Restaurants Association of Ireland

Restaurants Association of Ireland Pre-Budget Submission for Budget 2025

Securing long-term viability for restaurants, cafés, gastropubs and other food-led businesses

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2. INTRODUCTION

Message from the Chief Executive

Dear Reader,

Budget 2025 arrives at a pivotal time for small and micro businesses, particularly within Ireland's food-led hospitality sector. The sky-high cost of doing business in recent years, coupled with a pressurised consumer, has put our low-margin, labour-intensive industry on the brink.

Regrettably, this has manifested itself in a crisis of closures being witnessed in every town and village across the country. Restaurants that have operated successfully for over 30 years have closed, leading others to ask the question 'If they cannot survive current trading conditions, what hope is there for the rest of us?'.

Closures have reached a level that I personally have never experienced since first becoming Chief Executive of the Restaurants Association of Ireland in 2009. It came as no surprise to me that a recent survey conducted by Amarach Research for Business Plus found that 67% of 1,000 respondents personally know a small business that has had to close down this year.

The average food-led business in Ireland turns over €1 million in food sales annually and employs 22 members of staff. A detailed analysis by the Restaurants Association of Ireland has found that such a business will face €100,000 in extra costs in 2024 when compared to last year - a truly unsustainable level of cost increases which, it is worth noting, will only worsen in the coming years as Ireland is set to see a move towards a Living Wage and the introduction of various other Government-induced costs.

In addition to serious challenges around the increased cost of doing business, while it is often touted that demand remains strong within our industry, strong enough to compensate for these cost increases, some claim, Fáilte Ireland's most recent industry barometer for May shows only 16% of food businesses report being up on turnover versus this point last year, while 53% are down. Unsurprisingly, the data around profitability among food businesses in 2024 in the same Fáilte Ireland research is even more concerning.

Historically, pre-Covid, a well-run establishment in our industry could expect to see a profit margin of between 5 and 7% each year. Now, a majority of our members report that they expect to face a margin between -1 and 3% at the end of 2024. Of the aforementioned €100,000 in overall increased costs that the average business in our industry will face this year, the increase in the VAT rate from

9 to 13.5% last September represents €37,000 and is listed as the primary reason for closure by over 90% of those who have been forced to shut their doors.

Now more than ever, the Restaurants Association of Ireland's message to the Government in advance of the Budget is clear: it is beyond time for us to take a more pro-SME and micro-business approach to economic policy and Budgetary decisions. We need to move away from short-term, bandage solutions such as the Increased Cost of Business scheme and the Temporary Business Energy Support Scheme which, time and time again, have failed to reach the businesses that need it most. Instead, we must begin to foster a fundamentally more pro-SME business environment.

When it comes to the hospitality industry, only the reinstatement of the 9% VAT rate - a revenue-positive measure with widespread political and public support - will make our cherished small, independent restaurants, cafés and other food-led businesses viable again. In a recent survey of 212 members of the Restaurants Association of Ireland, 74% said they do not expect their business to still be open this time next year if the 9% VAT rate is not returned in Budget 2025, while 66% said they would have already closed their business if it were not for the ongoing campaign for the 9% rate's reinstatement.

Make no mistake about it, while the adoption of various policies in this pre-Budget submission including the appointment of SME representation to the Labour Employer Economic Forum (LEEF) and a renewed promotion of food tourism would certainly be welcome developments, Budget 2025 will be the 'Budget of VAT9' for the entire hospitality industry and, as such, how positively or negatively the Budget will be assessed will hinge solely on the Government's decision surrounding VAT on food.

Kind regards,

Adrian Cummins

CEO, Restaurants Association of Ireland

Treasurer, HOTREC

The Restaurants Association of Ireland

The Restaurants Association of Ireland is the representative body for restaurants, cafés, gastropubs and other food-led businesses in Ireland. With over 3,000 members nationwide, the organisation represents fine dining, casual dining, ethnic, family, gastropubs and hotel restaurants. Established by restaurateurs in 1970 to represent the sector at a Governmental level and promote the industry's best interests, the Restaurants Association of Ireland continues with that mandate to this day.

General Economic Context of Budget 2025

The general economic background against which Budget 2025 is being prepared is quite positive. At mid-year, there is a greater sense of optimism about global economic prospects than was the case a year ago. Inflationary pressures continue to gradually ease, interest rates have started to come down in some jurisdictions including the Euro Zone and further monetary easing will be seen in most central banks over the coming year. Energy and food prices are also lower than this time last year.

