



Submission to the Low Pay Commission

Review of the National Minimum Hourly Rate of Pay

March 2016

1. Introduction

- 1.1 The Irish Congress of Trade Unions is the largest civil society organisation on the island of Ireland representing 800,000 workers in all sectors of the economy north and south.
- 1.2 Congress welcomes the second review of the hourly rate of the Minimum Wage by the Low Pay Commission. We believe it represents an opportunity to make a significant and positive impact on the living standards of low paid workers and their families.
- 1.3 In this submission we will argue that the Low Pay Commission should use this review in order to make the first significant step towards in aligning the hourly rate of the Minimum Wage with the hourly rate of the Living Wage.
- 1.4 We strongly believe that there is an emerging consensus in our society that all workers should have a legal right to enjoy as a minimum an hourly rate of pay that can sustain a reasonable standard of living.
- 1.5 This submission has four sections:
 - In the first section we will examine the profile of the workers on the Minimum Wage drawing on research carried out by the Nevin Economic Research Institute (NERI);
 - In the second section we will bring the Commission up to date on our efforts to build support for the adoption of the Living Wage through the Congress campaign on our Charter for Fair Conditions at Work;
 - In the third section we comment on the matters the Low Pay Commission is required to have regard to by virtue of Section 7 of The National Minimum Wage (Low Pay Commission) Act 2015; and
 - In the final section of this submission we will set out what we believe is an appropriate recommendation on a revised hourly rate of the Minimum Wage.

2. Who Earns the Minimum Wage?

- 2.1** In July 2015 the Nevin Economic Research Institute (NERI) published a working paper entitled 'A Profile of Those on the Minimum Wage'¹. In this paper a detailed profile was developed of those who were earning the Minimum Wage, their age, their gender and in which sectors of the economy they were employed.
- 2.2** NERI estimated that some 75,000 workers had earnings at the level of the Minimum Wage. The CSO estimates² that in quarter four off 2015 the numbers of workers in employment stood at 1,983,000. Assuming that the number of workers being paid at the level of the Minimum Wage has remained in the region of 75,000 the percentage of those in work earning the Minimum Wage is just below 4%.
- 2.3** The study further identified that of the 75,000 workers earning the Minimum Wage 65% of them were female. The working paper also identified that over 70% of the workers concerned were between the ages of 18 and 40.
- 2.4** NERI also looked at the sectors of the economy in which the workers earning the Minimum Wage are employed. Using the CSO NACE classifications it identified that approximately 15% of the group were employed in industry, approximately 20% in wholesale and retail, approximately 22% in accommodation and services and approximately 15% in in health and social work.
- 2.5** In that regard and arising from the work undertaken by NERI, in our view, it is reasonable to draw the following conclusions:
- because the number of workers whose earnings are at the level of the Minimum Wage is relatively small when compared to the numbers in employment the impact of any increase will minimal and have no real impact on employment costs in the economy;
 - because close to 65% of those who are paid at the level of the Minimum Wage are female any increase in the hourly

¹<http://www.nerinstitute.net/research/a-profile-of-those-on-the-minimum-wage/>

²<http://www.cso.ie/en/releasesandpublications/er/qnhs/quarterlynationalhouseholdsurveyquarter42015/>

rate of the Minimum Wage will make a positive impact on reducing the gender pay gap³;

- 70% of those paid at the level of the Minimum Wage are under 40. Because of their age these workers are more likely to have to endure costs for important services like childcare and are also likely to have rental and mortgage costs. A substantial increase in the Minimum Wage will contribute to improving the quality of life of these workers and could increase participation in the labour market particularly for women and lone parents;
- It is clear that because the vast majority of those earning the Minimum Wage are employed in domestic/non-internationally traded sectors of the economy the potential impact on the competitiveness of the economy is minimal.

3. Moving Towards a Living Wage.

3.1 Since the first report of the Low Pay Commission, Congress has become convinced that there is now a consensus developing in our society that the Low Pay Commission should work towards bringing the level of the Minimum Wage over a relatively short period up to the rate of the Living Wage of €11.50⁴.

3.2 In April 2015 Congress commenced a campaign to win support for the Congress Charter for Fair Conditions at Work⁵. The Congress Charter identified five principles that we believe should be implemented in every workplace in the country. The five principles are as follows:

- the living wage;
- fair hours of work;
- the right to representation and collective bargaining;
- respect, equality and ethics at work; and
- fair public procurement.

3.3 In the first stage of the campaign Congress sought direct meetings with each member of the Oireachtas and the Irish members of the European Parliament. When we had concluded this stage of the campaign Congress had secured the support of over 130 members of the

³ Congress has also made a submission to the Low Pay Commission on the “Predominance of Women on the Minimum Wage”.

