



**Tithe an  
Oireachtais  
Houses of the  
Oireachtas**

**TITHE AN OIREACHTAIS**

*An Comhchoiste um Poist, Fiontar agus Nuálaíocht*

Tuarascáil maidir le Pá Íseal, Obair Chuibhiúil agus Pá Maireachtála.

Samhain 2015

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**HOUSES OF THE OIREACHTAS**

*Joint Committee on Jobs, Enterprise and Innovation*

Report on Low Pay, Decent Work, and a Living Wage.

November 2015





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## 1. Chair's Foreword



Marcella Corcoran Kennedy TD  
**Committee Chair**  
(FG)

At a meeting of the Joint Committee on Jobs, Enterprise and Innovation on 30 September 2014, it was agreed that, as part of its work programme for 2015, the Joint Committee would examine the issue of “*Low Pay Decent Work and a Living Wage*.” Senator David Cullinane offered to act as the Rapporteur for the Committee and this was agreed.

The Committee, over 2 days of meetings, met with a wide range of stakeholders to elicit their views. All written submissions, opening statements and presentations received and the transcripts of the public meetings of the Joint Committee at which the various organisations and individuals gave evidence can be electronically accessed on the Committee’s website as outlined in Sections 4.1 and 4.2 of this report.

On behalf of the Joint Committee, I would like to express my gratitude to Senator Cullinane, to Committee members, particularly those members of the sub-group, for their input; to the organisations and individuals who came before the Joint Committee to give evidence; and to the Committee Secretariat for the work involved in producing the report.

*The Programme for Government 2011-2016* committed to protecting the vulnerable and to burden sharing on an equitable basis.<sup>1</sup> The need to protect those in low paid employment be that by increases in wages, tackling abuse of zero-hour contracts or by provision of enhanced public services is fundamental to this commitment.

Also, *The Statement of Government Priorities 2014–2016*<sup>2</sup> included a commitment “(to) establish a *Low Pay Commission on a statutory basis as an independent body to make annual recommendations to the Government about the appropriate level of the minimum wage and related matters*”.

Minister for Business and Employment at the Department of Jobs, Enterprise and Innovation, Mr. Ged Nash TD, provided a copy of the General Scheme of the National Minimum Wage (Low Pay Commission) Bill 2015 to this Committee requesting it to undertake Pre-legislative Scrutiny. In the course of its Pre-legislative Scrutiny the Committee met with a wide range of stakeholders and reported back to Minister Nash with a number of recommendations based on this engagement.

Speaking at the launch on 21 July of the first Report of the Low Pay Commission,<sup>3</sup> which recommended an increase in the minimum wage from €8.65 to €9.15, Taoiseach Enda Kenny TD said, “This Government believes that a job is the only sustainable route out of poverty, that work should pay more than welfare, and no household with a person in full time work should be in poverty.”<sup>4</sup>

<sup>1</sup> *Programme for Government: 2011-2016* (2011) Available at:

[http://www.taoiseach.gov.ie/eng/Work\\_of\\_the\\_Department/Programme\\_for\\_Government/Programme\\_for\\_Government\\_2011-2016.pdf](http://www.taoiseach.gov.ie/eng/Work_of_the_Department/Programme_for_Government/Programme_for_Government_2011-2016.pdf)

<sup>2</sup> *Statement of Government Priorities: 2014-2016* (2014) Available at:

[http://www.taoiseach.gov.ie/eng/Publications/Publications\\_2014/Statement-of-Government-Priorities-2014-2016.pdf](http://www.taoiseach.gov.ie/eng/Publications/Publications_2014/Statement-of-Government-Priorities-2014-2016.pdf)

<sup>3</sup> Low Pay Commission, *Recommendations for the National Minimum Wage* (July 2015) Available at:

<http://www.lowpaycommission.ie/publications/national-minimum-wage-/recommendations-of-the-low-pay-commission-for-the-national-minimum-wage-2015-.pdf>

<sup>4</sup> Department of Jobs, Enterprise and Innovation, *Low Pay Commission recommends increase in National Minimum Wage of 50 cent to €9.15* (July 2015) Available at: <https://www.djei.ie/en/News-And-Events/Department-News/2015/July/21072015.html#sthash.QPtGddAM.dpuf>

Minister for Jobs, Enterprise and Innovation Richard Bruton TD said, “At the heart of what we are trying to do as a Government is to grow jobs and improve living standards for families and communities across the country.”<sup>5</sup>

Minister Ged Nash TD said, “Making work pay is a cornerstone of the Government’s dignity at work agenda. ... The establishment of the Low Pay Commission illustrates the Government’s determination to tackle the challenge of low pay in a structured and sustainable fashion.”<sup>6</sup>

As a further step in the process “The Forum on the Living Wage” was hosted by Minister Ged Nash TD on 30<sup>th</sup> September and saw employers, trade unions, civil society and others come together to discuss how to progress a Living Wage Campaign in Ireland.

This report makes 28 detailed recommendations which, if implemented, the Committee feels would improve the lives of all those on low pay.

The Joint Committee, for its part, is fully committed to monitoring the progress being made on the on-going implementation of the recommendations contained in this report, as well as other policy initiatives, in close consultation with those Ministers, Departments, State Agencies and other stakeholders with responsibility for policy in this area.

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Marcella Corcoran Kennedy, T.D.,

Chair,

Joint Committee on Jobs, Enterprise and Innovation.

24 November 2015.

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<sup>5</sup> Ibid.

<sup>6</sup> Ibid.



## 2. Rapporteur's Foreword



Senator David Cullinane  
**Rapporteur**  
(SF)

Issues to do with low pay, decent work and the Living Wage have come to the fore as Ireland emerges from a decade of recession. Thus far, the emphasis has been on rebuilding the economy, all workers need to feel the benefit of a recovering economy. Ireland's high rates of low pay and in-work poverty mean that thousands of low-paid workers have insufficient income to live on. The evidence shows clearly that the best way out of poverty in Ireland is through employment and investment in public services. According to the EU-wide Labour Force Survey<sup>7</sup> Ireland has the third highest rate of low paid workers in the EU and analysis by NERI of the latest CSO SILC data found that 30.3% of all employees are low paid – that's just over 400,000 workers.<sup>8</sup>

Against this backdrop the challenge for civil society and the political sphere is how to build a more equitable Ireland based on a model of sustainable economic development. This Report is a contribution to that discussion. It lays out the human impact of in-work poverty and provides a series of recommendations to address the crisis. At the heart of this agenda is a vision for a more equitable society

where employers, government, trade unions, and civil society come together to ensure decent work for decent pay.

Low-pay, high childcare costs, high levels of debt and other factors have contributed to rising levels of poverty. When it comes to low pay women are particularly affected, as are migrants, those with limited formal education, and young people. Low paid workers are found in the civil and public service where they work as teachers, nurses and office workers. They are heavily concentrated in the retail and hospitality sectors and in the service sector in general. The issue of precariousness, particularly insecure contracts and low pay, is found throughout the labour market and impacts workers from across the skills and socio-economic class spectrum. While we note the establishment of a Low pay Commission and a reduction in the Universal Social Charge (USC) we also know that those on the minimum wage are unable to participate adequately in society and that low pay leads to poverty, deprivation and social exclusion. This means a significant percentage of our population is struggling to survive and to provide the basic means for themselves and their families. There is, therefore, an urgent need to acknowledge the extent of the problem of low pay and in-work poverty and to develop solutions to eliminate it.

The crisis of Ireland's low wage economy is compounded by the fact that when compared to other European countries, Irish workers face higher costs and an acute lack of public services. Ireland is a high cost economy for both business and workers. The housing and child care crises severely affect working families. Depending on the age of children in a household, full-time childcare can account for as much as 36% of household expenditure. Therefore, the cost of maintaining a minimum essential standard of living is significantly affected by the lack of ready access to two crucial services, affordable housing and affordable childcare. Clearly if we are to seriously tackle the issue of low pay and inequality in its totality; it is imperative that the state provide decent public services particularly in the areas noted above but also in health, public transport, education and social welfare provision.

<sup>7</sup> Eusebio Bezzina, *Population and Social Conditions: Eurostat Statistics in Focus 48/2012* (2012). Available at: <http://ec.europa.eu/eurostat/documents/3433488/5585412/KS-SF-12-048-EN.PDF/7d87771c-8cc0-4133-a771-56e36ca0903b>

<sup>8</sup> Nevin Economic Research Institute, *Quarterly Economic Observer: Spring 2015* (2015). Available at: [http://www.nerinstitute.net/download/pdf/nerispring2015qeo\\_compressed.pdf](http://www.nerinstitute.net/download/pdf/nerispring2015qeo_compressed.pdf)

Irish policy makers, in partnership with civil society need to develop a fairer model of economic and social development. There are plenty of examples to look to, including those based on higher levels of public spending, fair and progressive taxation, high levels of state investment in research and development and strong legislative and regulatory support for workers.

Ultimately this is about what type of society we want. As legislators we can ensure that every worker has a living wage and work that allows them to live with dignity. The fundamental question is, in the face of the now overwhelming data, are we prepared to deal with this issue? As we approach the centenary of 1916 it would be a seminal achievement if Ireland became the global leader in the provision of decent work. Then we would truly have a country, a Republic, to be proud of.



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Senator David Cullinane,  
Rapporteur,  
Joint Committee on Jobs, Enterprise and Innovation.  
24 November 2015.

### 3. Glossary

**Deprivation rate:** The measure of material deprivation takes account of access to resources other than income. A deprivation index of items and activities that are generally taken to be the norm in a particular society is compiled. People who are denied - through lack of income - items or activities on this index/list are regarded as experiencing relative deprivation. This is enforced deprivation as distinct from the personal choice not to have the items.

In Ireland, 11 basic items are used to construct the deprivation index: • Unable to afford two pairs of strong shoes • Unable to afford a warm waterproof overcoat • Unable to afford new (not second-hand) clothes • Unable to afford a meal with meat, chicken or fish (vegetarian equivalent) every second day • Unable to afford a roast joint or its equivalent once a week • Without heating at some stage in the last year through lack of money • Unable to afford to keep the home adequately warm • Unable to afford to buy presents for family or friends at least once a year • Unable to afford to replace any worn out furniture • Unable to afford to have family or friends for a drink or meal once a month • Unable to afford a morning, afternoon or evening out in the last fortnight for entertainment.<sup>9</sup>

**EA17:** Euro area 17, or eurozone 17 which includes Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Greece, Slovenia, Cyprus, Malta, Slovakia, and Estonia.<sup>10</sup>

**EU12:** EU member states in the period of 1 November 1993 to 31 December 1994 including Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and United Kingdom.<sup>11</sup>

**EU15:** EU member states in the period 1 January 1995 - 30 April 2004. This includes the EU12 states plus Austria, Finland and Sweden.<sup>12</sup>

**EU27:** EU member states in the period 1 January 2007 - 30 June 2013. This includes the EU15 states plus Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia, Bulgaria, and Romania.<sup>13</sup>

**EU28:** EU member states in the period from 1 July 2013. This includes the EU27 states plus Croatia.<sup>14</sup>

**Euro Area:** The present membership of the euro area comprises 19 states: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Portugal, Slovakia, Slovenia and Spain.<sup>15</sup>

**Family Income Supplement (FIS):** FIS, which was introduced in 1984, is a social welfare payment which provides an income support for employees on low earnings with families.<sup>16</sup>

<sup>9</sup> Department of Social Protection, *Measuring Poverty in Ireland* (2011) Available at:

[http://www.socialinclusion.ie/documents/2011\\_WebInfoMeasuringPovertyInIreland\\_nte.pdf](http://www.socialinclusion.ie/documents/2011_WebInfoMeasuringPovertyInIreland_nte.pdf)

<sup>10</sup> Eurostat, *Glossary: Euro area enlargements*. Available at: [http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:EU\\_area\\_enlargements](http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:EU_area_enlargements)

<sup>11</sup> Eurostat, *Glossary: EU enlargements*. Available at: [http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:EU\\_enlargements](http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:EU_enlargements)

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> European Central bank, *Euro area 1999-2015*. Available at: <https://www.ecb.europa.eu/euro/intro/html/map.en.html>

**GDP:** Gross Domestic Product (GDP) measures the total output of the economy in a period i.e. the value of work done by employees, companies and self-employed persons.<sup>17</sup>

**Gini coefficient:** The “Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. The Gini index measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line.”<sup>18</sup> The Gini coefficient is used as the standard measure of income inequality, the scale “ranges from 0 (when everybody has identical incomes) to 1 (when all income goes to only one person)”.<sup>19</sup>

**Income inequality:** “Income is defined as household disposable income in a particular year. It consists of earnings, self-employment and capital income and public cash transfers; income taxes and social security contributions paid by households are deducted. The income of the household is attributed to each of its members, with an adjustment to reflect differences in needs for households of different sizes. Income inequality among individuals is measured here by five indicators. The Gini coefficient is based on the comparison of cumulative proportions of the population against cumulative proportions of income they receive, and it ranges between 0 in the case of perfect equality and 1 in the case of perfect inequality. S90/S10 is the ratio of the average income of the 10% richest to the 10% poorest; P90/P10 is the ratio of the upper bound value of the ninth decile (i.e. the 10% of people with highest income) to that of the first decile; P90/P50 of the upper bound value of the ninth decile to the median income; and P50/P10 of median income to the upper bound value of the first decile.”<sup>20</sup> (See Gini coefficient).

**Indirect tax:** A tax that increases the price of a good so that consumers are actually paying the tax by paying more for the products. An indirect tax is most often thought of as a tax that is shifted from one taxpayer to another, by way of an increase in the price of the good. Fuel, liquor and cigarette taxes are all considered examples of indirect taxes, as many argue that the tax is actually paid by the end consumer, by way of a higher retail price.<sup>21</sup>

**Living wage:** “a living wage is intended to establish an hourly wage rate that should provide employees with sufficient income to achieve an agreed acceptable minimum standard of living. In that sense it is an income floor; representing a figure that allows employees afford the essentials of life.”<sup>22</sup>

**Low Pay Commission:** The principal function of the Low Pay Commission is, on an annual basis, to examine and make recommendations to the Minister on the appropriate level of the national minimum wage and related matters.

Under the National Minimum Wage (Low Pay Commission) Act, 2015, the Low Pay Commission shall make such recommendations to the Minister that are designed to set a minimum wage that is fair and sustainable, and when appropriate, is adjusted incrementally, and that, over time, is progressively increased to assist as

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<sup>16</sup> Department of Social Protection, *Family Income Supplement*. Available at: <http://www.welfare.ie/en/Pages/Family-Income-Supplement.aspx>

<sup>17</sup> Central Statistics Office, *What are GDP and GNP?* Available at:

<http://www.cso.ie/en/studentcorner/nationalaccounts/whataregdpandgnp/>

<sup>18</sup> The World Bank, *Gini Index (World Bank estimate)*. Available at: <http://data.worldbank.org/indicator/SI.POV.GINI>

<sup>19</sup> OECD, *An Overview of Growing Income Inequalities in OECD Countries: Main Findings* (2011) Available at:

<https://data.oecd.org/inequality/income-inequality.htm>

<sup>20</sup> OECD, *Inequality*. Available at: <https://data.oecd.org/inequality/income-inequality.htm>

<sup>21</sup> Investopedia.com, *Indirect Tax*. Available at: [http://www.investopedia.com/terms/i/indirecttax.asp?optm=sa\\_v1](http://www.investopedia.com/terms/i/indirecttax.asp?optm=sa_v1)

<sup>22</sup> Nevin Economic Research Institute, *A Living Wage for Ireland: Some Considerations and Initial Estimates* (2014) Available at: <http://www.nerinstitute.net/research/a-living-wage-for-ireland/>

many low-paid workers as is reasonably practicable without creating significant adverse consequences for employment or competitiveness.<sup>23</sup>

**Minimum Essential Standard of Living (MESL):** A MESL is derived from a negotiated social consensus on what people believe is a minimum. Through exhaustive work with many focus groups, detailed baskets of the goods and services vital to a household type's minimum needs, are compiled. These baskets are comprised of over 2,000 goods & services and define the minimum needs for households to live at a socially acceptable level. The cost of these baskets is adjusted annually by appropriate Consumer Price Index (CPI) sub-rates.<sup>24</sup>

**Minimum Income Standard (MIS):** The Minimum Income Standard shows the income people need in order to afford the goods and services that members of the public have agreed are a minimum essential for everyone in Ireland to have. The MIS is the minimum gross salary which provides a net household income (net salary plus any social welfare entitlements) that will meet the MESL expenditure need of the specified household type.<sup>25</sup>

**OECD:** Organisation for Economic Co-operation and Development. The OECD has 34 members.<sup>26</sup>

**OECD32:** The membership of the OECD prior to Israel and Estonia joining in late 2010.<sup>27</sup>

**Poverty Line:** Relative poverty (at risk of poverty rate) is measured as 60% of median income.

**Precariat:** A class of workers chiefly characterised by the fact that:  
their labour is insecure and unstable, so that it is associated with casualisation, informalisation, agency labour, part-time labour, phoney self-employment and the new mass phenomenon of crowd-labour discussed elsewhere... the precariat must perform a growing and high ratio of work-for-labour to labour itself. It is exploited as much off the workplace and outside remunerated hours of labour as in it... it relies almost entirely on money wages, usually experiencing fluctuations and never having income security... [a]nd the precariat has distinctive relations to the state, in having fewer rights than most others. Fundamentally, it has *rights insecurity*.<sup>28</sup>

**Precarious work:** Precarious work is related to uncertain, unpredictable and risky employment conditions. It tends to be characterised by low-paid work, insecure hours, zero-hour and short-term contracts, irregular hours, lack of progression, internship and activation schemes, exploitation and the lack of compliance and enforcement of rights.

**Pay Related Social Insurance (PRSI):** PRSI contributions are deducted directly from wages. It is then collected by Revenue and a record of these contributions is kept by both the employer and the Department of Social Protection. Employers also pay PRSI contributions for employees. This contribution is not deducted from the employee's pay. It is the employer's contribution to the Social Insurance Fund. Again, this is collected by Revenue and a record of the contribution is kept by the Department of Social Protection.

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<sup>23</sup> Low Pay Commission. Available at: <http://www.lowpaycommission.ie/>

<sup>24</sup> The Vincentian Partnership For Social Justice, *Budget 2015: Minimum Essential Budget Standards Impact Briefing* (2014) Available at: [http://www.budgeting.ie/images/stories/Publications/Budget\\_Analysis/Budget\\_2015\\_-\\_MEBS\\_Impact\\_Briefing.pdf](http://www.budgeting.ie/images/stories/Publications/Budget_Analysis/Budget_2015_-_MEBS_Impact_Briefing.pdf)

<sup>25</sup> The Vincentian Partnership For Social Justice, *Minimum Income Standard Calculator*. Available at: <http://misc.ie/home>

<sup>26</sup> The Organisation for Economic Co-operation and Development (OECD), *About the OECD*. Available at: <http://www.oecd.org/about/>

<sup>27</sup> The Organisation for Economic Co-operation and Development (OECD), *List of OECD Member countries - Ratification of the Convention on the OECD*. Available at: <http://www.oecd.org/about/membersandpartners/list-oecd-member-countries.htm>

<sup>28</sup> Guy Standing, *The Precariat and Class Struggle* (2014) Available at:

[http://www.guystanding.com/files/documents/Precariat\\_and\\_Class\\_Struggle\\_final\\_English.pdf](http://www.guystanding.com/files/documents/Precariat_and_Class_Struggle_final_English.pdf)

**Registered employment agreements (REA):** REAs are no longer valid, “[t]he parties to any agreement on pay and/or conditions of employment of any class or group of workers could apply to the Labour Court to have the agreement registered.

Once registered, it became legally enforceable, under civil and criminal law, and was directly applicable to every worker and his employer of the type, class, or group to which it applies-this includes those employers and employees who would not have been parties to the agreement.

