseekers Allowance and Family Employment Supplement.

**Services Industrial
Professional and
Technical Union**

Liberty Hall
Dublin 1
Tel: 1890 747881
Email: info@siptu.ie
www.siptu.ie