⁴The rate of €11.50 for the Living Wage arises out of a review that was undertaken in July 2015. A further review will be conducted in July 2016.

⁵http://www.ictu.ie/download/pdf/charter_for_fair_conditions_at_work.pdf

Oireachtas and the European Parliament. Congress published the results of this stage of the campaign in February 2015 and the results can be found at <http://www.ictu.ie/charter/politicians/>.

3.4 In the second stage of the campaign, which is ongoing at the time of writing this submission, Congress contacted each elected member of a Local Authority. We asked each member to give consideration to doing the following:

- showing their individual support for the Congress Charter by signing a pledge that they endorsed the achievement of the principles set out in the Congress Charter;
- that they request that a Congress representative be invited to address a meeting of their Local Authority; and
- they propose a motion for discussion at their own Local Authority in support of the Congress Charter.

3.5 We also addressed a meeting of the City and County Managers Association and asked each Local Authority Chief Executive Officer to facilitate an address by a Congress representative to elected members of their Local Authority.

3.6 At the date of sending this submission to the Low Pay Commission a Congress representative will have addressed the elected members of the following Local Authorities:

- Kerry County Council;
- Cork County Council;
- Cork City Council;
- Monaghan County Council;
- Tipperary County Council;
- Dublin City Council;
- Kilkenny County Council;
- Leitrim County Council;
- Kildare County Council;
- Wicklow County Council;
- Meath County Council;
- Fingal County Council;
- Cavan County Council;
- Limerick City and County Council; and
- Galway City Council.

- 3.7** In the majority of these Local Authorities a motion in favour of the Congress Charter has already been agreed by elected members. Where a motion has not been agreed we understand in most cases a motion will be debated at some point in the very near future. It should be further noted that Sligo County Council has also passed a motion in favour of the Congress Charter.
- 3.8** In addition to the motions passed and as part of the campaign in Local Authorities we have secured the individual support of 171 of the elected members of Local Authorities from across every City and County Council in the country. We intend to complete the campaign in Local Authorities before the summer of 2016.
- 3.9** Since the beginning of 2016 Congress has also been meeting with organisations that are representative of employers. To date while there are differences in emphasis we have not encountered any fundamental opposition to the principles set out in the Congress Charter.
- 3.10** In the summer of 2016 we intend to seek support for the Congress Charter from civil society groups including churches, sporting organisations, organisations representing women and young people amongst others.
- 3.11** It is important to note that the preparation of this submission also coincided with General Election campaign. It has been noteworthy that nearly all of the political parties agree that the Minimum Wage should continue to be increased with some advocating that the level of the Minimum Wage should be aligned with that of the Living Wage. Looking at the results of the General Election it is now clear that a majority of those elected to the Dáil support the Congress Charter and in turn the Living Wage.
- 3.12** We believe that it is appropriate to advise the Low Pay Commission of these developments. As the largest civil society organisation in the country we have sought to win support for the principles set out in our charter including the achievement of the Living Wage. The responses have been very valuable and reflect the consensus that we believe exists or is emerging in Irish Society that the achievement of a Living Wage for all workers is desirable.

4. Matters that fall to be considered by the Low Pay Commission in reaching its recommendation.

4.1 Section 7 of the Minimum Wage (Low Pay Commission) Act 2015 sets out the matters that the Low Pay Commission are required to have regard to in making a recommendation to the Minister on the hourly rate of the Minimum Wage.

4.2 In section 7, reference is made to a “relevant period”. However the “relevant period” is not defined within the statute. In light of this we have confined our comments to general views on the matters that fall for consideration in the following bullet points.

- **Earnings** – In the fourth quarter of 2015 average weekly earnings in the economy have risen by 3% while average weekly earnings in the private sector of the economy rose by 3.24%⁶. Average weekly earnings increased by 3.8% in enterprises with less than 50 employees. Average hourly earnings across the economy increased by 2.2% in the fourth quarter, by 2.6% in the private sector and by 3% in enterprises of less than 50 employees. The unions affiliated to Congress with membership in the private sector have, reported a strong growth in earnings in the early part of 2016 however this is not captured by the CSO data on earnings as yet. Eurostat has also ranked the earnings of Irish workers against those in other European countries. It is evident from their work that Irish workers in the hospitality and retail sectors are below average earnings of workers in the EU 15 and significantly below earnings levels in other small open economies⁷.
- **Profits** - In relation to profits corporation tax receipts (to end December 2015), which are based on **corporate profits** taxed at the 12.5% rate, have increased from €4.61billion in 2014 to €6.87 billion in 2015⁸. This represents an extremely robust increase of 48.9% year-on-year. The substantial annual increases in the value of retail sales (+8.9% to January), in VAT (7.1% to December) and in excise (+6% to December) also suggests much improved profits and conditions in 2015.