The Labour Court registered the REA when it was satisfied that both employer and employee representatives wanted it registered. Registered employment agreements were held to be invalid from May 2013 as a result of a Supreme Court case, *McGowan and Others v the Labour Court, Ireland and the attorney General*.

There are approximately 70 registered employment agreements registered with the Labour Court covering industries such as contract cleaning, construction, electrical, retailing.

Employees who enjoyed terms and conditions under an REA up to 9 May, 2013 will continue to enjoy those terms and conditions thanks to their contract of employment. After that date employees who commence work are not covered by an REA but the ordinary employment legislation such as for minimum wage, rest periods, etc.”<sup>29</sup>

**Sectoral Employment Orders:** Allows a representative trade union to request the Labour Court to examine the remuneration, sick pay or pension scheme of workers in a particular economic sector. The Labour Court, having published notice of its intention to do so and allows 28 days to receive submissions, will be obliged to carry out the examination provided that some basic criteria are satisfied. The Labour Court, having considered economic factors will be empowered to make a recommendation to the Minister to make a “sectoral employment order” and the Minister will be obliged to do so within six weeks of having been properly recommended to do so by the Labour Court. The Order must be voted on by the Oireachtas and it may be annulled.

The Labour Court will be permitted, once in 5 years, in cases of proven severe financial difficulties, to exempt an employer, for between 3 and 24 months, from the terms of a sectoral employment order. In any event, any rate of pay will not be allowed to be below the Minimum Wage.<sup>30</sup>

**Wealth tax:** A net wealth tax is a recurrent tax on the capital value of assets less liabilities. France, Norway and Switzerland all have recurrent wealth taxes, while Spain and Iceland have introduced recurrent wealth taxes on a temporary basis. Ireland operated a net wealth tax between 1975 and 1978. A recurrent wealth tax typically refers to an annual tax on the stock of net wealth – i.e., a tax on the value of gross assets minus liabilities. Such taxes may be applied to individuals, to Discretionary Trusts, or to businesses.<sup>31</sup>

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<sup>29</sup> Employmentrightsireland.com, *Employment Regulation Orders and Registered Employment Agreements-What You Need to Know in Plain English*.

Available at: <http://employmentrightsireland.com/tag/registered-employment-agreement/>

<sup>30</sup> Dillon Eustace, *Registered Employment Agreements to be given statutory basis* (2015) Available at:

<http://www.dilloneustace.ie/download/1/Publications/Litigation%20and%20Dispute%20Resolution/Registered%20Employment%20Agreements%20to%20be%20given%20statutory%20basis.pdf>

<sup>31</sup> Nevin Economic Research Institute, *Wealth Tax: Options for its Implementation In the Republic of Ireland* (2013), P 11. Available at: [http://www.nerinstitute.net/download/pdf/neri\\_wp\\_no\\_6\\_2013\\_mcdonnell\\_wealth\\_tax.pdf](http://www.nerinstitute.net/download/pdf/neri_wp_no_6_2013_mcdonnell_wealth_tax.pdf)



#### 4. Executive Summary

The Joint Committee (hereinafter referred to as the “Committee”) held two days of hearings in February and March of 2015 to engage with relevant stakeholders to discuss “Low Pay and the Living Wage.” The table below identifies all stakeholders who made presentations to the Committee, the date of their presentations and the session during which they made their presentation.

*Table 1: Joint Committee hearings – stakeholders / witnesses present*

	24 February	3 March
Session 1	<ul style="list-style-type: none"> <li>Mark Fielding, Chief Executive Irish Small and Medium Enterprises Association (ISME)</li> <li>Seamus Coffey, Lecturer University College Cork</li> </ul>	<ul style="list-style-type: none"> <li>John King, Services Industrial Professional and Technical Union (SIPTU)</li> </ul> <p><b>Representatives of Mandate Trade Union:</b></p> <ul style="list-style-type: none"> <li>Gerry Light</li> <li>David Gibney</li> </ul> <p><b>Representatives of Unite the Union:</b></p> <ul style="list-style-type: none"> <li>Michael Taft</li> <li>Jimmy Kelly</li> </ul>
Session 2	<ul style="list-style-type: none"> <li>Dr. Micheál Collins, Nevin Economic Research Institute (NERI)</li> </ul> <p><b>Representatives of Irish Business and Employers Confederation (IBEC):</b></p> <ul style="list-style-type: none"> <li>Fergal O’Brien</li> <li>Meave McElwee</li> </ul>	<p><b>Representatives of Small Firms Association (SFA):</b></p> <ul style="list-style-type: none"> <li>Patricia Callan</li> <li>A.J. Noonan</li> </ul>

Interviews were also undertaken with the following:

- National Women’s Council of Ireland
- The Migrants Rights Committee
- ICTU
- SIPTU
- The Irish Hotels Federation
- ISME
- The Vincentian Partnership for Social Justice
- One Family
- IBEC
- Chambers Ireland

Further desk research was undertaken into relevant policy and literature background.

#### 4.1 *Transcripts*

The transcripts of the meetings of [24](#)<sup>32</sup> February and [3](#)<sup>33</sup> March 2015 are available online.

#### 4.2 *Submissions and Presentations*

The submissions and presentations made to the Committee for the meetings of 24 February and 3 March 2015 are available [online](#).<sup>34</sup>

#### 4.3 *Report Rationale*

This report was proposed by Senator David Cullinane and agreed by the Oireachtas Joint Committee on Jobs, Enterprise and Innovation to examine low pay, decent work and a living wage.

The need for the report was demonstrated in recent studies that reveal an emerging crisis of low pay, in-work poverty and precariousness in Ireland. These trends demonstrate an urgent need to understand the extent of the problem of low pay and develop suitable policy responses. For example, the 2010 EU-wide Labour Force Survey found that Ireland has the third highest rate of low-paid workers in the EU. 20.7% of workers in Ireland (1 in 5) are low-paid.<sup>35</sup> 2010 was the height of the financial/economic crisis in both Ireland and the EU as a whole. Therefore, these figures are likely to be much changed with different prevailing economic conditions with the recovery. The Committee looks forward to the 2017 EU-wide Labour Force Survey. Ireland has the highest incidence of low pay for full-time employees in the EU15 at 17%, and is the third highest for part-time employees at close to 40%. Ireland's high proportion of low-wage earners contrasts to countries with much lower rates of low pay such as Sweden (2.5%), Finland (5.9%), France (6.1%), Belgium (6.4%) and Denmark (7.7%). Clearly such a large proportion of the workforce suffering low pay is neither inevitable nor normal. Furthermore, analysis by the Nevin Economic Research Institute (NERI) of the latest Central Statistics Office (CSO) Survey on Income and Living Conditions (SILC) data has found that 30.3% of all employees are low-paid – just over 400,000 workers.<sup>36</sup>

In regard to in-work poverty and deprivation there are now nearly 350,000 people in the workforce (19.2%) suffering multiple deprivation experiences. 33.8% of one-income households in the workforce are classified as being deprived. CSO poverty figures show that of all people living at risk of poverty, 12.6% are at work which is approximately 95,000 workers.

The report has analysed peer-reviewed evidence and based on this, calls on the government to introduce a range of measures to help low-paid workers including considering the introduction of a 'living wage'. The report identifies practical solutions and provides implementable recommendations that would address these problems. The research for this report draws on the presentations and debates from two hearings of the Oireachtas Joint Committee on Jobs, Enterprise and Innovation on 'Low Pay and the Living Wage', which took place on February 24 and 3 March 2015.

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<sup>32</sup> Meeting of the Oireachtas Joint Committee on Jobs, Enterprise and Innovation (24 February 2015). Available at: <http://oireachtasdebates.oireachtas.ie/debates%20authoring/debateswebpack.nsf/committeetakes/BUJ2015022400001?opendocument>

<sup>33</sup> Meeting of the Oireachtas Joint Committee on Jobs, Enterprise and Innovation (3 March 2015). Available at: <http://oireachtasdebates.oireachtas.ie/debates%20authoring/debateswebpack.nsf/committeetakes/BUJ2015030300001?opendocument>

<sup>34</sup> Submissions and Presentations. Available at: [http://www.oireachtas.ie/parliament/oireachtasbusiness/committees\\_list/jobsenterpriseandinnovation/presentationsandsubmissions/](http://www.oireachtas.ie/parliament/oireachtasbusiness/committees_list/jobsenterpriseandinnovation/presentationsandsubmissions/)

<sup>35</sup> Eusebio Bezzina, *Population and Social Conditions: Eurostat Statistics in Focus 48/2012* (2012) (See footnote 7).

<sup>36</sup> Nevin Economic Research Institute, *Quarterly Economic Observer: Spring 2015* (2015) (See footnote 8).



#### **4.4 Recommendations**

1. The Committee recommends that Ireland should ensure that everyone has the right to an adequate standard of living and that citizens deserve a fair wage for the work performed.
2. The Committee recommends that the Government consider the annual reports of the independent Low Pay Commission to the Minister in order to best allocate resources to key public services in tandem with changes to the minimum wage that are fair and sustainable, and when appropriate, are adjusted incrementally, and over time, progressively increased to assist as many low-paid workers as is reasonably practicable without creating significant adverse consequences for employment or competitiveness.
3. The Committee recommends that the minimum wage be tracked against median earnings and the cost of living and take into consideration inflation and deflation rates in the economy.
4. The Committee recommends that the Government recognise that the concept of the Living Wage has an important role to play in addressing persistent income inequality and poverty levels. The Committee notes that paying low-paid employees a living wage offers the prospect of significantly benefiting the living standards of these employees and we hope to see this new benchmark adopted across many sectors of society in the years to come.
5. The Committee recommends that the next Government set a target for halving the number of workers affected by in-work poverty within their term of government.
6. The Committee recommends that the Government identify a series of low pay and in-work poverty and deprivation indicators that could be used to benchmark the situation. These targets should be able to be monitored as regularly as possible for progress – ideally on an annual basis.
7. The Committee recommends that the Low Pay Commission undertake quantitative and qualitative research to establish if the minimum wage is sufficient to meet a person's basic requirements.
8. The Committee suggests that there is a need to look beyond an 'hourly' approach to addressing low pay, particularly given the increasing prevalence of insecure and non-fixed hour contracts.
9. The Committee recommends that the Low Pay Commission consider the findings of the Irish Living Wage Technical Group to make the minimum wage a Living Wage by increases in the minimum wage and investment in public services.
10. The Committee recommends that the Low Pay Commission should include the living wage as a key target and explore how it can be reached when making its recommendation of an appropriate minimum wage.
11. The Committee notes that it would seem sensible that any move to a living wage in some sectors would be phased in as the wage bill impact is likely to be more pronounced in sectors with a greater proportion of low-paid employees (such as retail, food production, bars and restaurants).

The Committee also notes that tipping has some impact upon take-home pay in certain sectors such as the bar and restaurant sector.

12. The Committee recommends that the state should become a living wage employer and that payment of the living wage should be stipulated as mandatory in government procurement contracts.

13. The Committee notes that there is a need to provide regular increases rather than irregular large jumps in the minimum wage to bring it up to the living wage. This allows employers to plan ahead.
14. The Committee recommends that the Low Pay Commission and Government ensure that the minimum wage and living wage are fair and will assist low-paid and vulnerable workers, in particular women, migrant workers, and young people.
15. The Committee recommends that the Government should set a goal for the elimination of low pay.<sup>37</sup>
16. The Committee recommends that the cost of living as experienced by workers needs to be considered by the Low Pay Commission.
17. The Committee suggest that it be ensured that both the minimum and living wage take into account sectoral variations.
18. The Committee recommends that additional investment be made in up-skilling and retraining for low wage workers.
19. The Committee recommends that the State adopt a broader framework on competitiveness that prioritises infrastructure, public services, economic and social equality.
20. The Committee recommends that household and business costs be addressed through examination of measures such as price and rent certainty.
21. The Committee recommends the Oireachtas ensure that all workers are covered by collective agreements.
22. The Committee recommends that the Joint Labour Committee structure should be strengthened to give workers an opportunity to influence their working conditions and ensure they get proper, decent and regular hours of work.
23. The Committee recommends that the Oireachtas continue to recognise and support the important role of trade unions in achieving decent working pay and conditions for all workers.
24. The Committee recommends a sustainable employer and employee rate of PRSI to enable the State to invest in public services (particularly housing, childcare and healthcare). The Committee also supports the recent efforts by the government to start to bring down the rate of PRSI for self-employed persons (including entrepreneurs) to eventually bring it in line with PRSI rates for employees which will set the conditions to encourage more people to start their own business.
25. The Committee recommends that the Government equality and poverty-proof both direct and indirect taxation.
26. The Committee recommends that the Government continue to attract Foreign Direct Investment, in part through a competitive corporation tax rate, recognising its importance to direct and indirect job creation.

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<sup>37</sup> Low-wage earners are defined as those employees earning two thirds or less of the national median gross hourly earnings in a particular country. Eurostat, *Wages and labour costs*. Available at: [http://ec.europa.eu/eurostat/statistics-explained/index.php/Wages\\_and\\_labour\\_costs](http://ec.europa.eu/eurostat/statistics-explained/index.php/Wages_and_labour_costs)

- 27.** While advocating for the introduction of a living wage the Committee notes that it is not in favour of measures that could cause job losses and business closures. If any of these measures advocated in this report are implemented, the Committee strongly recommends that the Government commissions an impact assessment report in order to mitigate possible job losses, business closures or economic contraction.
- 28.** Prior to the introduction of a living wage model, the Committee recognises that there may be strong business and economic concerns associated with such a measure. Thus the Committee recommends that the Government consult widely with business-owners and the self-employed as well as relevant economic bodies including the Economic and Social Research Institute.

#### **4.5 A Vision for Decent work and a Living Wage**

The report has developed 'A Vision for Decent work and a Living Wage' which includes the following aspects. These are underpinned by a number of relevant human rights and constitutional obligations of the Irish State in relation to low pay, decent work and a living wage which are outlined below in Section 4.6.

##### ***Eliminating low pay***

- The Oireachtas, and all parts of the state and government, must acknowledge the extent of the problem of low pay and in-work poverty, develop solutions to eliminate it, and ensure sufficient political and institutional will exists to implement the solutions.
- The Government should set clear time-specific targets for the elimination of low pay, in-work poverty and precariousness.
- Ensure groups particularly affected by low pay, such as women, migrants and young people are prioritised.
- Amend the minimum wage incrementally based on quantitative factors such as inflation and deflation.
- The Government, at central and local level, should ensure that all state-employed workers are in receipt of a living wage.
- Introduce a living wage clause in all state/public contracts.
- Ensure that the Low Pay Commission has as its key aim the elimination of low pay, in-work poverty and precariousness.

##### ***Improving worker's protection***

- Introduce robust collective bargaining legislation and trade union recognition.
- Provide greater state support to precarious workers through legislative reform, such as the part-time code of conduct.
- Phase out the use of unpaid internships/labour activation schemes.
- Strengthen powers of Labour Court to ensure employers' engagement in Joint Labour Committees and Sectoral Agreements.
- Recognising the importance of flexible work, but end the exploitation of low hour contracts where it exists.

##### ***Providing decent public services and reducing the cost of living for workers***

- Reform of the welfare system to ensure taking up work or additional hours does not result in poverty – by phasing and scaling in-work supports to low-paid workers.
- Going forward the aim must be to improve public service provision especially in terms of publically funded child care, the provision of social housing and access to a decent and universal public health care system.

##### ***Achieving a sustainable competitive economy***

- Investing in businesses to develop skills, education, research and innovation.
- Addressing business cost base by examining issues such as rent certainty for businesses and for residential housing.
- Invest in infrastructure e.g. transport, broadband etc.
- Ensure a continued progressive taxation system and ensure a sustainable PRSI tax base to fund skills and training, public services and investment.
- Identifying policy changes to move Ireland towards a more sustainable and fair economy and society.

#### 4.6 *Relevant Human Rights and Constitutional Obligations of the Irish State*

Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

UN Declaration of Universal Human Rights, 1948 Article 25<sup>38</sup>

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Everyone has the right to an adequate standard of living for himself and his family, including adequate food, clothing and housing and to continuous improvement of living conditions.

UN International Covenant on Economic and Cultural Rights 1966 Article 11<sup>39</sup>

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Initially dismissed as impossible, it [the idea of a living wage] is now recognised as a compelling cause which offers benefits to workers, employers and to wider society.

Hirsch and Moore, 2011<sup>40</sup>

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#### **Relevant Articles of the European Social Charter to which Ireland is a signatory:<sup>41</sup>**

##### Article 4 – The right to a fair remuneration

With a view to ensuring the effective exercise of the right to a fair remuneration, the Parties undertake:

1. To recognise the right of workers to a remuneration such as will give them and their families a decent standard of living
2. recognise the right of men and women workers to equal pay for work of equal value

##### Article 6 – The right to bargain collectively

2. to promote, where necessary and appropriate, machinery for voluntary negotiations between employers or employers' organisations and workers' organisations, with a view to the regulation of terms and conditions of employment by means of collective agreements
4. The right of workers and employers to collective action in cases of conflicts of interest, including the right to strike, subject to obligations that might arise out of collective agreements previously entered into.

##### Article 30 - The right to protection against poverty and social exclusion

With a view to ensuring the effective exercise of the right to protection against poverty and social exclusion, the Parties undertake:

- a. to take measures within the framework of an overall and co-ordinated approach to promote the effective access of persons who live or risk living in a situation of social exclusion or poverty, as well

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<sup>38</sup> United Nations, *The Universal Declaration of Human Rights* (1948) Available at:  
<http://www.un.org/en/documents/udhr/index.shtml#a25>

<sup>39</sup> United Nations, *International Covenant on Economic, Social and Cultural Rights* (1966) Available at:  
<http://www.ohchr.org/EN/ProfessionalInterest/Pages/CESCR.aspx>

<sup>40</sup> Donald Hirsch and Rhys Moore, *The Living Wage in the United Kingdom: Building on Success* (2011) Available at:  
<http://citizensuk.org/wp-content/uploads/2011/06/The-Living-Wage-in-the-United-Kingdom-May-2011.pdf>

<sup>41</sup> Council of Europe, *European Social Charter (revised)* (1996) Available at:  
<http://conventions.coe.int/Treaty/en/Treaties/Html/163.htm>

as their families, to, in particular, employment, housing, training, education, culture and social and medical assistance

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***Relevant Articles of Bunreacht Na hÉireann:***<sup>42</sup>

Article 45.2: The State shall, in particular, direct its policy towards securing:

2. i That the citizens (all of whom, men and women equally, have the right to an adequate means of livelihood) may through their occupations find the means of making reasonable provision for their domestic needs.
3. 2° The State shall endeavour to secure that private enterprise shall be so conducted as to ensure reasonable efficiency in the production and distribution of goods and as to protect the public against unjust exploitation.
4. 1° The State pledges itself to safeguard with especial care the economic interests of the weaker sections of the community, and, where necessary, to contribute to the support of the infirm, the widow, the orphan, and the aged.

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<sup>42</sup> *Bunreacht Na hÉireann*. Available at: <http://www.irishstatutebook.ie/en/constitution/index.html>

## 5. The Facts on Low Pay and Wages Trends in Ireland

The 2010 EU-wide *Labour Force Survey*<sup>43</sup> found that 20.7% of workers in Ireland (1 in 5) are low-paid, meaning that they earned below a low pay threshold of €12.20 per hour – a figure equivalent to 66% of national median hourly earnings (Table 2). The proportion of low-wage earners among employees amounted to 17.0% in 2010 in the EU27 with the lowest in Sweden (2.5%), Finland (5.9%), France (6.1%), Belgium (6.4%) and Denmark (7.7%). 2010 was the height of the financial/economic crisis in both Ireland and the EU as a whole. These figures are likely to be much changed with different prevailing economic conditions with the recovery. The Committee looks forward to the 2017 EU-wide Labour Force Survey.

