

Submission to LPC on Minimum Wage from Free Democrats Ireland.

Free Democrats Ireland (FDI), as a matter of principle, believe that the only ones who should be playing a role in deciding on wage levels are those actually paying and receiving the wages i.e. employers and employees, not the state.

Minimum Wage increases have become par for the course in Ireland over the past two decades at the behest of the state and have become a political tool and a source of raising more tax money rather than actually helping the poorer sections of society. It is an economic truism that a minimum wage either causes unemployment if it is set above market levels or is essentially ineffectual if set below market levels. The effect on unemployment is especially pronounced when it comes to young, unskilled workers trying to get on the first rung of the career ladder. The minimum wage hurts the very people it claims to help i.e. young, low-income, minority workers who are quite literally priced out of a job. This harm is exacerbated by the unnecessary cost increases on SME's who bare the brunt of these politically motivated hikes.

The state and other groups will argue that there must be a fair "living wage" however we would argue that the real impact on the cost of living is the state's interference in wage levels, high tax levels and continued increases in public sector wages and pensions which are now on average up to 30% higher than those in the private sector. All of which creates a vicious circle of higher wages, increased costs and in turn higher wage demands, which ultimately will threaten economic growth and competitiveness which will end up threatening jobs and in the long run lead to recession.

Who knows better than employers and employees what wage levels in their industry should be, they have their finger on the pulse of market developments, expected industry wage norms and most importantly a business's ability to pay and the ability of both employers and staff to adapt to changing economic circumstances. The state does not have to consider any of these and yet believes it has the continued right to force employers to do things that may harm their business and potentially threaten employment and the economy overall. The recent 30c per hour minimum wage increase has created a scenario in which many small employers are cutting hours, reducing staff levels and ultimately they are passing on the extra cost to consumers. This wage increase also has had an upward pressure on all wages as workers just above the minimum wage level demand increases. Overall an inflationary pressure on the economy will result.

- FDI believe that all workers should receive a fair wage for the work they do and that this wage should reflect the realities on the ground in the particular industry they work in as well as their employers ability to pay. A fair wage has to, logically, be lower than the productivity of the employee to the business in order to be sustainable.
- Therefore FDI propose a freeze on the current minimum wage level of €10.10 per hour until such time as the market makes such a rate irrelevant and it can be eliminated. The minimum wage should be immediately abolished for those under the age of 25. This will allow young people to gain the essential experience and skills to move on to higher paying employment.
- This policy protects current minimum wage levels but also protects young workers by preserving employment opportunities and allowing SME's to hire young workers on apprenticeships and give them opportunities that may not be available to them otherwise.