⁶<http://www.cso.ie/en/releasesandpublications/er/elcq/earningsandlabourcostsq32015finalq42015preliminaryestimates/>

⁷ Eurostat: National Accounts aggregates by industry (up to NACEA*46) (nama_10_a64) and National Accounts data by industry (up to NACE A*64) (nama_10_a64_e)

⁸http://finance.gov.ie/sites/default/files/Appendix%20I%20Tax%20Receipts%20end%20December%202015_0.pdf

This trend is likely to continue in 2016 as data from the CSO's Monthly Services Index⁹ for January 2016 shows that the value of activity in the accommodation sector rose by 14.4% as the economy strengthens.

- **Exchange Rates** - The currencies that are most relevant to the consideration of the Low Pay Commission are Sterling and the US Dollar. The Euro was trading at around \$1.10 in late February down from \$1.3 in September 2014. The value of the Euro has increased against Sterling in February 2016. However, we would point out the change in the Sterling exchange rate has been largely brought about due to the uncertainty arising from a potential exit by Britain from the European Union and in the probable event of the UK staying within the EU we anticipate Sterling strengthening against the Euro after June. Ireland's current account surplus suggests the economy is competitive against its trading partners. According to Eurostat Ireland's real effective exchange declined in each of 2009-2014 meaning the Irish economy gained competitiveness in each of these years¹⁰.
- **Income Distribution** – One of the important functions of the Minimum Wage in any economy is to adjust how income is distributed so that the lower paid workers receive a higher proportion of what is available. In February 2014, NERI published research on Household Income Distribution in the Republic of Ireland¹¹. The research showed a very uneven distribution of income across households with 62% of households with an income of less than €50,000 per annum. The research further showed that the top 10% of households had annual disposable income of over €77,000 per annum. Ireland's Gini coefficient of equalised disposable income increased from 29.8 in 2011 to 30.7 in 2014 meaning that income inequality has increased in that time. Ireland's Gini coefficient (30.7) is marginally below the EU average (30.9).
- **Unemployment, Employment and Productivity** – Unemployment continues to fall and now stands at 8.8%. The level of employment in the economy is also on the increase. Employment grew by 2.6% in 2015. Productivity in the

⁹http://www.cso.ie/px/pxeirestat/Database/eirestat/Services%20Index/Services%20Index_statbank.asp?SP=Services%20Index&Planguage=0

¹⁰ <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=tipser20>

¹¹ <http://www.neriinstitute.net/research/household-income-distribution-in-the-republic-of-ireland/>

economy is estimated by the Department of Finance to have increased in the last year by 1.4%¹². Meta-analysis of the impact of minimum wage increases suggest the employment impact of an increase in the rate would be negligible (see NERI¹³¹⁴ for a discussion).

4.3 It would seem to Congress that the conditions exist to allow the Low Pay Commission to recommend a substantial increase in the hourly rate of the Minimum Wage. The evidence points to a substantial upward growth in earnings and profits at a time when unemployment is falling and employment increasing. The evidence also suggests that there is strong growth in output levels and increasing productivity. From an equity perspective a substantial increase is also justified as the available evidence suggests that income distribution is very uneven. As pointed out earlier the available evidence confirms that the number of workers who are paid at the level of the Minimum Wage is relatively small and predominately in sectors that are domestic and not internationally traded. Therefore a substantial increase in the hourly rate of the Minimum Wage would have a minimal or no impact on the competitiveness of the economy.

5. Conclusion

5.1 Congress is strongly of the view that the Low Pay Commission is presented with an opportunity to make a significant difference to the living standards of low paid workers in our society.

5.2 The economy is growing strongly and it would be remiss of the Low Pay Commission not to take advantage of the prevailing economic conditions and the emerging societal consensus and move the level of the hourly rate of the Minimum Wage closer to that of the Living Wage.

5.3 Congress is therefore advocating that arising from this review and the review in 2017 that the hourly rate of the Minimum Wage be aligned with the Living Wage.

**Irish Congress of Trade Unions
March 2016.**

¹²<http://www.budget.gov.ie/Budgets/2016/Documents/Economic%20and%20Fiscal%20Outlook%202016.pdf>

¹³ <http://www.nerinstitute.net/research/neri-submission-to-low-pay-commission-on-minimum-wage/>

¹⁴ <http://www.nerinstitute.net/research/employment-impacts-and-the-new-minimum-wage-research/>