Low pay is more common among women at 23.6% (in comparison to men at 17.6%), those with low education levels at 30% (in comparison to 12.9% of those with high education) and workers with fixed duration contracts at 28% (in comparison to those with indefinite contracts at 19.9%). Over 60% of those on low pay are women and, according to the CSO, 50% of women in Ireland are earning €20,000 or less annually. The incidence of low pay is much higher for younger people and it declines as people get older. For those under 30, the incidence of low pay is around 40% and 20% for those between 30 and 39. The Committee agrees that if we are to address in-work poverty the issue of under employment must also be tackled.

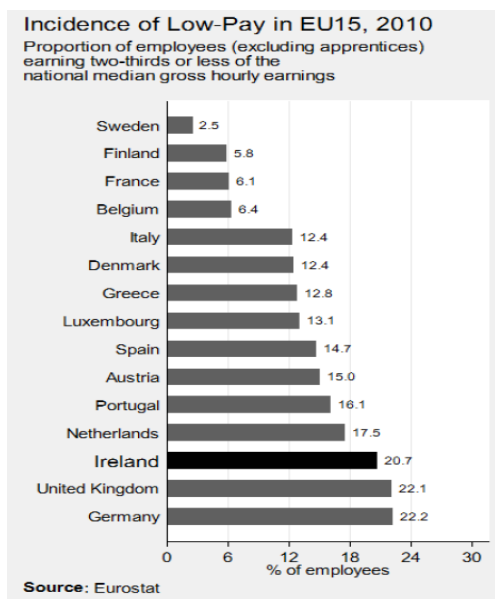
Table 2: Proportion of low-wage earners by sex, level of education and type of contract, 2010

	Low-wage threshold, in euro per hour	Proportion of low-wage earners, %							
		Total	By sex		Level of education <sup>44</sup>			Type of contract	
			Women	Men	Low	Medium	High	Fixed duration	Indefinite
<b>EU27</b>	-	<b>17.0</b>	<b>21.2</b>	<b>13.3</b>	<b>29.0</b>	<b>19.3</b>	<b>5.8</b>	<b>31.3</b>	<b>15.7</b>
<b>EA17</b>	-	<b>14.8</b>	<b>19.2</b>	<b>11.0</b>	<b>27.8</b>	<b>14.2</b>	<b>3.1</b>	<b>26.9</b>	<b>13.4</b>
<b>Belgium</b>	10.9	6.4	10.3	3.3	13.0	7.4	0.2	22.4	5.1
<b>Denmark</b>	16.6	7.7	9.8	5.4	14.8	9.3	2.9	18.0	7.5
<b>Germany</b>	10.2	22.2	28.7	17.0	54.6	19.1	2.1	38.0	20.9
<b>Ireland</b>	12.2	20.7	23.6	17.6	30.9	25.6	12.9	28.0	19.9
<b>Luxembourg</b>	11.9	13.1	20.2	9.3	33.7	9.8	0.7	34.6	11.1
<b>Netherlands</b>	10.2	18.1	21.2	15.3	37.1	15.7	3.8	47.9	15.3
<b>Finland</b>	10.6	5.9	8.0	3.3	11.5	8.4	1.7	16.8	4.3
<b>Sweden</b>	9.9	2.5	3.1	1.9	4.2	2.6	2.1	:	:
<b>United Kingdom</b>	8.4	22.1	27.6	16.7	34.6	31.3	11.4	36.4	20.8
<b>Norway</b>	16.6	7.3	8.6	6.0	18.3	4.9	1.6	15.5	6.9
<b>Switzerland</b>	14.9	11.0	16.9	6.1	33.9	10.4	1.4	28.4	8.4

<sup>43</sup> Eusebio Bezzina, *Population and Social Conditions: Eurostat Statistics in Focus 48/2012* (2012) (See footnote 7).

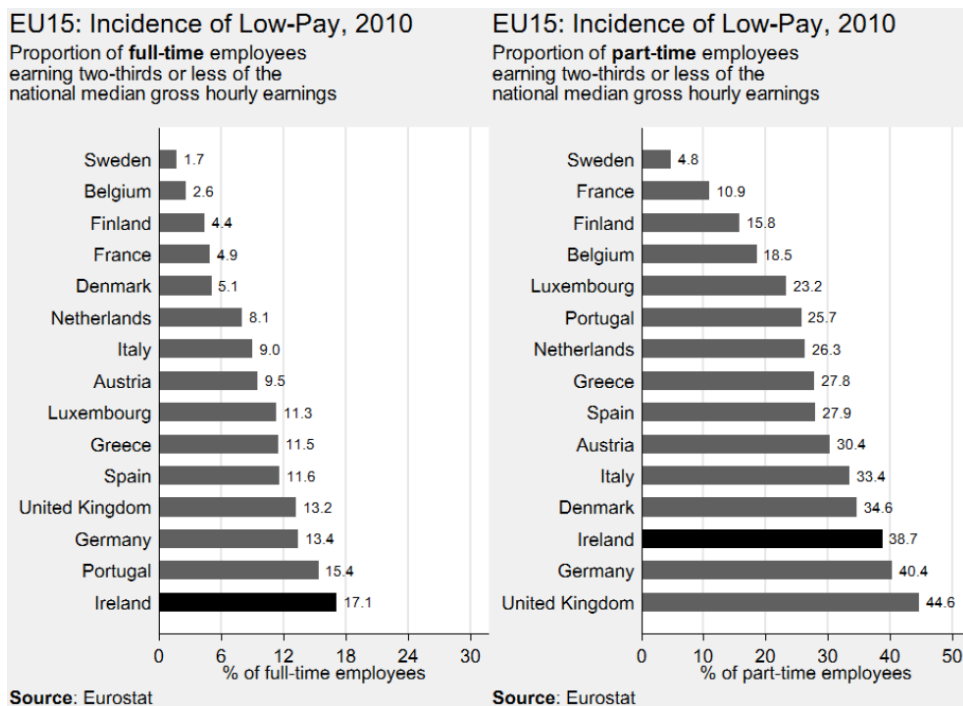
<sup>44</sup> Low level: Pre-primary, primary education or first stage of basic education; lower secondary or second stage of basic education; Medium level: Upper secondary and postsecondary non-tertiary education; High level: Tertiary programmes with academic orientation; second stage of tertiary education leading to an advanced research qualification.

**Table 3: Incidence of Employee Low-Pay in the EU**



Ireland has the highest incidence of low pay for full-time employees in the EU15 at 17%, and is the third from bottom for part-time employees at close to 40%. Ireland is in the worst three for nine of the eleven occupational groups reported by Eurostat. Ireland has the highest incidence of low pay in five of the eleven occupational groups.

**Table 4: Incidence of Low Pay for Full-Time and Part-Time Employees**



NERI has undertaken an analysis of the distribution of earnings using micro data from the latest CSO SILC, 2013. Of all the employees examined in the data, 5.5% have an income below the statutory minimum wage – these include those exempted by the structure of the minimum wage including young workers under 18 years old, persons employed by a close relative, apprentices and those on structured training schemes. Using the



hourly living wage as a threshold, the analysis finds that 25.6% of employees have an hourly wage rate of less than €11.45. Some 30.3% of employees lie below the low pay threshold of €12.20. These findings imply that almost 345,000 employees earn less than €11.45 per hour while just over 400,000 earn below €12.20 per hour. Women represent 60% of all those who are low-paid using the €12.20 threshold, of all those who are low-paid almost one-quarter are in the wholesale and retail sector with almost one-in-six (17.1%) in the accommodation and food sector. The low-paid are mainly concentrated in the private sector (87%) although one-in-ten are employees in the public sector.

Table 5: Distribution of hourly earnings by selected pay thresholds 2013<sup>45</sup>

Threshold	% above	% below
Below €8.65	94.4%	5.5%
Below €10.00	86.2%	13.8%
Below €11.45	74.3%	25.6%
Below €12.20	69.7%	30.3%

While 16% of all employees live in households that are in the bottom 40% of the income distribution, this is where more than one-third of the low-paid live. A similar number (34.6%) of the low-paid have a full medical card. 36% of the low-paid are living in households that indicate that they have difficulty making ends meet (with difficulty or with great difficulty) – twice the level for all employees. Similarly, two-thirds of the low-paid are in households that would be unable to afford an unexpected expense of €1,085 – again a figure which is larger than that for employees overall (46%). The highest risk of low pay is for employees in the agricultural, forestry and fishing sector where seven out of every ten employees are low-paid. 69% of employees in the accommodation and food sector are low-paid, while 60% of workers in administration and support services are also classified as low-paid. The risk of low pay is much greater for employees on low hours (less than 20hrs) where more than one in two are low-paid. The risk is similar (52%) for employees with a temporary contract. Of all those employees who are low-paid, 65% live in households whose overall income is below the poverty line.

Table 6: The incidence of low pay, Ireland, 2013<sup>46</sup>

	% employees	Below €12.20	Below €11.45
<b>All employees</b>	100.0	100.0	100.0
<b>Gender</b>			
Male	47.5	40.4	39.8
Female	52.5	59.6	60.2
<b>Age Group</b>			
18-29	17.4	34.5	35.8
30-39	32.6	27.7	28.7
40-49	24.8	19.2	16.6
50-59	19.4	12.3	12.8
60+	5.7	5.9	5.6
<b>Highest Completed Education</b>			
Primary or below	4.5	7.9	7.9
Lower secondary	10.4	14.6	13.7
Higher secondary	23.3	34.4	34.8
Post leaving cert	12.3	16.8	17.3
Third level non degree	15.5	10.1	10.3
Third level degree or above	32.3	13.0	12.6
<b>NACE Sector</b>			
Agri, forestry/ fishing	1.2	2.9	3.0
Industry	16.1	12.4	11.6
Wholesale and retail trade	14.3	24.1	23.8
Accommodation and food	7.5	17.1	18.1
Admin & support services	2.8	5.5	5.6
Health & social work	15.6	12.9	13.0
Pub Adm, Defence, Educ	17.4	5.6	5.6
Others	25.2	19.7	19.4

<sup>45</sup> Nevin Economic Research Institute, *Quarterly Economic Observer: Spring 2015* (2015). Available at: [http://www.nerinstitute.net/download/pdf/nerispring2015geo\\_compressed.pdf](http://www.nerinstitute.net/download/pdf/nerispring2015geo_compressed.pdf)

<sup>46</sup> Ibid.

Similarly from Table 7 and 8 (and 13) we can see that the average weekly wage in the Accommodation and Food sector are the lowest amongst the categories.

*Table 7: Average Weekly Wage Per Sector 2015 Q3<sup>47</sup>*

<u>Type of Employee</u>	<u>Economic Sector NACE Rev 2</u>	<u>2015Q3</u>
All Employees	Accommodation and food service activities (I)	326.78
All Employees	Arts, entertainment, recreation and other service activities (R,S)	463.06
All Employees	Administrative and support service activities (N)	510.76
All Employees	Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	524.94
All Employees	Human health and social work activities (Q)	673.04
All Employees	Construction (F)	698.64
All Employees	Transportation and storage (H)	753.01
All Employees	Professional, scientific and technical activities (M)	775.06
All Employees	Education (P)	803.20
All Employees	Manufacturing (C)	809.35
All Employees	Industry (B to E)	832.83
All Employees	Public administration and defence; compulsory social security (O)	909.36
All Employees	Financial, insurance and real estate activities (K,L)	974.25
All Employees	Mining and quarrying (B)	989.67
All Employees	Electricity, water supply and waste management (D,E)	1,049.48
All Employees	Information and communication (J)	1,065.46

<sup>47</sup> CSO, *EHECS Earnings Hours and Employment Costs Survey Quarterly*. Available at:  
<http://www.cso.ie/px/pxeirestat/statire/SelectVarVal/Define.asp?Maintable=EHQ03&PLanguage=0>

Table 8: Average Hourly Wage Per Sector, Q3 2015<sup>48</sup>

Type of Employee	Economic Sector NACE Rev 2	2015Q3
All Employees	Accommodation and food service activities (I)	12.05
All Employees	Arts, entertainment, recreation and other service activities (R,S)	16.50
All Employees	Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	16.88
All Employees	Administrative and support service activities (N)	16.97
All Employees	Construction (F)	19.31
All Employees	Transportation and storage (H)	20.41
All Employees	Manufacturing (C)	21.14
All Employees	Industry (B to E)	21.75
All Employees	Human health and social work activities (Q)	22.03
All Employees	Professional, scientific and technical activities (M)	23.96
All Employees	Public administration and defence; compulsory social security (O)	25.24
All Employees	Mining and quarrying (B)	26.07
All Employees	Electricity, water supply and waste management (D,E)	27.42
All Employees	Financial, insurance and real estate activities (K,L)	28.04
All Employees	Information and communication (J)	29.24
All Employees	Education (P)	34.29

Wages in Ireland are also lower than most of our European neighbours. Compared to EU15 countries, the level of Irish wage compensation in the private sector is 16% below the average (Tables 9 & 10).

Tables 9 & 10: Cost of Employing Labour Across EU Countries<sup>49</sup>

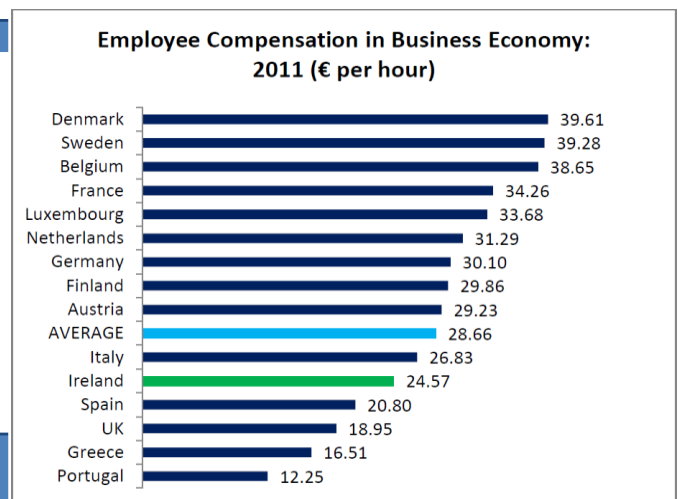


QEF Table 3.1a Cost of Employing Labour  
Across Advanced EU Economies (EU15)

Country	€	€PPS
Denmark	39.61	27.61
Sweden	39.28	31.07
Belgium	38.65	34.82
France	34.26	31.09
Luxembourg	33.68	27.39
Netherlands	31.29	28.92
Germany	30.10	29.18
Finland	29.86	23.94
<b>Rep. Ireland</b>	<b>24.57</b>	<b>21.12</b>
Spain	20.80	21.41
UK	18.95	18.59
Portugal	12.25	14.07
<b>EU-15*</b>	<b>29.44</b>	<b>25.77</b>

Source: Eurostat online database

Notes: \*Data for 2011 were not available for the following EU15 countries: Greece, Italy and Austria. Therefore, average is for 12 countries only.



<sup>48</sup> Ibid.

<sup>49</sup> Nevin Economic Research Institute, *Quarterly Economic Facts: Summer 2015* (2015) Available at: [http://www.nerinstitute.net/download/pdf/quarterlyeconomicfactssummer2015\\_reducedsize.pdf](http://www.nerinstitute.net/download/pdf/quarterlyeconomicfactssummer2015_reducedsize.pdf) and Unite the Union, *Ireland Needs A Wage Increase* (2014) Available at: <https://unite.theunionireland.files.wordpress.com/2014/02/ireland-needs-a-wage-increase-final-for-upload-1802141.pdf>

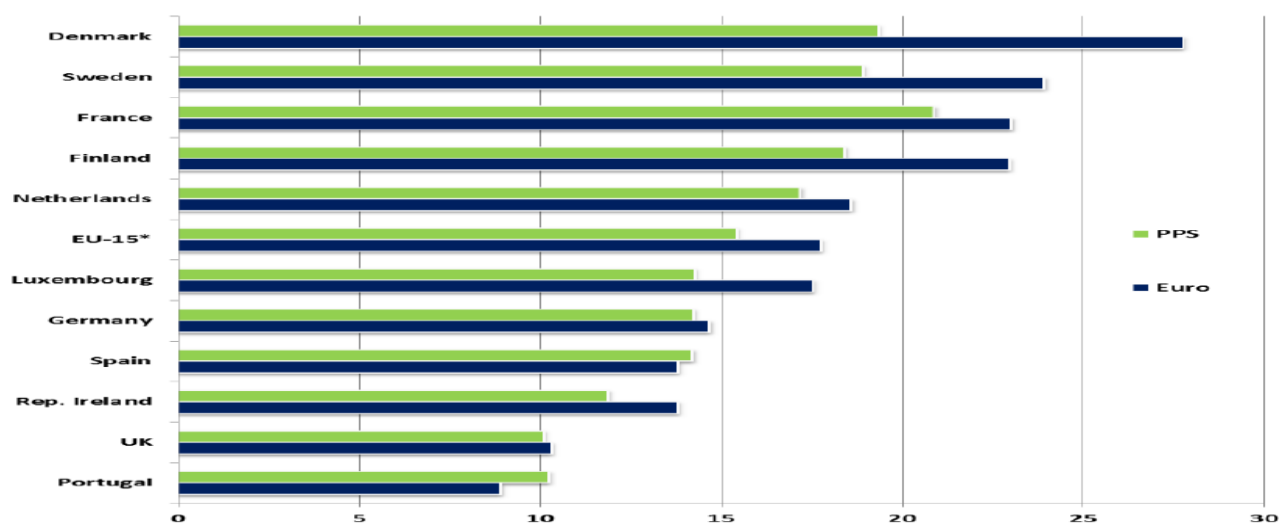
When purchasing power is factored in (Purchasing Power Parities) Irish employee compensation falls even further behind the EU15 average. Specific sectors such as the Hospitality Sector fall even further behind EU averages (Table 11). Also of note is that by the end of 2013 12.5% part-time workers claiming jobseekers payments worked in hotels and restaurants.

Table 11: National Accounts Hourly Employee Compensation in the Hospitality Sector: 2012 (€)<sup>50</sup>

	EU-15		Non-Med	Small Open Economies
<b>Ireland</b>				
Nominal	13.48	15.10	16.93	18.26
PPP	11.79	15.10	17.27	17.15



QEF Chart 3.1b Cost of Employing Labour in the Accommodation and Food Sectors across Advanced EU Economies (EU15)



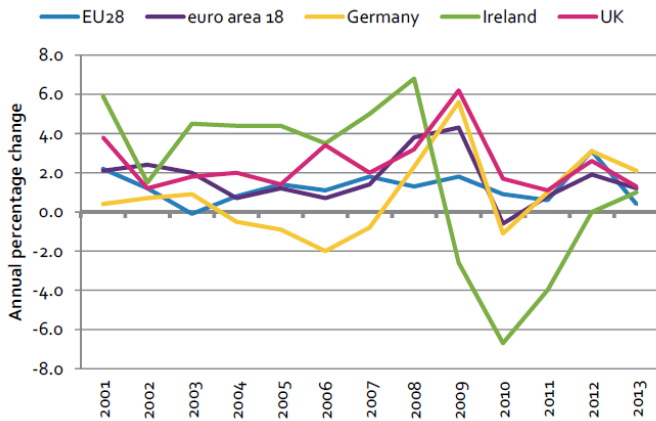
Source: Eurostat

Notes: \*EU-15 refers to 11 countries. Data for 2011 were not available for the following EU15 countries: Belgium, Greece, Italy and Austria

<sup>50</sup> Unite the Union, *Submission to the Joint Committee on Jobs, Enterprise and Innovation* (2015) Available at: <http://www.oireachtas.ie/parliament/media/committees/Unite-Submission-to-the-Oireachtas-Committee-on-Jobs-Enterprise-and-Innovation.pdf> and Nevin Economic Research Institute, *Quarterly Economic Facts: Summer 2015* (2015) Available at: [http://www.nerinstitute.net/download/pdf/quarterlyeconomicfactssummer2015\\_reducedsize.pdf](http://www.nerinstitute.net/download/pdf/quarterlyeconomicfactssummer2015_reducedsize.pdf)

It is important also to note that between 2009 and 2011 there were significant reductions in nominal wages (Unit Labour Costs) in Ireland while across most of the euro area, increases were recorded (Table 12).