Global geo-politics represent the key threat to the global economy over the coming years. The war in Ukraine is ongoing, the conflict in Gaza is ongoing, the relationship between China and Russia is strengthening and political polarisation is on the rise around the world. Political events certainly do have economic consequences and hold the capacity to change the positive economic outlook Ireland currently enjoys.

The European Central Bank (ECB) cut interest rates by 0.25% at its meeting on June 6th, 2024. Further gradual easing is likely over the next 18 months. The easing cycle is likely to be a slow and incremental process. It is not likely that rates will go back to the historical lows of recent years, but the ECB could trim around 1.5% off its rates over the next 18 months.

The Euro Zone economy experienced a mild technical recession in 2023 but returned to growth in the first quarter of 2024, with GDP in Germany expanding by 0.2%, 0.2% in France, 0.7% in Spain and 0.3% in the Euro Area as a whole. While these growth rates do suggest economic recovery, the reality is that in the first quarter, Euro Zone GDP was just 0.4% higher than the first quarter of 2023. There is still some distance to go before the Euro Zone economy approaches a level of growth close to potential, but it is showing upward momentum. The UK economy also emerged from a mild technical recession in the first quarter and it too is showing some positive momentum. GDP expanded by 0.6% in the first quarter but was still just 0.2% higher than a year earlier.

The US economy surprised on the upside during 2023. Growth softened to an annualised rate of 1.6% in the first quarter of 2024, but the US economy is still quite resilient and strong. The strong fiscal stimulus delivered as part of 'Bidenomics' and the Inflation Reduction Act (IRA) has proved supportive of investment and consumer activity. The labour market is also still strong.

One of the somewhat unusual features of the global environment in 2023 and the first half of 2024 has been the significant deceleration in headline inflation and the persistence of low unemployment and tight labour markets. The general view was that it would prove difficult to bring inflation down without causing a significant increase in unemployment. To date that has not happened, and most policymakers seem to believe that this will remain the case for the remainder of 2024 and into 2025.

The Irish economy continues to perform at a reasonable pace in 2024. GDP expanded by 0.9% during the first quarter, meaning that the technical GDP recession ended. The labour market remains tight with record levels of employment of 2.704 million at the end of Q1 and a full-employment level of unemployment at 4% in May. Tax revenues are also holding up quite well and the export performance is rebounding after a sharp post-Covid reversal in 2023 in the pharma sector.

Despite all of this, it is important to note that consumer spending in Ireland is under some pressure due to cost-of-living pressures and that, certainly compared to other sectors in Ireland, the indigenous SME sector is challenged. Nonetheless, notwithstanding the challenges from softer consumer spending and a challenged SME sector, the outlook remains good for the next 12 months. Inflation is likely to average around 2% this year, while wages are likely to increase by around 4%. Interest rates have started to come down and will likely fall further over the next 18 months. Fiscal policy is very expansionary as seen in a very significant Budget 2024 package and the global outlook is reasonably positive.

Economic Context for the Restaurant Sector

The specific operating environment for the food services sector in Ireland is challenging. The challenges emanate from significantly heightened labour costs, a challenged consumer base, the 50% increase in the hospitality sector's VAT rate last September, higher input costs such as food and energy and various State labour market measures that have been introduced or are set to be phased in over the coming years.

These measures include:

- The minimum wage was increased by 12.4% on January 1st, 2024.
- The progression towards a Living Wage by 2026.
- Statutory sick pay changes.
- Parent's Leave and Parent's Benefit changes.
- The addition of an extra public holiday.
- The auto-enrolment savings system that is set to be introduced later in 2024.
- PRSI increases.

It is intended that some of these measures will be implemented on a gradual basis, but they will still contribute significantly to higher labour costs in the restaurant sector over the next three years. The Irish Government Economic and Evaluation Service (IGEES) suggests that the most affected will be labour-intensive and low-margin sectors such as hospitality, personal services and retail.

For a small hospitality business, analysis conducted for this submission suggests that there would be a policy-driven annual increase in its payroll costs of 6.6% in 2024 and the projected increase is expected to be closer to 19.6% in 2026. Based on an analysis and survey of wage costs in the restaurant sector undertaken for the Restaurants Association of Ireland, the various State measures are estimated to add €229 million to wage costs in the restaurant sector in 2024, and €675 million by 2026.

