



SINN FÉIN'S SUBMISSION TO THE LOW PAY COMMISSION

National Minimum Wage Consultation 2020

MARCH 2020

Introduction

The Living Wage, as calculated by the Living Wage Technical Group, now stands at €12.30 per hour, or €25,198.24 per annum.

The minimum wage, as recommended by the Low Pay Commission and implemented by the Minister for Employment Affairs and Social Protection, now stands at €10.10 per hour.

This submission to the Low Pay Commission will outline why Sinn Féin believes a Living Wage of €12.30 per hour, should now be introduced as the legal minimum standard for workers.

Sinn Féin believe workers should be paid a rate of pay that will allow them to afford the basic necessities of life, to live with dignity and to participate fully as active citizens in our society.

We believe this is not too much to ask and something the government should strive toward.

The current minimum wage has failed to take into account the day to day costs that have spiralled out of control, such as the massive increase in rents, the price of education, the enormous cost of insurance, and the huge monthly childcare costs that are all putting severe strain on families across the state.

Social Justice Ireland estimate that there are 111,000 workers living in poverty due to low wages.¹ It is clear the current minimum wage structure is failing workers and their families.

In tandem with a move to introduce a living wage, we would suggest that appropriate legislative safeguards are put in place for those financially vulnerable businesses who may not be able to afford this change at this time.

This approach would see every employer who can afford to pay staff at least the living wage, doing so, and it would provide an exemption for those businesses who cannot.

The National Minimum Wage would continue to provide an absolute floor of protection for those workers in companies who have been exempt from paying the living wage rate.

Trade union rights, collective bargaining and the strengthening of the Joint Labour Committees should also form part of the effort by government to improve pay and conditions for workers.

We hope that this submission to the Low Pay Commission will show the need to move towards a living wage, outline the feasibility of doing so and provide a solution for those businesses that genuinely cannot afford it at this time.

1 <https://www.socialjustice.ie/content/policy-issues/more-689000-living-poverty-ireland-over-200000-are-children>

What is the Living Wage?

The Living Wage, which currently stands at €12.30 per hour or €25,198.24 per annum² is set by the Living Wage Technical Group, based on research identifying the Minimum Essential Standard of Living (MESL) in Ireland, conducted by the Vincentian Partnership for Social Justice (VPSJ).

It is a wage which makes possible a minimum acceptable standard of living.

The Living Wage calculation is evidence based and built on budget standards research. The hourly figure;

- Establishes the average gross salary which will enable full-time (39 hours per week) employed adults (without dependents) across Ireland to afford a socially acceptable standard of living;
- Is a living wage which provides for needs not wants;
- Is unlike the National Minimum Wage which is not based on the cost of living.

The Living Wage is intended to establish an hourly wage rate that should provide employees with sufficient income to achieve an agreed acceptable minimum standard of living.

In that sense it is an income floor; representing a figure which allows employees afford the essentials of life. Earnings below the living wage suggest employees are forced to do without certain essentials so they can make ends-meet.

Why is it needed?

Research from the Organisation for Economic Cooperation and Development shows Ireland has the third highest rate of low pay in the 36-member organisation, with 23% of the workforce here being categorised as low paid.³

The current minimum wage has failed to take into account major changes in the income and expenditure of workers across Ireland.

With over 100,000 workers still living in poverty, it is clear a new approach to dealing with low pay across Ireland is needed.

From February 1st 2020 the minimum wage rose to €10.10 p/h, which although a positive, albeit small increase of 3% on the previous rate, has been dwarfed by other increases workers faced in the same time period.

According to the latest daft.ie rental report, rents, which usually account for the largest part of a person's expenditure, have risen in 29 of the last 30 quarters nationally. In Dublin City alone rents are now 112% higher than their lowest point a few years ago.⁴

According to the OECD Irish workers are now the most productive workers in the world, adding an average of \$99.50 (€87) to the value of the economy every hour they work, far above the European Union average of \$56.60 per hour.⁵

The European Commission's research showed Irish GDP growth in 2019 was 5.7% for 2019 and 8.2% for 2018. But the previous paltry increases in the minimum wage have not, and do not reflect this positive economic reality, with many low paid workers feeling that the economic recovery has completed passed them by.

The most recent data from the CSO showed that the average number of people earning the minimum wage or less in quarter four 2018 totalled 137,200, or 7.6% of total employees.

3 <https://data.oecd.org/earnwage/wage-levels.htm>

4 <https://www.daft.ie/report/2019-Q4-rental-daftreport.pdf>

5 <https://stats.oecd.org/index.aspx?queryid=54563>

Benefits to the state

The introduction of a National Living Wage Act would not just bring benefits to workers, it would also bring a number of benefits to the state.

Recent figures from the Department of Employment Affairs and Social Protection show that 52,074⁶ people are currently in receipt of the Working Family Payment.