Table 12: Unit Labour Costs 2001-2013<sup>51</sup>



Furthermore, since Q4 2009, average hourly labour costs have fallen by over 2%. The construction, health and public sectors have experienced the greatest reduction in hourly labour costs. Again, Table 13 shows the low-paid sector of Accommodation and Food.

Table 13: Average Hourly Labour Costs in Ireland by Sector, Q4 2009 – Q4 2014<sup>52</sup>

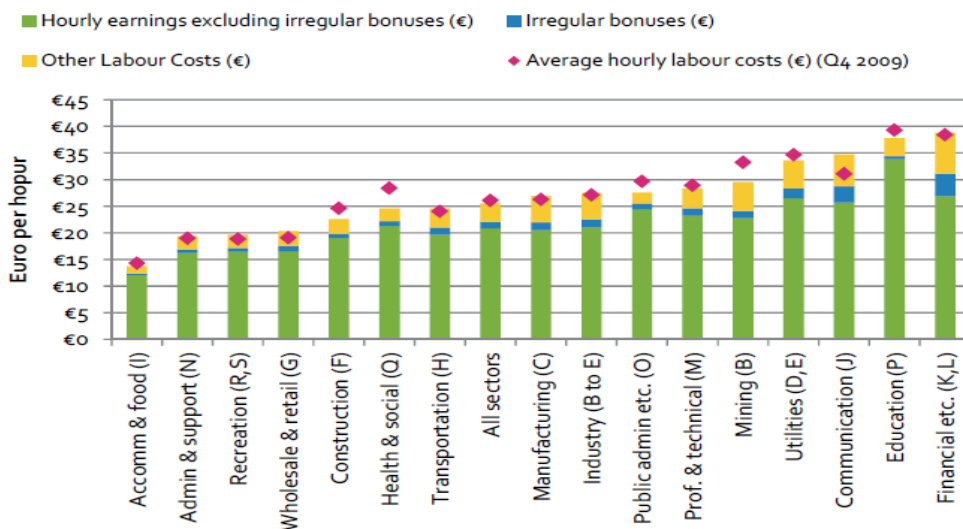


Table 14 shows the change in single person's median income between 2008 and 2013 for select EU15 countries. Ireland is clearly an outlier in the reduction in income.

Table 14: Increase in Single Person's Median Income: 2008 – 2013 (%)

<b>Sweden</b>	<b>Austria</b>	<b>Denmark</b>	<b>France</b>	<b>Spain</b>
20.8	13.7	11.2	10.9	7.1
<b>Germany</b>	<b>UK</b>	<b>Portugal</b>	<b>Ireland</b>	<b>Greece</b>
6.9	5.4	0.4	<b>(-17.1)</b>	<b>(-22.5)</b>

<sup>51</sup> National Competitiveness Council, Costs of Doing Business in Ireland 2015 (2015) Available at:

[http://www.competitiveness.ie/Publications/2015/24022045-Costs\\_of\\_Doing\\_Business\\_in\\_Ireland-Publication.pdf](http://www.competitiveness.ie/Publications/2015/24022045-Costs_of_Doing_Business_in_Ireland-Publication.pdf)

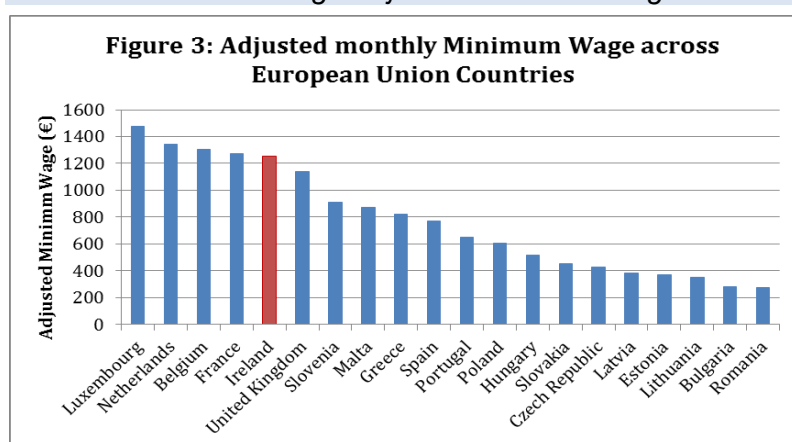
<sup>52</sup> Ibid.

### 5.1 The Minimum Wage

The CSO estimates that 4.7% of the workforce or, approximately 73,000 workers, were paid the National Minimum Wage (NMW) of €8.65 per hour in 2014 which shows little change from their 2007 estimate of 4.9%. A single person on the minimum wage with no children or debt receives approximately €16,960 per annum. Research has shown that three sectors of the economy – hospitality, retail and wholesale and other services - account for more than half of all minimum wage workers.

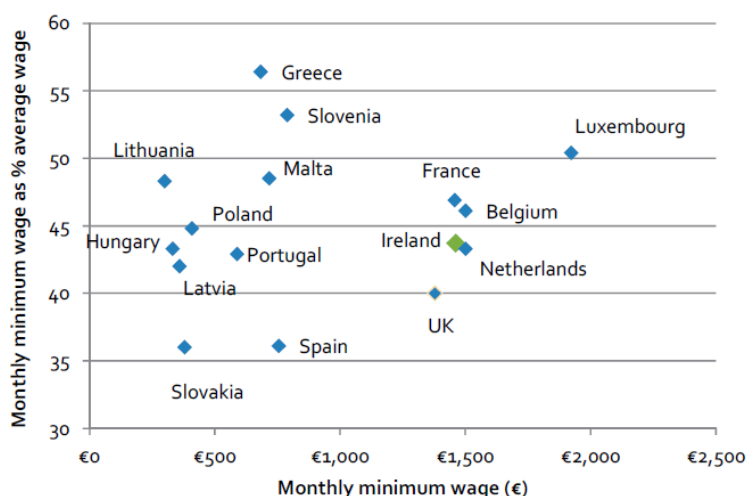
When account is taken of purchasing power, the value of Ireland's minimum wage falls by 14% and leaves Ireland with the fifth highest minimum wage in the EU27 (Figure 9). So, in 2012, while Ireland's nominal minimum wage was 27% higher than in the UK, but when adjusted for purchasing power, this differential declines to 10%.

Table 15: Minimum Wage Adjusted for Purchasing Power<sup>53</sup>



In 2013 the minimum wage as a percentage of average wages ranged from 36% in Slovakia to 56.4% in Greece. As a percentage of average wages, Ireland has the ninth highest minimum wage (out of 21 countries, see Table 16). The minimum wage is effectively 52% of the average wage in Ulster, 48% of the average in Connaught and 43.4% of the average of the state (OECD).

Table 16: Monthly Minimum Wage (2015) and Minimum Wage as a Percentage of average Wage (2013)<sup>54</sup>



<sup>53</sup> Publicpolicy.ie, *The Minimum Wage – Too High or Too Low?* (2013) Available at: <http://www.publicpolicy.ie/the-minimum-wage-too-high-or-too-low/>

<sup>54</sup> National Competitiveness Council, *Costs of Doing Business in Ireland 2015* (2015) (See footnote 51).

As a percentage of the national median wage, the minimum wage in France is 62%, Slovenia, 60% and Portugal, 58%. The situation in the Nordic countries is very different. There, the collectively agreed minimum wages are generally between 60-70% of the national median and therefore significantly higher than in the rest of the EU countries. The NMW is currently 48% of the median wage in Ireland. When the minimum wage was first introduced it was stated that it was intended to be maintained at two-thirds of the median wage.

Ireland also has a higher proportion of workers earning close to or at the minimum wage. In most countries there are only a small percentage of workers earning at the minimum wage or slightly above it. In Spain, Greece, Portugal and the UK less than 5% of workers earn below 105% of the statutory minimum wage; in Ireland the proportion is 10%.



## 5.2 In-Work Poverty and Deprivation

There are a number of indicators of in-work poverty and deprivation. These include:

- The latest CSO poverty figures show that of all people living at risk of poverty, 12.6% are at work which is approximately 95,000 workers. This is an increase of 10,000 workers from 2013 when of those in poverty 11.7% were working.
- 5% of all workers are at risk of poverty.
- 13.4% of households with one person at work were at risk of poverty in 2013. This is an increase from 12.2% in 2009.
- 350,000 workers - or 19.2% of all workers are classified as living in deprivation
- 33.8% of one-income households in the workforce are classified as being deprived
- The most recent Irish League of Credit Unions tracker survey highlights that almost 200,000 workers, or 11% of working adults, have no disposable income left at the end of the month with 480,000, or 27%, having less than €50 left and another 730,000, or 41%, having less than €100 left.
- 44,000 families, with 100,000 children are in receipt of the Family Income Supplement at a cost of €250 million per annum

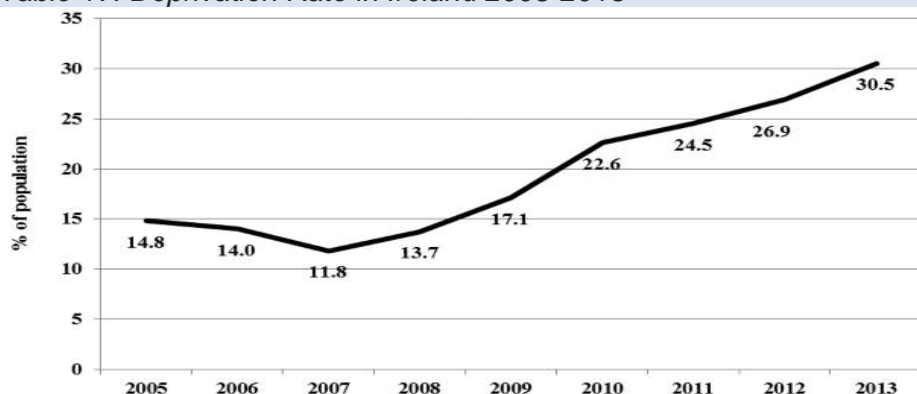
However it is essential to highlight that the use of relative rates can give very misleading results. For example, relative poverty (at risk of poverty rate) is measured as 60% of median income. In 2007 the CSO reported the median income in Ireland (the income of the middle person in the income distribution) to be €19,794 and found that this decreased by more than 11%, to €17,551, by 2013. As the poverty line is calculated as a proportion of this income it also declined, dropping by almost €26 per week (€1,345 per annum). Changes in the rate of poverty should be seen in the context of these changes. Poverty rates have remained static because the fall in median income has meant the poverty threshold has reduced considerably. In 2008, you'd be classified as being 'at-risk of poverty' if you earned less than €12,455. In 2013 to be classified so, your income would have to be less than €10,631. Therefore, the 'at risk of poverty' rate can give a very false picture when there is considerable volatility in the median wage. Eurostat provides a useful measurement that 'anchors' the median income in a particular year (that is, freezes it) and then measures the At-Risk-of-Poverty rate (AROP). For instance, when Eurostat anchors the median income in 2008, this means that the median income has not increased since then. When this is done, we can see the rise in relative poverty. Between 2008 and 2013 – with the median wage frozen at 2008 levels Irish AROP increases from 15.5% to 25.4%. Income alone also does not tell the whole story concerning living standards and command over resources. It is necessary to look more broadly at exclusion from society because of a lack of resources. This requires looking at other areas where 'as a result of inadequate income and resources people may be excluded and marginalised from participating in activities that are considered the norm for other people in society' (NAPS, 1997). Although income is the principal indicator used to assess wellbeing and ability to participate in society, there are other measures. In particular, these measures assess the standards of living people achieve by assessing deprivation through use of different indicators. The CSO measure of deprivation is useful in this regard for Ireland. You are classified as 'deprived' if you have been unable to afford or experience two of the following:

*Two pairs of strong shoes \* A warm waterproof overcoat \* Buy new (not second-hand) clothes \* Eat meat with meals, chicken, fish (or vegetarian equivalent) every second day \* Have a roast joint or its equivalent once a week \* Had to go without heating during the last year through lack of money \* Keep the home adequately warm \* Buy presents for family or friends at least once a year \* Replace any worn out furniture \* Have family or friends over for a drink or meal once a month \* Have a morning, afternoon or evening out once every fortnight for entertainment.*

Table 17 shows the substantial rise in the deprivation rate in recent years in Ireland.



Table 17: Deprivation Rate in Ireland 2005-2013<sup>55</sup>



Nearly 350,000 people in the workforce (19.2%) suffer multiple deprivation experiences (which mean they are officially classified as living in deprivation). Within this, 33.8% of one-income households in the workforce are classified as being deprived, while 15.7% of two-income houses are deprived. The number of people experiencing in-work deprivation has more than trebled since 2008 (Table 18).

Table 18: In-Work Deprivation Rates in Ireland

Table 19: In-Work Deprivation by Income Decile

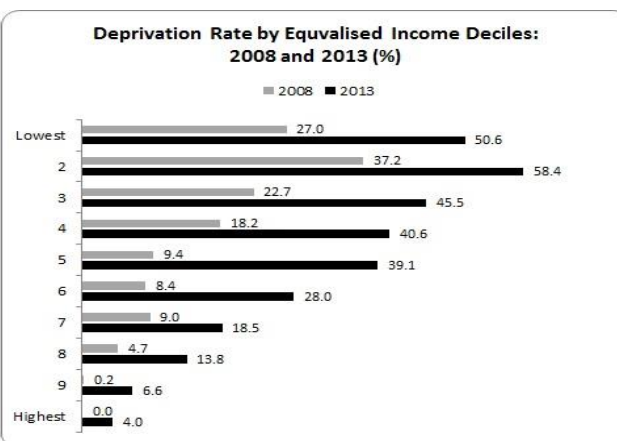
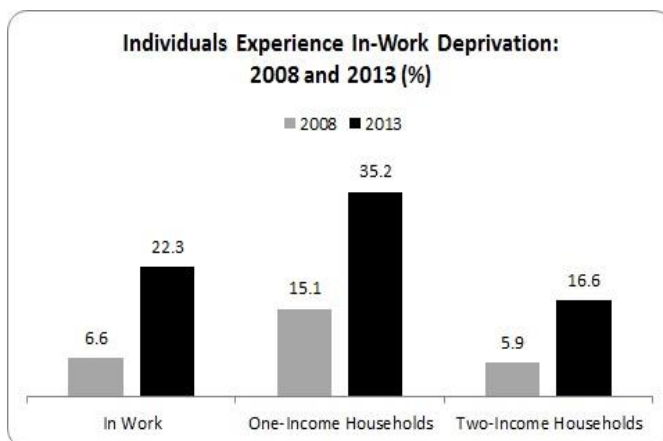


Table 19 shows that even for middle income groups, in the fifth decile for example, deprivation has risen from 9% in 2008 to 39% in 2013. This shows that a better measurement of in-work poverty during periods of volatility is to use the CSO Deprivation Index. For those in work then the proportion of those suffering 'enforced deprivation' increased from 6.6% in 2008 to 19.2% in 2013. This is nearly a three-fold increase in in-work deprivation. It is important to put the human aspect to these figures. The Deputies and Senators speaking at the Oireachtas hearing sought to try to understand the human lives behind the statistics. These are workers and their families who cannot afford to feed their children, heat their houses, clothe their children and get them ready for school. These are people who are working full-time and part-time. This means that on a humanitarian level alone, there is a necessity to focus on the issue of low pay.

### Family Income Supplement

Table 20 shows the rise in the number of families, the numbers of children within those families, and the overall cost of Family Income Supplement (FIS) since 2003. Over that time, the cost of FIS has risen from €45m to €261m per annum with the number of families increasing from 12,300 to just over 44,000. The latest data, for 2013, shows that there are almost 100,000 children living in these FIS supported families. FIS plays a crucial role in making work pay and ensuring that people are better off in work.

<sup>55</sup> Social Justice Ireland, *Socio-Economic Review 2015* (2015) Available at:

<http://www.socialjustice.ie/sites/default/files/attach/policy-issue-article/3852/chapter3.pdf>

Table 20: Family Income Supplement, 2003-2013<sup>56</sup>

Year	No of families	No of children	Cost €m
2003	12,317	26,409	45.4
2004	14,727	29,991	55.8
2005	17,448	33,956	72.2
2006	21,800	43,861	107.1
2007	22,823	47,529	140.0
2008	27,798	58,019	170.3
2009	25,963	55,716	167.1
2010	28,223	62,240	186.0
2011	28,876	65,281	204.5
2012	32,307	73,238	223.6
2013	44,159	98,350	261.8

This figure shows that the costs to all taxpayers and the state to subsidise low pay. This is actual investment lost in public services. Approximately €2 billion of taxpayers' money has been spent in the past three years on subsidising work directly and indirectly.

<sup>56</sup> Social Justice Ireland, *Policy Briefing: Work, Jobs and Unemployment* (2015) Available at: <http://www.socialjustice.ie/sites/default/files/attach/publication/3858/2015-04-27-sjipolicybriefingworkjobsunemployment-april2015final.pdf>

### 5.3 *The rise of Precarious Employment*

Precarious employment has emerged over the last decade as a key problem that causes low pay, in-work poverty and inequality. Precarious work is related to uncertain, unpredictable and risky employment conditions. It tends to be characterized by low-paid work, insecure hours, zero-hour and short-term contracts, irregular hours, lack of progression, internship and activation schemes, exploitation and the lack of compliance, and enforcement of rights. By the end of 2014 the number of underemployed people, defined as those employed part-time (those who are employed up to three days a week) but wishing to work additional hours, stood at 115,500 people – almost 5.5% of the labour force. The growth in underemployment, the limited hours and the uncertainty of work times have huge negative impacts on the well-being of individuals and families and add to the challenges of the working poor. The number of people in part-time jobs is 55,700 higher than in 2007 (+14%) while there are 272,000 fewer full-time jobs in Ireland today compared to 2007 (-15%). Young people are also affected by job skill requirements well below their level of educational completion. Part of the reason for this is the lack of statutory protections for part-time workers.

#### **Welfare and Poverty Traps in Work**

Such precarious work or casual workers can be entitled to Jobseekers' payments if they are working less than full-time. In 2013 there were 81,489 workers in receipt of such payments and thirty six% of all casual workers were in two sectors - the wholesale/retail trade and accommodation and food services. Table 21 provides an example of some of the companies employing those in receipt of the two casual workers social welfare payments, Jobseekers Allowance Casual and Jobseekers Benefit Casual. The Citizen's Information Board<sup>57</sup> has also shown ways in which medical card, working hours, and family income supplement eligibility can have an adverse impact on the incentive of jobseekers to take up employment. It is estimated that one fifth of those on unemployment benefits are now working part-time.<sup>58</sup> Clearly part-time employment provides a greater link to the work force than unemployment, but how this type of work will mesh with the welfare system, and with adequate income for individuals and their families, is important to consider. Employers at the hearing highlighted that they have "people on three-day weeks and they would love them to come back and work five-day weeks but the welfare system makes it unattractive for them to do".

