



Small Firms Association

**Submission on the allowances
for board and lodgings provided
for under the National Minimum
Wage Act**

Presented to:

Low Pay Commission

January 2017

Introduction

The Small Firms Association (SFA) is the trusted partner of small businesses in Ireland, with 8,500 members and four affiliated organisations in all sectors and parts of the country. Its mission is to deliver business-focused advice and insights to member companies, influence government policy to the benefit of small businesses and connect its members in a thriving community.

The SFA has a vision of Ireland as the most vibrant small business community in the world – supporting entrepreneurship, valuing small business and rewarding risk takers. In this context, the SFA welcomes the opportunity to make a submission to the Low Pay Commission on the allowances for board and lodgings provided for under the National Minimum Wage Act. The submission is based on our knowledge and experience of the small business community, which comprises over 235,000 businesses, employing half of the private sector workforce, as well as on specific input from SFA member companies.

Overview

The SFA supports the retention of allowances for both board and lodgings in the context of the National Minimum Wage (NMW). To the extent which they are used, they provide a partial offset of the cost of the NMW for employers that provide these benefits for employees. From an employee perspective, the deduction is considerably lower than the cost of meals and accommodation on the private market and this provides an advantage to employees, especially given the current housing shortages in Irish cities.

Data on use of board and lodgings allowances

One of the challenges when assessing the allowances is the lack of data available on their use. Comprehensive national data is required on the prevalence of use, the sectors that avail of them and the profiles of the employees who they are applied to. This is part of a wider question of data on all aspects of the National Minimum Wage and the SFA recommends that the Low Pay Commission conducts a data gathering exercise in conjunction with the CSO to inform its ongoing work.

Input from SFA members, sought in January 2017, indicates that the board and lodgings allowances are not widely used. Their use is, however, concentrated in particular sectors, for example home care, food and construction, where they may play an important role.

The case for retaining the allowances

The SFA believes it is important that both the board and lodgings allowances are retained under the National Minimum Wage Act. The existence of these allowances recognises the benefit provided to employees by employers who provide board and/or lodgings. They also make it financially viable for employers to continue to offer these benefits, even in low margin businesses where use of the minimum wage is most prevalent.

Some members that contacted us about this issue indicated that they tend to provide board and lodgings only occasionally and that they do not find it practical to apply the deductions in this case. Others, however, indicated that they do apply the deductions and that any removal of the deductions would be disruptive to their business.

Appropriate rates

The deductions allowed for board and lodgings have not been adjusted since their introduction in 2000. In the same period, general inflation has been 34% and the National Minimum Wage has increased by 62%.

Changes since 2000:

National Minimum Wage	Prices (general inflation)	NMW board and lodgings allowances
+62%	+34%	0%

The fact that the rates for board and lodgings allowances have not changed since their introduction is an anomaly. This is particularly stark given that the allowances were substantially less than market value for meals and accommodation when they were originally set. In the UK, in contrast, the accommodation rates which an employer can deduct from an employee's pay are reviewed annually and have steadily increased.

The SFA believes that a revision of the rates is needed and that the correct rates in 2017 would be significantly higher than the existing ones. Furthermore, a mechanism should be introduced to facilitate regular updating of the rates to ensure that they remain at the appropriate level over time. This mechanism should index the allowances to the specific prices of board and lodgings.

Conclusion

The SFA advocates the retention of the board and lodgings allowances under the National Minimum Wage. This issue affects relatively few workers and there is no evidence that the rates are being abused. For those companies and sectors that do use them, they provide an important offset for benefits provided to employees. Abolishing these rates would have a detrimental effect on these businesses, and consequently on employment rates in the sectors involved. The SFA proposes that the allowances are retained but the rates increased, following a long period of non-adjustment, and a mechanism introduced for their continued adjustment into the future.

For further information on any of the issues raised in this submission, please contact Patricia Callan, SFA Director, on 01-6051602 or patricia.callan@sfa.ie

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