

Labour Youth's Submission to the Low Pay Commission 2020

Introduction

Labour Youth is guided by the principle that all workers deserve fair pay for their work. At present in Irish society, these conditions are not being met, with over 100,000 jobs in Ireland paying poverty wages (1). Ireland currently suffers from the worst income inequality in Europe before taxes and transfers (2), revealing a need for fair pay for work done. It is unacceptable that in an economy where Irish workers produce €87 for every hour that they work, the most productive workers in the world (3), that many are not paid enough to enjoy a comfortable living and are not seeing the benefits of the value that they add to the Irish economy. This is further compounded by the injustice faced by young Irish workers who are forced to work for rates less than what the state considers to be minimum. To combat these conditions, and to alleviate the burden of low pay, Labour Youth recommends that the Minimum Wage be increased to a real Living Wage of €12.30, as established by the Living Wage Technical Group, over the next 4 years and the abolition of sub-minimum rates, as every worker should be paid enough to be secure in their job and their life.

Current Conditions

In contemporary times, western economies, including that of Ireland, have seen a sharp increase in productivity as technology improves (3), but they have also seen stagnation of wages. This is one of the injustices of the present, especially as workers are being asked to work for even lengthier hours as their employers expect them to check emails and work on assignments outside of office hours (4). A stark increase in labour hours and productivity with a stagnation in wages has led to a growing gap between the wealthiest and poorest in society. This is exacerbated by the inability of workers to access basic necessities, such as permanent and secure housing, and good quality health care. While Irish services remain poor and Ireland remains a low tax economy, trade union membership is declining, and this means that it is imperative that the 25% of Irish workers earning below what is considered to be a liveable income need to get a raise.

Importance of better pay in a global economy

Many of the positive impacts of an increased minimum wage are obvious. Workers having more money in their pockets will lead to a more even distribution of wealth. Previously impoverished workers will have more money to spend in the Irish economy and which could stimulate the economy at a time when various international influences threaten market stability. Were another crash to happen, the

Irish worker would be disproportionately affected, and that's one reason to make sure that Irish workers are earning more.

Benefits to workers

The main reason we would propose the increase is not because we are overly focused on market outcomes, but because we wish to improve the lives of workers and families and the livelihood of communities. A study conducted in Fresno, one of the poorest counties in California, found that an increase in the minimum wage to the heights of \$15 led to major pay increases for very disadvantaged workers and families (5). The same study also evaluated downstream benefits which included better health and educational outcomes as well as various behavioural and social benefits. Workers earning more improve communities and improve society at large.

A higher minimum wage does not pose a threat to the greater economy

Despite our focus on the outcomes of workers, we do live in a society where the majority of workers are employed in the private sector, and we need to evaluate the potential impacts an increase would have on the larger economy. Opponents of a higher national minimum wage would argue that it would push businesses out of the market, increase the cost of labour, and ultimately lead to a weaker economy with fewer workers being paid more. The study in Fresno (5), as well as a study into the prospects of the US fast food industry at large (6), found that companies reliant on minimum wage labour would be able to maintain current levels of profits without having to lay off staff were the minimum wage increased to \$15. Not only would workers and their families and communities benefit from a pay increase, but the businesses that employ them would not suffer.

Sub-minimum rates: an injustice

Approximately one in a hundred Irish workers are employed on sub-minimum rates, allowing workers to earn less than even the social bare minimum because of a lack of experience. This impacts young workers, and Labour Youth is an organisation that stands up for young workers. Where social welfare is already less for those under the age of 25, it is unconscionable that the labour market is also so stacked against young people. Both of these issues need to be remedied, and the first thing that can be done is abolishing sub-minimum rates of pay, and paying young workers a full adult living wage.

Conclusion and proposal

The current minimum wage framework is one that disadvantages workers and young people, and leads to weaker communities and families. It is imperative that all workers are paid a wage they can live on. Given the evidence available and the potential benefits to workers and society at large from a minimum wage, a gradual transition is still required, and as such, Labour Youth will propose an increase of the minimum wage year on year according to the following schedule:

Year	Minimum Wage	Increase
2020	€10.10	0.00
2021	€10.65	0.55
2022	€11.20	0.55
2023	€11.75	0.55
2024	€12.30	0.55

References

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<https://www.irishtimes.com/business/economy/irish-workers-now-ranked-as-most-productive-in-world-1.3783173>
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<https://www.rte.ie/news/ireland/2019/1010/1082323-ifsu-legislation/>
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