These State-induced increases in the cost of employment come on top of normal pay increases in the sector, which are significant in an economy close to full employment and where many restaurants are struggling to recruit and retain skilled staff. IGEES points out that both the hospitality and retail sectors are important sources of employment for Ireland, particularly in more regional and rural areas, and are a fundamental component of Ireland's tourist offering.

The food services sector has experienced significant consumer price inflation since 2021. Between January 2021 and April 2024, the average level of consumer prices increased by 19.8%, the average cost of restaurants and cafes increased by 17.3% and the average cost of accommodation increased by 53.4%.

Inflation in the restaurant sector has been lower than the general level of price increase in the economy and is significantly lower than in the accommodation sector. This is despite the sharp increase in operational costs for restaurants over the past three years.

Restaurants are very dependent on consumer confidence and consumer spending power. In May, consumer confidence fell for the fourth successive month, largely due to cost-of-living pressures. Although the headline rate of consumer price inflation declined to 2.6% in April, the cost-of-living has escalated significantly over the past three years.

Between January 2021 and April 2024:

- The average cost of living increased by 19.8%.
- The average cost of food increased by 21.4%.
- The average cost of mortgage payments increased by 79.1%.
- The average cost of electricity increased by 54.9%.
- Average private rents increased by 27.8%.
- The average cost of gas increased by 93.3%.
- The average cost of air travel increased by 106.3%.
- The average cost of postal services increased by 18%.
- The average cost of eating out increased by 17.3%.
- The average cost of accommodation increased by 53.4%.
- The average cost of health insurance increased by 18.2%.
- The average cost of petrol increased by 37.2%.
- The average cost of diesel increased by 46.5%.

These cost-of-living increases have combined to put significant pressure on the consumer, and all consumer-facing businesses are finding the environment more challenging.

In terms of spending, the degree of caution apparent in the consumer confidence reading is impacting upon restaurants' viability. In April, the volume of retail sales was down 1.2% during the month and was 0.9% lower than in April 2023. When car sales are excluded, the volume of retail sales was up 0.1% during the month and was up 0.2% on April 2023. In the first four months of the year, the volume of retail sales was 2% ahead of the same period in 2023. When car sales are excluded, the volume of retail sales was 1% higher than the first four months of 2023. The escalation in the cost of living is impacting consumer behaviour.

In the first quarter of 2024, employment in the Food and Beverage Service sector totalled 124,300. This is 1.9% lower than the first quarter of 2023. Between the first quarter of 2012 and the first quarter of 2024 employment in the sector increased by 70%.

In framing Budget 2025, it is vital for the restaurant sector that these challenges are taken into account and that measures to alleviate these pressures are included. The restaurant sector is a key element of Ireland's tourism offering and is a significant employer and contributor to economic activity throughout the country.

3. REINSTATEMENT OF THE 9% VAT RATE

Background of the Lower 9% VAT rate

In assessing the historical background of the lower 9% VAT rate and the positive impact it had on the tourism and hospitality industry, the most important point to acknowledge is that, for a restaurant formed in 2011, this business would have had a 9% VAT rate in place for 10 of its 12 years in existence. As such, the idea that a 13.5% VAT rate should be recognised as 'the norm' and that its return should be seen as 'business as usual' is not the case for a very large number of food-led hospitality businesses whose entire business models are based on a 9% rate.

In July 2011, a special reduced VAT rate of 9% was introduced to provide support and boost employment in a range of areas, including Accommodation and Food services. Between the second quarter of 2011 and the final quarter of 2018, employment in the sector increased by 57,800 or 49.7%. Many factors were responsible for this increase in employment, but the reduced VAT rate did contribute significantly as it helped control prices and help business margins. It was also introduced at a time when the sector was in a very difficult situation.

In Budget 2019, the VAT rate was increased to 13.5% for tourism activities, with effect from January 1st, 2019. The timing of this increase was unfortunate as it coincided with intense uncertainty relating to Brexit, sterling weakness and then the declaration of a global pandemic in March 2020. Employment in the Accommodation and Food Services sector declined by 49,600 or 28.5% between the final quarter of 2018 and the final quarter of 2020. The increase in the VAT rate was not the main reason for the reduction in employment, but it did not help.

