

Submission from the Green Party And the Young Greens To The Low Pay Commission

Introductory Statement

The Green Party welcomes a review of the conditions for low paid workers and commends the decision to set up a Commission to that effect. However, we note with dismay the limited scope of said Commission. While the minimum wage is important, it is not the sum total of what constitutes low paid work. Hours of work are declining for low paid workers, and low-hour and zero-hour contracts increasingly in place. Added to this, there are the issues of temporary work, the culture of undocumented, cash-in-hand payments in certain employment sectors, unpaid internships and workfare programmes.

All of the above have a significant combined effect – people are being asked to work for less and being provided with less job security. While reviewing the minimum wage goes some way towards offsetting that trend, there are a variety of other concerns surrounding the ability of low paid employees to obtain a fair wage that allows them to live with a degree of comfort, and it is deeply disappointing that the government has decided to exclude those issues from the consideration of the Commission.

The Purpose of the Minimum Wage

Figures for how many Irish people are on the minimum wage are poorly tracked; the Department of Jobs, Enterprise and Innovation, the Department of Finance and the CSO have no readily available figures on this. The latest data is far from up to date (being from 2005) but indicates that around 5% of the Irish workforce earn minimum wage.¹ Given the change in the economic situation since then, the number is likely higher, but we do not have anything else to work with. Taking this figure and the number of people employed in non-agricultural, forestry or fishing based roles in Ireland,² we can assume that at an extremely conservative estimate, there are 80,000 people currently earning minimum wage in Ireland.

This is a significant number of people, and it is important that the government ensures they are earning a fair amount. The purpose of the minimum wage is to ensure that even the lowest paid worker is able to live with a degree of comfort. Notwithstanding what was noted in the introduction about the other ways that this can be undermined, it is of the highest importance that the wage itself reflects that purpose rather than being an arbitrary number. To this end, the Green Party believes that an approach that goes beyond a set figure is necessary.

¹ ICTU Labour Market Monitor, Vol. 1, No. 2: Autumn 2014
http://www.ictu.ie/download/pdf/lmm_vol_1_no_2.pdf p.36

² CSO Earnings and Labour Costs
http://www.cso.ie/quicktables/GetQuickTables.aspx?FileName=EHQ03.asp&TableName=Earnings+and+Labour+Costs&StatisticalProduct=DB_EH as of Quarter 4 2014

A Sustainable Proposal for a fair Minimum Wage

The Green Party proposes that, in order to reflect the changes in the cost of living, that the minimum wage should be tied to Consumer Price Index inflation, with a base floor set at €8.65 per hour, meaning that even if the CPI dropped dramatically, the minimum wage would not drop below €8.65 per hour. This allows a flexible approach that prevents a situation where the minimum wage remains static while the costs of living rise. The wage would change in January of each year, based on the CSO's annual average for "all items" of the previous January to December period. As the minimum wage was initially raised to €8.65 in 2007, we believe that calculations should start with this year, not 2011. The logic behind this is that even during 2010, the lowest year for CPI inflation since the minimum wage rise, the implied cost of living was still higher than it was in the years before the introduction of the current wage.³ A similar system has been implemented this year in the province of British Columbia, Canada.

The effect of this would be that the minimum wage for 2015, based on cumulative figures up to the end of 2014, should be **€9.20 per hour**.⁴ The Green Party would advocate the immediate increasing of the minimum wage to this level to reflect the changes in cost of living since 2007, and would urge the implementation of the yearly recalculation outlined above. While this may mean in some years the minimum wage will decline⁵, the floor of €8.65 will prevent it from declining to a level that has a significant negative effect, and it should be noted that in no year since 2007 would CPI have pushed the wage to this floor.⁶ We also propose that rises in proportion with this are also applied to the reduced rate of minimum wage granted to workers under the age of 18.

This additional 55 cent an hour would give someone working 40 hour weeks on minimum wage an additional €22 per week, which can make a meaningful difference to someone's ability to afford a better standard of living while not putting an excessive burden on employers. Previous increases in the minimum wage have not had a significant impact on employment numbers in this country,⁷ and that was with a higher one-off rise than the one we propose. This is supported by meta-analyses of studies on the minimum wage level in other countries.⁸

Conclusion

Increasing the ability of low-paid workers to use increased amounts of money to spend on goods and services has obvious beneficial effects on the economy. The initial application of a minimum wage in this country and the rise to €8.65 have had negligible negative effect on businesses' ability to employ people, and we believe that this will benefit economic activity in the long run as more people are empowered to make more purchases, as low-wage earners by necessity use a lot of their income as

³ CSO Annual Figures 2007 to 2013

http://www.cso.ie/quicktables/GetQuickTables.aspx?FileName=CPA01C1.asp&TableName=Annual+Figures+2007+to+2013&StatisticalProduct=DB_CP

