



LOW PAY COMMISSION SUBMISSION

Review of the current National Minimum Wage (NMW) rates, including sub-minima rates.

“Decent Work involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men”

[International Labour Organisation]

Introduction

The Irish Congress of Trade Unions is the largest civil society body on the island of Ireland representing 800,000 workers across all sectors of the economy.

Congress believes that it is only through the achievement of Decent Work that working people can be taken out of poverty and attain a decent standard of living in which to develop their own potential and that of their family.

Decent Work, including adequate rates of pay which ensures a decent standard of living, is at the heart of all Congress' work for economic and social progress and underpins everything which Congress does and stands for.

ONE Movement

ONE Cork and ONE Galway are collaborative initiatives of the Irish Congress of Trade Unions, comprising trade unions and student unions operating in their respective counties. These initiatives aim to achieve decent work and better conditions for everyone, one workplace at a time, through collaboration and engagement with community groups and other civic society organisations.

Introduction

We welcome the establishment of the Low Pay Commission, which is an important mechanism by which to regularly review the NMW rate and its appropriateness to ensure that workers earn a rate which provides for an acceptable minimum standard of living. By its own standards, the Commission must ensure the national minimum wage rate provides a “*fair and sustainable*” rate, and whilst the meaning of fair could be a cause for much discussion, a sustainable wage rate, we believe, is one which is maintained at a rate which provides an acceptable minimum standard of living for all workers.

This brief paper will reference a number of key points, many of which have been made in the past but are still relevant as the basis for favouring a higher minimum wage rate and include;

- Workers are legally entitled NOT to earn an hourly rate below the NMW rate (except in the case of sub-minima rates), however the rate at which it is set does not provide workers with an acceptable minimum standard of living;
- The Living Wage rate is calculated to include rising costs, therefore providing a level of income necessary to achieve a minimum standard of living;
- The LPC needs to align the NMW closer to the level of the Living Wage;
- The National Minimum wage rate should be considered as one tool in a broader strategy towards achieving a living wage and income;
- Industrial Relations mechanisms play an important role for wage-setting and collective bargaining has a positive impact on wages and the wider economy;
- Sub-minima rates are not an appropriate wage rate for young people and have negative impacts on their transition to education and the labour market and facilitates direct discrimination and exploitation in the workplace;
- Students are a key recipient of minimum wage rates, and so this paper highlights some of the major concerns facing them in college and during in-work placements.

The purpose of a National Minimum Wage Rate

According to the International Labour Organisation, the purpose of setting a National Minimum Wage is to;

“protect workers against unduly low pay. They help ensure a just and equitable share of the fruits of progress to all, and a minimum living wage to all who are employed and in need of such protection.

Minimum wages can also be one element of a policy to overcome poverty and reduce inequality, including those between men and women.

Minimum wage systems should be defined and designed in a way to supplement and reinforce other social and employment policies, including collective bargaining, which is used to set terms of employment and working conditions.” (underlined emphasis our own)

A key priority for any government should be to reduce levels of poverty and inequality both of which can be addressed by an NMW increase, with evidence indicating such increases have greater positive impacts on the gender pay and income inequality gaps.

The ESRI in their 2019 study¹, commissioned by the LPC, supports the view that increases in the minimum wage decrease levels of wage inequality in the labour market and has a further positive impact on workers earning just about the minimum wage in the range €6.50 - €11.50 per hour.

Our movement contends that paid employment should be sufficient to provide an acceptable standard of living, with decent working conditions, and we will continue to campaign to ensure minimum wage rates are reflective of real costs for workers and their families and take into account the availability and accessibility of basic services and infrastructures which impact on an individual's purchasing power.

NMW rates must keep pace with changes in labour market earnings and due consideration should be taken of wage and price increases as well as the overall health of the economy, the latter of which may well be the primary consideration at present.

Duty of the Commission

In the 2015 National Minimum Wage Act, the duty of the commission is to make recommendations to the Minister on the national minimum rate of pay that will *“assist as many low-paid workers as is reasonably practicable and is set at a rate that is both fair and sustainable”*.

Back in 2000 at the introduction of the NMW, there were concerns that such a rate would have a negative impact on growth, jobs and the labour market and each year subsequently, there have been similar calls that increases will have a negative impact on employment. However, evidence suggests that this has not been the case. Rather the impact of a gradual increase in the NMW rate will be minimal, as the numbers of those earning NMW or below are relatively small, when compared to the numbers in employment.