*Table 21: Casual Jobseekers Recipients by Private Sector Employees<sup>59</sup>*

<b>679</b> Dunnes Stores	<b>129</b> Argos Dist Ltd
<b>306</b> An Post	<b>123</b> Grafton Recruitment Ltd.
<b>284</b> Tesco Irl. Ltd	<b>120</b> Lifestyle Sports  Ltd 1
<b>279</b> Next Retail Ltd	<b>116</b> Xtra-Vision Ltd
<b>275</b> Flexsource Ltd	
<b>223</b> Noonan Services Grp Ltd.	<b>115</b> ISS Irl. Ltd
<b>188</b> Primark T/A Pennys	<b>111</b> Poundland Ltd
<b>153</b> Noel Recruitment Ltd	<b>109</b> Heatons
<b>150</b> CP Healthcare Ltd	<b>107</b> TJX Irl.
<b>130</b> Lidl Irl	<b>105</b> G4S Secure Solutions Ltd

#### **The rise of the precariat**

A number of researchers have pointed to the development of 'jobs polarisation', or the 'hourglass economy', with significant growth, skills shortages and high wages in specialised skilled work (e.g. IT); moderate growth

<sup>57</sup> Citizens Information Board, Working Age Supports: A Citizens Information Board Submission to the Advisory Group on Tax and Social Welfare (2012) Available at:

[http://www.citizensinformationboard.ie/publications/social/downloads/Working\\_Age\\_Supports\\_Submission\\_to\\_Advisory\\_Group\\_on\\_Tax\\_Social\\_Welfare\\_2012.pdf](http://www.citizensinformationboard.ie/publications/social/downloads/Working_Age_Supports_Submission_to_Advisory_Group_on_Tax_Social_Welfare_2012.pdf)

<sup>58</sup> OECD, *Employment Outlook 2013* (2013) 185 Available at: <http://www.oecd-ilibrary.org/docserver/download/8113181e.pdf?expires=1439285922&id=id&accname=oid006516&checksum=D9108C486751CC9BD81137A24A2EECAA>

<sup>59</sup> ICTU, *Labour Market Monitor: Summer 2014* (2014) Available at: [http://www.ictu.ie/download/pdf/lmm\\_summer\\_2014.pdf](http://www.ictu.ie/download/pdf/lmm_summer_2014.pdf)

in low-skilled, low-paid jobs (often part-time); and a decline in intermediate skilled jobs. Many of the lower skilled and low-paid jobs are in sectors such as retailing, catering and care work, where many jobs are part-time. As the unemployed are more likely to have lower skills, these may be the jobs which they are most likely to be able to move in to.

### **Zero and low-hour contracts**

Zero and low-hour contracts require employees to be available for work but do not guarantee hours of work. Therefore, workers cannot be assured of their income from one week to the next. Because hours and shifts change, workers find it extremely difficult to plan childcare, eldercare, family time or leisure. Zero-hours contracts do not provide people with a decent week's wages. A person on a zero-hours contract in respect of which he or she is being paid the minimum wage might only get a decent wage for a few weeks at a time. Often, a person is employed on a full-time basis, for which he or she gets full pay for a couple of weeks, only to be told at short notice that he or she is only required one particular day the following week, despite that he or she has to meet the same financial commitments. A survey of workers in one retailer found that:

- 76% of workers say they are on part time flexible contracts.
- 98% of workers want more stable hours.
- 85% say insecurity of hours and rostering is used as a method of control over workers.
- 98% of workers want the company to respect their right to trade union representation.
- 89% say it is common practice that new staff on lesser terms and lesser rates of pay receive more hours than longer serving staff on better terms.
- 88% feel workers are not treated with dignity and respect in the workplace.

The recently published University of Limerick report<sup>60</sup> found that “[z]ero hours contracts within the meaning of the Organisation of Working Time Act 1997 (OWTA)<sup>61</sup> are not extensive in Ireland . . . [t]here is evidence, however, of so-called If and When contracts.”

### **Reduction in labour protections**

Following the Troika process in 2010 and a successful appeal of a High Court decision<sup>62</sup> in 2013, the Supreme Court determined that tens of thousands of workers no longer had their conditions of employment set by a Joint Labour Committee (JLC), these conditions were collapsed to levels of the National Minimum Wage.<sup>63</sup> The restaurant sector used to be covered by a JLC, which set minimum wages at about €9.32 an hour. But the agreement was deemed unconstitutional after a legal challenge, in 2011, by fast-food restaurants.<sup>64</sup> But even areas of employment covered by wage agreements are affected by low wages. In the construction industry, registered employment agreements set rates for grades within the sector. The rate for a “skilled operative”, for example, is about €16 an hour, or €21 for a “mechanical worker”. Yet the latest figures indicate that one in four people employed in the construction trade is earning below the living wage. Part of the problem, say some employed in the sector, is a race to the bottom, as contractors increasingly use agency workers for a little over half of the agreed industry rates.

Some construction workers are also forced into false self-employment which can save money for contractors but leave those working much more vulnerable. This is also an issue for increasing numbers of those defined as ‘self-employed’ workers in healthcare or the caring sector who are providing agency work but they would have been previously employed as direct public sector jobs. This highlights that when insufficient protections are in place, outsourcing and agency work can be used to drive down wages and conditions.

### **State-led labour market activation programmes**

State-led labour market activation programmes have been criticised for contributing to the worsening issue of precarious work. The total participation in Active Labour Market Programmes has almost reached 90,000

<sup>60</sup> University of Limerick, *A Study on the Prevalence of Zero Hours Contracts: among Irish Employers and their Impact on Employees* (2015) Available at: <https://www.djei.ie/en/Publications/Publication-files/Study-on-the-Prevalence-of-Zero-Hours-Contracts.pdf>

<sup>61</sup> Organisation of Working Time Act (1997) Available at: <http://www.irishstatutebook.ie/eli/1997/act/20/enacted/en/html>

<sup>62</sup> *McGowan v The Labour Court* [2010] 21 E.L.R. 277 (HC)

<sup>63</sup> *McGowan v The Labour Court* [2013] IESC 21

<sup>64</sup> *John Grace Fried Chicken Limited v The Catering Joint Labour Committee* [2011] IEHC 277.

people including, amongst others, 11,373 on the Back to Work Enterprise Allowance scheme, 7,841 on TÚS the Community Work Placement Initiative, 6,015 on JobBridge, and 1,990 on Gateway. Research into JobBridge has found that some employers take advantage of the scheme to avail of free labour for the purposes of work that might be undertaken by workers at full pay and it has contributed to normalizing the use of unpaid internships in place of traditional paid entry routes for many young Irish people into the work force. The National Youth Council of Ireland and TASC have produced reports that are critical of JobBridge, however, there are differences of opinion on the effectiveness of this scheme. The Committee acknowledges that Jobsplus<sup>65</sup> is a useful and worthwhile scheme. The Gateway programme, for example, is a local authority labour activation scheme that provides short-term work and training opportunities for people unemployed longer than two years where participants work for the local authority for 19.5 hours a week on 22 months contracts and the minimum weekly payment for participants is their basic welfare payment plus a €20 top-up. The Committee recognises that while there is some value to participants in this scheme, there is also a view that it can contribute to the promotion of low pay and conditions for entry level workers and the real danger that long-term unemployed are doing work that should be done by full-time local authority workers. These activation schemes are further direct subsidies to employers. JobBridge directly costs the State approximately €60 million a year in payments to those participating in the scheme but costs the State multiples of that amount in lost employers' PRSI payments and employee income taxes by allowing companies to benefit from free labour.

#### **The reality of life as a precarious worker: workers outline their experiences<sup>66</sup>**

- I have never missed a day in my ten years with (the Company). I really feel I deserve much better at this stage. I should have a decent full-time contract.
- I tell them I can't work between 2pm and 5pm because of child care issues. They say they won't give me them but they keep putting me in 2-6pm shift. They are trying to push me out after 9 years as I'm on old contract and higher wage to be replaced by young cheap staff on new contract.
- It is almost impossible to get any weekend days off as I am on a flexi contract and have to be available 7 days a week. So my days off are usually Monday and Tuesday and this is in my opinion is anti-family and anti-social.
- I just want to know my hours in advance. I have a child and have to make last minute arrangements every week.
- Why if I only get 15 hours is it spread over 5 days why I can't just get it over 3? I'm hard working mother of two and it would be cheaper for me to sit at home then go to work for 150 euro per week. It's humiliating that unemployed people have more money to live then me!
- Fixed hourly contracts need to be brought in badly, I have a young baby and rent and bills to pay, as well put food on the table and clothes on our backs.
- After 11 years in the job I still don't know my weekly wage from one week to another because I don't have a "set" contract.
- (The company) continue to employ new staff and then cut our hours even further just because the new staff are on a lower wage!
- (The company) employed the new staff and later divided 15 hours for everyone instead of giving more hours to existing workers. These 15 hours are divided over 4 working days, so we cannot get any social welfare help as well. No one cares how we can pay our bills.
- (The company) are removing anything that has any reference to the union and has also threatened to discipline any member of staff who talk about the union or have, for example, a union pen.

<sup>65</sup> Department of Social Protection, *JobsPlus*. Available at: <https://www.welfare.ie/en/Pages/Jobs-Plus.aspx>

<sup>66</sup> Mandate Trade Union, *Workers to deliver Christmas wish list to Dunnes Stores management* (December 19 2014) Available at: <http://dunnesworkers.com/2014/12/19/workers-to-deliver-christmas-wish-list-to-dunnes-stores-management/>

### **Low Paid Worker Interview in the Irish Times<sup>67</sup>**

A chef interviewed in the Irish Times explains his experience:

“This is a civilised country,” says the 39-year-old chef and father of two. “But people who are at work shouldn’t be living in poverty . . . I don’t want to be a burden on the State; I want to earn money. I would feel much better if the minimum wage was increased, over time, so that it’s enough for families to make ends meet.” His monthly rent is €930. His car, which he needs to get to work outside public-transport hours, seems to devour money. And his utility bills creep upwards. “You can’t bargain for a higher wage, even if you are very experienced,” says Chowdhury, who has been working in the restaurant trade since he moved here from Bangladesh, 12 years ago. “All you hear is that there are many others who are willing to work for lower. So you just need to take what you can get.”

### **Precarious Worker Interview in the Irish Times<sup>68</sup>**

An archaeologist outlined that in addition to deteriorating pay and conditions, the contracts are increasingly insecure and short-term:

You have people being paid the minimum wage and offered eight-week contracts, which turn into four-week contracts [. . .] People are willing to work for very low wages . . . We’ve brought wages down ourselves. And the companies are tendering against each other for less and less work [. . .] We need a registered employment agreement, or a minimum wage for archaeologists, and to take it from there. It would guarantee wages for us, while employers wouldn’t have to undercut each other on wages.

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<sup>67</sup> Carl O’Brien, ‘The living wage: should €11.45 an hour be the new minimum?’ The Irish Times (Dublin, 27 September 2014) Available at: <http://www.irishtimes.com/news/social-affairs/the-living-wage-should-11-45-an-hour-be-the-new-minimum-1.1941878>

<sup>68</sup> Ibid.



#### 5.4 Low Wages and Inequality

Economic inequality is now recognised internationally as one of the greatest challenges facing modern economies and societies.<sup>69</sup> Addressing economic inequality is important because it has been demonstrated that more equal societies perform better on a whole range of social indicators such as crime, health and educational attainment. There is also increasing evidence that more equal societies are economically more stable and have better chances of stronger and more sustained economic growth.<sup>70</sup> Economic inequality has been identified by many political and economic leaders as among the most pressing problems facing advanced economies. There is growing awareness that inequality undermines economic performance, and was one of the causes of the financial crisis.

The World Bank has stated: “We now know that nations with a widening gap between those who can and cannot access opportunities in life have difficulty sustaining economic growth and social stability over time. To date, no country has managed to transition beyond a middle-income status while maintaining high levels of inequality.”<sup>71</sup> Economic growth has long been presented as a solution to all economic problems. Yet the unequal distribution of the benefits of growth and the negative impact of rising inequality suggest that growth alone is not sufficient to ensure prosperity for all. Reducing economic inequality takes account of new thinking in economics that is focused more on the distribution of resources, and less on measurements of growth like GDP. All advanced economies are experiencing the same pressures that lead to growing inequality. However, inequality is not inevitable and levels of inequality are not the same in every developed country. Economic and social policy choices, including income policies, those relating to taxation and the provision of public services, can produce better outcomes. Nor is there a trade-off between reducing inequality and achieving better economic growth. Indeed there are strong arguments to show that more equal societies have stronger and more sustainable economies.<sup>72</sup>

In order to redress the worst effects of high market inequality, Governments use tax revenue to pay for social welfare payments, including for people who are at work. These are resources that would otherwise be available for improving vital public services and investing in productive activity. Such public investments in infrastructure, spending on health and education, and social insurance provision could reduce inequality and increase growth. The Committee acknowledges the importance of reducing the prevalence of jobless households and the continued focus on job creation as the best route out of poverty. As stated by Professor Seamus Coffey:

“We know that working is one of the best routes out of poverty and working in Ireland is even better.”<sup>73</sup>

Those on low and middle incomes also spend proportionately more of their money locally, which drives the economy and creates jobs. With a declining share going to them there is a problem of a lack of consumption. Globally, the OECD has shown that inequality has led to a fall in the share of economic growth that goes to people at work; for many reasons, from new technologies to the bigger role of finance in the economy. In this way, inequality leads to poverty and social exclusion. But it also lowers demand in the economy in a downward spiral of lost spending.

#### ***Inequality in Ireland***

Ireland is now the most unequal country in the OECD when it comes to market income inequality. This is shown by the Gini Coefficient (a measure of overall inequality) of incomes prior to taxes and transfers (Table 23). The OECD shows that, when social transfers are included, income inequality in Ireland is reduced (Table 22).

<sup>69</sup> Think-tank for Action on Social Change, *Cherishing All Equally: Economic Inequality in Ireland* (2015). Available at: [http://www.tasc.ie/download/pdf/tasc\\_cherishing\\_all\\_equally\\_web.pdf](http://www.tasc.ie/download/pdf/tasc_cherishing_all_equally_web.pdf)

<sup>70</sup> Kate Pickett and Richard Wilkinson, *The Spirit Level: Why Equality is Better for Everyone* (Bloomsbury Press 2009)

<sup>71</sup> The World Bank, *Inequality and Shared Prosperity: Context*. Available at: <http://www.worldbank.org/en/topic/isp/overview>

<sup>72</sup> Think-tank for Action on Social Change, *Cherishing All Equally: Economic Inequality in Ireland* (2015) (See footnote 69).

<sup>73</sup> Seamus Coffey, ‘Are pay rises a price worth paying?’ The Irish Independent (Dublin 9 August 2015) Available at: <http://www.independent.ie/opinion/are-pay-rises-a-price-worth-paying-31436705.html>

Table 22: Percentage of persons living with less than 50% of median equivalised household income, in 2010<sup>74</sup>

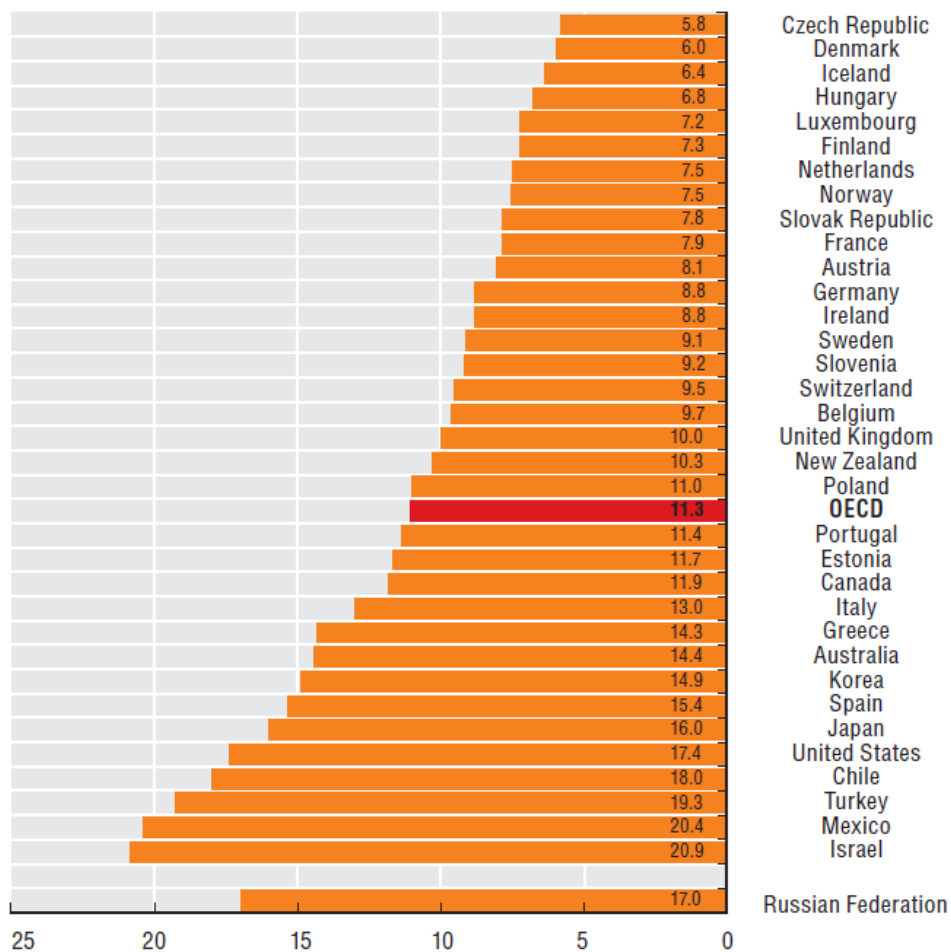
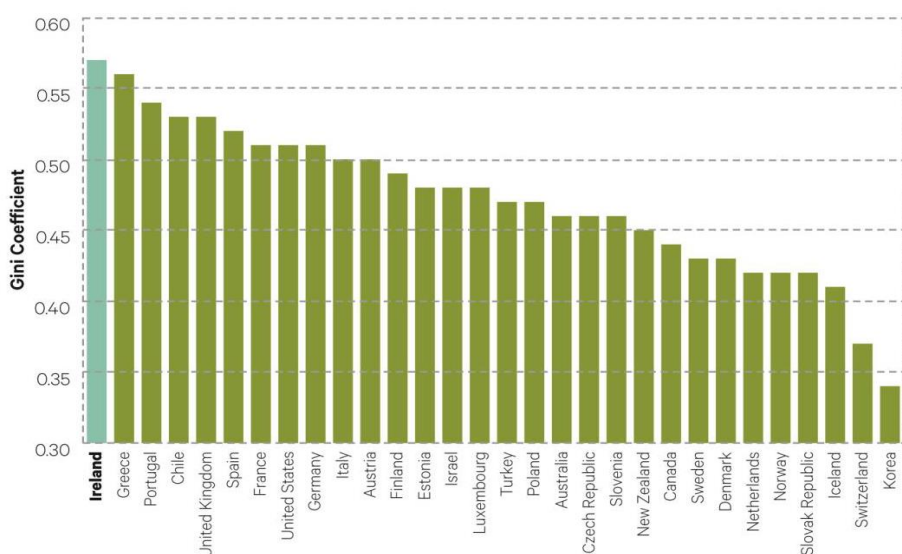


Table 23: Market Income Inequality in OECD Countries<sup>75</sup>



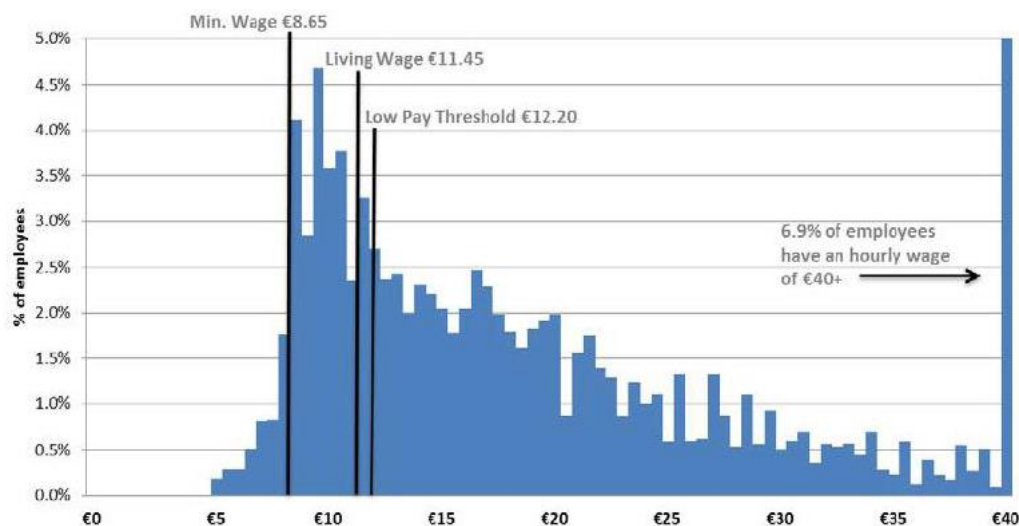
<sup>74</sup> OECD, Society at a Glance 2014: OECD Social Indicators (2014) Available at: <http://www.oecd.org/els/societyataglance.htm>

<sup>75</sup> Think-tank for Action on Social Change, Budget 2015: A Chance to Address Ireland's Inequality Problem (2014). Available at: [http://www.tasc.ie/download/pdf/tasc\\_budget\\_2015\\_briefing\\_08102014.pdf](http://www.tasc.ie/download/pdf/tasc_budget_2015_briefing_08102014.pdf)



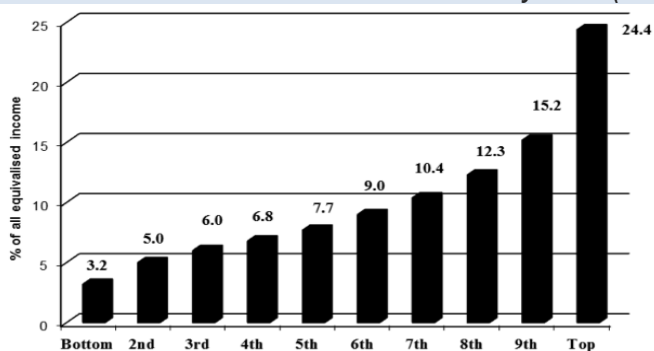
In Ireland, wage and salary earners have higher out of pocket expenses due to fewer universal public services, more charges for public services and a higher cost of living. Income levels are therefore an even greater determinant of inequality in Ireland than in other advanced economies. Income inequality is rising in Ireland, and when it comes to how the market distributes income we are the most unequal country in the OECD.

