Crowe

Smart decisions. Lasting value.

# Cumulative Impact of Changes to Payroll Costs on Business Operations

**February 2024**

Fáilte Ireland

Audit | Tax | Advisory

# Introduction

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### Introduction

In recent years, the Government has announced a number of regulatory changes affecting the cost of employment, impacting the tourism and hospitality sector (along with other sectors). Fáilte Ireland has requested that Crowe examines these current and future costs in order to provide insight into the potential cost implications for the tourism and hospitality sector.

Crowe has reviewed the key changes in employment costs arising from recent government policies and the impact they will have on tourism and hospitality industry in 2024.

- Changes to the minimum wage and a move towards the living wage
- Increased public holidays
- Introduction of statutory sick pay
- The rollout of auto-enrolment
- Increase in pay-related social insurance (PRSI)

Other policy measures impacting SME employers within the tourism and hospitality sector include extended parental leave and the proposed remote working legislation.

### EU Context & Labour Costs

Even before allowing for these changes, labour costs in Ireland are found to be relatively high compared with competing EU destinations and the UK. For example, in 2024 Ireland's minimum wage is 78% above the EU average.

### Approach

To illustrate the cost implications these changes will have on businesses in the tourism and hospitality sector, Crowe has estimated the impact for a hotel, a bar/restaurant and a visitor attraction.

## Key Components

- Transparency of Working Conditions
- Minimum / Living Wage
- Sick Leave & Pay
- Public Holidays
- PRSI
- Pension

# Context

**There is widespread media coverage in relation to the pressures facing the tourism sector. The cost-of-living crisis, rising operational costs and government policies (such as the increased VAT rate and employment legislation) are regularly cited as key causes of financial distress within the sector.**

Ibec For Irish Business

Influencing for Business

## Government needs to pause uncoordinated and excessive labour cost increases

January 22, 2024

In its latest leadership sentiment survey taken just before Christmas, Ibec has revealed that the increasing cost of doing business is the single most significant challenge for business leaders heading into 2024. When asked what their priorities were for the next Government, 74% regarded the cost of doing business as the most important issue. In a letter to Government, Ibec CEO Danny McCoy expressed concern about the escalating cumulative costs affecting businesses right now, with the viability of many small enterprises becoming an increasing worry. Ibec estimates that the Government's labour market policies will add €4 billion annually to the wage bill of Irish employers and result in labour cost increases of between 25% and 30% in the most impacted firms.

Ibec CEO Danny McCoy said:

*"While the economy remains in a robust position with sustained growth, costs are rising rapidly, and many businesses are struggling to maintain margins. At the beginning of the year, the cost of doing business increased dramatically due to government-imposed labour costs. Double digit increases in the minimum wage, effective from January 1st, along with a series of additional changes in quick succession—including increases to employer PRSI, modifications to statutory sick pay, the introduction of pension auto-enrolment, substantial increases in the salary thresholds for work permits, and enhanced protective leave entitlements—are imposing an unrealistic burden on businesses. While many of the changes have merit, our primary concern is the lack of coordination, resulting in these costs unnecessarily converging.*

*The current policy path by Government represents the biggest single change in Irish labour market policy in decades and a deficient approach to the implementation of those changes in Government now risks creating the most significant cost competitiveness challenge faced by Irish businesses since the pre-financial crisis period."*

RTÉ

## Fast-rising labour costs to become main driver of core inflation - Central Bank governor

Updated / Tuesday, 30 Jan 2024 17:40


Gabriel Makhlouf was speaking at UCC

By Paschal Sheehy
Southern Editor

The Governor of the Central Bank has said that fast-rising labour costs will become the main driver of core inflation, as the effects of past energy price shocks and other pressures begin to fade.

In a speech this afternoon at University College Cork, Gabriel Makhlouf predicted that the increase in the rate of inflation will continue to slow over the next two years, with the Irish economy shifting to a slower growth path too.

# The closure of, often well known, establishments have been grabbing headlines as of late…

## Soaring 'ball of costs' behind closure of Nash 19 in Cork

Claire Nash has revealed her heartbreak over the forced closure of her restaurant after 33 years in business, writes Eoin English and Joe McNamee


Claire Nash outside Nash 19 on Princes Street, Cork. The restaurant closed earlier this week for its traditional post-Christmas break, but it will not be reopening — the business is being wound up. Picture: Dan Linehan

SAT, 13 JAN, 2024 - 02:00

## Dublin 8 pizza spot to close due to 'rising costs' after four years in business

By Katy Thornton
November 27, 2023 at 1:34pm


The home of sourdough pizza in Dublin is closing.

## Almost 50 food businesses closed this month as costs rise and demand falls


RAI president Paul Lenehan said: "Contrary to popular belief, the restaurant industry is not flourishing and the closure of 48 establishments in November alone goes to show this." File picture

THU, 30 NOV, 2023 - 12:29

## Top-class Tipperary restaurant is latest to close due to rising costs and staff shortages


Prime 74, located on Tipperary town's Main Street, announced that it is closing due to operational difficulties, just days after nearby Flanagan's Lane Restaurant and Café said it could not continue due to spiralling costs.

Eoin Kelleher
Mon 22 Jan 2024 at 16:40

## Popular Restaurant Shuts Amid 'Tsunami' Of Closures

TOURISM & HOSPITALITY / 16TH JANUARY 2024 / CHRISTIAN MCCASHIN

Spiralling food and energy costs have forced yet another renowned restaurant to shut its doors, its owner has admitted.

**Stephen Vaughan** is to close his award winning White Rabbit bar and barbecue in Cork on February 4.

## High costs could cause 'wave' of restaurant closures - RAI

Updated / Saturday, 13 Jan 2024 17:03


The RAI is blaming high running costs and the increase in the VAT rate for the closures (file image)

By Paschal Sheehy
Southern Editor

The Restaurants Association of Ireland (RAI) has said it expects a wave of food business closures to continue over the coming months, after more than 280 closed in the last six months of 2023.

# Changes in Minimum Wage

# Ireland's Minimum Wage

Ireland's national minimum wage was introduced in 2000 as a social policy commitment to protect workers considered to be most vulnerable.

**From 1 January 2024, the national minimum wage increased by €1.40 per hour to €12.70 per hour (a 12.4% increase).**

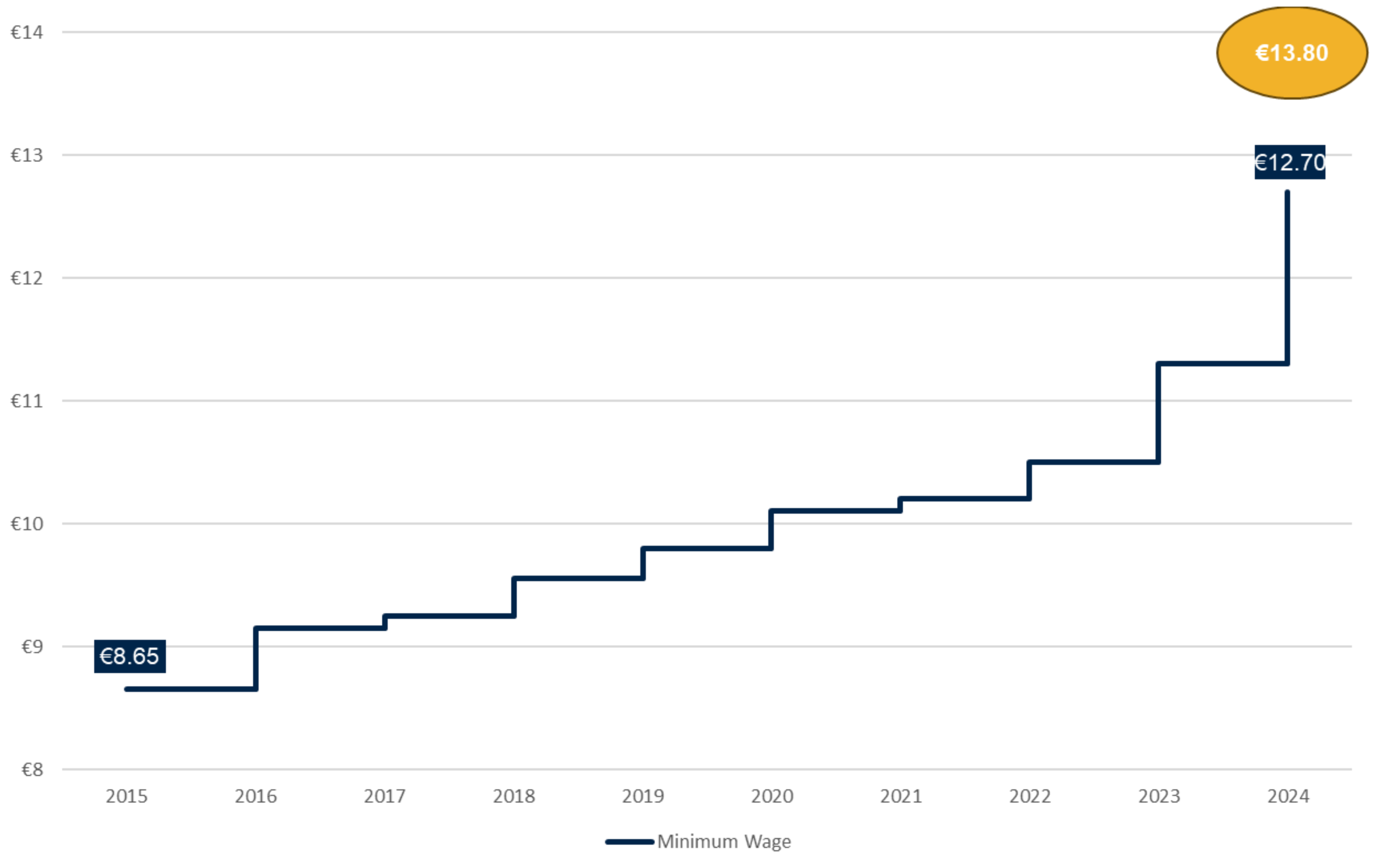
The Low Pay Commission makes recommendations to the Minister for Enterprise, Trade and Employment designed to set a minimum wage that is fair and sustainable. As can be seen from the graph opposite, the minimum wage has increased from €8.65 over the past 10 years. This equates to a compound annual increase of 4.4% (and cumulative increase of 47% over this period).