⁴ Appendix A, Table 2

⁵ Appendix B, Table 3

⁶ Appendix B, Table 4

⁷ CSO Earnings and Labour Costs, All Employees (Number)

http://www.cso.ie/quicktables/GetQuickTables.aspx?FileName=EHQ03.asp&TableName=Earnings+and+Labour+Costs&StatisticalProduct=DB_EH

⁸ Unite the Union, The Economic Impact of a £1.50/hour increase in the National Minimum Wage, pp. 26-30
<http://www.unitetheunion.org/uploaded/documents/MinimumWageReport211-19867.pdf>

disposable income. Equally, this increases their opportunity to buy better quality goods and better save or invest money to make larger purchases down the line, meaning more money for business.

Raising the wage now to €9.20 and making annual adjustments, with the floor of €8.65 acting as protection, as proposed in our model creates better outcomes across the board, both for minimum wage earners and for anyone whose goods or services are bought by them.

This new model is flexible and sustainable, reflecting the varying value money carries when compared to the cost of living, and we believe that it is the duty of the state to ensure that variable rates in this value do not leave low income earners behind.

Appendix A – CPI rates and the Minimum Wage

Table 1

This table shows the CSO’s figures for year-on-year change in CPI inflation for “All Items”.⁹ The rate at the end of 2006 is treated as having a value of 100.

	2007	2008	2009	2010	2011	2012	2013	2014
CPI	102.8	107	102.2	101.2	103.8	105.6	106.1	106.3

Table 2

This shows a more precise yearly average rate of CPI inflation for “All Items” based on the CSO’s monthly averages.¹⁰ This uses the rate at 2006 as having a value of 100 for 2007-2011, then uses the rate at the end of 2011 (104.4% of the 2006 rate) as a value of 100 for 2012 onwards. What this means in effect is that the base minimum wage used for the calculation between 2007 and 2011 is €8.65, and for 2012 onwards is €9.0306, which is €8.65 multiplied by 104.4%. This is used to show what the minimum wage would have been adjusted to year-on-year if the model we propose had been implemented since 2007.

CPI year	CPI	CPI*base	Min Wage	MW year
2007	102.5583	8.871296	€8.87	2008
2008	109.2667	9.451567	€9.45	2009
2009	105.4833	9.124308	€9.12	2010
2010	101.2083	8.754521	€8.75	2011
2011	103.8167	8.980142	€8.98	2012
2012	101.1250	9.132194	€9.13	2013
2013	101.6333	9.178100	€9.18	2014
2014	101.8333	9.196161	€9.20	2015

⁹ CSO Annual Figures 2007 to 2013

http://www.cso.ie/quicktables/GetQuickTables.aspx?FileName=CPA01C1.asp&TableName=Annual+Figures+2007+to+2013&StatisticalProduct=DB_CP

¹⁰ CSO Consumer Price Index <http://www.cso.ie/en/statistics/prices/consumerpriceindex/>

Appendix B – Effect of Proposed Changes on Minimum Wage Earnings

Table 3

This is to show the year-on-year change in minimum wage based on the above model, in hourly, weekly and annual wage, assuming a 40-hour working week. The cumulative total is the difference between the minimum wage and what it would be if it had been pegged to CPI inflation.

Min Wage Year	YoY change per hour	YoY change per week	YoY change per annum
2008	€0.22	€8.80	€457.60
2009	€0.58	€23.20	€1,206.40
2010	-€0.33	-€13.20	-€686.40
2011	-€0.37	-€14.80	-€769.60
2012	€0.23	€9.20	€478.40
2013	€0.15	€6.00	€312.00
2014	€0.05	€2.00	€104.00
2015	€0.02	€0.80	€41.60
Cumulative	€0.55	€22.00	€1,144.00

Table 4

This shows the difference in earnings that people would have had under the model we propose versus what someone working on minimum wage from 2008 until the end of 2015 will earn under the current model. The total at the bottom is the total increase in earnings over this eight year period that a minimum wage worker would have experienced; the averages show how much more on average they would have earned per annum and per week than they did under the current model.

Min Wage Year	vs. current p/hour	vs. current p/week	vs. current p/annum
2008	€0.22	€8.80	€457.60
2009	€0.80	€32.00	€1,664.00
2010	€0.47	€18.80	€977.60
2011	€0.10	€4.00	€208.00
2012	€0.33	€13.20	€686.40
2013	€0.48	€19.20	€998.40
2014	€0.53	€21.20	€1,102.40
2015	€0.55	€22.00	€1,144.00
		Total increase	€7,238.40
		Average p/a	€904.80
		Average p/w	€17.40

