



**Labour Party
Submission
to the
Low Pay
Commission
Consultation
Process 2018**

LABOUR

Introduction

The Labour Party is the party of work. We believe in decent work and in the principle that work should always pay. The National Minimum Wage (NMW) is an essential tool in securing that policy objective, and the Low Pay Commission was established to provide an evidence based approach on proposed annual recommendations.

It is vital that this Government and the Oireachtas not preside over an economic recovery model that is fuelled by a race to the bottom on pay and conditions, or the sacrifice of employment rights that have been hard won, and that are the mark of decent and progressive society.

What people want, and are entitled to, are sustainable, secure and reasonably well-paid jobs. The Economic and Social Research Institute (ESRI) recently found that around 200,000 workers in Ireland are in temporary or non-permanent working arrangements, and that they on average earn 21% less than counterparts in permanent employment. This contingent employment now accounts for about 10% of the overall Irish workforce and highlights the importance of a setting a floor on terms and conditions to avoid the erosion of pay rates and employment standards. Other ESRI research from November 2017 in conjunction with the Low Pay Commission highlighted that part-time workers are three times more likely to be paid the NMW than full time workers and we believe this should be of significant concern to the Low Pay Commission.

Unemployment continues to fall reaching a seasonally adjusted rate of 6.1% in January 2018, and we are on the road to 'full employment'. The Labour Party wants to see the economic recovery translated into better working conditions and improved pay, particularly for low-paid workers. Those paid the NMW are more likely to be at risk of poverty and more likely to suffer from deprivation demonstrating the importance of increasing the rate on an annual basis.

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, which is as we know a key driver of income inequality.

The objective of the Labour Party is to see a phased approach towards introducing a living wage of €11.70 per hour. We believe work should always pay. The Labour Party believes that everyone who is working should earn at a minimum enough to live on, and that's why we support the Living Wage campaign. The Living Wage is good for workers, good for families, good for business and good for society.

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

Three years into its work, the Low Pay Commission must now be repurposed by Government and provided with a more ambitious role to create a pathway to a Living Wage for all working people in Ireland.

Making work pay – The Programme for Partnership Government

The main government party was elected on a commitment to increase the minimum wage to €10.50 per hour during the lifetime of this Dáil. This pledge is also enshrined in the Programme for a Partnership Government.

This pledge has been brought into disrepute as no enabling legislation has been introduced to secure the achievement of this commitment. Neither does it appear that any such legislation is planned.

We recognise that this must leave the LPC in a difficult if not impossible position. The Commission must continue to act in accordance with their statutory mandate,

which is unchanged. However the government says that it will increase the NMW to €10.50 per hour, although “We will still be guided by the recommendations of the Low Pay Commission on the phasing in of these minimum wage changes during a term of office”.

We do not know what, if any impact this commitment has on the workings of the Commission. But it would seem impossible to arrive at the €10.50 figure within the time remaining for this government unless the scale and pace of the annual increase is dramatically improved.

Missed Opportunities_

The 30 cent increase in 2018, following the 10 cent increase in 2017, has represented a missed opportunity to make a real difference to working people.

Every month we see unemployment decreasing and thousands of welcome new jobs being announced, but nothing is being done to improve the overall position for those on the minimum wage.

We cannot continue to pretend that €9.55 an hour represents anything close to the kind of income that allows a worker to have a reasonable quality of life.

As Ireland’s economy continues to power ahead, there needs to be a shift in the terms of the distribution of income. Working people must receive a greater share of their output if work is to pay, and if the dignity of work is to be truly valued.

The small consecutive increases we have seen in 2017 and 2018 do nothing to help those who are looking to own their own home. At present for those who are on a modest salary or on NMW rates, owning their own home or even renting a home independently of state support is an impossible dream to achieve.

While the Government in Budget 2018 projected a core HICP inflation rate of 1% for this year, those in receipt of the NMW are more likely to be exposed to the rental market, and subject to higher transport and utility costs. Rental inflation for 2017 stood at 11.2%, and has now risen for 21 consecutive quarters according to the Daft Q3 2017 rental report. There have also been fare increases for public transport, alongside an increase in the price of oil leading to higher fuel costs. The ongoing increase in prices most affects those with the least disposable income, which by definition is likely to be those who are lowest paid. This highlights the urgent need for a substantial and real increase in the NMW to ensure it's real value is not eroded.

The 2018 Budget documentation also projected compensation of employees to increase by 5.6%, and compensation per employee by 3.1% in 2018. The Labour Party believes these increases would warrant at a minimum, an increase of 50 cent per hour for 2019 to ensure the minimum wage rate continues to keep pace with other earnings. However as previously outlined, we believe a pathway to a living wage of €11.70 is also required.

Profile of those on the Minimum Wage

The latest available figures compiled by the Central Statistics Office show that there are around 130,000 workers on the national minimum wage. This equates to approximately 10.1% of the Irish workforce. More than half, 84,400, or 54.4% of the 155,100 people earning that wage were women.

The minimum wage is predominant in Ireland's services industry, with four in five (81.7%) of the employees being paid the wage or less coming from that sector.

It is reasonable to assume that those workers under 40 years of age are more likely to have high out-goings such as rent and mortgage costs and services such as childcare and transport.

The high incidence of non-Irish nationals (9%) and young persons aged 18-29 (13.9%) being paid the NMW as highlighted in an ESRI report in November is of concern, and reinforces the likelihood that such workers are more vulnerable to exploitation, and forced to work lower paid jobs.

Sub Minima Rates of Minimum Wage

When the NMW 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.

The very welcome research, undertaken by the ESRI on behalf of the Commission showed 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.

The functions of the Low Pay Commission

The failure of the Government to extend the remit of the Low Pay Commission to allow it to explore the possibility of introducing a Living Wage has profoundly undermined the fight against the scourge of low pay in Ireland.

Under its founding Act, the Low Pay Commission is this year obliged to report to government on the performance of its functions and the impact of its work.

In this context, it is worth reiterating that the Government says in its own programme agreed in mid-2016 that it wants to see a national minimum wage of €10.50 per hour by the end of its term. There is little chance of the government reaching its own target, never mind a national Living Wage of €11.70 an hour.

That's why the LPC's functions need to be urgently changed. Given that the Commission must report this year and review its performance, then it is timely that the opportunity should be used by Government to give the Commission a target, enshrined in law, for all workers to be paid a Living Wage by 2021.

The Commission must be given the tools to develop that roadmap now and to work with business, trade unions and civil society to make this reasonable ambition a reality.

A Pathway towards a Living Wage

Addressing low pay must be one of this State's highest priorities. 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 other indirect state subsidies to low pay employers, 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 approximately €11.70 per hour in today's value.

There is a particular onus on government to be an exemplar of best practice and to lead the way by becoming a living wage employer, and to extend this requirement to those who provide services to it in terms of onsite services such as security, cleaning and catering. This will ensure that work pays, especially for those currently on very modest incomes.

Senator Ged Nash, Labour Party Spokesperson on Employment Affairs & Social Protection (on behalf of the Labour Party).

8th February 2018