This increase reflects the Government's commitment to gradually raise the national minimum wage until it reaches the National Living Wage in 2026.

**The National Living Wage will be set at 60% of the hourly median wage. As of 2024 it is estimated to be c.€13.80 per hour and is projected to be in the region of €15 per hour in 2026, when it replaces the national minimum wage, based on the Dept. of Finance's forecast for median hourly wages.***

*See *Low Pay Commission – Recommendations for the National Minimum Wage (July 2023)*

## Government's National Living Wage (Yellow) vs National Minimum Wage



# Minimum Wage – European Context

**Ireland's minimum wage (€12.70 per hour from 1 January 2024), is the second highest in the EU.**

It is 78% above average minimum wage in the EU of €7.15 per hour.

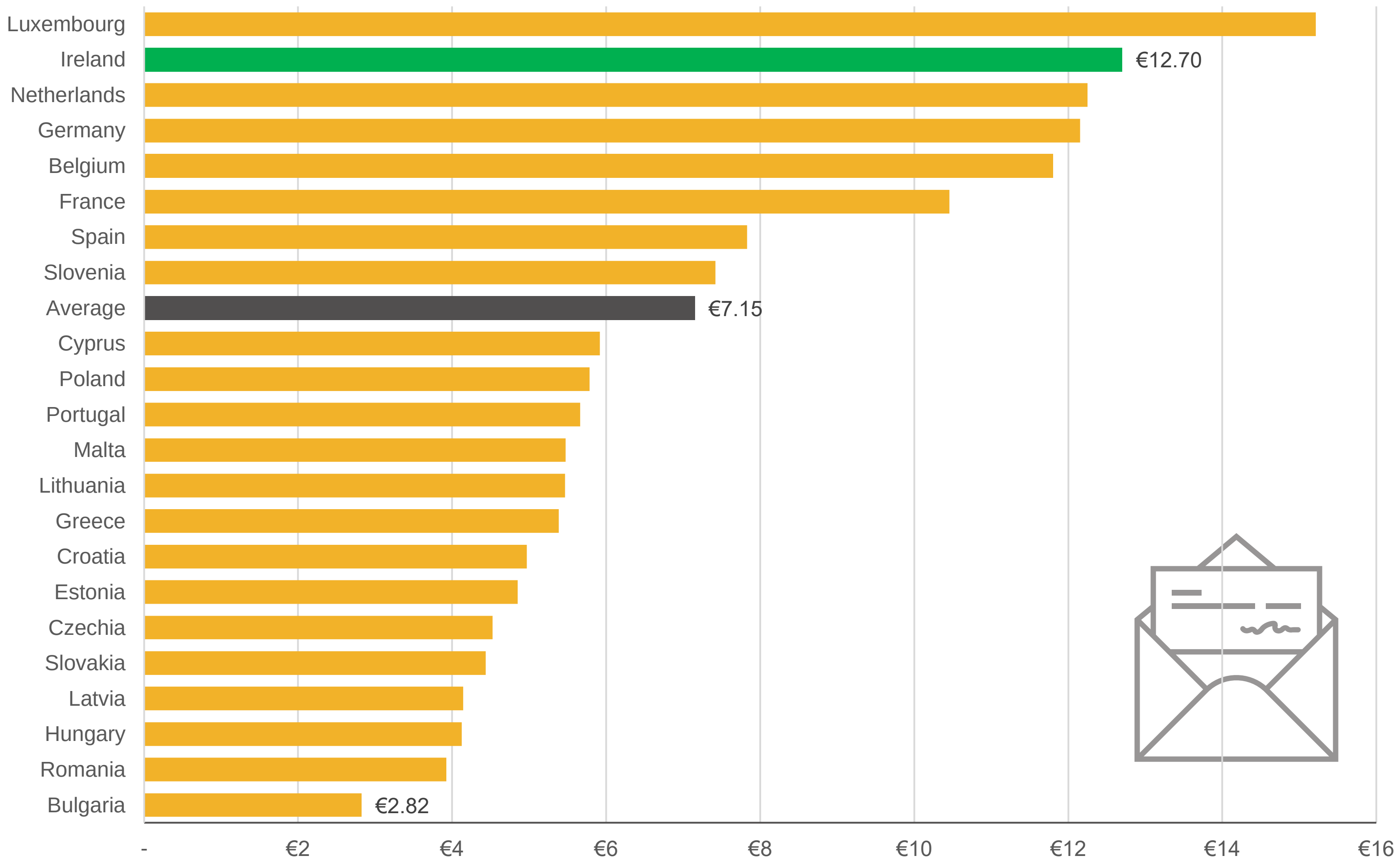
The disparity between Ireland and the European average has increased significantly, from +46% in 2019 to its current level +78%.

In the 5-year period 2019 to 2024, Ireland's minimum wage has increased by 30% from €9.80 per hour to €12.70 per hour.

By comparison, the EU average has increased by 7% from €6.70 to €7.15 per hour.

| | 2019 | 2023 | 2024 |
|---|---|---|---|
| European Average | €6.70 | €6.70 | €7.15 |
| Ireland | €9.80 | €11.30 | €12.70 |
| Ireland v's Average | +46% | +69% | +78% |