Table 24: The Distribution of Earnings in Ireland<sup>76</sup>



The latest data, for 2013, show the pre-distribution of income is such that the top two deciles (20%) receive more than 50% of all direct income and the top three deciles (30%) receive more than 67% of all income. The top 20% receive 25 times the share of the bottom 20%.

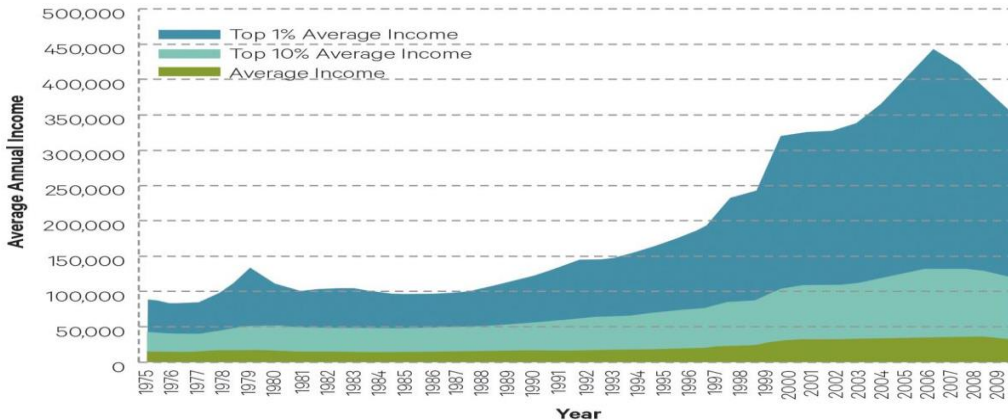
Table 25: Ireland's Income Distribution by 10% (decile) group, 2013



In Ireland we can see a growing concentration of income in the top 10%, and in particular the top 1%. While average incomes in Ireland have more than doubled since the 1970s in real terms, the average for the top 10% has tripled and the average for the top 1% has gone up five-fold (See Table 26).

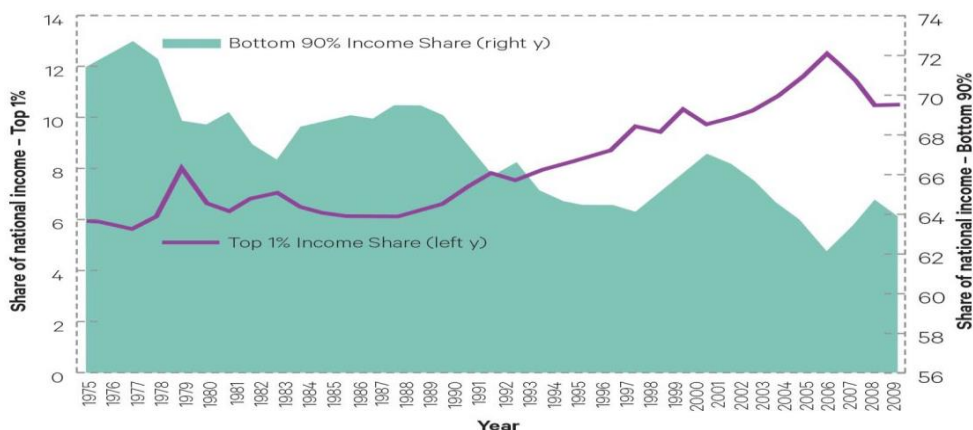
<sup>76</sup> Nevin Economic Research Institute, *Earnings and Low Pay in the Republic of Ireland: A Profile and Some Policy Issues* (2015)  
Available at: [http://www.nerinstitute.net/download/pdf/earnings\\_and\\_lowpay\\_in\\_roi\\_neri\\_wp29.pdf](http://www.nerinstitute.net/download/pdf/earnings_and_lowpay_in_roi_neri_wp29.pdf)

Table 26: Rising Average Incomes by Tax Unit in Ireland<sup>77</sup>



Those at the top of the income distribution are now getting an ever greater share of the national income. During the period of economic growth from the early 1990s, the share of income earned by the top 10% in Ireland rose, meaning that the vast majority of people, the 'Bottom 90%' of the population, lost a proportional share of the national income. The top 10% in Ireland take a third (34%) of all income, up from 27% of national income in the 1970's. Correspondingly, the share of income going to the majority of people - the 'Bottom 90%' - has fallen to 66% of all income, down from 72% in the 1970's. (See Table 27, Green area)

Table 27: Top 1% Income and Bottom 90% Income in Ireland 1975-2010<sup>78</sup>

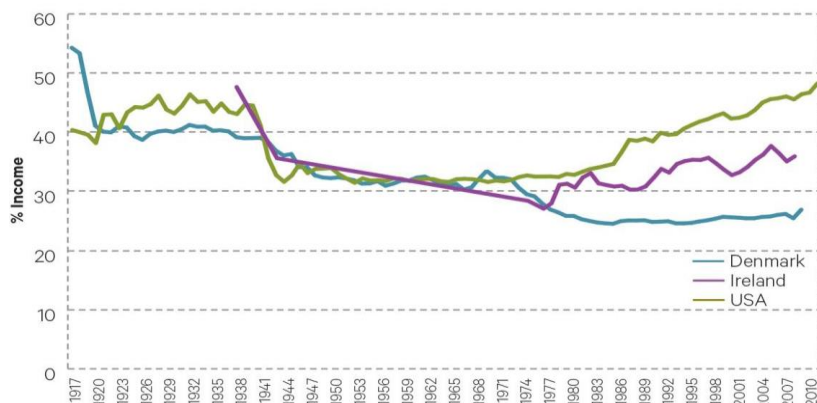


At the same time, the top 1% doubled their share from 6% in 1975 to 12% by 2006. As shown in Table 27, Ireland, Denmark and the USA had similar levels of gross income inequality in the period from 1945 up to about 1980 (as measured by the share of the top 10%). Since then the three have diverged: in the USA inequality has risen dramatically, while it has fallen in Denmark. Ireland also had rising inequality in that period, though not to the same extent as the USA.

<sup>77</sup> Think-tank for Action on Social Change, *Cherishing All Equally: Economic Inequality in Ireland* (2015) (See footnote 69).

<sup>78</sup> Ibid.

**Table 28: The share of income held by Top 10% in the USA, Ireland and Denmark**



One of the ways in which Ireland currently addresses high levels of income inequality is through social protection payments. Social protection payments bring Ireland from being the most unequal country in the OECD (before taxes and transfers) to around the average when taxes and transfers are included. Note it is the impact of social welfare, rather than taxes, which does most to reduce inequality.

If Ireland confines itself to this model, allowing income inequality to rise, then more has to be spent in social protection payments to bridge the gap. The important role played by the welfare system, in promoting an equitable sharing of the burden of adjustment, is the proportion of the population who would be at “risk of poverty” if all social transfers were excluded. In 2005, before the crisis began, the proportion was 40% of the population. However, by 2012 the proportion was over 50%.<sup>79</sup> Thus the role of the welfare system in promoting a more equitable distribution of resources has increased substantially.

TASC has made the point that while taxes and social welfare play a major role in reducing market inequality,<sup>80</sup> this high dependence on tax and social welfare to make up for low market incomes diverts resources from key public services and is unsustainable in the longer term. Therefore, reducing inequality of earnings and stemming a rising incidence of low pay are key challenges to be addressed to avoid the negative societal impact of economic inequality and to enable greater resources to be invested in key public social services.<sup>81</sup>

Another indicator of inequality is the area of health and life expectancy. Life expectancy at birth for males living in the most deprived areas in Ireland is 4.3 years less (73.7 years vs. 78 years) than that for males living in most affluent areas while life expectancy for females living in the most deprived areas is 2.7 years less (80 years vs. 82.7 years) than that for females living in the most affluent areas. Furthermore, life expectancy at birth is 6.1 years higher for male professionals and 5 years higher for female professionals than their unskilled counterparts (Table 29).

**Table 29: Life Expectancy at Birth by Area of Deprivation<sup>82</sup>**

Live expectancy at birth by area of deprivation (quintile)

	Males	Females
First quintile (least deprived)	78.0	82.7
Second quintile	77.1	81.8
Third quintile	76.4	81.6
Fourth quintile	75.5	81.1
Fifth quintile (most deprived)	73.7	80.0
All	76.3	81.5

<sup>79</sup> Central Statistics Office, *Survey on Income and Living Conditions (SILC) 2012* (2014) Available at:

[http://www.cso.ie/en/media/csoie/releasespublications/documents/silc/2012/silc\\_2012.Pdf](http://www.cso.ie/en/media/csoie/releasespublications/documents/silc/2012/silc_2012.Pdf)

<sup>80</sup> Think-tank for Action on Social Change, *Cherishing All Equally: Economic Inequality in Ireland* (2015) (See footnote 69).

<sup>81</sup> Ibid.

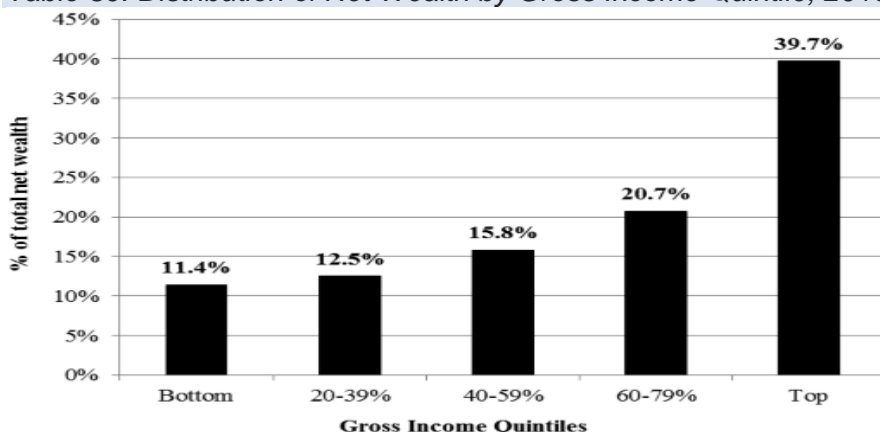
<sup>82</sup> Central Statistics Office, *Mortality Differentials in Ireland* (2010) Available at:

[http://www.cso.ie/en/media/csoie/census/documents/Mortality\\_Differentials\\_in\\_Ireland.pdf](http://www.cso.ie/en/media/csoie/census/documents/Mortality_Differentials_in_Ireland.pdf)

### Wealth Inequality

The other indicator of inequality is wealth inequality. Table 30 presents the distribution of net wealth across the income distribution – the CSO has only presented data for quintiles (20% groups). This shows that those in the top 20% of the income distribution possess 39.7% of all the wealth – this is the same share as those in the bottom 60% of the income distribution.

Table 30: Distribution of Net Wealth by Gross Income Quintile, 2013

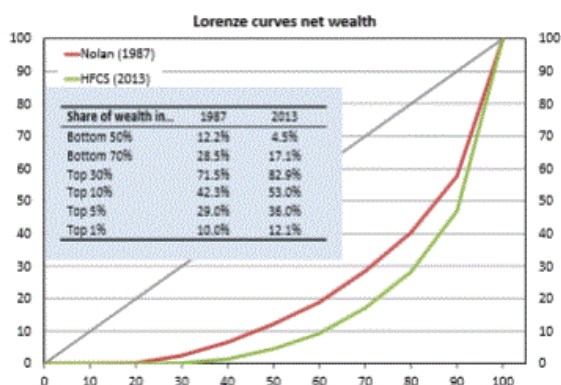


NERI analysis of wealth shows that the top 10% own over 54% of net wealth – net of debt. It shows that the bottom 20% of households has no positive net wealth – they owe more than they own. The top 5% own 38% of all net wealth and the top 1% own 15% of all net wealth. Ireland has a more unequal distribution of wealth compared to the rest of the eurozone but a considerably more equal distribution than the USA. Table 30 shows that wealth distribution has become more unequal in recent decades in Ireland. In 1987 it was estimated that the top 5% owned 29% of the total. In 2011 Credit Suisse estimated the share of the top 5% in Ireland at 47%.<sup>83</sup>

Table 31: Wealth distribution in Ireland in 1987 and 2013 compared

Net wealth 1987 v . 2013 (2)

1987 distribution from Nolan (CBA, 1991) – similar meth. to HFCS

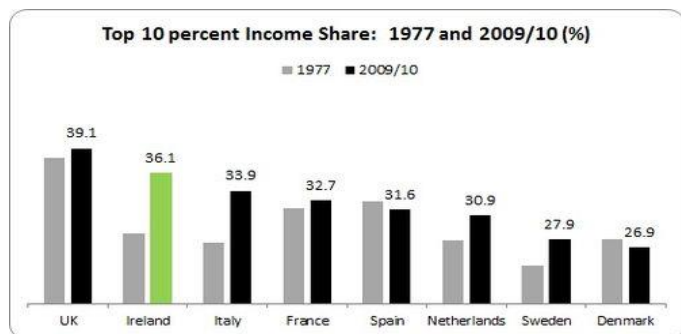


Gini: 1987 = 52, 2013 = 64

<sup>83</sup> Credit Suisse, *Global Wealth Databook 2011* (2011) 146. Available at: <https://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=88E47246-83E8-EB92-9D54129E76CA737B>

Analysis in Table 32 shows that not only is Ireland's inequality share high, it has risen faster than most developed countries in recent years.<sup>84</sup>

Table 32: Top 10% Income Share: 1977 and 2009/10



### **Decline in Labour Share: Shift to Capital**

This has been a clear power shift from labour to capital and wealth over the last three decades of a free market and financial capitalism. This is represented through the decline in the share of profits/wealth that returns to workers (labour). This has been linked internationally to the decline in the level (union membership and density) and power of workers as represented through their unions. A similar pattern can be seen in this decline in labour share of profit/wealth in Ireland and a decline in the union's density of workers who are trade union members in Ireland.

The density of trade union membership (the proportion of employees who are union members) in Ireland is between 31% and 36.1% depending on various sources. During the 'Celtic Tiger', the number of union members rose by about 100,000 over ten years, but union density fell from 46% in 1994 to 35% in 2004 and 31% in 2007. This reflected changes in the labour market as unions found it difficult to break into many of the growing sectors of the economy, such as (mainly US) electronic companies, private services and the hospitality sector. Results from the Quarterly National Household Survey (QNHS) for the second quarter of 2004 showed that over a third (521,400) of all employees were members of a trade union.<sup>85</sup> This compares with a figure of over 45% (432,900) ten years previously, as measured by the 1994 Labour Force Survey.<sup>86</sup> However, as a result of the economic crisis that began in 2008, union membership has fallen slightly – down from 558,000 in 2007 to 511,000 in 2010 but not by as much as overall employment and therefore, union density rose to 33%.<sup>87</sup> Since then, union numbers have fallen to 476,000 in 2012 – as has density – to 31%. Although the trade unions state that there are 520,000 members, union density is higher among women (34%) than among men (28%). Separately compiled figures from the National Workplace Survey show that unions are much stronger in the public sector where more than two-thirds of employees are members (68.7%). In the private sector the proportion is about a quarter (24.9%).<sup>88</sup> Among economic sectors, the highest membership rate was in public administration and defence (81%) and the lowest rate was in accommodation and food service activities (6%). Among occupations, the highest rate was in associate professional and technical (50%) and the lowest rate was in sales (15%).

Ireland has a low level of trade union density compared to some European countries but a much higher one than others. What is most significant though is comparing trade union density and levels of coverage of collective bargaining agreements. Table 33 shows that Ireland has one of the lowest coverage of collective

<sup>84</sup> Unite, *Unite's Notes on the Front, The Very Real Cost of Rising Inequality* (2015) Available at:

<http://www.notesonthefront.typepad.com/politiceconomy/page/2/>

<sup>85</sup> Central Statistics Office, *Quarterly National Household Survey: Union Membership 1994 to 2004* (2005). Available at:

[http://www.cso.ie/en/media/csoie/releasespublications/documents/labourmarket/2004/qnhsunionmembership\\_1994-2004.pdf](http://www.cso.ie/en/media/csoie/releasespublications/documents/labourmarket/2004/qnhsunionmembership_1994-2004.pdf)

<sup>86</sup> Ibid.

<sup>87</sup> European Trade Union Institute, *Trade Unions*. Available at: <http://www.worker-participation.eu/National-Industrial-Relations/Countries/Ireland/Trade-Unions>

<sup>88</sup> D. Byrne and others, 'Changing Workplace: A Survey of Employees' Views and Experiences' (National Centre for Partnership and Performance, 2010). Available at: <https://www.esri.ie/UserFiles/publications/jac201045/BKMNEXT168.pdf>



bargaining and, when viewed alongside trade union levels, it can be seen that Ireland has lower levels of trade union protections than most of the other EU15 countries.

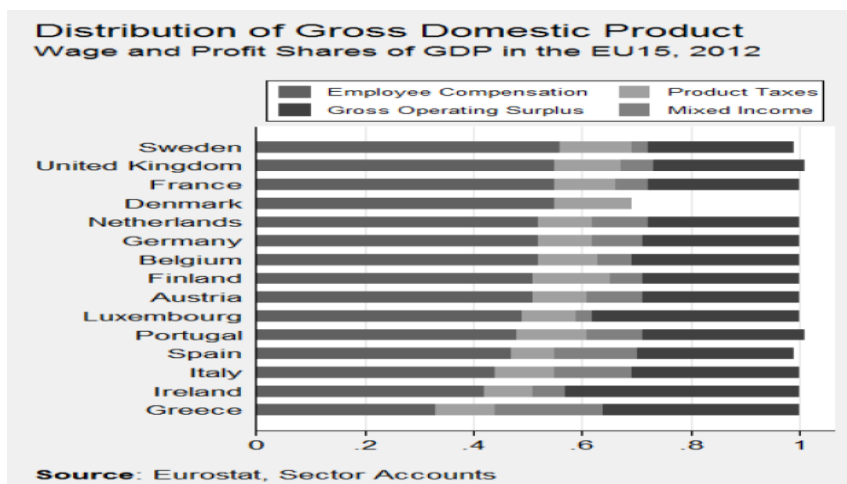
Table 33: Trade union density and collective bargaining coverage in selected EU countries<sup>89</sup>

Country	Proportion of employees in union (%)	Country	Covered by collective bargaining (%)
Finland	74%	France	98%
Sweden	70%	Belgium*	96%
Denmark	67%	Austria	95%
Belgium*	50%	Portugal	92%
Luxembourg	41%	Finland	91%
Italy*	35%	Sweden	88%
<b>Ireland</b>	<b>31%</b>	Netherlands	81%
Austria*	28%	Denmark	80%
UK	26%	Italy*	80%
Greece*	25%	Norway	70%
Portugal*	19%	Spain	70%
Spain	19%	Germany	59%
Germany	18%	<b>Ireland*</b>	<b>44%</b>
France	8%	UK	29%

### Shift to Capital: The Declining Labour/Wage Share

Another important indicator of inequality that relates directly to wages and the decline in the power of labour vis-à-vis capital and wealth is the wage share of GDP. Tables 34 and 35 from the submission of Professor Seamus Coffey to the Committee show that Ireland has the second lowest wage share in the EU15 and the highest profit share in the EU15 (as represented by gross operating surplus).<sup>90</sup>

Table 34: The wage and profits shares of GDP



<sup>89</sup> European Trade Union Institute, Tables and supplementary information available at: <http://www.worker-participation.eu/National-Industrial-Relations/Across-Europe/Trade-Unions2> and: <http://www.worker-participation.eu/National-Industrial-Relations/Across-Europe/Collective-Bargaining2>

<sup>90</sup> Submissions and Presentations (See footnote 34).

