

People before Profit

Submission To Low Pay Commission

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Introduction: Context

1. People Before Profit supports the introduction of a Living Wage of €15 an hour. We believe this is necessary to address the issue of high levels of low pay and rising costs, particular of housing costs, for many workers. For PBP the introduction of a Living Wage is a matter of social justice.
2. Our general approach to the issue of workers' rights and budgetary and taxation policy are set out in our recent publication on workers' rights and our pre-budget submission.¹ Ireland has high levels of inequality. Many workers are prevented from meaningfully participating in society due to low levels of income and high costs. Many workers are reliant on state support to keep out of poverty. Thus significant state resources are effectively used a subsidy to employers. These same employers make relatively low levels of contributions to the social insurance fund leading to low non-pay costs for them. Partially as a result of those low levels of social insurance, Ireland has low levels of social support and low levels of workers' rights compared to other developed economies. The overall compensation package available to workers is therefore low. This is particularly the case for low paid workers who, for example, are unlikely to be paid sick pay as there is statutory requirement to do so.
3. Further, many Irish workers are denied the right to trade union representation and collective bargaining. Countries with high levels of collective bargaining tend to have more secure working conditions and more generous levels of social provision pushing up the real income of workers. Data from the OECD² shows the percentage of Irish workers covered by collective bargaining (CB) is low **with only one third covered**. The EU average, especially for the more developed EU 15, is 71%. Ireland ranks 16th of the 22 EU countries for which data is available. This is not surprising given that the proportion of workers in unions has fallen from 33% in 2005 to 24% in 2018.³ This is partially accounted for by the failure of the state to provide legal protection for the right to bargain and employer opposition to unions. Levels of organisation are lower among private sector workers and those in more vulnerable forms of employment. Given the lack of representation for these workers there is on onus on the state to ensure their living standards are protected. A statutory and high level of minimum income is essential to do this.

¹ See <https://news.pbp.ie/people-before-profit-pre-budget-submission-2020/> and <https://news.pbp.ie/policies/workers-rights/>

² <https://stats.oecd.org/Index.aspx?DataSetCode=CBC>

³ See <https://www.cso.ie/en/statistics/labourmarket/labourforcesurveytimeseries/>

Low Pay and Social Equity

- Irish workers have not benefited to the same extent as employers from the recovery.

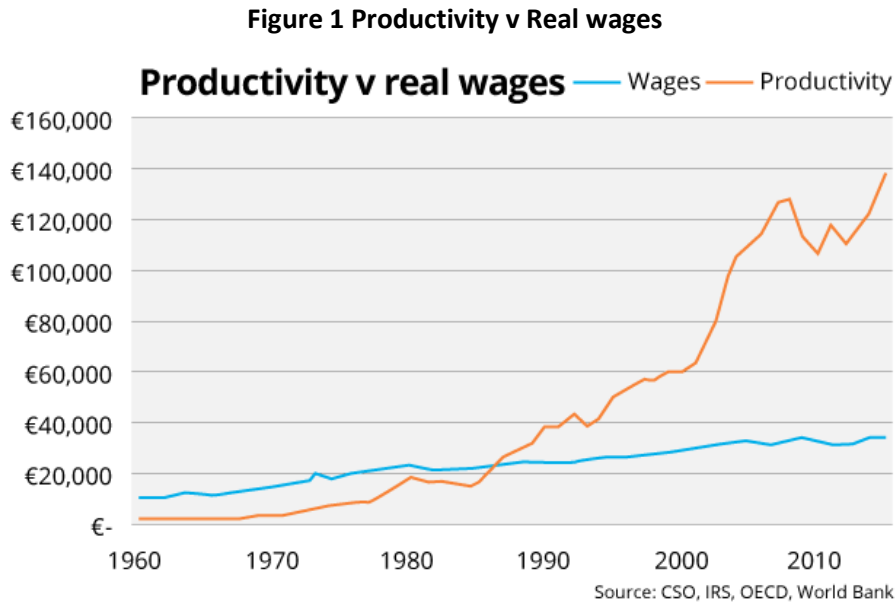


Figure 1 from our pre-budget submission shows this clearly. The benefits from high productivity growth have not led to increased real wages for workers. It's not surprising to then to find that the wage share in national output fell from 55% in 1995 to 44% in 2015 – the second biggest drop in the 37 countries surveyed.⁴

