

Low Pay Commission

Submission on tips and gratuities



July 2018

Contact: [REDACTED]

Recommendations

TASC supports the proposed amendment to the National Minimum Wage Act 2000.

TASC highlights some of the issues facing hospitality workers in terms of low pay, precarious work, and vulnerability to various forms of mistreatment.

TASC concurs that additional protections as proposed in the amendment are needed to ensure employees receive tips and gratuities.

Low pay in Ireland and the hospitality sector

Ireland is an economy that suffers from unusually high levels of low pay, the highest in the EU-15. In 2016, 23% of its workforce earned less than two thirds of gross median earnings, up considerably from the previous decade (OECD, statbank). The figure is higher still for women, for whom low pay is a reality for a quarter of workers (ibid.). The difficulties for Irish workers to earn income through the labour market creates anomalies in the Irish economy.

The table below displays the composition of (equivalised¹) household disposable income per person for the bottom 40% of the population, namely lower-middle and low-income groups. As can be seen, Ireland is highly unusual in terms of the amount of income that the bottom 40% earns through the labour market. Labour income, overwhelmingly employee as opposed to self-employed income, comprises less than a quarter of income for the bottom 40%. As a result, they pay relatively little in transfers, essentially taxes excluding VAT, and are highly dependent on transfers received from the state. These findings are somewhat less stark when Ireland's low employment rate and part-time work is controlled for. Ireland then becomes comparable to the UK, the second worst-performing country in the group.

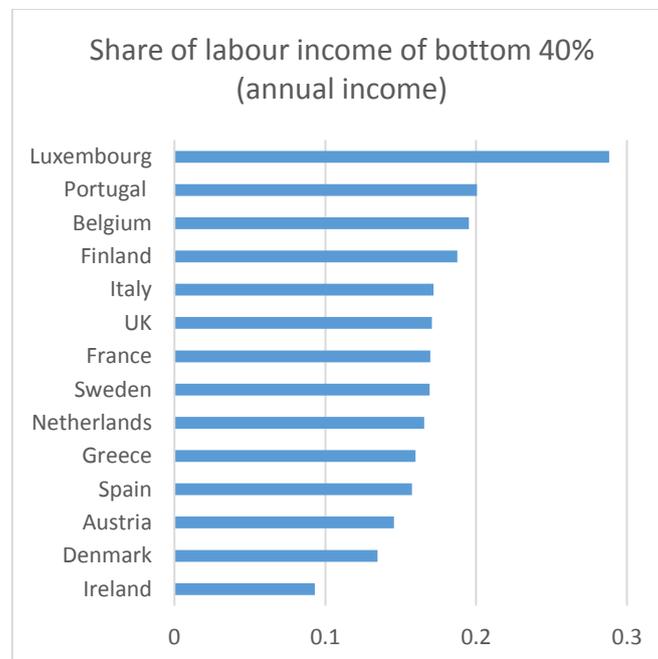
	Finland	Belgium	Sweden	Netherlands	Austria	Denmark	Ireland	UK
<i>Income</i>								
Labour	0.40	0.37	0.38	0.52	0.50	0.50	0.24	0.33
Capital	0.12	0.03	0.03	0.03	0.04	0.01	0.02	0.05
<i>Transfers</i>								
Received	0.48	0.60	0.59	0.45	0.46	0.49	0.74	0.62
Paid	0.17	0.16	0.21	0.23	0.18	0.28	0.04	0.12

Source: TASC based on EU-SILC

The distribution of low pay is, of course, sector specific. The accommodation and food, or hospitality sector contains both the second highest number of low-paid workers, and at almost 70% the second highest proportion of low-paid workers among all sectors of the economy (Collins, 2015).

¹ Equivalised income means the composition of the household is controlled for. For instance, two people each earning 50k and living together have a high living standard than if they were both living alone.

These findings are largely replicated when only minimum wage workers are considered, except that hospitality now contains the highest proportion of minimum wage workers (Collins, 2016). Thus, an extra 10% (of sales) or so that food services workers earn from tipping can become an important source of income.