Increases in the NMW rate must keep up with current trends and prices in the economy and therefore any calculation must include specific cost of living increases such as those set out in the Living Wage calculations. A minimum wage which does not enable workers to adequately provide for themselves a minimum standard of living, as accepted by society, is

¹ ESRI & LPC: *The impact of a change in the National Minimum Wage in the distribution of hourly wages and household income in Ireland (2019)*

unacceptable and LPC should immediately recognise this and make recommendations to move it closer to a wage which can provide a decent standard of living.

Cost of living

In 2000 when the minimum wage rate was set, it was calculated at a rate of two-thirds of median income, a link which has been subsequently lost and which means the NMW is not keeping pace with either wage or price increases in the economy. The LPC should clearly set out how they will ensure the minimum wage rate can keep pace with increases. For instance, the LW rate is based on three elements, the minimum cost of living, services which affect the living cost and tax payable on it. The aim of the LPC should be to identify the steps to be taken to ensure the NMW will be tagged to the Living Wage (LW) rate, which is based on a basket of goods and most importantly, illustrates the level of purchasing power it provides to workers.

Since 2014 there has been an increase of 7.4% in the LW rate, however, that increase is at a slower rate than average private sector earnings.

The current 2020 NMW rate of €10.10 remains €2.10 below the living wage rate of €12.30 and is only 7.8% above the level in 2008 in real terms. And although recent CSO figures indicates wage growth in 12 out of 13 sectors, according to the Nevin Institute this growth is skewed towards those at the top of the income distribution.

The Living Wage rate, reflecting rising costs, still only provides for a rate at which an acceptable minimum standard of living can be achieved. And as costs such as housing, childcare and transport have escalated over the last number of years, in some cases well beyond the inflation rate, it is imperative that wage rates, including those set at national level, take into account such increases which has a negative impact on the ability of workers to provide for an adequate standard of living.

For instance, a study by the ESRI in 2018 indicates that the cost of one child in childcare at age 3 accounts for 12% of disposable income, which rises to 16% for lone parents and 20% for lower income households.

And in the last number of years housing and rents have also continued to spiral upwards, in spite of Government policy claiming it does otherwise, with **average** rents accounting for 29% of disposal income in 2016, and for those on lower income an even higher % of their disposable income. Such costs take a higher proportion from low-income workers and so need to be reflected in national rate setting mechanisms.

And whilst we are aware that the NMW is a policy tool and cannot be expected, by itself, to provide adequate income for all households, it is certainly a key element in setting a “social floor” which combines adequate income with basic services and local infrastructure.

Social protection and the NMW

According to the TASC think-tank, Ireland has one of the highest rates of low-pay in the European Union. Currently one of the ways in which Ireland addresses high income inequality is to redistribute income in the form of social protection payments. To continue down this route, more and more payments will be required to be made to bridge this gap, as the minimum wage rate is not adequately keeping pace with wages throughout the economy.

There are approximately 137,200 earners identified by the CSO (end 2018) as earning the national minimum wage rate or less which accounts for just over 7% of the labour force. The

state also pays upwards of €430m (2018) to almost 53,000 families in respect of 119,000 children under the Working Family Payment which pays 60% of the difference between a family's income and the income limit in respect of such a family. This payment acknowledges that families on low incomes require assistance to bring their income up to the levels required to maintain a basic standard of living.

Under such arrangements the State will continue to supplement families and individuals to ensure that they receive income to achieve an adequate, if somewhat, basic standard of living. This acknowledges that earnings at the minimum rate and the provision of basic services by the private sector does not allow for an adequate living standard. Such payments are effectively an employment subsidy from the State to businesses but which further reduces the social wage which should provide pay-related social benefits, thereby increasingly disadvantaging low-paid workers.

National Minimum Wage

A more efficient way in which to reduce income inequality is through market rates of pay, one of which is the minimum wage mechanism. Whilst the minimum wage mechanism is a useful tool in addressing income inequality, the level at which it is currently set is vastly inadequate and establishing a wage rate, short of a living wage, continues to limit the quality of life for those earners, presents significant losses in consumer spending to the economy resulting in further limitations on social policy and wider society.

Whilst we don't expect the national minimum wage alone to provide adequate living standards for all household types, it is important that the minimum wage rate can achieve a basic standard of living for individuals and which contributes to the narrowing of the income inequality gap.

Other wage-setting mechanisms

The NMW rate remains an important mechanism to reduce poverty and income inequality, the rate on its own may not fully eradicate individual and household poverty, and as such should form the basis of a range of other options in a strategy designed to ensure workers' income is at a level which affords them a decent standard of living.

Such strategies include expanding collective bargaining coverage and ensuring industrial relations mechanisms, such as the JLC system, function effectively. The outcome of collective bargaining has positive outcomes on earnings and the economy, with benefits shown to be better for low and average-income workers.