## Hourly Minimum Wage (January 2024)



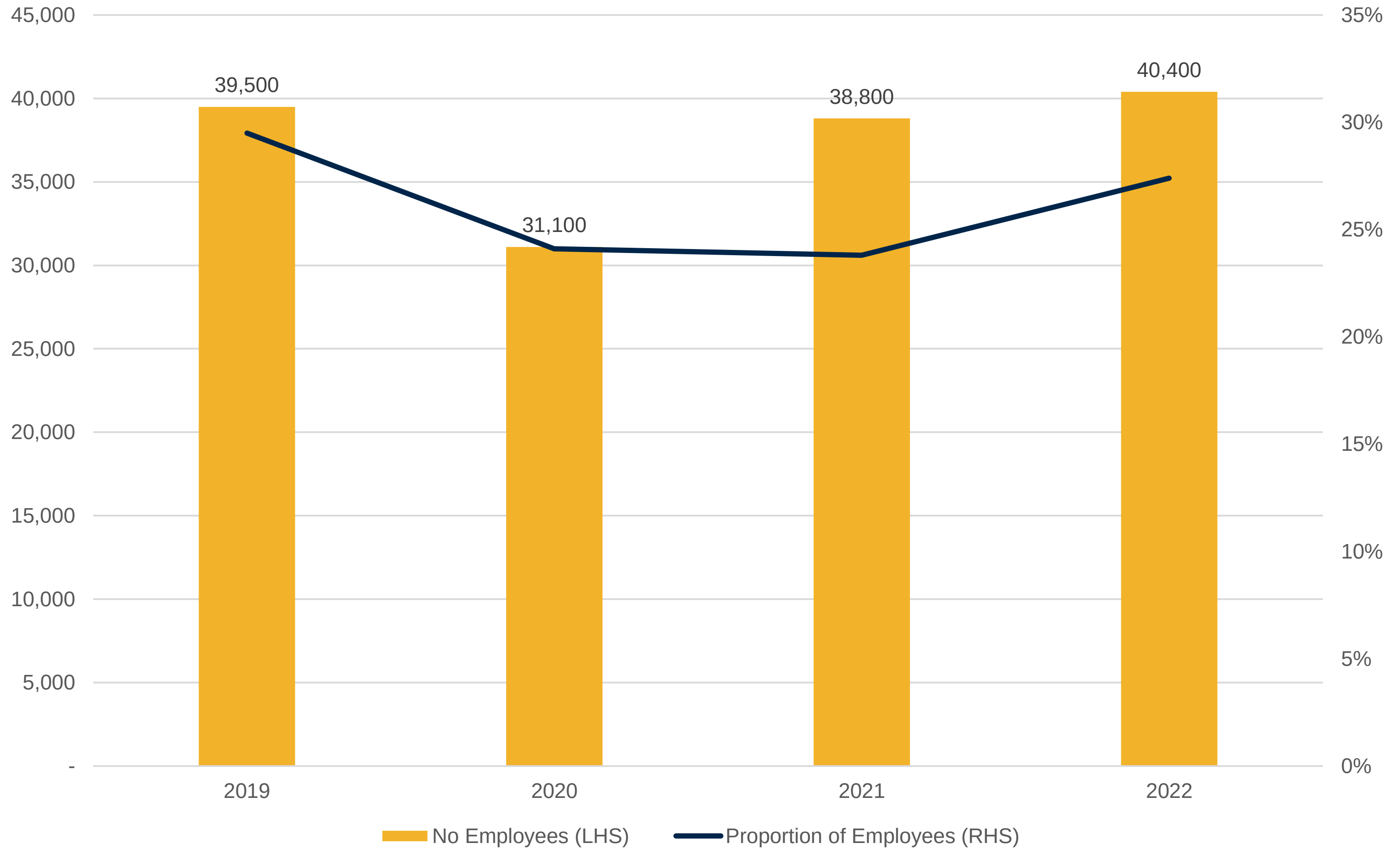

***Source:*** *Eurostat.There is no national minimum wage rate in Denmark, Italy, Austria, Finland and Sweden as well as Iceland, Norway and Switzerland. Minimum wages in these countries are set by sectoral collective agreements.*

# Minimum Wage – Accommodation and Food

The two sectors with the greatest number of employees earning the national minimum wage in Ireland are (i) the Accommodation & Food Services sector and (ii) the Wholesale & Retail sector.

- **Employees in the Accommodation & Food Services sector account for c.30% of all employees earning the national minimum wage.**
- Labour Force Survey data for 2022 indicates 40,400 workers in the Accommodation & Food Services sector were employed on the national minimum wage or less.
- **Given the share of Accommodation & Food Services employees at the lower end of the wage bracket, the sector is more exposed than others to an increase in the national minimum wage.**

## Accom & Food – Employees Earning the National Minimum Wage or less




***Source: CSO***

# Overview of Policy Amendments

# Overview of Policy Amendments

## Key changes in employment costs arising from recent government policies

### Minimum Wage

National Minimum Wage increased to €12.70 (+12.4%) from 1 January 2024

### Sick Pay

Entitlement to statutory sick pay (70% of normal wages) increased from 3 days to 5 days (+67%) from 1 January 2024. The number of entitlement days will continue to increase incrementally over time

### Public Holiday

An additional public holiday was introduced in 2023, bringing the total number of public holidays to 10 (+11%)

### Pension

Auto Enrolment Bill will be published in March 2024 and is envisaged to be implemented by the end of 2024

Employer contributions will start at 1.5% of gross pay for the first three years, rising to 6% by Year 10

### PRSI

Increase in PRSI rates come into effect from 1 October 2024. The Class A employer rates of 8.8% (weekly income ≤ €441) and 11.05% (for weekly income > €441) will increase by 0.1% to 8.9% and 11.15% respectively

# Short-term Impact of Government Measures on Employment Costs

**Minimum Wage**

An increase in the minimum wage will push up the cost of wages throughout an organisation. With a 12.4% increase from January 2023 to January 2024, this change will have the largest impact on employment costs.

**Statutory Sick Pay**

We have estimated the impact of Statutory Sick Pay for 2024, based on an assumed level of absenteeism (max 5 days).

**Public Holidays**

There has been an additional Bank Holiday since 2023 onwards, bringing the total to 10 Bank Holidays per year.

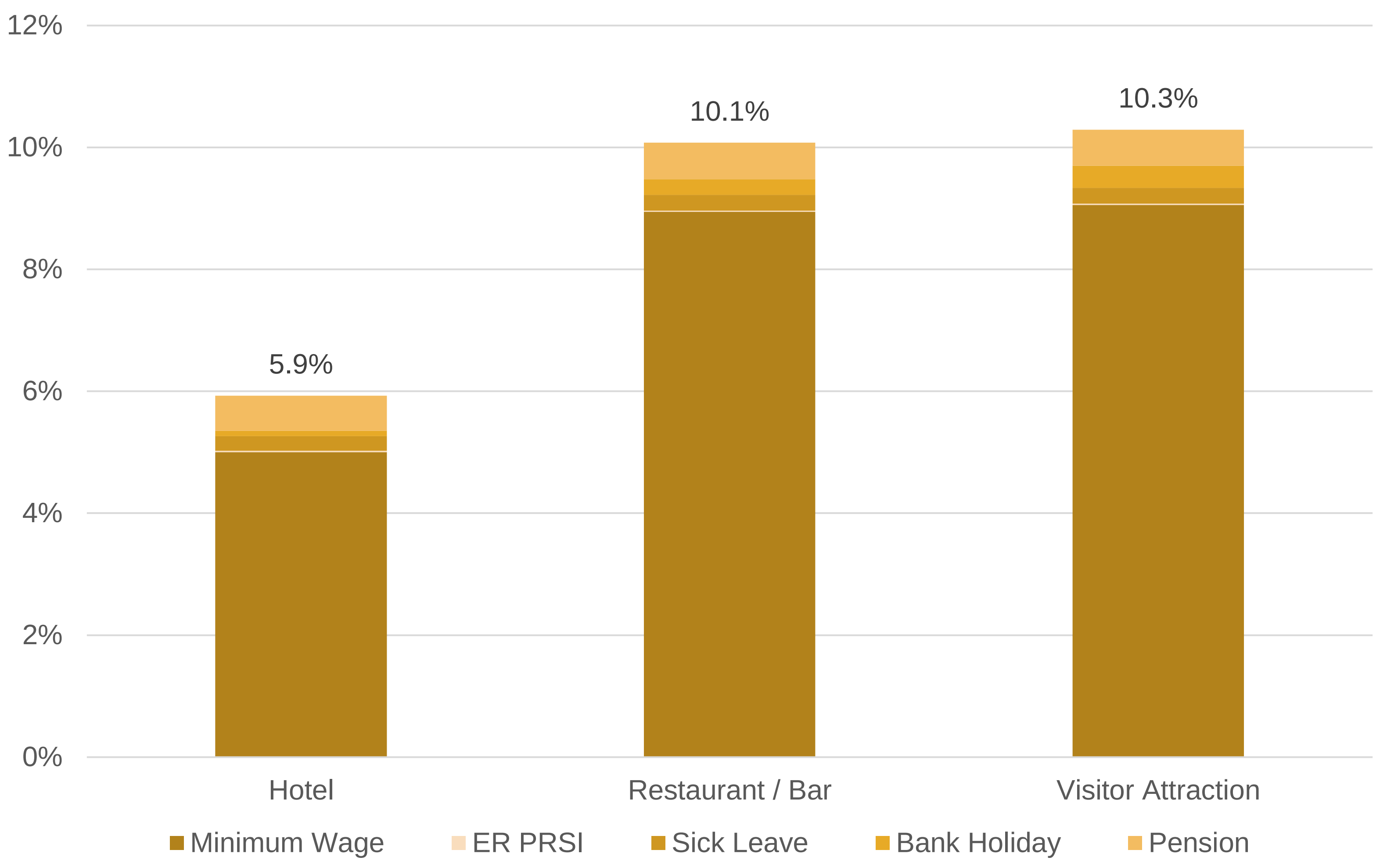
**ER PRSI**

There is an increase of 0.1% in PRSI, which comes into effect from 1 October 2024.

**Pension Contributions**

The government has announced plans for a system of pension auto-enrolment to be set up by the second half of 2024. Employer contributions will start at 1.5%.