In Budget 2021, a reduced 9% VAT rate was re-introduced for restaurant supplies, tourist accommodation, cinemas, theatres, museums, historic houses, open farms, amusement parks, and hairdressing, as well as certain printed matter such as brochures, leaflets, programmes, and catalogues. This measure was intended to help sectors that had been badly affected by the Covid-19 pandemic to return to a normal trading environment.

The reduced VAT rate was in place from November 1st, 2020 to December 31st, 2021 at an estimated cost of €401 million. In Budget 2022, the measure was extended to August 31st, 2022 at a further estimated cost of €251 million. In May 2022, the measure was further extended to February 28th, 2023 at an estimated further cost of €250 million. It was envisaged that the 13.5% rate would again apply to all affected sectors on March 1st, 2023. However, in the face of intense economic uncertainty and risks, and the challenges in the accommodation and food services sector, the temporary reduction in VAT on Tourism and Hospitality was extended to August 31st, 2023.

The special VAT rate for the hospitality sector was increased from 9 to 13.5% on September 1st, 2023. The timing of this increase was unfortunate and ultimately very damaging as it coincided with other accumulating pressures.

There is considerable comment and controversy about the escalation of prices in the Accommodation and Food Services sector, but official CSO data show that the rate of price increase in the restaurant sector is well behind that in Accommodation and overall consumer prices. In an environment of rapidly rising input costs, this poses a significant challenge for many restaurant businesses.

While it is accepted that it may be politically difficult to maintain a reduced VAT rate for sectors where significant consumer price increases are being experienced, the restaurant sector is in a very different situation. It is facing severe business challenges on the cost and labour market front, it has limited consumer pricing power given the very competitive nature of the sector and it is operating in an environment where consumer discretionary spending is under pressure from the overall escalation of the cost of living and high interest rates.

The sector has experienced significant challenges from Covid-19 and the Ukraine war. Many crucial input costs such as labour, food and energy are significantly higher today than three years ago. This has resulted in higher consumer restaurant prices, but inflation in the sector has still been considerably lower than in other sectors. Margins are being squeezed and trading conditions have become much more challenging. This is manifesting itself in a significant increase in restaurants and other food-led businesses shutting down over the past year.

The Need for Budget 2025 to be the VAT9 Budget

In an environment of such immense business challenges, it is critically important that a permanent VAT rate of 9% for the restaurant sector, a measure which has cross-party political support and which 64% of the public were in favour of in a recent Red C poll on behalf of the Business Post (versus 18% in opposition), is introduced. Several countries across the EU have split VAT rates for hotels and restaurants. These include Estonia, Finland, Latvia, Malta, Portugal, and Slovakia. Outside of the EU, Norway, Switzerland and Serbia have split VAT rates.

The Department of Finance estimates that the cost of reducing the VAT rate for food and catering services only stands at €545 million per annum. Following the publication of a report by a top tax firm on behalf of the Restaurants Association of Ireland, it is now widely acknowledged that a splitting of the VAT rates of the food and accommodation elements, which would allow food services to return to 9% VAT while accommodation would remain at 13.5%, is technically possible.

The Restaurants Association of Ireland estimates that between September 2023 and April 2024, there were 470 food-led business closures. Analysis conducted by Jim Power Economics suggests that the closure of one restaurant could cost the economy €1.36 million in total economic impact. This would include the loss of direct and indirect jobs and the associated wage injection into the economy, lost payroll, VAT and corporation tax receipts, the loss of commercial rates and water charges and potential social welfare expenditures. On this basis, the closure of 470 restaurants would have an economic impact of up to €640 million. This economic impact should be offset against the cost of the lower VAT rate.

A reduction in the VAT rate will not prevent all restaurant closures, but it would certainly help provide some support to a sector that is under significant pressure at the moment. It is the only measure within the Government's control that would return long-term viability to an industry where it is currently lacking due to a lack of sufficient margins to absorb the 4.5% hit to the bottom line that last September's VAT increase represented for many food businesses forced to absorb the increase due to an inability to raise prices any further.

4. SME REPRESENTATION ON LEEF AND OTHER KEY BODIES

The Restaurants Association of Ireland welcomed the introduction of an enhanced SME Stress Test by the Department of Enterprise, Trade and Employment in May 2024. However, more must be done to ensure that, going forward, the best interests of Ireland's small and micro businesses are incorporated into the policy decision-making process in areas such as statutory sick pay, pension auto-enrolment, PRSI increases and the National Minimum Wage.