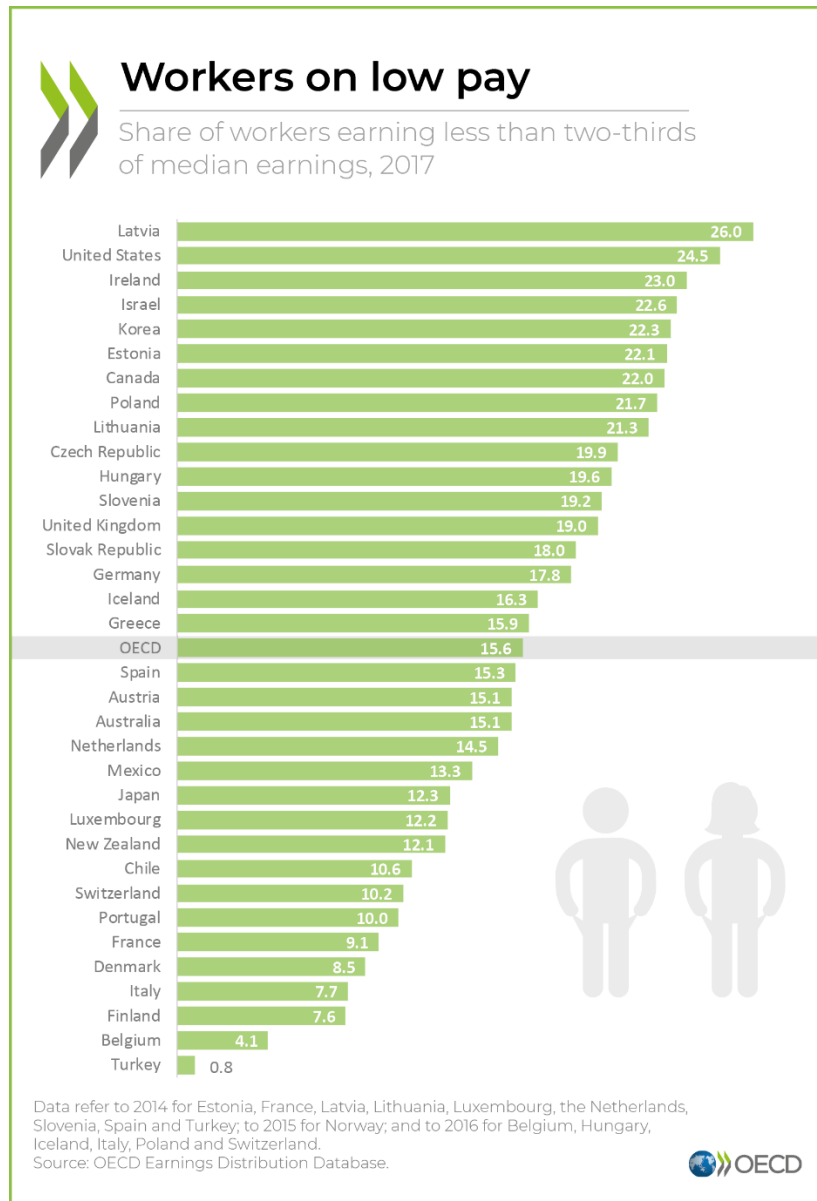
- But some workers fare much worse. Ireland has a high level of low pay. Recent data from the OECD (Figures 2) shows that Ireland has the third highest level of low pay on the OECD with 23% of workers earning less than two thirds of median earnings in 2017. The OECD average was 15.6%. This is despite that fact a minimum wage was introduced in 2000.
- Recent data from the Central Statistics Office⁵ provides detail on earnings for 2018 and shows that median earnings were €592.60 per week. It also shows that 28.7% of workers were earning below €400 per week which is just above 66% of median earnings (€394). It also shows that women were more likely to be below €400 as were young workers under 24. Some sectors of employment had very high levels of workers under €400. These include Accommodation and Food (68%), and Art and Recreation (56%), Wholesale and Retail (44%)

⁴ See <https://www.nerinstitute.net/blog/2016/04/01/a-worryingtrend-in-wages/> for more details

⁵ <https://www.cso.ie/en/releasesandpublications/ep/p-eaads/earningsanalysisusingadministrativedatasources2018/distribution/>

and Administrative and Support (36%). These are all sectors that have previously been identified as low paid.

Figures 2: Low Pay



- Given this level of low pay it is unsurprising that over 100,000 workers in Ireland live in poverty. According to CSO data 5.4% of those who are employed are living at risk of poverty – about 110,000 workers. Over time poverty figures for the working poor have shown little movement indicating a persistent problem with low earnings. A higher proportion of low

paid employees are living in households that struggle financially, borrow for day to day living costs and experience deprivation.⁶