**Employment Cost – Short-term Impact of Government Measures (2023/24)**



# Long-term Impact of Government Measures on Employment Costs

**Minimum Wage**

There is a commitment to move towards the “living wage” by 2026. Based on Department of Finance forecasts this is projected to be €15 by 2026.

**Statutory Sick Pay**

Statutory Sick Pay will increase progressively up to 10 days from 2026.

**Public Holidays**

No further change in Bank Holidays are anticipated.

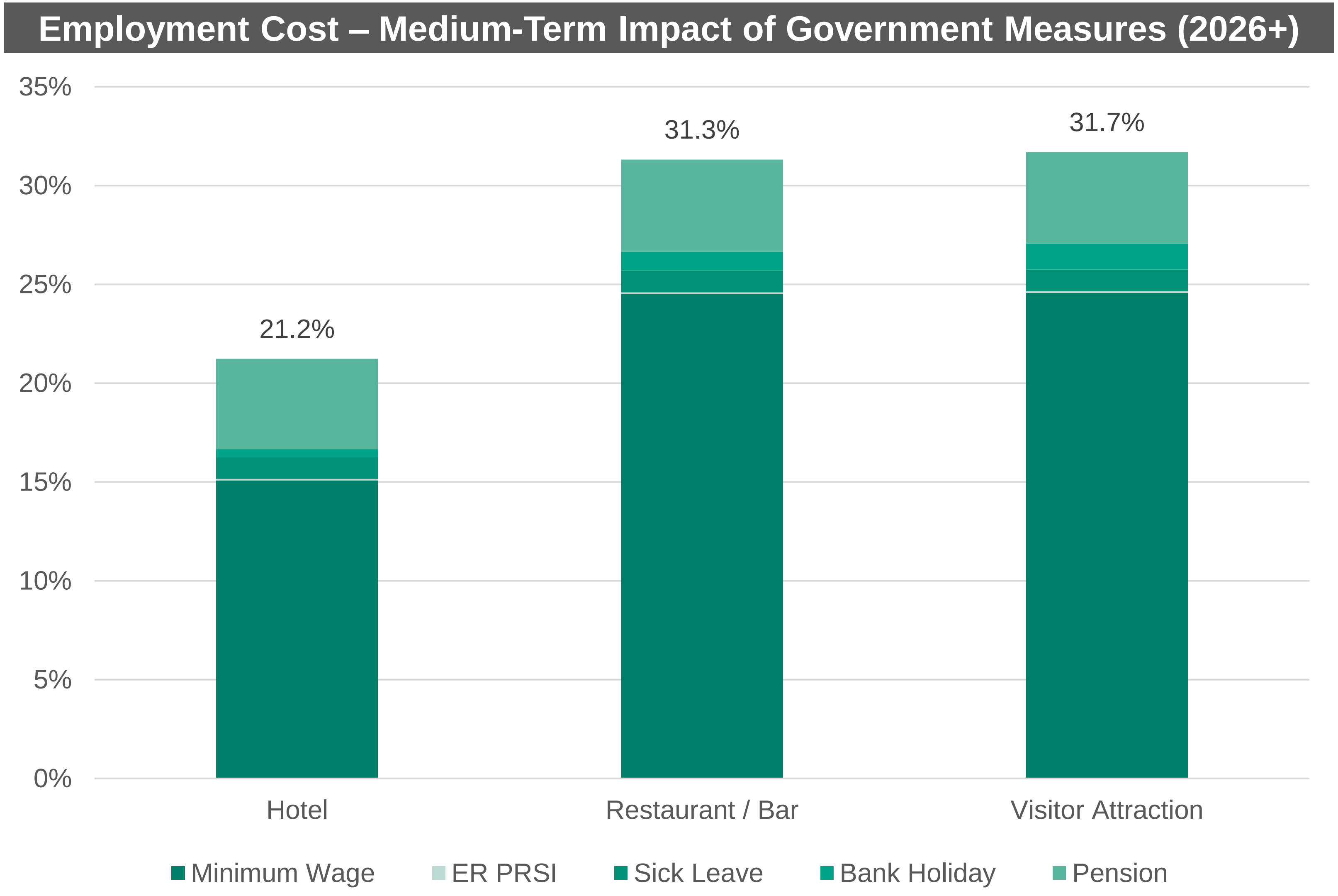
**ER PRSI**

It has been agreed by Government that there will be further modest increases in PRSI until 2028. (We have not factored these into the analysis.)

**Pension Contributions**

It is expected that employer pension contributions will increase to 6% within 10 years of the introduction of auto-enrolment.

The Pensions Commission has recommended further increases to fund growing State Pension requirements. (Such costs have not been factored into this analysis.)



# Detailed Policy Amendments

# Summary of Policy Amendments

| | | |
|---|---|---|
| 2022 | **Transparency of Working Conditions** | The European Union (Transparent and Predictable Working Conditions) Regulations 2022 (the 2022 Regulations) became law on 16 December 2022. The regulations were introduced to provide greater transparency and predictability of working conditions for employees. Among these regulations included the removal of Zero Hour Contracts and the requirement for Exclusivity of Service as well as the provision of more predictable working patterns. |
| 2024 | **Minimum / Living Wage** | The Minimum Wage increased to €12.70 in 2024 (+12.4%). The Living Wage set at 60% of the median wage each year commenced in 2022. For now, the Minimum and Living Wage will operate in tandem, with the Minimum Wage increasing YoY until the gap between it and the Living Wage has closed. The Living Wage will then in effect become the Minimum Wage or the wage floor. |
| | **Sick Leave** | Irish employers are required by law to provide Statutory Sick Pay to employees set at 70% of the employees' normal wage. The statutory entitlement to sick leave has been rolled out as part of a 4-year plan and was initially set at 3 days per year in 2023, rising incrementally to 10 days by 2026. Under stage 2 of the plan, the annual entitlement increased from 3 days to 5 days on 1 January 2024. |
| | **Pension** | An auto enrolment system for an occupational pension scheme will be implemented in the second half of 2024. This will see employees who meet certain requirements auto-enrolled into an occupational pension scheme. Employer contributions will start at 1.5% of gross pay, increasing to 3% in Year 4, 4.5% in Year 7 and 6% in Year 10. |
| | **PRSI** | In Budget 2024, the Minister for Finance announced an increase in PRSI rates (for employees and employers), which would come into effect from 1 October 2024. The Class A employer rates of 8.8% (weekly income ≤ €441) and 11.05% (for weekly income > €441) will increase by 0.1% to 8.9% and 11.15% respectively. Employee PRSI was introduced for those claiming State Pension who continue to work (aged between 66 and 70) placing an additional administrative burden on employers |
| | **Enhance Reporting** | Enhanced Reporting requirements from 1 January 2024 requires Employers to report details of expenses and benefits such as the small benefit exemption, remote working daily allowance and travel and subsistence allowances which are made without the deduction of tax to Employees. This will place an increased administrative burden on employers. |
| | **General Employment Permits** | Towards the end of 2023, the Department of Enterprise, Trade and Employment undertook a review of the minimum annual remuneration thresholds for General Employment Permits as they were out of date, having not kept pace with wage increases and inflation since they were set in 2014.<br>As of 17th January 2024, all General Employment Permits roles that were subject to a €30,000 minimum annual remuneration threshold increased to a minimum of €34,000. |
| 2025 | **Share Based Remuneration** | The Minister for Finance has launched a public consultation seeking stakeholder views on the taxation of share-based remuneration in Ireland. The consultation period will run from 5 December 2023 to 22 January 2024 and will form part of a wider review to ensure policies around shared based remuneration for Irish companies will continue to attract and retain staff. |

# Transparency of Working Conditions

An overhaul of legislation surrounding the transparency of working conditions has been underway on both a national and EU level since 2019 under the EU Directive on Transparent and Predictable Working Conditions (‘**the Directive**’).

The table on the right provides an overview of the key changes arising from the Directive.

All EU member states were required to transpose the Directive into their own national law by the 1st of August 2022.

Ireland began imposing such laws in 2019, before the required deadline, along with additional amendments to employment contract law.

The European Union (Transparent and Predictable Working Conditions) Regulations 2022 (the 2022 Regulations) became law on 16 December 2022.

| **Under the EU Directive, employees have the right to:** | |
|---|---|
| 1. | More complete information regarding the essential aspects of their employment to be received early and in writing. |
| 2. | A limit to the length of probationary periods at the beginning of the job to six months. |
| 3. | Take up another job with another employer, any restrictions to this right need to be justified on objective grounds. |
| 4. | Be informed within a reasonable period in advance when work will have to be done – especially for workers with unpredictable working schedules and on-demand work. |
| 5. | Effective measures that prevent abuse of Zero Hour contract work, meaning work contracts without a fixed number of working hours. |
| 6. | Receive a written reply to a request for transfer to another more secure job. |
| 7. | Receive cost-free mandatory training related to the job where the employer has a duty to provide this. |

***Source:*** *European Commission*

# Minimum Wage Growth

The Minimum Wage was first introduced in 2000 at €5.58 per hour.