Despite the fact that SMEs make up 99.8% of active enterprises and employ 60% of the workforce outside the public sector, Ireland does not have a formal platform within which to engage with them. As a result of the European Union's Directive on Adequate Minimum Wages which was published on October 19th, 2022 and must be transposed by November 15th, 2024, Ireland is likely to move towards a more European-style collective bargaining and industrial relations environment, yet it has no formal structures to engage with the majority of employers.

While various Government departments, and the Department of Enterprise, Trade and Employment in particular, host specialised engagements such as the Hospitality and Tourism Forum which the Restaurants Association of Ireland sits on, these fora are vocational and technical in nature and do not engage with employment matters or considerations of employee remuneration.

The Programme for National Recovery (PNR) in 1987 was the inception of social partnership in Ireland. Employers were represented by the Federated Union of Employers (FUE), the Confederation of Irish Industry (CII), the Construction Industry Federation (CIF), the Irish Farmers Association (IFA), Macra na Feirme and the Irish Co-operative Organisation Society (ICOS). "Partnership" continued under six successor agreements until December 2009.

This collapse of the partnership process was followed by a general election. The incoming Government set up a "Social Dialogue Unit" and also set up the Labour Employer Economic Forum (LEEF) which it was intended to "meet to exchange views on issues of concern affecting the economy, employment, and the workplace and some areas it will consider might be competitiveness, sustainable job creation, labour market supports and widening occupational pension coverage." However, LEEF was "...not a return to social partnership. The Labour Employer Economic Forum will not discuss or determine wage levels or wage increases within the public or private sector."

In common with the previous partnership programs, SME employers were not represented on LEEF. While LEEF is a non-statutory body, its influence in sectoral matters and the setting of the National Minimum Wage is material and profound. The Low Pay Commission has named LEEF as a core body in the setting of the Living Wage. Irrespective of the original intention and mission statement for LEEF, it is now a part of the Irish industrial relations landscape; yet it excludes the vast majority of employers and their employees from central consideration. This is no longer tenable or sustainable and it is pivotal that the Government ensures proportionate representation for SMEs on LEEF and any other similar bodies, including the Low Pay Commission, which form part of the policy decision-making process going into the future.

5. REVIEW OF THE TRANSITION TO THE LIVING WAGE

Recommendation for National Minimum Wage for 2025

The National Minimum Wage was introduced in Ireland under the National Minimum Wage Act 2000. It was initially introduced at a rate of €5.58 per hour on April, 1st 2000. Between April 2000 and April 2024, the minimum wage was increased by 127.6%. Over the same period, the consumer price index increased by 64%.

On January 1st, 2024, the statutory minimum wage was increased by 12.4% to €12.70 per hour. Average consumer prices in January 2024 were 4.1% higher than a year earlier. Consumer price inflation averaged 6.3% in 2023 and the annual rate has decelerated to 2.6% in April 2024. Ireland now has the second-highest statutory minimum wage in the EU. Ireland's high price levels reflect a variety of factors including the limitations to economies of scale and high costs of doing business. Many of the businesses in the restaurant sector are small micro-enterprises and are particularly vulnerable to these pressures.

In the Restaurant Association of Ireland's submission to the Low Pay Commission in June 2024 in advance of the body's recommendation surrounding the National Minimum Wage for 2025, we pointed out that, when deciding on the appropriate level of increase in the National Minimum Wage in 2025, it will be important to give cognisance to the business realities facing the food services sector. Our industry's current operational environment is challenging due to a range of factors including a challenged consumer base, the higher VAT rate and various State-introduced labour market measures that are set to be phased in over the coming years.

The 12.4% increase in the National Minimum Wage on January 1st, 2024 and the subsequent wage inflation it has caused has made maintaining a margin in the labour-intensive food services industry increasingly difficult. It will also be important for the Low Pay Commission and the Government to take cognisance of the issue of wage relativity when setting the National Minimum Wage for 2025.

It is therefore our recommendation that, in 2025, the appropriate increase in the National Minimum Wage should be no greater than average inflation. The annual rate of inflation in 2025 is projected at approximately 2.1%.

Methodology Behind Proposed Calculation of the Living Wage

Aside from the fact that SME employers are not represented on LEEF, and aside also from the fact that there is an inadequate representation of SME employers on the Low Pay Commission, the methodology for the calculation of the "adequate" Living Wage, i.e., 50% of mean or 60% of median, is inappropriate for Ireland because workers in the multinational and public sectors combined make up 49% of the national workforce. They also enjoy remuneration levels far greater than those in micro, small and medium enterprises. The difference between public and private sector workers in Ireland is not seen in peer EU countries.

