



JOB CREATION IN THE ACCOMMODATION & FOOD SERVICES SECTOR IN IRELAND (Q4 2016)

Report from the Restaurants Association of Ireland on the impact of the introduction of the VAT rate of 9% in July 2011.

JUNE 2017

**KEEP
VAT AT 9%**
Supporting Food, Tourism & Jobs



RESTAURANTS
ASSOCIATION
OF IRELAND

Introduction

This report identifies the direct and indirect employment associated with the introduction of the reduced VAT rate of 9% in the Accommodation & Food Services Sector in July 2011, at a national level.

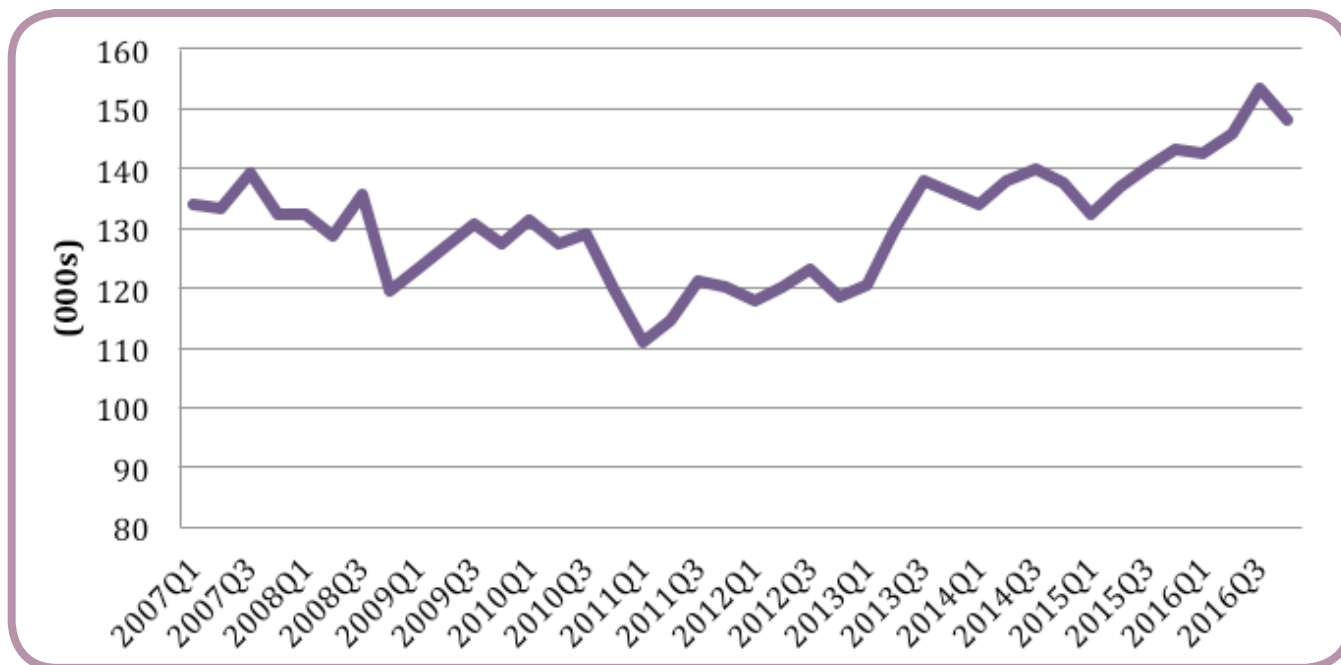
Direct employment refers to the employment directly provided in the Accommodation & Food Services Sector. Indirect employment refers to the jobs supported elsewhere in the economy by the jobs in the Accommodation & Food Services Sector.

This report examines the level of employment in the sector in Q4 2016 and its contribution to the Exchequer. It also looks at the change in employment in the sector between Q2 2011 and Q4 2016; the impact on Exchequer revenues of the change in employment; and the reduction in social welfare expenditure if all of the direct jobs created took people off the Live Register.

Between Q2 2011 and Q4 2016, the number of people working in the Accommodation & Food Services Sector nationally increased by 33,600 taking total employment from 114,400 to 148,000. The sector accounted for 7.2% of total employment in the economy at the end of 2016.

The increase in Indirect Employment as a result of this job creation is estimated at 15,456. The increase in Direct and Indirect Employment is estimated at 49,056.

Figure 1: Employment in the Accommodation & Food Services Sector



Source: CSO Quarterly National Household Survey Q4 2016, February 2017.



IMPACT OF JOB CREATION IN THE ACCOMMODATION & FOOD SERVICES SECTOR Q2 2011 – Q4 2016

	NUMBER OF DIRECT JOBS CREATED	NUMBER OF INDIRECT JOBS	TOTAL INCREASE	SOCIAL WELFARE SAVINGS FROM DIRECT EMPLOYMENT	PAYROLL TAX RECEIPTS FROM DIRECT EMPLOYMENT
National	33,600	15,456	49,056	€672m	€160m

BACKGROUND TO LOWER VAT RATE OF 9%

In July 2011, the VAT rate for Tourism related goods & services was temporarily reduced from 13.5% to 9% by Government as part of a measure to promote job creation. This incentive was due to expire at the end of 2013, but has been subsequently extended due to the fact that it is having a positive impact on the sector.