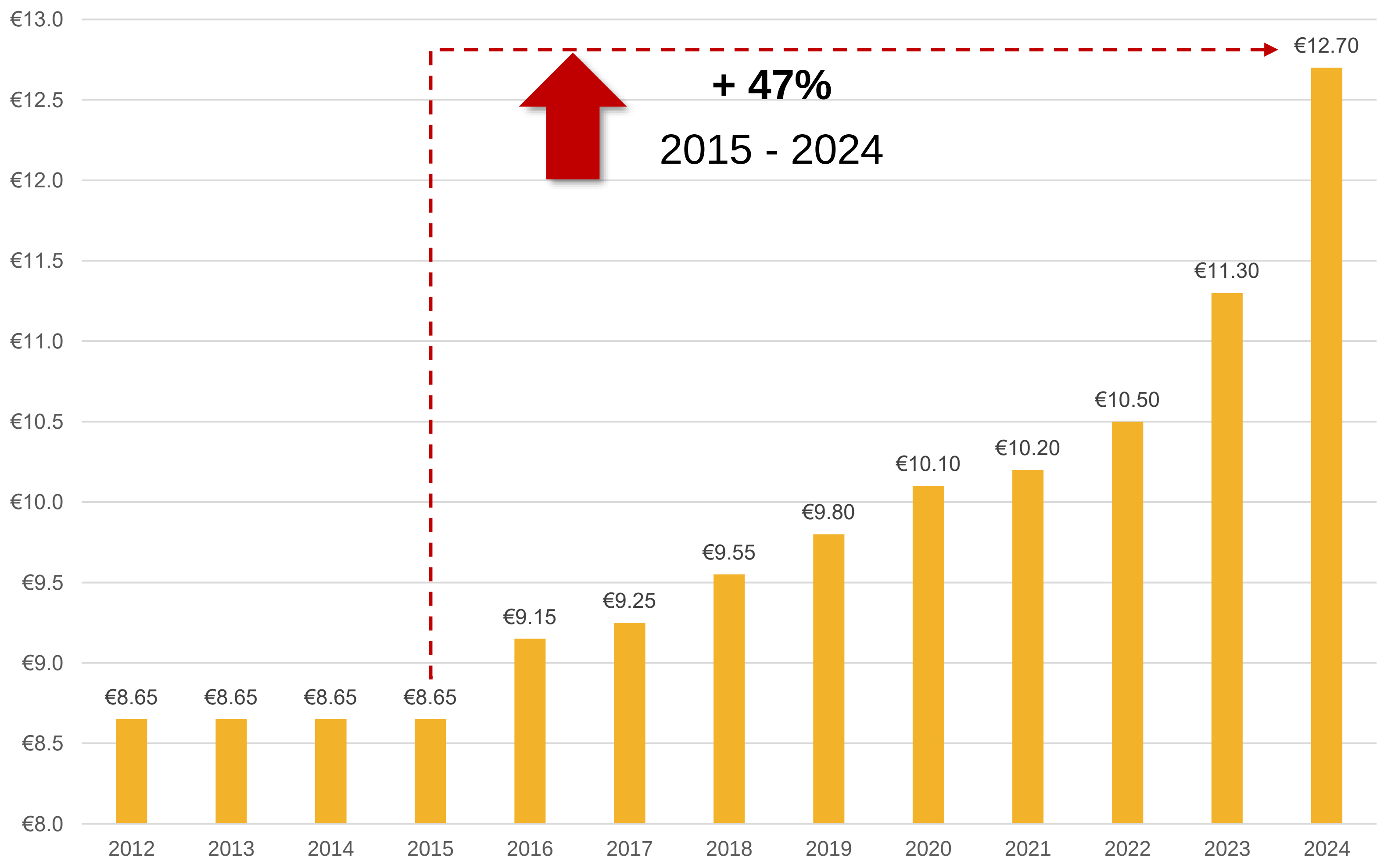
The Government decided in November 2022 that the minimum wage rate will be benchmarked to 60% of the median hourly wage, to be phased in over four years, that is, by 2026 – providing a "Living Wage".

The second increase in the four-year progression to the living wage was implemented on 1 January 2024, bringing the minimum wage to €12.70 per (from €11.30 in 2023).

**The Minimum Wage has increased by 47% since 2015, when it was €8.65 per hour.**

**The Living Wage is predicted to be €15 in 2026, allowing for wage inflation.**

## National Minimum Wage



# Sick Leave and Public Holidays

## Sick Leave

On July 20th, 2022, the Sick Leave Act 2022 was enacted, meaning employers are obliged to provide Statutory Sick Pay (SSP). The Act commenced on 1 January 2023*.

The Sick Leave Act 2022 entitles** employees to the following:

- Paid sick leave for up to five sick days per year (increased from three in 2023), increasing incrementally to seven days in 2025 and ten days in 2026.
- A rate of payment for statutory sick leave of 70% of the employee's normal wages to be paid by the employer – up to a maximum of €110 per day.
- Take a complaint to the Workplace Relations Commission where they are not provided with a company sick pay scheme.

** The Act will not overwrite any sick leave schemes in place so long as they are more favourable. Schemes with less favourable benefits will be overwritten by the Act.*

** * To be entitled to claim under this scheme, employees must be employed for at least 13 weeks and be GP certified as unfit to work.*

## Public Holidays

Employee public holiday entitlements are set out in the Organisation of Working Time Act 1997.

In 2023, the government announced a new public holiday which would commence from 2023 to mark St Brigid's Day. This holiday will fall on the first Monday in February unless St. Brigid's Day (1 February) happens to fall on a Friday, in which case that Friday.

This brings the total number of public holidays to 10 days.

Given the demographic of employees in the tourism industry, many employees are employed on part-time contracts. FTEs and PTEs have different entitlements in regard to public holidays (see below).

| Full Time Employee | Part Time Employees |
|---|---|
| • A paid day off on the public holiday; or<br>• A paid day off within a month of the public holiday; or<br>• An additional day of annual leave; or<br>• An additional day's pay | Entitled to a day's pay if conditions below are met:<br>• Worked at least 40 hours in 5 weeks prior to the public holiday<br>• The public holiday falls on a day the employee would normally work<br>• If required to work, the employee is entitled to an additional day's pay<br>• If the employee does not normally work on the given day, they are entitled to one fifth of their weekly pay as compensation for working the period. |

# Occupational Pension Scheme

**Auto-Enrolment**

The Irish Government have introduced a new retirement savings scheme known as Auto-Enrolment for employees that is to be introduced in the second half of 2024.

Under this new system, employees who meet certain requirements will automatically become a member of the auto-enrolment scheme.

The employee, employer and the government will contribute to the scheme, with contributions increasing in phases.

Employer contributions will match the employee's contribution.

**Unenrolment**

There will be a two-month window for employees to unenroll from the end of the six months after being enrolled.

There will also be a two-month window for employees to opt-out after the first six months of each phased increase of the scheme.

In any case where the employee unenrolls, they will be automatically enrolled back into the scheme after a two-year period once they are still eligible for the scheme.

**Employee Requirements for Auto Enrolment**

1. The employee must be earning €20,000 or more on an annual basis
2. The employee must be aged between 23 and 60 years old
3. The employee is currently not enrolled in an occupational pensions scheme i.e., auto enrolment will not affect existing occupational pension schemes

| Contribution Rates (as a % of employees' annual income) | | | |
|---|---|---|---|
| | Employee | Employer | Government |
| Years 1 – 3 | 1.5% | 1.5% | 0.5% |
| Years 4 – 6 | 3.0% | 3.0% | 1.0% |
| Years 7 – 9 | 4.5% | 4.5% | 1.5% |
| Years 10+ | 6.0% | 6.0% | 2.0% |

For every €3 saved by the employee an additional €3 will be credited to their account by the employer.

**What it means for an Employer**

1. Employers need to ensure their payroll can take instruction for enrolment, and calculate and pay employee and employer contributions to the Central Processing Authority
2. Employers will be required to match members' contributions subject to an earnings threshold of €80,000
3. Employer contributions will be deductible for corporation tax purposes
4. Employers will be subject to penalties and possibly to prosecution if fail to meet auto-enrolment obligations

# Changes to Pay Related Social Insurance (PRSI)

## State Pension Age

In 2023, a person who was an employee and aged 66 or over did not pay PRSI on their income (although their employer still paid Class J at the 0.50% rate).