The Restaurants Association of Ireland and our other SME representative body colleagues who form part of the Save Jobs coalition accept that the National Minimum Wage-setting methodology is based on EU minimum wage "adequacy" guidelines. However, Ireland is uniquely challenged in the use of this methodology because of the structure and remuneration within our workforce, which results in Ireland having two economies: one indigenous and one multinational (with a public sector that benchmarks itself against the multinationals).

The latest CSO Business Demography states that there are 919,680 workers in Ireland's large enterprise sector (public service workers are omitted from this calculation). Based on the latest CSO data, workers in large enterprises are paid €185.08 (21%) per week more than the average private sector worker, and €287.67 (38%) more than a worker in a small business. Public sector workers are paid €248.76 (29%) more than the average worker and €351.91 (46%) more than a worker in a small business.

Data from the Department of Public Expenditure, NDP Delivery and Reform shows the headcount in all vote groups of the public service to amount to 397,121 at the end of 2023. Taking the 2021 large business demography figure of 919,680, plus the Department of Public Expenditure, NDP Delivery and Reform 2023 public service headcount, this puts the proportion of the total workforce which is employed in either large firms and the public service at 1,316,801 workers, or 49% of the workforce.

The CSO intermittently produces data to suggest that there is no public-private pay gap, or that the difference is now negative. This belies the nominal data they produce in their quarterly earnings data. It is also inconsistent with metadata in research by Campos et al. showing Ireland to have the largest public-private pay gap in the EU after Portugal and Spain, where private sector wages are far lower than ours. In the UK, which is being used as a National Minimum Wage comparator for Ireland because of the NI border, average weekly earnings in the private sector are £22 (3%) higher than average wages in the public sector.

Even the ESRI and the IMF have methodological difficulties with the manner in which the CSO minimises the extent of the public-private pay gap by reference to organisation size. In any case, the organisational size issue is moot when average public sector pay in Ireland now exceeds that in large firms in every earnings report. It is likely that to avail of an accurate and objective assessment of the public-private pay gap in Ireland, the Government will have to look beyond the CSO.

In summary, the use of the 50% mean/60% median metric for National Minimum Wage-setting in Ireland is highly problematic and must be corrected. How this is achieved is not something that the Save Jobs coalition is prescriptive about: we simply wish it to be recognised that there is a large gulf between the Public/MNC economy on the one hand and the SME/Indigenous economy on the other and that this must be recognised in the setting of any Living Wage in the future.

6. TOURISM PROMOTION AND PLANNING

Food and Drink Tourism Strategy

Unfortunately, despite the fact that food and beverages account for approximately 35% of overall tourist spend in Ireland, the vital role that our restaurants and pubs play in the country's tourism and hospitality offering has not been duly recognised by senior politicians, Government departments and State tourism bodies in recent times. The notion that hospitality businesses such as pubs, restaurants, cafés and other food-led businesses "do not fall under the remit of tourism policy" has led to insufficient support being provided to such businesses. If tourists do not have a varied and high-quality selection of places to eat while visiting Ireland, the damage to our overall tourism offering would be irreparable. Thankfully, sentiment among those tourists leaving Ireland towards our country's culinary offering has been consistently on the rise, despite a lack of recognition and support.

The most obvious manifestation of the indefensible policy that restaurants and pubs do not play a role in Ireland's tourism offering is the refusal to renew Fáilte Ireland's highly successful Food and Drink Strategy 2018-2023. The Department has committed to dedicating part of its upcoming, overdue National Tourism Strategy to food and drink, but this will unlikely suffice. Ireland's food and drink offering deserves its own, standalone tourism strategy to make full use of the world-class people, place and ingredients that our island's culinary scene has to offer.

Reliance on Ireland's Tourism Industry for Accommodation for Humanitarian Purposes

When it was announced as part of Budget 2024 that a €10 million support fund was to be designated to provide grant aid to downstream businesses impacted by the Government's contracting of tourist accommodation, primarily hotel beds, for humanitarian purposes, it was assumed the restaurants, cafés and other hospitality businesses would be eligible for support. However, shortly after, it was clarified by the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media and Fáilte Ireland that tourist attractions and activities businesses would be exclusively eligible for the support fund, despite the fact that restaurants, cafés and pubs in tourism-reliant areas were equally negatively impacted by a reduction in footfall and custom.