We would therefore request, as part of a broader strategy to move low-paid workers towards a living wage income, that the LPC make recommendations to the Oireachtas to examine and reform the existing JLC system with a view to making the system more effective and ensuring that employers are obliged to fully engage.

Sub-minima rates

The current minimum wage mechanism is even more inadequate in respect of the sub-minima rates, based on questionable, unjustified and unfair criteria. On what basis have these sub-minima rates been established and to what end?

The current minimum rates of pay for workers, including those under 20 are set out as below:

National Minimum Wage - Hourly Rates of Pay		
	Current Rates	% of Nat. Min. Wage
Experienced adult worker	€10.10	100%
Aged under 18	€7.07	70%
Aged 18	€8.08	80%
Aged 19	€9.09	90%

In our view this communicates a number of key points:

- a) all workers under the age of 20 years of age are not considered adults for the purposes of the National Minimum Wage legislation;
- b) the legislation provides for young workers to be directly discriminated against based entirely on their age. It does not take into account, nor seek information relating to, levels of experience, criteria for the job in question, education or skills level;
- c) it does not take into account the Employment Equality Act (EEA) which prohibits all forms of discrimination in the workplace based on nine grounds, including the age ground. This raises the question; would the rates stand if workers over 65, or from one of the other prohibited grounds were, based on that ground, legally entitled to a lesser national wage rate in our economy?
- d) the national minimum wage sub-minima rates may provide for or tolerate discriminatory practices whereby younger workers could displace/replace more expensive “adult” workers;
- e) neither job descriptions nor the duties of roles are based on age criterion, because if they were, they would be deemed discriminatory under the EEA. Why, therefore, should wages be based on an age-criteria for our youngest workers?
- f) the exemption of discrimination on the age ground sends a signal that younger workers are less valuable making them more likely to be exploited.

The arguments in favour of retaining sub-minima rates, such as lack of experience/ qualifications, do not in our view justify the retention of sub-minima rates which are discriminatory and unfair to younger workers. Valuable work experience is not the preserve of older workers and should not be solely determined by age, but include other factors such as skills, level, depth and type of workplace engagement, roles undertaken and the ability to learn.

Indeed anecdotally, we are learning through our partnerships and engagement with the Irish Second-level Students’ Union (ISSU), that whilst adherence to the sub-minima rates are

rigorous, the protections afforded to young workers under the 1996 Act are not so rigorous, which in our view represents a selected and targeted form of exploitation based on age.

The legislation further does not imply that workers recruited to specific roles, adult or otherwise, should not be competent nor capable for the job they have been selected to do, which remains the preserve of the employer. As age is not, nor should be, a determinant of ability or competence to undertake a role, neither should it be a determinant of pay.

Legislation prohibits discrimination in job advertisement, selection, and so on, but continues to allow younger workers to be paid less than other workers, solely based on age. Younger workers should be paid the full-rate for the job they do, as these jobs are neither categorised nor reflect the age of the worker undertaking them.

We believe sub-minimum rates are not justified, should be abolished and replaced with a single rate applicable to all workers.

Transition to Education

The trade union movement has a long history of support for education and its importance in both personal and skills development of our workforce and the positive impact this has on the economy and wider society. It also acknowledges the premium that education provides to workers in terms of their future earning potential. And whilst we seek further opportunities to be made available to young people to remain in education longer and obtain that education premium which is a clear policy priority for the movement, the reality for some workers and their families does not necessarily provide options for young workers to remain completely out of the labour force until they have finished their education.

We know that education funding is under increasing pressure from the reductions in public expenditures² and for many families, particularly those on lower incomes, finding these additional funds to put their children through the education system is becoming increasingly more difficult.

In many cases students, under the age of 20 years of age, may find themselves entering the workforce earlier, either to supplement their family's income or to assist in the expenses of further education. This is borne out by the Irish League of Credit Unions (ILCU) survey in 2019 where 74% of our students say they work throughout the academic year to fund their third level education³, working on average 15 hours per week.

We believe that all workers, regardless of age, should be paid the adequate and full-rate for the job which they have been employed to do.

Student workers

The increase in the cost of living and a NMW rate that has not increased in line with other costs further widens the gap between what students earn, and what students need to earn to meet the rising cost of living whilst in college. Costs of college life remarkably mirror the costs of life outside of college with rent being their biggest monthly expense (€318), followed by food (€116) travel (€88) and utility bills (€74).

