



Consultation on the allowances for board and lodgings provided for under the National Minimum Wage

IFA Submission to the Low Pay Commission January 2017

Introduction and Overview

The Irish Farmers' Association (IFA) is the main representative body for farmers in Ireland. It is a largely voluntary structure and comprises committees representing all of the major commodities, ranging from the main farming sectors of beef and dairy to smaller scale, more labour intensive sectors, including horticulture, pigmeat, poultry, potatoes, mushrooms and the hardy nursery sector.

Labour costs are a significant component of overall input costs for these sectors in particular. Farming is an export dependent sector, and it is critical that the cost environment for farm enterprises is sufficiently competitive to allow high quality Irish produce compete on international markets, and with imports on the Irish market. The weakening of sterling against the euro in the last six months of 2016 has impacted negatively on the competitiveness of the agri-food sector.

IFA welcomes the consultation of the Low Pay Commission on the allowances for board and lodgings provided for under the National Minimum Wage. At the time of the establishment of the Commission, in early 2015, IFA wrote to the then Minister of State for Business and Employment, Ged Nash, and identified the allowances for board and lodgings as an issue that must be addressed by the Commission.

The provision of board and lodgings has traditionally been part of the employment structure in agriculture, with seasonal labour common across the horticulture sectors in particular. Under the current legislation, where an employee receives board and/or lodging, the amounts that can be deducted by the employer from wage calculations are very low (e.g. €7.73/day for full board and lodgings, or €3.14/day for lodgings only), and not reflective of the actual costs of providing this.

The maximum amounts that can be deducted are:

- €54.13 for full board and lodgings per week, or €7.73 per day
- €32.14 for full board only per week, or €4.60 per day
- €21.85 for lodgings only per week, or €3.14 per day

These allowance figures have not been amended since the introduction of the National Minimum Wage in 2000. The Minimum Wage at that time was £4.40/hour (or €5.59/hour). The National Minimum Wage now stands at €9.25/hour, an increase of 65% from the original figure.

IFA Proposals

The current system for including board and allowances in the reckonable pay of employees is not fit for purpose, does not reflect the costs to the employer of their provision, and must be amended.

Proposal 1: Remove allowance for board and lodging from calculation of reckonable pay

IFA believes that the Commission should consider fully removing the link between the provision of board and lodgings for employees and the calculation of reckonable pay. The current system is based upon an outdated accommodation model, whereby workers lived in the houses of employers, such as would have occurred under the Farm Apprenticeship Scheme.

It is noted that, in other countries where there is a statutory minimum wage, the inclusion of the provision of board and lodgings in the calculation of reckonable pay is not uniformly required.

IFA is clear that, if introduced, this proposed change would require safeguards to be put in place to ensure that no employee is compulsorily required to take up board and/or lodgings provided by the employer.

Alternative Proposal: Amend allowance to accurately reflect board and lodging costs

IFA recognises that the inclusion of accommodation as part of the calculation of reckonable pay of employees is established in some countries.

In the UK, for example, accommodation costs only are taken into account when calculating the National Minimum Wage. No other kind of company benefit, such as food or transport, is included in the wage calculation. The current accommodation offset rate in the UK is £42/week, the equivalent of €51/week. This compares with the current Irish rate of €21.85 for lodgings only in Ireland. The UK accommodation rates are set in October annually.

If the Commission believe that the allowance for board and lodgings should be retained, the offset against pay must be increased to accurately reflect the costs for employers of providing this. In examining this issue, IFA believes the Commission should consider other payment structures that currently exist for accommodation and other subsistence/living costs. These include:

- Rent Supplement, which is provided to '*assist with reasonable accommodation costs of eligible people living in private rented accommodation*', and which provides a monthly rental allowance of between €330 and €660 for a single person, dependent on location
- Country Money, which is a payment designed to compensate employees for expenses incurred travelling varying distances to and from building sites and to cover subsistence expenses. This provides a weekly subsistence allowance of €181.68/week
- The third level maintenance grant, the purpose of which is to make a contribution towards a student's living costs, with a maximum rate of €3,025 annually

In addition, there should be scope to regularly review this figure, similar to the annual review and update provided in the UK.