It was positive to hear the news this month that the number of registered tourist beds being used to house Ukrainian refugees and international protection applicants has fallen by over 15% in the past six months, however, the Government must not rest on its laurels and must continue to take constructive, strategic actions to reduce our reliance on tourist accommodation in this area. If, in the years to come, certain regions continue to face reduced tourism, custom and footfall as the result of the Government contracting tourist accommodation for humanitarian purposes, we will fully expect restaurants, cafés, pubs and other hospitality businesses to be included in any future support funds.

7. RECRUITMENT AND RETENTION OF STAFF

Restaurants Association of Ireland's Promotion of Training and Upskilling

Restaurant & Hospitality Skillnet

In 2017, the Restaurants Association of Ireland established the highly availed of and respected Restaurant & Hospitality Skillnet which provides training to those working in restaurants and the wider hospitality industry from owners to managers, head chefs to commis chefs and front-of-house service staff. The Restaurant & Hospitality Skillnet focuses on supporting the restaurant and hospitality industry. It also participates in the Skillnet Ireland Skills Connect programme. Last year's Budget 2024 saw a 30% decrease in funding to Skillnet Ireland. We cannot allow a situation to continue whereby the National Training Fund, which is funded by a 1% employer contribution, experiences a rolling surplus while SME employers are not being provided with adequate funding for training and upskilling of employees.

Generation Apprenticeship

The Restaurants Association of Ireland also plays a key and active role in the promotion and provision of apprenticeships for the hospitality industry, highlighting apprenticeships as a viable pathway to a sustainable and rewarding career in hospitality. At the moment, the Association's key aim is enhancing our culinary apprenticeship programs to bridge the skills gap in the food and hospitality industry. This enhancement includes expanding our locations and collaborating with additional technological universities. We are also focused on the marketing of the apprenticeships we offer by engaging and supporting both apprentice employers and apprentices and updating the curriculum to include the latest learning and culinary techniques. The Restaurants Association of Ireland is also assisting the national apprenticeship office with the current compilation of a consortium-led, single-integrated system for all apprenticeships.

In addition to this, Adrian Cummins, CEO of the Restaurants Association of Ireland, retains his seat as one of two industry representatives on the National Apprenticeship Alliance. In this role, Cummins consistently advocates for expanded national exposure and awareness of apprenticeships among the general public and within educational systems at the second and third levels, as well as alternative education systems. It is in this context that the urgent need for additional funding for apprenticeships for the hospitality sector is required, to build upon success in recent years and promote careers in hospitality as both viable and rewarding.

Impact of the Lack of Affordable Housing/Rental Accommodation

Although housing may not appear to be a direct business issue at first glance, it is consistently raised by the Restaurants Association of Ireland and our members that the current lack of affordable housing supply and rental accommodation in Ireland has significantly impacted the ability of businesses to recruit and retain staff. The hospitality sector, including restaurants, is feeling the brunt of this crisis.

According to Mercer's latest Cost of Living City Ranking, Dublin now ranks as the 41st most expensive city out of 226 cities globally for employees driven, in part, due to the cost of accommodation. The lack of affordable housing has increased the overall cost of doing business as employers in Dublin and elsewhere around the country are compelled to offer higher wages to enable staff to afford adequate housing or rental accommodation near their workplace. This escalation in wages is not merely a competitive strategy but a necessary measure for survival in a market where living expenses, particularly housing, have risen considerably in recent years.

The inadequate supply of affordable housing is also arguably the single largest impediment to attracting and retaining talented workers in Ireland. This issue is not confined to domestic staff but extends to the international labour market as well. Ireland's skills shortage is exacerbated by the housing crisis, making it increasingly difficult to draw in and retain staff from other countries. Talented professionals from abroad are often deterred by the limited availability of suitable accommodation.

Addressing the housing crisis is imperative not only for the well-being of employees but also for the sustainability and growth of businesses across Ireland. The Restaurants Association of Ireland urges the Government to prioritise the development of affordable housing solutions as part of its broader economic and social policy framework. By alleviating the housing burden, the Government can enhance Ireland's attractiveness as a destination for both domestic and international talent, thereby supporting the hospitality sector and the wider economy.

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