**Changes to legislation - 2024**

- From 1 January 2024, a person will be able to draw down their State Pension (Contributory) between age 66 and 70.
- A person can continue to work but is liable to pay PRSI, which may improve their contribution record at the date they decide to draw down their Pension.
- The upper age limit for PRSI exemption has increased from age 66 to age 70. This will apply to the employee, the employer and the self-employed PRSI liability.
- There is an exception for people who have already reached age 66 by 1 January 2024 - they will be unaffected by the changes.

Employer & Employee PRSI contribution rates, to increase by **0.1% from 1 October 2024**

### What it means for an Employer

1. Employers will need to confirm with their employees, who are aged between 66 and 70 and born after 1 January 1958, whether they have been awarded the State Pension in order to assign the appropriate PRSI class.
2. It is important for employers to know whether an employee is in receipt of the State Pension to ensure they do not deduct PRSI.

"As previously announced, it has been agreed by Government that all classes of PRSI will increase by 0.1 per cent from October 2024, followed by further modest increases up until 2028."

# Employee Expenses/Benefits Reporting Requirement

From 1 January 2024, Employers are required to report details of the following expenses and benefits made without the deduction of tax to Employees.

**Travel & Subsistence**

**Remote Working Allowance**

**Small Benefit Exemption**

Where employers make one or more of the payments listed above, details must be submitted electronically to Revenue. This submission must be made on or before the date of payment to the employee.

**Travel and Subsistence**

The date and amount of payment for each of the following must be reported:

- Vouched travel & subsistence
- Unvouched travel & subsistence
- Site-based employees (including Country Money)
- Emergency travel
- Eating-on-site allowance

**Remote working daily allowance**

The number of days, amounts paid, and dates of payments must be reported if the employer makes a tax-free payment of €3.20 per day to employees for remote working.

**The Small Benefit Exemption**

The small benefit exemption can allow an employee to receive a voucher or non-cash benefit without giving rise to a charge to tax where certain conditions are met.

The voucher or non-cash benefit must meet all the following conditions to qualify for exemption from tax:

- It cannot be part of any salary sacrifice arrangement between the employee and employer
- It can only be used to purchase goods or services and cannot be exchanged in part or in full for cash
- The combined number of such benefits in a year is limited to two
- The combined aggregate value of these two benefits or vouchers an employer can give in a tax year is limited to a maximum of €1,000

Where all of the above conditions have been satisfied, the voucher or benefit will be a qualifying incentive and will be eligible for the small benefit exemption, meaning no tax is payable on the receipt of the voucher or benefit by the employee.

Where more than two benefits are given in a year, only the first two may qualify for the tax exemption (provided all other conditions are satisfied).

# General Employment Permits

Towards the end of 2023, the Department of Enterprise, Trade and Employment undertook a review of the minimum annual remuneration (“MAR”) thresholds for General Employment Permits (”GEPs”) as they were out of date, having not kept pace with wage increases and inflation since they were set in 2014.

**Threshold increases**

- As of 17th January 2024, all GEP roles that were subject to a €30,000 MAR threshold increased to a minimum of €34,000.
- The *Employment Permits Bill 2022* contains a provision which indexes annual remuneration thresholds to the annual change in average weekly earnings as calculated by the CSO. It is intended that this provision be commenced in January 2025.
- Therefore, the MAR thresholds will very likely increase again in twelve months’ time, the degree to which to be informed by the CSO data.
- According to the permit review study, based on CSO data from the end of 2022, the MAR would rise to approximately **€39,000** in January 2025.

**Chef Employment Permits**

2,282 employment permits were issued for chefs in Ireland in 2023. The vast majority (87%) of these represent new permit issues as opposed to renewals. This comes on the back of strong demand in 2022 which, when combined, brings the total number of chef permits issued in the last two years to well over 4,000.

**What it means for an Employer**

1. Employers seeking to hire individuals under a GEP are advised to take note of the increased salary thresholds when advertising roles to test the domestic/EEA labour market under the Labour Market Needs Test (LMNT).
2. The LMNT should advertise the role in question at the relevant minimum to reflect the new salary requirement. LMNT’s which do not reflect the appropriate salary will not satisfy the requirement and will result in the rejection of an application and delays to the system.


***Source:*** Government Review of Employment Permits & Advisory Note - Users of Employment Permit System

# Share-based Remuneration – 2024 / 2025

### Share-based Remuneration - 2024

Employers commonly use shares in companies as a mechanism for rewarding, incentivising and retaining employees, particularly senior executives.

Share based remuneration is liable for income tax, USC and employee PRSI.

However, employees may also acquire shares or share options under a tax efficient employee share schemes. Subject to certain conditions Income Tax would not be chargeable on shares / share options acquired under these schemes.

The benefit to employers is that it is an attractive alternative to cash-based bonuses or awards, given there is an employer PRSI exemption available. However, this exemption does not apply to cash-settled awards or any cash payment that follows the value of shares.

**Consultation:**

On 5 December 2023 the Minister for Finance launched a public consultation seeking statekholders views on the taxation of share-based remuneration in Ireland.

The consultation period will run from 5 December 2023 to 22 January 2024.

**What does this mean for Employers:**

1. There are no immediate changes in the coming year for how share-based remuneration is to be treated for taxation purposes.

# Appendix

# Illustrative businesses used for examples

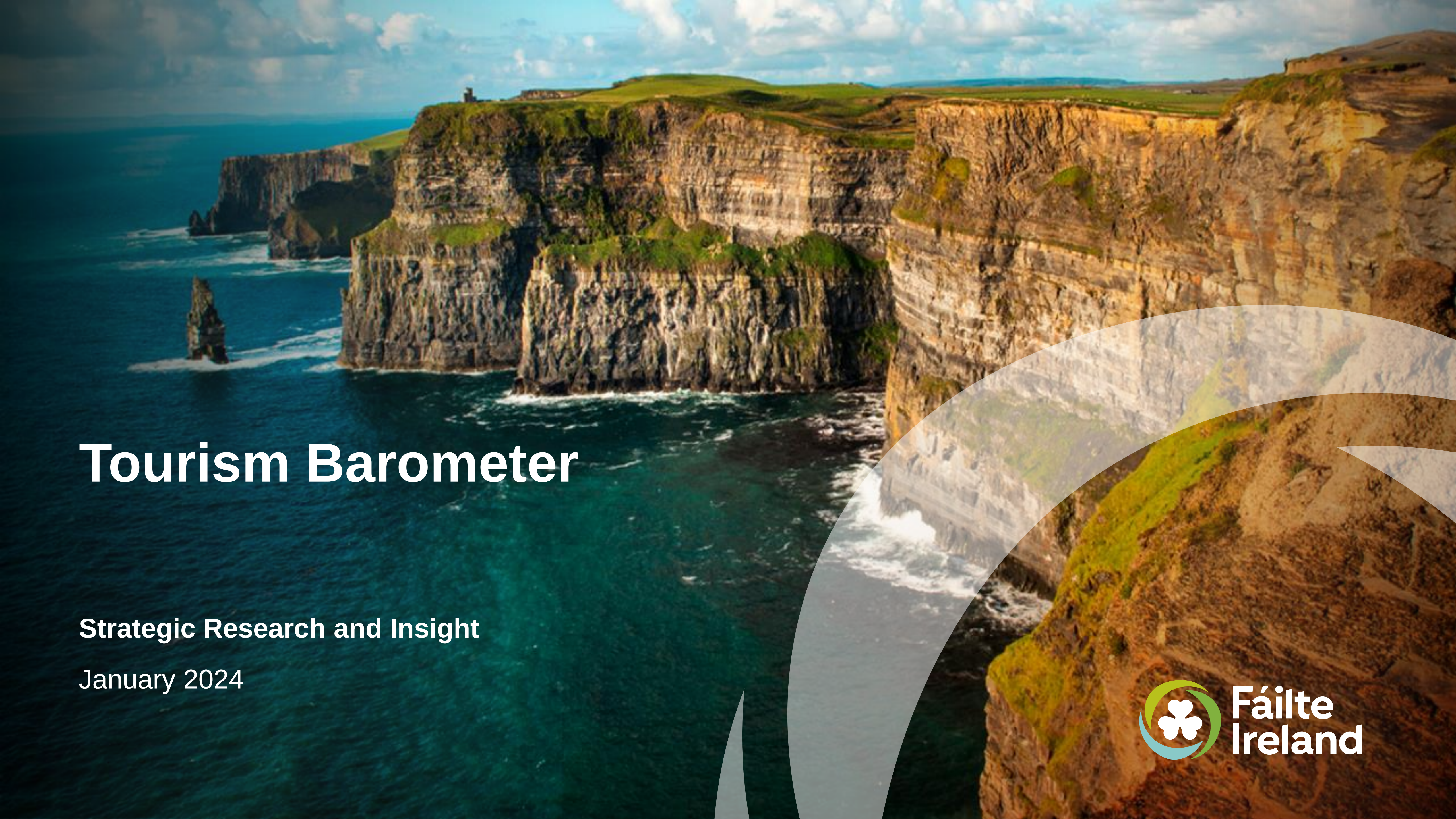
| Hotel | |
|---|---|
| **Estimated Revenue** | €10m |
| **No. of rooms** | 150 |
| **No. of FTEs** | 116.4 |
| **Days open** | 365 |
| **Hrs. per shift** | 7.5 |
| **Service Lines** | Rooms, F&B, A&G, S&M and Maintenance |