Table 35 shows the distribution of the value added created by companies in the business economy and, of the EU15, Ireland has the lowest proportion of value added going to employees – and by some distance.

*Table 35: Distribution of value in the Business Economy*

Country	Value Added	Compensation of Employees	Gross Operating Surplus	WAGE SHARE
<b>Belgium</b>				
Denmark	119,936	72,425	47,511	0.60
Germany	1,385,501	878,522	506,979	0.63
<b>Ireland</b>	<b>89,948</b>	<b>38,223</b>	<b>51,724</b>	<b>0.42</b>
Greece				
Spain	434,156	271,056	163,100	0.62
France	890,166	663,099	227,067	0.74
Italy	646,476	363,064	283,411	0.56
Luxembourg	19,250	11,389	7,860	0.59
Netherlands	310,022	176,054	133,969	0.57
Austria	164,976	101,662	63,314	0.62
Portugal	66,360	41,018	25,343	0.62
Finland	86,957	58,477	28,480	0.67
Sweden	213,119	142,368	70,751	0.67
United Kingdom	1,037,293	545,827	491,466	0.53

As explained by Professor Seamus Coffey in his submission to the Committee,<sup>91</sup> in Ireland the wage share of the value added from companies in the business economy is 0.42. No other country is below 0.5 with the United Kingdom the next lowest at 0.53. In fact the mean for the 13 countries is 0.60. On the flip side it can then be said that the share of value added going to companies is at its highest in Ireland. Mr. Coffey also notes a distinction in the Irish economy between foreign-owned and domestically-owned companies. The wage share for foreign-owned companies in Ireland is unusually low (0.26) while the wage share for domestically owned companies is slightly above the mean for comparable companies in the EU15. Ireland is the only country in the EU15 where the value added of foreign-owned firms exceeds the value-added of domestically-owned firms. Of the twelve industry classifications, the wage share in Ireland is below the mean in five of them, above the mean in six and is equal to the mean in one. It can be seen that the wage is lowest in Ireland in industries that are dominated by foreign-owned companies and in particular US Multinational Corporations. These are manufacturing (pharmaceuticals) and information and communications (advertising and other online services). For traditionally low-pay sectors the wage share in Ireland is slightly below the EU15 average for the wholesale and retail trades, above the EU15 average for accommodation and food service activities, and at the EU15 average for administrative and support service activities.

### ***Inequality, Unemployment and jobless households***

At the hearings of the Joint Committee, the business representatives made the case that the issue of inequality is one of unemployment and jobless households, not low wages. They highlighted that 360,000 citizens are unemployed. There are also 86,000 involved in activation schemes, many of whom remain available for work while participating in these schemes. This means that, in total, almost 450,000 citizens are out of work. Of these, 96,000 have been unemployed for three years. The business representatives noted:

That is where the problem lies; it is not down to the position on the minimum wage. The only explanation for the uneven spread in income inequality – in the context of earned income – relates to the fact that a huge number of people live in households in which nobody works. In 2013 almost one in four of those aged under 60 years was living in a household in which no one was in employment. That is double the EU average. It is, in fact, the highest proportion in Europe without exception and significantly higher than in even Greece or Spain. When an unusually large proportion of the population are not earning an income, it is not surprising that there is an uneven distribution of earned income.<sup>92</sup>

<sup>91</sup> Ibid.

<sup>92</sup> Mr. Mark Fielding, ISME, Meeting of the Oireachtas Joint Committee on Jobs, Enterprise and Innovation (24 February 2015) (See footnote 32).



An important factor in explaining the high level of market income inequality in Ireland is the low employment levels relative to other countries. With a low employment level, many people have zero market income which leads to high levels of market inequality. In total, about two-thirds (65%) of 'working age' adults in Ireland are in employment (70% of men and 60% of women), which is below the EU average of 68%, and well below countries like the UK/Netherlands/Denmark (76%) or Sweden (80%). However, as explained, the frequency of low wages also plays a very significant role in contributing to income inequality in Ireland.

## 6. A Living Wage

### 6.1. Background and overview

There is growing academic and political acknowledgement of the importance and relevance of the concept of a Living Wage. The basic premise of the living wage is that people will continue to live in poverty if their income, whether from social welfare transfers and/or the NMW, does not allow them to meet the cost of a Minimum Essential Standard of Living (MESL). This is a standard of living which meets an individual's/household's physical, psychological and social needs, at a minimum but acceptable level.

The living wage figure is based on the following:

- The concept that work should provide an adequate income to enable individuals to afford a socially acceptable standard of living;
- The average gross salary which will enable full-time employed adults (without dependents) across Ireland to afford a socially acceptable standard of living;
- A living 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; and is
- Unlike the National Minimum Wage which is not based on the cost of living.

A number of groups have come together to advocate for a living wage to be introduced for low-paid workers in Ireland. The Vincentian Partnership for Social Justice (VPSJ) has undertaken a cost analysis of what a living wage would be in Ireland through extensive research into quantifying the MESL and the Minimum Income Standard (MIS) required by household types to afford that standard of living in Ireland. The model has been established for 90% of households in Ireland over the course of multiple research projects, and follows the internationally established consensual budget standards methodology; as used in the UK and a number of other EU countries (VPSJ, 2014).<sup>93</sup>

The Minimum Essential Standards research of the VPSJ has been ongoing since 2001. It is derived from a negotiated social consensus on what people believe is required for a minimum standard of living. Through extensive work with focus groups, detailed baskets of the goods and services vital to a household type's minimum needs were compiled. These baskets define robust and transparent itemised weekly expenditure budgets, comprised of over 2,000 items, across 16 areas of expenditure. Focusing on needs and not wants, it is not a standard for people in poverty; it is a standard for everyone, below which no one should be expected to live.<sup>94</sup> In 2012 the VPSJ, in collaboration with The Policy Institute, based in Trinity College Dublin, developed *A Minimum Income Standard for Ireland* which established the model to calculate the gross income required to meet the expenditure which allows for a MESL.<sup>95</sup>

The value of this evidence-based measure, which is grounded in the lived experience of households is apparent from the growth in the use and applications of this data to assess the minimum expenditure needs and income adequacy for a wide range of household compositions.<sup>96</sup> For example, in 2013 the Insolvency Service of Ireland used the VPSJ's MESL expenditure data to establish the guidelines on Reasonable Living

<sup>93</sup> Vincentian Partnership for Social Justice, *A 'LIVING WAGE' IN IRELAND: Examining the process & potential result of calculating a 'Living Wage' for working age households in Ireland* (2014) Available at:

[http://www.budgeting.ie/images/stories/Publications/Papers/VPSJ\\_2014\\_Working\\_Paper\\_-\\_A\\_Living\\_Wage\\_in\\_Ireland.pdf](http://www.budgeting.ie/images/stories/Publications/Papers/VPSJ_2014_Working_Paper_-_A_Living_Wage_in_Ireland.pdf)

<sup>94</sup> Ibid.

<sup>95</sup> The Policy Institute, *A MINIMUM INCOME STANDARD FOR IRELAND: A consensual budget standards study examining household types across the lifecycle* (2012) Available at: [https://www.tcd.ie/policy-institute/assets/pdf/BP27\\_Minimum\\_Income\\_Collins.pdf](https://www.tcd.ie/policy-institute/assets/pdf/BP27_Minimum_Income_Collins.pdf)

<sup>96</sup> Vincentian Partnership for Social Justice, *Minimum Essential Standard of Living 2015* (2015) Available at:

[http://www.budgeting.ie/images/stories/Publications/MESL\\_Update\\_Paper/VPSJ\\_2015\\_Minimum\\_Essential\\_Standard\\_of\\_Living.pdf](http://www.budgeting.ie/images/stories/Publications/MESL_Update_Paper/VPSJ_2015_Minimum_Essential_Standard_of_Living.pdf)

Expenses and in 2014 the VPSJ's MESL expenditure data and MIS income model contributed to the establishment of the calculation of the living wage.

The cost of an MESL is calculated for each household composition. The adequacy of the NMW is then assessed for each household composition, calculating the net household income when each adult in the household is employed full-time (37.5 hours per week) and earning the NMW. In each case the NMW was found to be inadequate. Net salary from the NMW, plus social welfare supports, do not provide an adequate income for the seven household compositions examined. Then the MIS was calculated, which is the minimum gross salary which provides a net household income (net salary plus any social welfare entitlements) that will meet the MESL expenditure need of the specified household type. This was then used to calculate the appropriate level of living wage for each household composition.

The expenditure required varies across the regions and, reflecting this, so too does the annual gross income required to meet this expenditure. To produce a single national rate, the results of the gross income calculation for the four regions are averaged; with each regional rate being weighted in proportion to the population in the labour force in that region.

Based on the VPSJ's methodology and research by the Living Wage Technical Group, which includes TASC, NERI, Social Justice Ireland, UNITE and VPSJ, the national living wage for a single person has been calculated at €11.45 per hour based on a full-time job (Table 36). This is €2.80 (or 32%) higher than the current minimum wage of €8.65. However, employers' representative groups have argued the challenges of delivering on this rate. Based on figures from July 2015 from Eurostat, Ireland has the 6<sup>th</sup> highest minimum wage in the EU (Euro per month).<sup>97</sup>

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<sup>97</sup> Eurostat, *Minimum Wages, July 2015* (2015). Available at: [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Minimum\\_wages,\\_July\\_2015\\_\(%C2%B9\)\\_EUR\\_per\\_month\\_YB16.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Minimum_wages,_July_2015_(%C2%B9)_EUR_per_month_YB16.png)

Table 36: Living Wage Calculations for 2014<sup>98</sup>

July 2014	Living Wage 2014			
<b>Living Wage Calculation for 2014</b>				
EXPENDITURE	DUBLIN	CITIES	TOWNS	RURAL
Food	57.05	57.05	57.05	52.87
Clothing	10.49	10.49	10.49	7.81
Personal Care	13.76	13.76	13.76	7.55
Health	4.08	4.08	4.08	5.93
Household Goods	5.92	5.92	5.92	16.36
Household Services	2.88	2.88	2.88	9.95
Communications	9.21	9.21	9.21	9.21
Social Inclusion & Participation	38.35	38.35	38.35	46.37
Education	5.26	5.26	5.26	5.03
Transport	34.38	23.82	54.74	59.58
Housing	165.78	114.37	97.45	69.36
Household Energy	28.77	28.77	28.77	48.23
Personal Costs	7.95	7.95	7.95	8.71
Insurance - Home	1.97	1.97	1.97	1.80
Insurance - Health	13.43	13.43	13.43	13.70
Insurance - Car	...	...	10.57	5.85
Savings & Contingencies	10.64	10.64	10.64	10.64
<b>Total Expenditure</b>	<b>409.93</b>	<b>347.95</b>	<b>372.52</b>	<b>378.96</b>
<b>INCOME CALCULATION</b>				
<b>Annual</b>				
Gross Salary	25,214.90	20,537.95	22,368.06	22,876.43
Net Salary	21,424.32	18,197.21	19,459.99	19,817.28
<b>Weekly</b>				
Gross Salary	483.60	393.90	429.00	438.75
Net Salary	410.90	349.01	373.23	380.08
<b>Social Welfare</b>				
Medical Card	GP Visit	GP Visit	GP Visit	None
<b>LIVING WAGE CALCULATION</b>				
Weighting*	0.2922	0.0905	0.1986	0.4188
	<b>ACTUAL</b>	<b>ROUNDED**</b>		
LIVING WAGE – Gross per annum	<b>23,247.19</b>			
LIVING WAGE – Gross per week	<b>445.86</b>			
LIVING WAGE – Gross per hour	<b>11.43</b>	<b>11.45</b>		

### Cost of living increases

Recent discussion on the issue of low pay and the adequacy of the National Minimum Wage has suggested that the cost of living has decreased since 2008. However, the Minimum Essential Standard of Living expenditure data is adjusted for inflation annually, using a sub-set of consumer price index CPI Detailed Sub-Indices from the CSO. The CPI is, on the other hand, calculated on the basis of a much broader basket of goods and services than that necessary for an MESL. The MESL household expenditure budget is more concentrated on basics such as food, electricity and home heating, than that of the average household. For example, approximately one third of household expenditure is allocated to these categories in the MESL budgets. By comparison the Household Budget Survey shows that these areas account for a quarter of the

<sup>98</sup> Living Wage Technical Group, *LIVING WAGE 2014* (Submission to the Joint Committee on Jobs, Enterprise and Innovation 24 February 2015) Available at: [http://www.oireachtas.ie/parliament/media/committees/jobsenderpriseandinnovation/M-Collins-Living\\_Wage\\_2014.pdf](http://www.oireachtas.ie/parliament/media/committees/jobsenderpriseandinnovation/M-Collins-Living_Wage_2014.pdf)

average household's expenditure.<sup>99</sup> Consequently, the headline CPI inflation rate tends to under-estimate changes in the cost of an MESL. For example in the last year the overall CPI inflation rate was 0.2%, however, the average cost of an MESL increased by 0.32% in the same period. Adjusting the cost of an MESL for a set of representative household types back to 2008 shows that the average cost of an MESL has increased by 1.17%, in the six years from 2008 to 2014. However, the overall CPI inflation from 2008 to 2014 suggests that inflation has been effectively flat, with an increase of less than 0.05% from March 2008 to March 2014. That is to say that the core contents of the MESL basket of goods and services (excluding housing & childcare) would have cost 1% less in 2008 than they do now in 2014. While the overall CPI inflation rate would suggest that the cost now would be the same as in 2008.

Furthermore, from 2007 to 2014 the core cost of an MESL has increased by 4.2%, therefore, if the NMW rate had been adjusted to maintain its value, relative to the core cost of a MESL, it would have been increased to €9.01 per hour in July 2014.

### **Higher Costs for Families**

While the calculation of the living wage is based on a single-adult household, the Living Wage Technical Group recognises that households with children experience additional costs which are relevant to any consideration of such household's standards of living (see Table 37). To put the living wage rate in context, and demonstrate the additional income and social support needs of households with children, a range of family living income needs have also been calculated, following a complimentary method to that used for the living wage (see Table 38). Households with children have both additional expenditure needs, due to the larger size, and different expenditure needs, due to the different needs of children and parents. The budget standards data includes the MESL expenditure need for family households with one or two parents and one to four children.

**Table 37: Expenditure Costs Compared Between Households With and Without Children**

	Two Parent				One Parent				No Children	
	1 Child	2 Children	3 Children	4 Children	1 Child	2 Children	3 Children	4 Children	1 Adult	2 Adults
<b>MIS Household Expenditure</b>										
MESL Core Expenditure	454.43	506.57	599.95	820.11	323.02	377.86	600.84	691.40	251.28	390.78
Childcare	208.69	231.32	440.01	105.14	52.57	231.32	52.57	105.14	0.00	0.00
Housing	220.23	246.04	246.04	246.04	220.23	246.04	246.04	246.04	140.44	140.44
Medical Card Deduction	-3.44	-61.36	-70.37	-6.30	-31.67	-40.75	-4.59	-5.73	-1.15	0.00
<b>Total MESL Expenditure</b>	<b>879.91</b>	<b>922.57</b>	<b>1215.63</b>	<b>1164.98</b>	<b>564.15</b>	<b>814.47</b>	<b>894.86</b>	<b>1036.85</b>	<b>390.58</b>	<b>531.22</b>

The family living income data summarises the varying expenditure and income needs for a set of the most commonly occurring family household compositions (see Table 38). For each household composition, the range in the family living income needs is presented. As with the living wage figure, the range reflects an overall national range of gross income needs and is calculated in the same way. It should be noted that these figures reflect the income needs of families given the current structure of social supports. The provision of affordable childcare and more comprehensive social housing options would notably reduce these income requirements.

<sup>99</sup> Vincentian Partnership for Social Justice, Minimum Essential Standard Of Living & The National Minimum Wage (2015) Available at: <http://www.oireachtas.ie/parliament/media/committees/Vincentian-Partnership.pdf>

Table 38: Family Living Incomes 2014<sup>100</sup>

Family Living Incomes – annual gross salary per adult, 2014		
Family Type	€ per adult	
	from	to
Two parents and one child (an infant)	21,045	26,620
Two parents and two children (one in pre-school and one in primary)	20,540	26,030
Two parents and three children (an infant, one in pre-school and one in primary)	28,775	36,600
Two parents and four children (two in primary school and two in secondary school)	28,875	32,535
One parent and one child (in primary school)	17,590	31,010
One parent and two children (one in pre-school and one in primary school)	33,855	50,940

Childcare is amongst the largest categories of expenditure for household types with children. Depending on the age-group of the children in the household, full-time childcare can account for as much as 36% of household expenditure. For households with younger children, childcare and housing are the two largest categories of minimum expenditure need. Childcare, housing and food account for over 60%, on average, of the minimum expenditure needs of households with children. Therefore, the cost of maintaining a minimum essential standard of living is significantly affected by the lack of ready access to two crucial services; affordable social housing and affordable childcare. It can be seen that the cost of accessing the minimum housing and childcare required can account for more than half a household's minimum expenditure need.

<sup>100</sup> Living Wage Technical Group, *LIVING WAGE 2014* (Submission to the Joint Committee on Jobs, Enterprise and Innovation 24 February 2015) (See footnote 98)

## ***6.2 Benefits of introducing a Living Wage***

- Lifting hundreds of thousands of workers out of poverty - based on a living wage of €11.45 per hour. It is estimated that 345,000 employees in Ireland earn less than a living wage.
- There are impacts on the individual or the employee both in terms of income gains and consequent improvements in living standards for them and their family. This should not be underestimated, for example a €1 per hour increase in the pay of a full-time low waged worker is equivalent to a gross income gain of €2,033 per year – a multiple of any possible Budgetary change to social protection or taxation levels (although taxation and social welfare issues may have an impact depending on circumstances)
- Assuming that the average increase to reach the living wage was €1.40 per hour, this equates to €2,730 per employee per year.
- Because it is based on the cost of living, incorporating the actual cost of goods of agreed upon items, it shows the extent to which those earning below a living wage are going without essential goods. This reduces the quality of their lives and is spending lost to the economy, as it can be assumed that any increase in earnings will lead to consumption to meet those essentials.
- Moving towards a living wage would increase spending by those on low incomes by €942m per year. This would have positive effects on the economy as it would be spent in the local economy which will in turn boost consumption, employment and tax revenue, while addressing one of the root causes of rising economic inequality.
- In order for the minimum wage to be effective it must be close to a living wage and the Low Pay threshold. See recommendation 3 on page 13.
- The research literature points towards impacts for employers in terms of cost savings and gains from increases in staff retention, reduced absenteeism and improvements in productivity and efficiency. While these may not fully offset the increased wage costs in the high labour sectors, the research literature points towards them making a significant contribution towards reducing these costs.
- There are positive impacts on the state which gains through increased taxation, particularly indirect taxation, reductions in social protection expenditure, and increases in both employers and employees social insurance contributions.
- It is argued by some that introducing a living wage would ensure Ireland meets its human rights and constitutional obligations to social protection and ensure worker's an adequate standard of living. In order to respect Ireland's international human rights obligations to its citizens there is a need for the state to ensure that work lifts people out of poverty.