NATIONAL IMPACT

The aim of the lower rate of VAT was to encourage and support growth in small businesses in the tourism sector. In this context the measure has been very successful, hence the decision by the Minister for Finance to extend it. As well as the direct jobs created in the sector, the multiplier effect of employment in the Accommodation & Food Services sector is an important consideration. Anthony Foley of DCU Business School estimated in the *'Drinks-related employment in Dail constituencies 2013'* report, which was commissioned by Drinks Industry Group of Ireland, that the total employment multiplier effect of a job in that sector is 0.46. This means that for every direct job in the sector, 0.46 of a job is supported elsewhere in the economy. In this report, this multiplier is applied to direct employment in the Accommodation & Food Services sector.

The Irish Congress of Trade Unions has estimated that *'for every 10,000 people off the live register and back in employment means a net gain to the Exchequer of some €200 million'*¹ in social welfare savings.

SUMMARY OF NATIONAL IMPACT

Employment in the Accommodation & Food Services Sector Q4 2016

- In Q4 2016, 148,000 workers were employed directly in the Accommodation & Food Services Sector.
- The total Gross Annual Wage paid to those workers totaled €3.4 billion.
- The total Net Annual Wage paid to those workers totaled €3.1 billion.
- The payroll taxes accruing to the Exchequer from this employment totaled €704 million.
- Indirect employment as a result of the direct employment in the sector is estimated at 68,080.

¹ Post-Budget Briefing 16th October 2013, by Congress Assistant General Secretary, Sally Anne Kinehan.

CHANGE IN EMPLOYMENT IN THE ACCOMMODATION & FOOD SERVICES SECTOR Q2 2011 - Q4 2016

- Total employment in the Accommodation & Food Services sector increased by 33,600 between Q2 2011 and Q4 2016.
- The total Gross Annual Wage paid to those extra workers is €779 million.
- The total Net Annual Wage paid to those extra workers is €702 million.
- The payroll taxes accruing to the Exchequer from this extra employment totaled €160 million.
- The savings in social welfare payments, assuming the extra employment took people off the Live Register, is estimated at €672 million.
- Indirect employment as a result of the change in direct employment in the sector is estimated at 15,456.
- The number of people signing on the Live Register declined by 193,782 between July 2011 and December 2016.

INCREASE IN THE NUMBER OF TRIPS TO IRELAND

There has been strong growth in the number of overseas trips to Ireland since the 9% VAT rate was introduced in July 2011. Between 2011 and 2016 there has been an increase of 47.3% in the number of overseas visitors to Ireland. This growth is due to a number of factors, but the impact that the reduced VAT rate has had on the competitiveness of the Irish tourism product is significant.

COUNTRY OF ORIGIN	% CHANGE 2011-2016
France	+32.4%
Great Britain	+36.3%
Germany	+54.1%
Italy	+56.4%
North America	+83.2%
Other Europe	+43.2%
Australia & New Zealand	+44.7%
Other Countries	+60.2%
Total	+47.3%

Source: CSO



NATIONAL & COUNTY SPECIFIC IMPACT OF JOB CREATION IN THE ACCOMMODATION & FOOD SERVICES SECTOR Q2 2011 – Q4 2016.

	NUMBER OF DIRECT JOBS CREATED	NUMBER OF INDIRECT JOBS	TOTAL INCREASE	SOCIAL WELFARE SAVINGS FROM DIRECT EMPLOYMENT	PAYROLL TAX RECEIPTS FROM DIRECT EMPLOYMENT
CARLOW	415	191	605	€8.3m	€1.9m
CAVAN	538	247	785	€10.7m	€2.6m
CLARE	931	428	1,359	€18.6m	€4.4m
CORK	3,785	1,741	5,526	€75.7m	€18m
DONEGAL	1,165	536	1,701	€23.3m	€5.5m
DUBLIN	9,250	4,255	13,505	€185m	€44m
GALWAY	1,894	871	2,765	€37.9m	€9m
KERRY	1,110	510	1,620	€22.2m	€5.3m
KILDARE	1,568	722	2,290	€31m	€7.5m
KILKENNY	728	335	1,063	€14.6m	€3.5m
LAOIS	651	299	950	€13m	€3.1m
LEITRIM	247	113	360	€4.9m	€1.2m
LIMERICK	1,434	660	2,094	€28.7m	€6.8m
LONGFORD	212	97	309	€4.2m	€1m
LOUTH	930	428	1,358	€18.6m	€4.4m
MAYO	884	406	1,290	€17.7m	€4.2m
MEATH	1,333	613	1,946	€26.6m	€6.3m
MONAGHAN	414	190	604	€8.3m	€2m
OFFALY	606	279	884	€12.1m	€2.9m
ROSCOMMON	470	216	686	€9.4m	€2.2m
SLIGO	436	201	635	€8.7m	€2.1m
TIPPERARY	1,056	486	1,542	€21.1m	€5m
WATERFORD	863	397	1,260	€17.3m	€4.1m
WESTMEATH	661	304	965	€13.2m	€3.1m
WEXFORD	1,110	510	1,620	€22.2m	€5.3m
WICKLOW	1,031	474	1,505	€20.6m	€4.9m
National	33,600	15,456	49,056	€672m	€160m

CONCLUSION

Since the introduction of the 9% VAT rate in July 2011, there has been a significant increase in the number of overseas visitors to Ireland and in employment in the Accommodation & Food Services sector. This employment has generated considerable revenues for the Exchequer and has contributed to significant social welfare savings. The sector has a broad regional spread and provides considerable employment all over the country. In the context of a country where there is a strong imperative to boost employment and economic activity in the regions, the ongoing health of the sector is of vital importance. The lower rate is an important component of the efforts to build the tourism sector and improve the regional spread of growth and should not be risked, particularly in the context of Brexit-related uncertainty and sterling weakness.





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