8. A linked issue is that the level of statutory rights for workers is very low in Ireland. Provision for sickness, maternity and payment for other forms of leave compare badly with other European countries.⁷ For example, Ireland is one of small number, five, of EU countries where sick pay is not “state mandated”. In most states, employers continue to pay a salary for a period. In some of the countries where there is no state mandate, rates of sick pay are determined through collective bargaining but in Ireland payment is “at the discretion of the employer in accordance with the employee’s contract.”⁸ Workers in the private sector must wait for 6 days (the average in the EU is 3) before being paid anything in state benefit. Further, only Ireland, Malta and the United Kingdom apply a flat rate amount in state benefit. Replacement levels (the amount of your earnings covered) by the benefits in Ireland is estimated at **around 36%, the third lowest in the EU.**⁹
9. Low paid workers and those in precarious forms of employment are less likely to have contracts providing for sick pay. Thus they lose significant earnings while off sick. While PBP has called for a major revision for sick pay arrangements there is a strong argument to increase their basic earnings in order to compensate them for the failure of employers to pay them when they are off sick.
10. Given the above we believe there is a strong moral case for increasing the minimum wage to a Living Wage.

A Living Wage

11. The living wage is a measure of income to afford workers a socially acceptable standard of living. It takes into account the costs of housing, transport, childcare and basic goods and services: work should pay enough to allow workers to have a basic but decent standard of living.

⁶ Social Justice Ireland (2019) *Poverty Focus 2019*.

⁷ See <https://news.pbp.ie/policies/workers-rights/>

⁸ Spasova S., Bouget D. and Vanhercke B. (2016) *Sick pay and sickness benefit schemes in the European Union, Background report for the Social Protection Committee’s In-depth Review on sickness benefits* (17 October 2016), European Social Policy Network (ESPN), Brussels, European Commission.

⁹ See 9 above

12. For Ireland the living wage rate for a single adult was estimated at €11.90 per hour in 2018, 25% higher than the minimum wage in 2018, and at €12.30 in 2019. With the increase of the minimum wage to €10.10 this is still 22% below the Living Wage. The Nevin Institute have estimated that 26% of employees, 355,000, earn less than the living wage.¹⁰

13. The concept of a Living Wage shifts the focus from the cost of labour to the cost of living. As Eurofound has pointed out:

“Living wage campaigns have tended to originate where living standards have been threatened by escalating costs, often in a context of declining social provision for core goods and services, such as housing and childcare”.¹¹

Given the low levels of social provision in Ireland and the escalating cost of housing and childcare it is unsurprising that the demand for a Living Wage has been gaining support.

14. Housing costs for workers have escalated in recent years. By any measure increases have been significant:

- The Residential Tenancies Board Rent Index showed that rents nationally increased by 8.2% to the Q3 2019. This was higher than the 7.8% increase in the previous year. The National Rent Index has increased by 25 point since Q3 2016. The monthly average in Dublin was €1762.¹² EU data for 2018
- Research published in 2019 showed that in 2017 one in five renters were spending 40% of their income, one in 10 were spending 60% of their income, and one in 20 were spending 75% of their income on rent¹³. We can expect these percentages to have risen given that wages have not risen as steeply as rents since 2017. Rents have risen by 17% while average weekly earnings have rose by 7%.¹⁴

¹⁰ Michael Collins (2015) *Low Pay: Some Insights, NERI Research in Brief*. December 2015 (no 29).

¹¹ Eurofound (2018), *Concept and practice of a living wage*, Publications Office of the European Union, Luxembourg.

¹² <https://onestopshop.rtb.ie/research/ar/>

¹³ <https://www.socialjustice.ie/sites/default/files/attach/publication/5756/2019-03-28nationalsocialmonitor-europeanedition-final.pdf?cs=true>

¹⁴ See 12 and <https://www.cso.ie/en/statistics/earnings/earningsandlabourcosts/>

15. On top of rising housing costs childcare costs represent a huge burden on parents. Childcare costs in Ireland are much higher than in most other European countries. According to the OECD, gross childcare fees are 30% of net household income for a couple with two children – with both parents earning the average wage. This is second only to the UK among EU-28 countries.¹⁵
16. In general term Ireland is an expensive place to live. In 2018 Eurostat¹⁶ data shows that Ireland is the second most expensive country in the EU. It is second only to Denmark with price levels 29% above the EU average.
17. Due to the escalating cost of housing in Ireland the Living Wage was revised upwards in 2019. The new figure represents an increase of 40c per hour over the rate announced in July 2018 (€11.90). The current housing crisis, and associated increases in rent levels, was the main reason why the rate increased.¹⁷
18. Due to the high cost of housing a recent Eurofound report estimated that the living wage rate for a single adult in Dublin would be €14.45 per hour, while for a single adult with one child this would climb to €17.15.¹⁸ This suggests that a rate of €12.30 would leave workers struggling to meet living cost especially in Dublin.