Source: EU-SILC

Figure 1 shows aspects of income distribution of the Irish hospitality sector in comparative perspective. The first panel shows the share of total labour income (including self-employed workers) that the bottom 40% of workers earn. It shows that the bottom 40% of workers in Ireland earn less than 10% of all labour income generated in hospitality, by far the lowest in the EU-15 (excluding Germany where no data was available). The overwhelming reason for why lower-paid Irish hospitality workers earn such a small share is the prevalence of part-time and seasonal work in the sector.² It is worth noting that much of part-time worker in Ireland, however, is involuntary. Again this underscores the need for workers to complement their existing incomes.

Percariatisation and vulnerability in hospitality

The high levels of low pay on the one hand, and the low share of income for workers at the bottom on the other point to a broader trend in the Irish hospitality sector. As suggested above, the hotel and restaurant sector in Ireland has witnessed a gradual erosion of working time over an extended period. The greater use of flexible, part-time employees has reduced average working time by almost a

² When the distribution of income is examined on a per hour basis, the share of income accruing to workers at the lower end in hospitality is broadly the same across countries. Using the same data as Figure 1, we found that the bottom third of hospitality workers gain 25.0% of labour income in Ireland, whereas the average figure for five EU-15 comparator countries with available data was 23.8%.

quarter from the early 1990s up to 2008 (O'Farrell, 2013: 13). The subsequent recession did not, though, have a major impact on working time (Bobek and Wickham, 2015: 9).

Although there has been an improvement in the labour market since the peak of the crisis, the hospitality sector is more likely to suffer from precariatization (Bobek et al., 2018: 41-44). Previous work by TASC indicated that hospitality makes use of 'if and when contracts' whereby employees are not guaranteed minimum hours but are in principle allowed to refuse work when offered. In practice, refusal can result in sanctions such as reduced hours going forward. Other difficulties faced by hospitality employees included only paying workers for opening time rather than hours worked and, importantly for the current bill, the use of spurious deductions in the form of transport and uniform fees (Wickham and Bobek, 2016). Similarly, in the UK the private equity controlled chain, *Pizza Express*, had a policy of charging workers an 8 per cent 'admin fee' to handle tips (UNITE, 2016).

It therefore comes as little surprise that a recent survey of Irish hospitality workers suggests that tips are withheld for just over one third of workers (O Clochartaigh et al., 2017). The context in which hospitality workers operate is one of low pay, flexibility, and consequently a higher likelihood of mistreatment on the part of the part of employers. The same report also suggests high levels of verbal, physical, and sexual harassment and abuse in the sector.

Legal protections that ensure tips and gratuities are fully retained by the intended recipients are therefore welcome. Not only will it protect employees, it also benefits employers who act in good faith. A sanction of €2,500 may be an insufficient disincentive for larger groups (as in the *Pizza Express*) who may be inclined to act unlawfully. A larger argument is that Ireland needs to address its high levels of low pay. Nevertheless, TASC supports the proposed amendment.

Bibliography

Bobek, A. and Wickham, J. (2015) Employment in the Irish hospitality sector: A preliminary background report, *TASC*.

Bobek, A., Pembroke, S., and Wickham, J. (2018) *Living with Uncertainty: The Social Implications of Precarious Work*, TASC.

Collins, M. (2015). Earnings and Low Pay in the Republic of Ireland, *NERI*, working paper 29.

Collins, M. (2016). Employees on the Minimum Wage in the Republic of Ireland, *NERI*, working paper 37.

O Clochartaigh, T., Mitchell, E., Curran, D., and Budzyk, A. (2017) Report into Abuse of Workers in the Hospitality Sector in Galway, report.

O'Farrell, R. (2013). The polarisation of working hours in Ireland, *NERI*, working paper 9.

Wickham, J. J. R., and Bobek, A. (2016). *Enforced Flexibility?: Working in Ireland Today*, TASC.