As the name suggests, these are people who are in fact out working, but whose low wages cannot meet the basic day to day necessities.

This results in the state having to step in and subsidise these people's wages, because their employers pay them inadequately. This subsidy to employer's wage bills cost the state €431,000,000 in 2018 alone.⁷

The introduction of a Living Wage would have a positive effect on many families who currently find themselves in a vulnerable financial situation due to the inadequate minimum wage, and it could also save the state a considerable sum in the Working Family Payment scheme.

In addition, a Living Wage in Ireland would also have a significant impact on the tax take for the state, due to tens of thousands of additional workers paying slightly more in income tax, PRSI and USC.

6 PQ [37821/19]
7 PQ [29471/18]

Exemption for businesses that cannot afford to pay the Living Wage

Although most businesses already pay the Living Wage and above, some SMEs across the state would have genuine difficulty transitioning from the current minimum wage to a living wage.

We recognise this reality and to account for this, we would propose including an exemption clause in a new National Living Wage Act, similar to Section 41 of the current National Minimum Wage Act 2000, which could provide an exemption for businesses who can prove to the Workplace Relations Commission that their margins show they cannot afford to pay their workers a Living Wage without it incurring job losses, a reduction in hours or pay cuts.

In these circumstances, if a business can prove to the Workplace Relations Commission, by way of opening up their books for inspection, that they genuinely cannot afford to pay their staff a Living Wage, then they would be eligible to be exempt from paying the Living Wage and would instead continue to pay their normal hourly rate, with the minimum wage, as set by the Minimum Wage Act, level remaining the lowest rate permissible.

We believe this exemption would be fair and reasonable and would protect against job losses, a reduction in hours or pay cuts for businesses and their employees.

The Living Wage Foundation

The Living Wage Foundation⁸ is a British based group that recognises and celebrates the leadership shown by Living Wage employers across Britain.

In 2020, the number of accredited employers with them stands at 6,261⁹ and includes companies such as Aviva, IKEA, KPMG, Citi, Google and Unilever to name just a few.

In 2017 the Living Wage Foundation and Cardiff Business School produced a report into the effects of introducing the Living Wage, based on a survey with employers who introduced the rate. The survey of more than 800 accredited real Living Wage businesses, ranging from SME's to FTSE 100 companies, found that 93% reported they had gained as a business after becoming a real Living Wage employer.

The Living Wage Employer Experience¹⁰ also found;

- 86% say it improved the reputation of the business;
- 75% say it increased motivation and retention rates for employees;
- 64% say it has helped differentiate themselves from others in their industry;
- 58% say it improved relations between managers and staff

This report also examined how employers who moved to the Living Wage dealt with the wage increase.

On the positive side;

- 70% of employers stated that they had “absorbed the cost of the Living Wage without making major changes”
- 15% said it resulted in promotion opportunities for low wage employees
- Over 10% said it resulted in them “increasing the training for LW employees, and in them increasing the responsibility of LW employees.
- 7% said it resulted in them “moving LW employees onto permanent contracts”

On the negative side;

- 10% said they raised prices;
- 5% said it resulted in them “cancelling or scaling down plans for investment”;
- Around 2% said it resulted in them “reducing the number of LW jobs, and reducing the hours of work of LW employees”.

We would argue, that 2% who cut jobs and hours could avail of the exemption through the Workplace Relations Commission.

8 <https://www.livingwage.org.uk/>

9 <https://www.livingwage.org.uk/accredited-living-wage-employers>

10 <https://www.livingwage.org.uk/sites/default/files/Cardiff%20Business%20School%202017%20Report.pdf>

Conclusion and recommendation

Social Justice Ireland estimate that there are 689,000 people are living in poverty, with 111,000 of these people in jobs, but living in poverty.¹¹

This shameful inequality in our society must be reduced and low-paid workers must receive an income sufficient to afford a minimum, but decent, standard of living.

Sinn Féin believes the Living Wage can help address this, and we strongly believe a Living Wage should now be introduced.

This change will benefit thousands of workers and their families across Ireland by providing greater financial security and a better standard of living.

Businesses will gain by increased motivation and retention of employees, in addition to tens of thousands of additional consumers who will have greater spending power.

Businesses, who genuinely cannot afford this change, will be exempt, protecting their businesses and the jobs of their employees.

The Exchequer will benefit by an increase in the tax take, in addition to savings made by the reduced need to subsidise large corporations wage bills.

Trade union rights, collective bargaining and the strengthening of the Joint Labour Committees, should also form part of the effort by government to improve pay and conditions for workers.

Sinn Féin is of the firm opinion that the Low Pay Commission should not waste this opportunity to recommend to the government, moving to a Living Wage for workers, which will make a significant difference to the living standards of thousands of workers and their families.

11 <https://www.socialjustice.ie/content/policy-issues/more-689000-living-poverty-ireland-over-200000-are-children>