Wage Costs and Productivity

19. It is likely that employers will argue that they cannot afford such an increase. We say that workers can't afford to live on low pay and that the economic recovery has by-passed many workers because salary levels remain low.
20. In general terms Ireland does not have a labour cost problem. The existence of widespread low pay coincides with below-average labour costs. Labour cost growth has remained modest in recent years and below the growth experienced in both the UK and the EU¹⁹. In it's 2018 Competitiveness Scorecard the National Competitiveness Council shows that

¹⁵ <https://stats.oecd.org/Index.aspx?DataSetCode=NCC>

¹⁶ https://ec.europa.eu/eurostat/statistics-explained/index.php/Comparative_price_levels_of_consumer_goods_and_services

¹⁷ <https://www.livingwage.ie/>

¹⁸ See 11 p.35.

¹⁹ National Competitiveness Council (2018) *Ireland's Competitiveness Scorecard 2018*. July 2018.

“Irish productivity growth rates and levels have been above the OECD average since the recession... Ireland had the highest output per hour worked among OECD member states in 2016... On average over the period 2006-2016, Ireland’s productivity growth rate (4.6%) has been well above most Member States and the OECD total (0.9%).”²⁰

In 2019 it was able to state that “Ireland continues to perform well in the three most influential competitiveness indicators... The trends across a number of competitiveness indicators suggest that Ireland is in a competitive position relative to where it was 10 years ago.”²¹ Since 2015 Labour costs increased by less than the “EU, euro area and the UK”.²²

21. Labour costs are broadly in line with the euro area average²³ but are less than for more developed economies, essentially the EU15 minus the poorer Mediterranean countries. Wage costs here are second lowest for these 11 countries and 10% lower than the average for these countries²⁴.
22. Labour costs in sectors identified as low paid in Ireland are all lower, except for Administration and Support Services in Ireland compared to the euro area²⁵. While compensation per hour was €31 per hour in Ireland in 2017, the figures for Accommodation and Food was almost half this at €16 per hour.
23. Comparison of low paid sectors with the EU 15 for 2018 shows significant gaps between compensation levels here and in the EU 15²⁶. For example, those working in Arts, Entertainment and Recreation are receiving 25% less per hour than the EU 15 average (€23.90 v €30). If account was only to be taken of more developed EU economies the gap would be larger.²⁷ Such an analysis for 2018 would show that Wholesale and Retail workers are 28% below the average while Accommodation and Food workers are 31% below that

²⁰ NCC (2018) p.12.

²¹ <http://www.competitiveness.ie/Publications/2019/ICS-Press-Release.pdf>

²² National Competitiveness Council (2019) *Cost of Doing Business in Ireland*. April 2019. p.20.

²³ See 22 p.7.

²⁴ See data for 2018 at https://ec.europa.eu/eurostat/statistics-explained/index.php/Hourly_labour_costs and for an analysis of earlier data Michael Taft (2018). *Low Pay Is A Moral Issue*. I Broadsheet Dec. 11 2018.

²⁵ See 27 p.20

²⁶ See for the data https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lc_lci_lev&lang=en

²⁷ See Taft (2018) and Tasc (2018) *Submission on the National Minimum Wage*. Dublin Feb. 2018 were such an analysis was conducted on earlier data.

average.²⁸

24. So Irish workers, in lower paid sectors, are being paid much less than similar workers in other developed European economies. Along with this these sectors continue to be profitable.

A recent report on the hotels industry illustrates this clearly:

“The Crowe Ireland Annual Hotel Survey, compiled from an analysis of Irish hotels’ 2018 accounts, shows that the sector experienced a positive year in 2018 with an eighth-consecutive year of growth in turnover.

Increased profit levels and average room rates have been recorded across all regions. Notwithstanding the strong performance by the sector, the survey also reveals that 2018 marked a turning point for the industry, with the period of double-digit growth coming to an end after a record seven years.”²⁹

A recent report from the Central Bank highlight comparatively high levels of profitability in the Retail (Grocery) sector:

“Proxy indicators suggest that grocery retail profits may be relatively high in Ireland. Of the countries for which data are available, only Malta and the Netherlands exhibit higher profitability in the groceries sector...This relatively high profitability compared to some other euro area Member States, such as Germany, has been a consistent feature for most of the past 20 years, with the exception of the period of the global financial crisis.”³⁰

Conclusion

25. Ireland has a high level of low pay and remains a low wage economy. The recent growth in the economy has passed many workers by and many have ended up living in persistent poverty. Living cost are high here compared to other EU countries. In general terms Irish workers gain less compensation and have less social supports. They are less likely to be covered by collective bargaining. Irish workers are highly productive but are paid less than

²⁸ See 24 for data source.

²⁹ <https://www.crowe.com/ie/insights/crowe-releases-2019-irish-hotel-industry-survey>

³⁰ <https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2019/quarterly-bulletin-q4-2019.pdf>

appropriate European comparators.

26. In light of this and as a matter of social justice we must move towards a Living Wage. We believe there is evidence to support a Living Wage of €15 per hour.