

# **Labour Party Submission to the Low Pay Commission on a proposed rate for the National Minimum Wage in 2018**

## **Introduction**

The Labour Party is the party of work. We believe in decent work and in the principle that work should always pay.

This Government and Dáil must not preside over an economic recovery model that is fuelled by a ruthless race to the bottom or the sacrifice of employment rights that have been hard won and that are the mark of decency and a progressive society. What people want, and are entitled to, are sustainable, secure and reasonably well-paid jobs.

As unemployment falls, we want to see economic recovery translated into better working conditions and improved pay, particularly for low-paid workers.

Because work isn't just about earning a living. It is about personal life and personal finances. It is about being able to plan for a future, for a mortgage, for a family. It is, ultimately, about human dignity and respect.

A statutory National Minimum Wage is an important tool to combat low pay, a key driver of income inequality.

The establishment of the Low Pay Commission represents an important institutional response to the economic and social challenges of low pay.

We are optimistic that the LPC can rise to the challenge of tackling income inequality.

## **Missed Opportunities in 2017**

The 10 cent increase in 2017 represented a missed opportunity to make a real difference to working people.

Every month we are hearing of unemployment decreasing, thousands of jobs being announced but nothing being done for those on the minimum wage.

The 10 cent per hour increase awarded from 1 January will come as little comfort to those working on the minimum wage. For the people or more who get paid just €9.25 per hour that increase, bluntly, was an insult. If the Government continues at this rate of increase, if this is to be the rate that will take place, it will be 2030 before the modest €10.50 promised in the Government proposals is reached. Only seven months in, their policy is in tatters and should be a source of huge shame and embarrassment for the government.

## **Profile of those on the Minimum Wage**

The Nevin Economic Research Institute (NERI), estimate that the number of people who earn the NMW stands at 75,000. When we delve deeper into these numbers we see that over 65% of those on the NMW are women and that 70% of these workers are aged between 18 and 40.

Research by NERI also shows that these workers are predominately employed in retail, hospitality, health and social care.

We can assume that those workers aged under 40 are more likely to have high out-goings such as rent and mortgage costs and services such as childcare, transport etc.

### **Sub Minima Rates of Minimum Wage**

When the National Minimum Wage was first introduced, there was a concern that paying the full adult rate to young people would act as an incentive for younger people to leave education early and to take up full-time work.

This concern was expressed and used as a rationale to support the application of a sub-minima rate for younger people in work. There is no evidence, one way or the other, to support this conclusion.

This very welcome research, undertaken by the ESRI on behalf of the Commission shows that less than 6% of employees under 18 were on the 'youth rate', reflecting the low level of the usage of the rate among employers.

The payment of lower rates of pay for the same work reinforces inequality and discrimination. It is also unnecessarily bureaucratic and burdensome for employers.

There is no longer any justification if there ever was one for the payment of sub-minima rates for the National Minimum Wage and work should commence immediately to start the process of abolishing this unfair and unjust practice.

### **A Pathway towards a Living Wage**

Low pay must continue to be high on our agenda. The minimum wage is but a starting point and we want to go further. The minimum wage is our statutory floor, whereas the living wage is different. It recognises there are sectors in the economy in danger of becoming addicted to low pay and there are many employers who can afford to but refuse to pay more than the statutory minimum. The living wage is an independently assessed and agreed measure of the income necessary to meet basic needs, such as housing, food, utilities, clothing, transport, health care, child care and recreation. From the Government's viewpoint, the living wage boosts taxes, reduces the welfare spend and allows for investment in essential public services.

We would like to see the Low Pay Commission directed to target a Minimum Wage of 60% of median earnings by 2021. This would be €11.30 per hour in today's value.

The Government should lead the way on this by becoming a living wage employer, and to extend this requirement to those who provide services to it in onsite services such as security, cleaning and catering. This will ensure that work pays, even for those on modest incomes