State funding on a per student basis has been dramatically cut by 43% from €9,000 per student to €5,000 per student. This in effect means that the drop in income, which is

² *Trends in Education Funding, NERI, November 2015.*

³ *Third Level education survey 2019, Irish League of Credit Unions*

necessary for the operation and investment in universities, is now sought from students' own funds, at a time when student grants have also been cut. In recent times, this has seen increases, for instance, in rents for on-campus student accommodation in the region of 12% over 4 years (UCD), 19% over three years (UCC) or 4% this year (NUIG), all of which, by far, outpace wage growth, but are expected to be collected from working families and working students.

This has had a hugely negative impact, not only on student and family finances, but also on students' college experience where the ILCU⁴ indicates that 24% of students say finance or debt is their biggest worry with 74% saying they have to work during college term to cope with college costs. 55% indicate they have skipped lectures in favour of paid work which is well up from the 2017 figure of 22%. On average students are working approximately 15 hours per week earning on average €10.14 which is just above the NMW.

However, this average suggests many students are earning the sub-minima rates whilst carrying out regular jobs in the retail, catering and hospitality industries, all of which, incidentally, have high percentages of low paid workers.

Placements (Internships) & pay

Any placement or internship scheme should adhere to a set of criteria in which individuals are not exploited but obtain the best access to improve their skills and learning, thereby increasing their employment opportunities whilst gaining a new or extended qualification.

Internship schemes should not displace or replace workers and where established outside the formal education system, decent remuneration not below the minimum wage rate, should apply.

In 2019 USI conducted research into the case of placements for students of pharmacy and teaching. Under the new Master of Pharmacy programme, not only do student fees range from €7,500 - €8,500 for 5th year, the Pharmaceutical Society of Ireland (PSI) has prohibited payments to students for their work whilst on placement which is spread over two years, 4 months in year 4 (30 hours per week) and 8 months in year 5. Other costs incurred by students during their placement include materials costs where approximately 83% of students surveyed spent between €10-€100 per week with 2% spending upwards of €100 and 15% incurring no costs.

In 2018 USI also conducted, in co-operation with ICTU and teaching affiliates, a survey on student teacher placements and the conditions which existed therein. 59% of placements indicated they worked between 20-35 hours per week on placement with 71% of students indicating they work a part-time job during their placement. Students are also expected to contribute to resources and materials during placement with 45% indicating they spend between €31-60 per week, 30% paying €11-30 per week and 22% paying between €61-100 per week.

Due to these and other costs of college, students have little or no choice but to work outside the classroom hours, predominantly in retail (43%) and hospitality & leisure (31%), again sectors comprising large numbers of low-paid workers. Is this a coincidence or an over-reliance on the sub-minima rates for younger workers?

⁴ <https://www.creditunion.ie/news/latest-news/ilcu-survey-on-college-costs/>

Due to the living cost while in college and the obligation, as part of their qualification, to work on placement many students are being forced to work part-time, in many circumstances, to pay for the additional costs which are incurred as part of their mandatory training on school placement. The number of hours students have to work is exacerbated by the low rate of pay as allowed by the NMW sub-minima rates.

The sub-minima rates should be abolished by the LPC, following which, an assessment and consultation should be undertaken as to the prevalence and use of unpaid placement/internships throughout the economy, starting with college placements.

Transition to the labour force

It is widely acknowledged that young people have a longer and more precarious path into the labour force and onto a career. This includes cuts to education in particular the rise in fees, a significant reduction in employment opportunities and a rise in precarious, insecure and low paid employment. Along with the wider prevalence of unpaid internships, there is now a longer period which young people have to complete before they can hope to obtain a full hourly rate of pay, for the work they do.

In light of changes outlined above to student costs and unpaid placements, we propose that the age-related hourly rates be removed and working students paid at the same rate of workers, student or otherwise, whose only additional qualification is that they are one year older or above.

Conclusion

The NMW rate does not provide workers with enough income to achieve a minimum acceptable standard of living;

- At a minimum the NMW rate should keep pace with basic price increases;
- The NMW rate should be aligned with the Living Wage rate which works to ensure workers can achieve a minimum acceptable standard of living;
- The NMW rate should be used as a baseline tool from which to achieve a living wage, a living income and decent standard of living;
- The continuation of sub-minima rates would represent further ongoing exploitation of young people, to which we are firmly opposed;
- We believe that sub-minima rates are no longer, if they ever were, justified as they are discriminatory, unfair and should be abolished.
- ONE Movement, comprising Congress and all our affiliates, will continue to strive for Decent Work for all workers, regardless of age or occupation.

The Low Pay Commission has the opportunity to make a significant and positive difference in the lives of low-paid workers in Ireland and we would urge the Commission to do just that and take action to move the NMW closer to a rate which will enable workers achieve a minimum acceptable standard of living.