| Restaurant | |
|---|---|
| **Estimated Revenue** | €1.6m |
| **No. of FTEs** | 29.7 |
| **Days open** | 363 |
| **Hrs. per shift** | 7.5 |
| **Service Lines** | Kitchen, Bar and Floor Staff |

| Attraction | |
|---|---|
| **Estimated Revenue** | €615k |
| **No. of FTEs** | 10.3 |
| **Days open** | 365 |
| **Hrs. per shift** | 7.5 |
| **Service Lines** | Coffee shop, Gift Shop and Tours |

**Basic Assumptions**

- Each staff member works a 7.5 hour shift 5 days per week regardless of contract type.
- The number of staff required to fulfil one day was determined using primary research and this was used to determine the number of Full Time Equivalent Employees (FTEs) required to staff the business' operating requirements.
- Results shown are illustrative and may vary depending on the size and location of the business.



# Tourism Barometer

**Strategic Research and Insight**

January 2024

Fáilte Ireland

# Sample

# Sample

| Accommodation sector | Sample size |
|---|---|
| Hotels | 222 |
| Self-catering | 71 |
| B&Bs | 70 |
| Caravan & campsites | 52 |
| Guesthouses | 22 |
| Other accommodation | 20 |

- 1,236 responses in total after de-duping by business
- No. of hotels responding (222) is nearly double the previous wave (122)

| Non-accommodation sector | Sample size |
|---|---|
| Attractions | 173 |
| Pubs & bars | 121 |
| Restaurants | 100 |
| Activity providers | 80 |
| Tour guides | 69 |
| Inbound operators and DMCs* | 45 |
| Cafés | 45 |
| Retail | 26 |
| Coach operators | 24 |
| Golf clubs | 23 |
| Other non-accommodation | 73 |

**Destination Management Companies*

# Impact of Minimum Wage Increase

Fáilte Ireland

January 2024 | Tourism Barometer

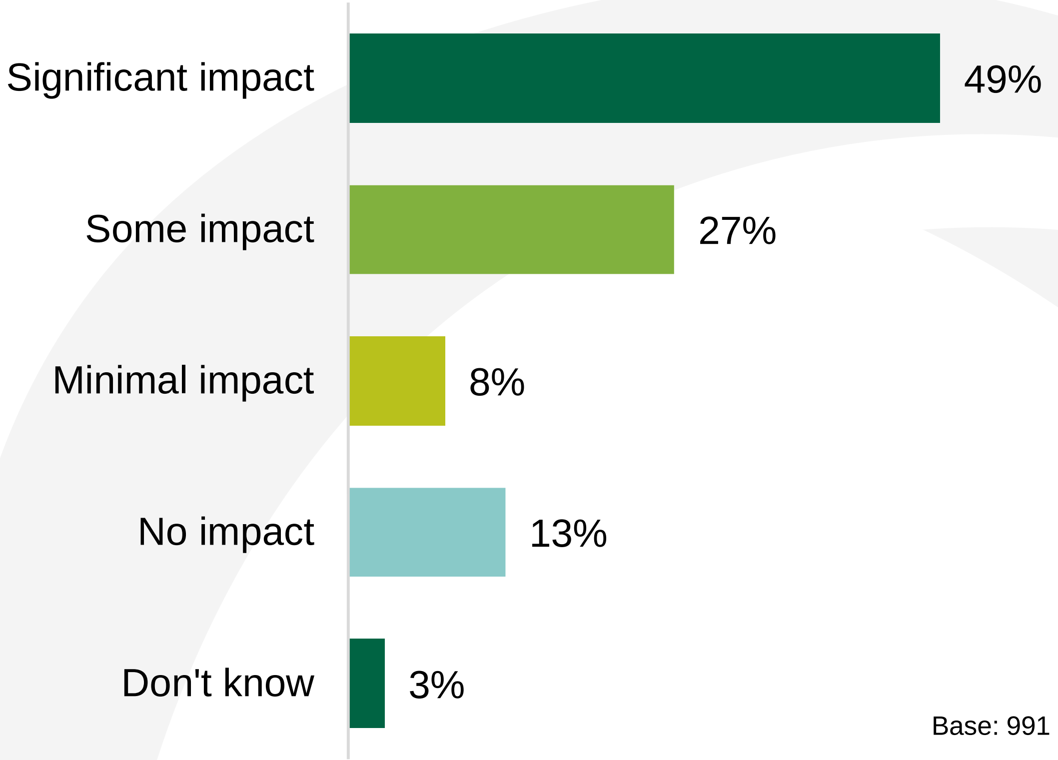
# Impact on Payroll Costs

## Significant impact for many

- About half of businesses employing staff say the minimum wage increase will have a 'significant' impact on their payroll costs
- If rebased to the whole sample (including respondents who do not employ staff), this equates to around two in five respondents
- Impact is higher in the food & drink sector – 77% of those employing staff cite 'significant impact'
- The most common reason for answering 'no impact' is where the business already pays its staff well above the minimum wage

*"I already pay well over the minimum wage"*
Activity provider, Meath

**Q15 "How much impact, if any, will the increase in minimum wage to €12.70 from this January have on the overall payroll costs for your business?"**




Base: 991

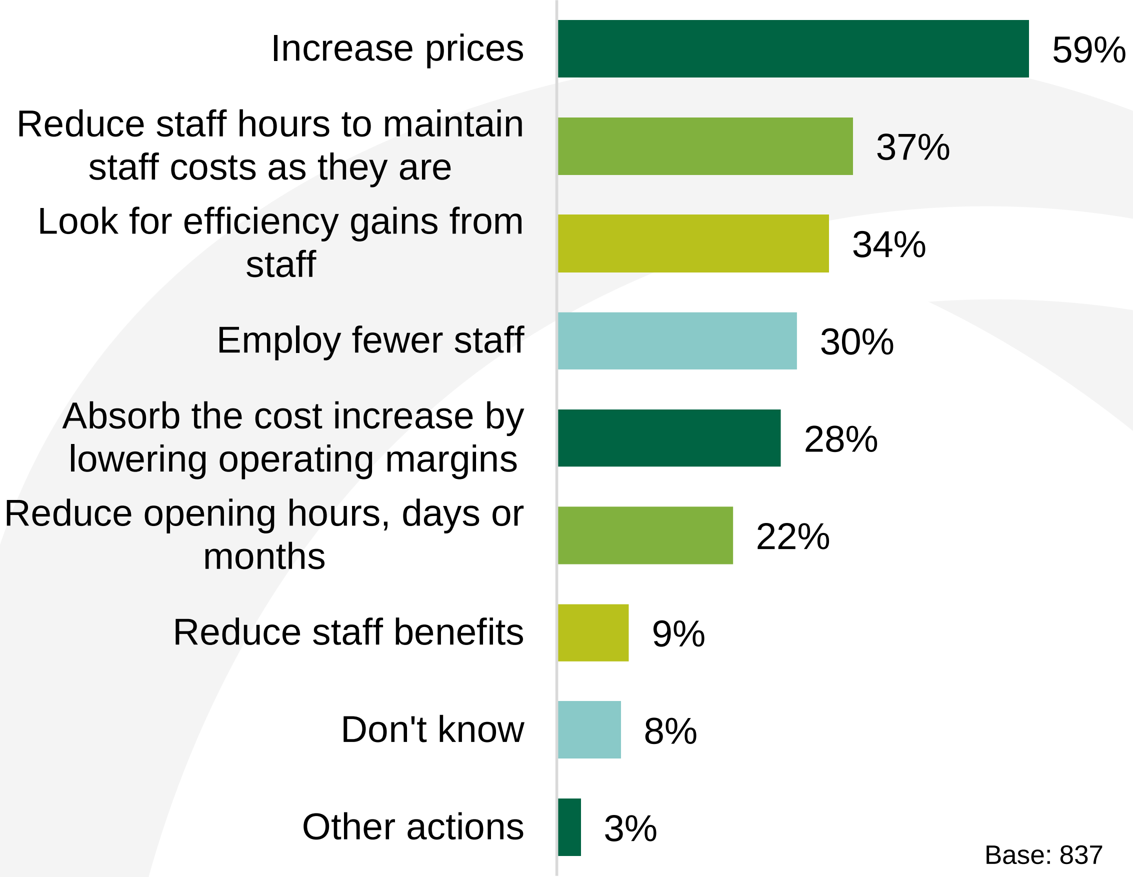
*Q15 has been asked to businesses which employ staff*

