



Employee Tips and Service Charges Consultation

***Social Justice Ireland* submission to the Low Pay Commission**



Introduction

Social Justice Ireland welcomes the opportunity to make a submission to the Low Pay Commission's consultation process on the matter of employee tips and service charges.

Workers in Ireland do not currently have a statutory right to the tips which they earn and are therefore vulnerable to bad management practices in the workplace.

Studies have been conducted which suggest that up to one in three workers regularly have their tips withheld by their employer, while a recent high-profile case of a well-known fast-food chain using employee tips to make up for cash shortages in the till at the end of shifts further highlighted the problem.

This consultation is structured as follows: We detail the issues facing the Accommodation and Food Services sector, and the issue of the working poor. We then conclude with our recommendation on the issue.

The Policy Context: low paid and precarious work

Most employees who rely on tips for part of their income are employed in the Accommodation and Food Services sector.

There has been a significant increase in the number of employees in this sector over the last decade, and particularly so over the last seven years. Employment in the sector increased from 110,000 in Q1 2011 to 177,200 at the end of 2017, an increase of 61 per cent. This was the largest increase in employment of any sector in that period – the national average was 21 per cent – and would suggest a thriving industry where workers are in demand and could be reasonably compensated.

However, the sector performs considerably worse in the area of Average Hourly Earnings (AHE). AHE in the sector has increased 5.8 per cent over the last 10 years – well below the national average of 8.1 per cent. It is also still the lowest paid sector in the entire economy by this measure, with an AHE rate of €13.23 per hour.

This low rate is unsurprising. *Social Justice Ireland* has in the past highlighted the fact that the Accommodation and Food Services sector has a high concentration of low pay¹, accounting for a quarter of all minimum wage employment in the State at the end of 2016, despite representing less than 8 per cent of employees.

One third of all workers within the sector earned the minimum wage. This was the highest concentration of minimum wage employment in the economy. It is estimated

¹ <https://www.socialjustice.ie/sites/default/files/attach/publication/5000/qem5.pdf>

that one half of employees within the sector earned below the Living Wage² in 2017.

On top of this, the Accommodation and Food Services sector had the second lowest number of paid hours per worker in 2018, at just under 25 hours per week. Only Education had less, though this is due to the nature of the work and is not a policy concern. Despite the increasing number of employees in the hospitality sector, average hours worked have fallen by more than 3 hours per worker per week, from 27.8 to 24.6 in the last decade. With the exception of Mining & Quarrying, Accommodation and Food Services was **the only sector of the economy where paid hours per worker fell** in the last three years.

All this raises questions about the ability of employees within the Accommodation and Food Services sector to earn sufficient money to achieve a minimum essential standard of living³.

A report published late last year by the Irish Congress of Trade Unions (ICTU) asserted that while employment is rising in the aftermath of the recession, so too is the instance of precarious employment. The ICTU report defines precarious work as “employment which is insecure, uncertain or unpredictable from the worker’s point of view”. Much of this is in the Accommodation and Food Services sector.

The working poor

The Table on page 3 indicates that 5.2 per cent of those who were employed in 2016 were living at risk of poverty.

Despite decreases in poverty among most other groups, poverty numbers for the working poor have remained static, reflecting a persistent problem with low earnings. In 2016, around 105,000 people in employment were still at risk of poverty. This is a remarkable statistic and it is important that policymakers begin to recognise and address this problem.

² The Living Wage is defined as an hourly wage rate that would provide employees with sufficient income to achieve an agreed acceptable minimum standard of living, working 39 hours per week. In that sense it is an income floor; representing a figure which allows employees to afford the essentials of life. More on the Living Wage on page 3.

³ A Minimum Essential Standard of Living is defined as a standard which no person should be expected to live below. It is the minimum needed to live and partake in Irish society today, meeting the physical, psychological and social needs of individuals and households.

At risk of poverty and deprivation levels by principal economic status in 2016		
	Poverty	Deprivation
At work	5.2%	11.8%
Unemployed	48.4%	49.3%
Students and school attendees	30.3%	27.2%
On home duties	25.3%	26.2%
Retired	12.1%	12.3%
Unable to work as ill/disabled	53.4%	63.7%

Source: CSO SILC reports (2017)

This table highlights the fact that having a job is not, of itself, a guarantee that one lives in a poverty-free household, and that **in instances of low pay other mechanisms are needed to supplement wages**. Many working families on low earnings struggle to achieve a basic standard of living.

The Living Wage and the National Minimum Wage

Social Justice Ireland is part of the technical group which researches a Living Wage for Ireland. The latest update was published in July 2018 and it put the figure for a Living Wage at €11.90 per hour.

The confirmation in Budget 2018 of the previously announced increase of 30 cent per hour to the statutory National Minimum Wage was a welcome development. This increase ensures that a full-time worker on the minimum wage will receive an additional €608 per annum in gross pay.

However, the current hourly minimum wage rate of €9.55 is still approximately 20% below the Living Wage of €11.90 per hour.

The new figure of €11.90 per hour is:

- based on the concept that work should provide an adequate income to enable individuals to afford a socially acceptable standard of living;
- the hourly wage rate which will enable full time employed adults (without dependents) across Ireland to afford a socially acceptable standard of living;
- a wage which provides for needs not wants;
- an evidence-based rate of pay which is grounded in social consensus and is derived from Consensual Budget Standards research which establishes the cost of

a Minimum Essential Standard of Living in Ireland.

Given the high concentration of minimum wage employment in the Accommodation and Food Services sector, and the prevalence of workers in the sector who do not earn the Living Wage, it must be acknowledged that other mechanisms are required to bring these employees to an income level at which they can achieve the minimum essential standard of living.

Conclusion

It is clear that a majority of those who rely on tipping for a significant part of their income work in the industry with the highest concentration of low paid employment and are more likely than in most sectors of the economy to be working for less than the amount needed to live a socially acceptable standard of living (i.e. the Living Wage) and/or experiencing precariousness in their employment.

Even without such a context, there is a strong argument that employees be allowed to retain their tips; they are generally intended by customers to represent a reward for good service, and are given over and above the price quoted by the business as the cost of the service or product.

To be added to that must be the context as laid out above. To deprive these employees further by denying them their tips is to add unjustly to the plight of the working poor, and *Social Justice Ireland* believes that a statutory right to those tips would be a highly justified and desirable move.

Social Justice Ireland is an independent think-tank and justice advocacy organisation of individuals and groups throughout Ireland who are committed to working to build a just society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected.

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