# Dealing with Minimum Wage Increase

## Increasing prices inevitable for many

- Open comments show that businesses do not actually want to increase their prices – but they have to cover their costs somehow
- Raising prices is the most commonly cited response in all regions and in most sectors
- Although the minimum wage increase is intended to benefit low-paid workers, some of the remedial actions planned by employers may actually disadvantage them, including reduced employment levels, hours and benefits

**Q16 "How do you plan to deal with this cost increase?"**




Base: 837

*Q16 has been asked to businesses reporting an impact on payroll costs (Q15)*

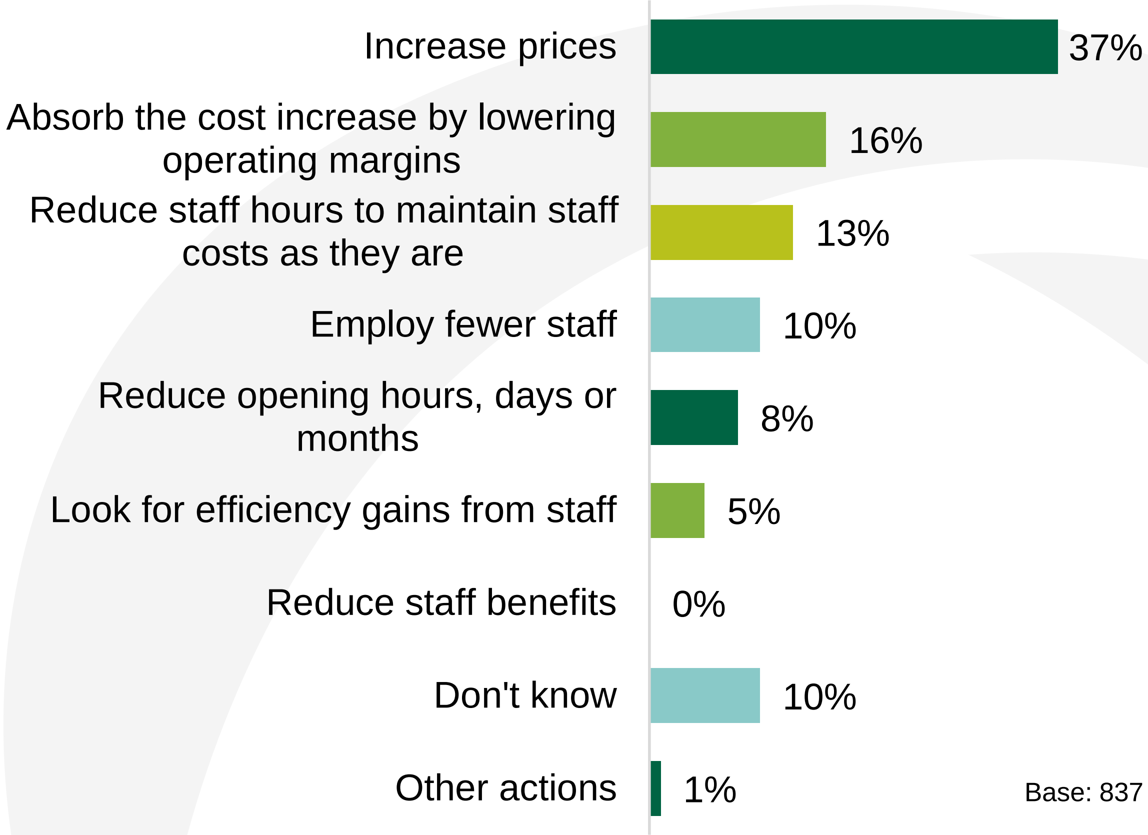
# Most Significant Perceived Negative Impacts

## Recognised impact of increasing prices

- Businesses know that increasing prices could affect demand, and on a wider scale, harm Ireland's competitiveness
- Increasing prices as the biggest negative impact on business is the most commonly cited response in all regions and in most sectors
- Absorbing cost increases by lowering operating margins puts a lot of pressure on the owners to keep the business viable

*"It [min. wage] will increase prices and reduce competitiveness, particularly for domestic business, and will encourage more foreign holidays by Irish residents"*
Hotel, Kerry

**Q16/17 "Of the actions selected, which one if implemented would have the biggest negative impact on your business?"**




Base: 837

*Q17 has been asked to those giving more than one answer to Q16. The above chart shows the combined results of Q17 and those giving a single answer in Q16.*

# Open Comments on Minimum Wage (1)

## It's necessary

- Some businesses support the wage increase because they feel that workers in the sector shouldn't be struggling to make ends meet
- There is however feedback that whilst the increase is good news for workers, it's hard for employers to afford

## Knock-on effect on higher paid staff

- One of the biggest issues caused by the minimum wage increase is that other staff employed above the minimum wage are now also expecting wage increases in proportion
- Some workers are used to having 'daylight' between their wage and the minimum wage – this could be due to skills or length of service

*"We all need to live and have a moral obligation to pay just and fairly"*
Chauffeur, Dublin

*"Good for the employee. Very difficult for the hospitality operator."*
Self-catering, Sligo

*"It has a major knock-on effect all staff in the business. Every staff member will have to get a pay rise. If they were €2 above minimum wage, they still expect €2 above minimum wage."*
Pub, Mayo

# Open Comments on Minimum Wage (2)

## It's not just the minimum wage that's increasing

- When wages go up, so do the PRSI payments
- Employers will soon also face mandatory pension auto-enrolment and an increase in sick pay (if applicable) to five days a year
- On top of increased staff-related costs, many other operating costs are rising

## The increase would have been more affordable with lower VAT

- Some employers say they don't have a problem with the minimum wage increase, but they feel the impact should have been softened by a return to a lower VAT rate and/or more government support

*"It is not only the minimum wage – it's also all the other increases attached to payroll – sick leave, auto-enrolment"*
Hotel, Cork

*"It will cost my business €1,000 per week. The minimum wage has pushed up the hourly rate for all the employees, with the sick pay days increasing, the additional bank holiday and the auto-enrolment in September. I don't know how we will be able to sustain the business."*
Café, Mayo

*"I am in favour of the increase in the minimum wage. I like to see all workers in the hospitality properly paid. It is the increase in VAT from 9% to 13.5% while increasing wages that is harmful."*
Self-catering, Cork

# Open Comments on Minimum Wage (4)

## Price rises in the industry could have knock-on effects

- The most common means of trying to manage the minimum wage increase will be to raise prices
- Operators do not want to do this – they know there is a limit to what customers can or will pay – but they have little choice in order to cover the cost when margins are already tight
- Some say this will make Ireland uncompetitive – both for overseas tourists who may choose to go elsewhere, and for domestic holidaymakers who may now decide that a holiday abroad offers better value for money
- There is also a view that the minimum wage increase will merely fuel inflation and that therefore workers won't actually be better off

*"It perpetuates the upward spiral of all costs. It sets a floor for expenses that are uncompetitive against our competitors in Europe when competing for visitors who have a choice on where to go on vacation."*
Caravan park, Cork

*"All it is going to do is fuel inflation. The cost of every item will be inflated to absorb the increase in min. wage, so workers will be less well off."*
Hotel, Kildare

*"It's fueling further inflation with price increases"*
Retailer, Dublin

# Open Comments on Minimum Wage (5)

Fáilte Ireland

## Reducing staff levels and/or hours

- Another coping mechanism among employers will be to reduce the number of staff they employ and/or the number of hours they offer to their staff
- Some point out that this will have an undesirable impact on service levels offered by the business

## Reducing opening hours

- Some businesses will close on days when they could be running at a loss – either because of quieter trade or higher wage rates (e.g. on bank holidays)

*"It's not sustainable so we will be reducing hours drastically and cutting the number of staff that we employ"*
Bar, Donegal

*"It's forcing accommodation providers to make tough decisions – fewer housekeeping services, fewer quality controls, tighter margins"*
Self-catering, Dublin

*"The increase has forced me to reduce our staff numbers by 10%"*
Pub, Dublin

*"We will close on Mondays to avoid paying double time on public holidays"*
Bar, Cork

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