## 7. Employers' Perspectives

### 7.1 The Minimum Wage

Employers' representatives support the current level of the minimum wage but argue against increasing it and do not agree with the living wage. ISME stated "the notion of pushing up wage costs at this juncture fails to recognise the business realities in what is still a very challenging economic environment"<sup>101</sup> but acknowledged that "the stated objectives in having an NMW are laudable, namely reducing poverty and enhancing the monetary attractiveness of gainful employment compared to social welfare payments".<sup>102</sup> The Small Firms Association (SFA) went further and argued that a commitment should be given to maintain the rate of the NMW for a 3-year period, in order to "give small businesses who are just starting on the recovery path, certainty over their labour costs",<sup>103</sup> and ensure, according to the SFA, "that job creation efforts are realisable for the low-skilled workers still on the live register who need an entry point into work and upskilling from where they can develop their skills and increase their wages relative to their productivity levels".<sup>104</sup>

Employers' representatives presented a number of other arguments. Firstly, they outlined that they believe the closer the minimum wage is to the median wage then the greater the probability that the employer will have to offset additional increased wages with job losses or non-creation of new jobs, as the effect on their overall wage bill is greater. This was highlighted as being particularly important in sectors such as hospitality, retail/wholesale and other services who are more reliant on low-wage workers and for whom labour costs are a higher proportion of their input costs. For example, labour costs in the hospitality sector account for 50% of total operating costs and they claim 'inappropriate' wage increases will hurt firm viability. The SFA pointed out that these are also the sectors that are struggling most in the recovery with turnover in the retail sector for example still 15% below its peak. These are amongst the three sectors of the economy - hospitality, retail, and wholesale and other services – which account for more than half of all minimum wage workers. ISME pointed out that SMEs are extremely labour intensive, with 48% of added value accounted for by labour in comparison to less than 8% for bigger companies. The potential impact of an increase in the minimum wage (and its associated claims for increases on the basis of 'relativity' on the part of higher paid workers) can have six times the effect on smaller companies as the NMW imposes an artificial floor on which all other claims are based.

The Irish Hotels Federation made the case that tourism is one of Ireland's largest indigenous industries and provides almost 205,000 jobs; equivalent to 11% of total employment in the country a figure that has grown by 30,000 since 2011. It accounts for almost 4% of gross national product. Fáilte Ireland estimate total tourism revenue in 2014 at €6.45bn. With over 54,000 people directly employed by hotels and guesthouses across every county and town. The hotel sector is playing a critical role in contributing to recovery in the tourism industry and the wider economy. Hotels are very labour intensive business activities operating in a very competitive international market. In 2014 payroll costs were approximately 40% of turnover compared to 8% in manufacturing. Because of the service nature of hotels, labour productivity is low compared to other sectors in the economy. The reality of labour costs in the hotel sector, with payroll and related expenses amounting to

<sup>101</sup> ISME, *Low Pay and the 'Living Wage'-The SME Perspective* (Submission to the Joint Committee on Jobs, Enterprise and Innovation 24 February 2015) Available at:

[http://www.oireachtas.ie/parliament/oireachtasbusiness/committees\\_list/jobsenterpriseandinnovation/presentationsandsubmissions/](http://www.oireachtas.ie/parliament/oireachtasbusiness/committees_list/jobsenterpriseandinnovation/presentationsandsubmissions/)

<sup>102</sup> Ibid.

<sup>103</sup> SFA, *Submission to the Oireachtas Joint Committee on Jobs, Enterprise & Innovation on Low Pay and the Living Wage* (3 March 2015) Available at: <http://www.oireachtas.ie/parliament/media/committees/SFA-Submission.pdf>

<sup>104</sup> Ibid.

approximately 40% of total revenue, is that it is affected greatly by the minimum wage. The Irish Hotels Federation, therefore, recommend that the NMW should not be increased in the immediate future.<sup>105</sup>

IBEC pointed out that unemployment remains unacceptably high and the number at work this year will remain some 180,000 below its pre-crisis peak and therefore, a “premature increase in the NMW will affect those low skilled workers who are still seeking to return to employment and could condemn them to extended long-term unemployment.”<sup>106</sup>

### **International comparisons and competitiveness**

IBEC argues that Ireland’s NMW remains high by international standards and that the UK comparison is crucially important. They acknowledge that at current exchange rates the NMW is about the same as the £6.50 per hour rate in the UK, but point out that at the exchange rate of 12 months ago it was 10% higher. IBEC believes that, as exchange rates are volatile, it is vital that Ireland sets its rate at a level which doesn’t leave businesses such as food processing, other manufacturing or the tourism sector vulnerable to exchange rate volatility. Ireland is distinctive amongst eurozone countries in having such an open economy and so is more vulnerable to exchange rate movements.

IBEC also highlight that another important benchmark is to examine the minimum wage against median earnings in the economy. By this measure, the Irish minimum wage is almost half the median wage. They use the United States as a comparison where it is approximately one third. The use of the United States as a comparator points out that Ireland has a relatively high minimum wage. They point out that if the Irish minimum wage levels are significantly higher than in Irish export markets and competitor economies, it is more difficult to win and maintain market share. Therefore, international benchmarking is essential to the review process. They argue that any increase in the NMW has the potential to price many small Irish businesses out of international markets as government imposes on them greater operating costs than their competitors. ISME makes the case that increasing the NMW would have a push through effect on wages up the line and would increase the cost base for business and would undermine the cost competitiveness of the economy.

### **Cost of living trends**

Business representatives believe that it is appropriate that the NMW should be increased in line with the cost of living so that its real value or purchasing power is not eroded over time. However, they argue that in real terms, the NMW in Ireland is 20% higher than when it was introduced in 2000 and that there is currently no cost of living justified wage pressure across the Irish economy. They argue that based on recent cost of living trends, coupled with the inflation outlook for 2015, that there is currently no evidence base for an increase in the NMW. They feel an inappropriate increase at a time of high unemployment and when many businesses are still suffering from legacy cost factors would hinder further job growth and threaten business viability and that the impact of an inappropriate increase would impact the young and low skilled job seekers the most and would particularly hurt businesses in rural regions.<sup>107</sup> Yet the employers highlighted that they faced considerable cost pressures in recent years. ISME stated for example: “the price of many items of essential expenditure such as car insurance, education and health insurance have increased sharply in recent years”. However, workers face similar costs and associated increases. This contradicts the claim of employers that workers do not face cost of living increases. ISME stated for example: “the price of many items of essential expenditure such as car insurance, education and health insurance have increased sharply in recent

<sup>105</sup> Irish Hotels Federation, *Submission to the Oireachtas Joint Committee on Jobs, Enterprise & Innovation on Pre-legislative Scrutiny of the General Scheme of the National Minimum Wage (Low Pay Commission) Bill 2015* (24 March 2015) Available at: <http://www.oireachtas.ie/parliament/media/committees/IHF-Presentation.docx>

<sup>106</sup> IBEC, *Ibec meeting with the Oireachtas Joint Committee on Jobs, Enterprise and Innovation 24/02/15* (2015) Available at: [http://www.oireachtas.ie/parliament/oireachtasbusiness/committees\\_list/jobsenterpriseandinnovation/presentationsandsubmissions/](http://www.oireachtas.ie/parliament/oireachtasbusiness/committees_list/jobsenterpriseandinnovation/presentationsandsubmissions/)

<sup>107</sup> Ibid.

years".<sup>108</sup> This actually supports the argument for an increase in the minimum wage as these are also input costs for employees.

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<sup>108</sup> ISME, *Low Pay and the 'Living Wage'-The SME Perspective* (2015) (See footnote [101](#))

## 7.2 The Free Market

### **One should only earn what one is worth: the free market should determine wages**

The employers pointed out that there is no income that workers 'deserve' to be paid or 'should be paid'. Workers should be paid what they are worth to the employer – and what is determined by the free market rate and there should not be state intervention to affect this.

As Mr. A.J. Noonan of SFA stated:<sup>109</sup>  
"One earns what one is worth"

To which Ms Patricia Callan, also of SFA, added:<sup>110</sup>

One cannot simply say every individual deserves to be paid X rate of pay. We are a small open economy operating in a globalised world where we must price our goods and products at a price to sell internationally. We need that money to come back here to support our domestic demand businesses. It is not as simple as asking what we are going to do to solve the problem of low pay without considering the overall structure. If we do not have any businesses or jobs, everybody is on welfare and the amount of tax paid is much lower because there is nobody to pay taxes and the economy collapses.

The SFA pointed out that Ireland is a nation of small businesses:<sup>111</sup>

We have 200,000 businesses in Ireland, of which 97% have less than 50 employees (small) and 84% have less than 10 employees (micro). Small businesses provide 56% of private employment – that's jobs for some 863,175 people. An additional 49,195 people are self-employed . . . Small businesses truly are the engines of our economic recovery and have a vital role to play in terms of employment generation, especially in regional towns and villages and rural Ireland . . . artificial inflation of wages, unrelated to the free market, will not only dampen this recovery, but will ultimately lead to both the prevention of job growth and to job losses across the sector.

It is the SFA's firm conviction that it is imperative for the competitive position of Ireland that wage levels are decided in a competitive labour market and are not constrained by an artificial legal instrument, such as the minimum wage:

"Indeed, in practice, if employees do not feel it is worth their while to go to work on the NMW, then they won't and the labour market itself will move to a rate that is realistic for both employer and employee".<sup>112</sup>

Similarly, ISME believes that:

"The Minimum Wage distorts competition as it imposes uneconomic wage on low skilled jobs"<sup>113</sup> and quoted a Forfás report,<sup>114</sup> stating that "The market should set wage levels, as opposed to State interventions determining pay rates, and interventions should be designed with this in mind."

IBEC also makes the case that the 'living wage' comes with a fiscal cost as it will hurt employment:

"In a competitive market anything that artificially raises the price of labour to a significant extent will curb demand for it, and the first to lose their jobs will be the people the intervention is supposed to help – the least skilled".<sup>115</sup>

<sup>109</sup> Meeting of the Oireachtas Joint Committee on Jobs, Enterprise and Innovation (24 February 2015) (See footnote 32).

<sup>110</sup> Ibid.

<sup>111</sup> SFA, *Submission to the Oireachtas Joint Committee on Jobs, Enterprise & Innovation on Low Pay and the Living Wage* (3 March 2015) (See footnote 103).

<sup>112</sup> Ibid.

<sup>113</sup> ISME, *Low Pay and the 'Living Wage'-The SME Perspective* (2015) (See footnote 101)

<sup>114</sup> Forfás, *Review of Labour Cost Competitiveness* (2010) Available at: [http://www.forfas.ie/media/forfas101126-review\\_of\\_labour\\_cost\\_competitiveness.pdf](http://www.forfas.ie/media/forfas101126-review_of_labour_cost_competitiveness.pdf)

<sup>115</sup> IBEC, *Ibec meeting with the Oireachtas Joint Committee on Jobs, Enterprise and Innovation 24/02/'15* (2015) (See footnote 106)

### ***Poverty and wealth redistribution are not the responsibility of employers***

The SFA believes that the formula of allowing business to operate in a competitive environment, thereby increasing returns to the Exchequer, and consequently allowing the Government to adapt taxation and welfare systems to match perceived social needs, is to be recommended over simply increasing the cost of production, which has a negative economic impact. SFA noted that it is not the job of business to redistribute wealth, but to create wealth, which can be redistributed by Government.

ISME noted that a “living wage” as currently proposed by the trade union movement or indeed a minimum wage that is higher than the strongest economies in the world simply allows the Government to renege on its responsibility for social equity, which should be achieved by prudent management of expenditure and tax reform; not by making or keeping people unemployed. ISME also questioned the calculations used in the living wage and noted “It is also questionable if an average of €40.35 per week for socialising is necessary or if such discretionary expenditure should be included at all in a discussion around ‘minimum standards’ that supposedly addresses ‘needs not wants’.”<sup>116</sup>

According to the SFA, the delivery of desired living standards of the low-paid should be done by Government, through real reform of the tax and social welfare systems to always make work pay. The most significant cost increases for households over the past five years have been government driven through increased taxes and charges, which has reduced disposable income and negatively affected demand in the domestic economy. Similarly, ISME states that it:

is not against legislation that addresses poverty, marginalisation, and social exclusion but minimum wage legislation must not confuse the SOCIAL RESPONSIBILITY of GOVERNMENT with the EMPLOYERS RESPONSIBILITY to pay a FAIR and JUST ECONOMIC WAGE for an hour's work and must be balanced however, by the ability of employers to pay, and the economic consequences of having a National Minimum Wage beyond average European levels and increases beyond the level of Inflation.<sup>117</sup>

SFA argues that small businesses throughout Ireland cannot be compared to public sector bodies and financial powerhouses in central London, which form the majority of the 900 companies which have signed up to the living wage in the UK (which is a paltry number in comparison to the size of the UK economy) and many of whom in fact have very few low-paid workers to begin with. The market value of worker productivity must be reflected in wage rates, particularly in a very small open economy such as Ireland operating in a globalized world.

### ***Profitability***

In addition to these considerations, the SFA believe that, at a very pragmatic level, it is necessary to also examine the profitability of small businesses to see if they are capable of absorbing labour cost increases without productivity gain. From an examination of the 2012 average gross (pre-tax) profits in small businesses in the sectors with the majority of NMW workers, the SFA states that they would not be able to offset NMW increases against profits, as in micro firms (1-10) employees which are 84% of all businesses in Ireland, average pre-tax profits in Accommodation and Food Businesses were €14,549; in Retail were €21,470 and Other Services were €16,582. This means that, according to the SFA, they would have no choice but to offset NMW increases against reductions in hours or jobs, job growth or capital or skills investment. IBEC argues that the “living-wage takes no account of business's, particularly small firms, ability to pay.”<sup>118</sup>

It is believed by some that there is another apparent contradiction in the employers' position on the role of the free market and the state in the case of the FIS. The FIS is, in a certain way, a subsidy where the state is, in effect, paying a subsidy to employers to pay workers. If that subsidy did not exist these individuals would not take the job because the job would not be worthwhile. Some of the people who are in receipt of FIS work for companies that are very profitable and therefore should be in a position to provide full-time hours or to pay a living wage. If IBEC believes that market forces should determine policy, is it not contradictory to then be supportive of certain businesses having subsidies like FIS (and many other examples of state supports including infrastructure, trained and educated employees, etc.) provided to them?

<sup>116</sup> ISME, *Low Pay and the 'Living Wage'-The SME Perspective* (2015) (See footnote 101)

<sup>117</sup> Ibid.

<sup>118</sup> IBEC, *Ibec meeting with the Oireachtas Joint Committee on Jobs, Enterprise and Innovation 24/02/'15* (2015) (See footnote 106)

### 7.3 Analysis of the Living Wage

#### **Take account of regional affordability**

The setting of the minimum wage must also take into account affordability for the whole country rather than to focus narrowly on cost of living in Dublin. Not taking this into account may mean job losses in poorer regions of the country where firm profitability and affordability may be significantly below average. IBEC members in the regions have previously reported that increases in the NMW have impacted on business viability and employment to a greater extent than the average across the state and they estimate that the NMW as a percentage of median wage is about 60% in Ulster and 57% in Connacht. While the SFA notes that the minimum wage is effectively 52% of the average wage in Ulster, 48% of the average in Connacht and 43.4% of the average of the state (OECD). Given the urban/rural imbalance already being experienced in the recovery, this is of particular importance. The SFA notes that:

It is important that sectoral and regional affordability are taken into account in any decision. In terms of regional issues, it will have to be a one-size-fits-all rate and cannot be benchmarked against the cost of living in Dublin. Previously, our members in the regions, particularly those with weaker economic performance such as the north west, have definitely suffered the most from a business perspective as a result of the increase in the minimum wage. A competitive cost base is very different in Dublin from the regions.<sup>119</sup>

#### **Living wage advocates ignore the responsibilities of government in key policy areas**

IBEC argue that drawing on the Living Wage Technical Group tables for Dublin, expenditure on areas related to government policy (health, education, transport, housing, energy and childcare) amounted to 69% of total MESL cost, while housing and childcare alone accounted for 58%. The 'living wage' campaign is a distraction to fundamental policy challenges around housing supply and childcare costs.

#### **Reduce taxation rather than increase low wages**

ISME suggested that the tax and welfare system should be used to put money into people's pockets, rather than "facilitating and encouraging an economically damaging upwards spiral in wages".<sup>120</sup> ISME suggested:<sup>121</sup>

- Removing all low-paid employees from the tax net: Remove all tax and other deductions on income that equate to two-thirds of the average industrial wage of €32,000 ensuring that individuals can earn up to €20,000 per annum before being hit with taxes.

ISME also suggested that it was necessary to:<sup>122</sup>

- Increase the incentive to work;
- Remove people from the social welfare trap;
- Decrease the numbers working in the black economy; and
- Introduce an equitable redistribution of income by lowering tax on lower income workers.

They suggest that the real concern of workers is their take home pay rather than some notional minimum wage subject to PAYE and other deductions. They argue that reducing the tax burden on the low-paid will be more beneficial than any further increase in the NMW, not only for the lower paid, but to the economy as a whole. They highlight that an increase of the NMW would bring employees back into the tax net and instead if low-wage workers are supported through tax cuts and rebates, then all taxpayers can share the financial burden.

<sup>119</sup> Mr Fergal O'Brien, Meeting of the Oireachtas Joint Committee on Jobs, Enterprise and Innovation (24 February 2015) (See footnote 32).

<sup>120</sup> ISME, *Low Pay and the 'Living Wage'-The SME Perspective* (2015) (See footnote 101)

<sup>121</sup> Ibid.

<sup>122</sup> Ibid.



### ***The 'living wage' concept does not address the real poverty challenges***

IBEC makes the case that the 'Living wage' fails to address 'the real poverty challenges'.<sup>123</sup> For example, Ireland has a high level of household joblessness compared to other European countries, almost one quarter (23% of households in Ireland were described as jobless in 2010. The next highest countries were the UK and Belgium at 13%, with an EU15 average of 11%. A distinguishing feature of Ireland's jobless households is the likelihood that they contain children. While fewer than 30% of adults in jobless households live with children in other EU15 countries, more than half do in Ireland at 56%. Similarly, ISME believes that people are not in poverty because the minimum wage is too low, or because their hourly pay is too low, even when they make above the minimum wage: "People are in poverty because they are not working or not working enough. They need jobs, not an increase in the minimum wage".<sup>124</sup>

### ***Need for state assistance towards cost of training***

ISME made the case that it is not economic for SMEs' to employ low-skilled people at a high minimum wage without adequate financial assistance towards the cost of training after commencement of employment. Furthermore IBEC makes the case that good job design and upskilling provides dignity and meaning to work and leads to improved pay: "Ireland's ability to compete globally will depend on it developing innovative ideas and bringing them to market more quickly. This requires the availability of a skilled and productive workforce. It means improving both specific and transferable skills. This approach is more likely to deliver sustainable and well-paid employment".<sup>125</sup>

Furthermore, IBEC stated: "we want to see high-quality jobs in the economy. We want to see more ambitious investment in education and skills development to help people to upskill and gain higher quality employment after entering the workforce".<sup>126</sup>

The SFA further noted that: "When we look to the live register, it is interesting to note that employers that are already experiencing skills shortages. We are still seeking to recruit people with skills from abroad because of the mismatch. We have low-skilled workers on our live register and young people with no experience."<sup>127</sup>

### ***Decent Work and Decent Pay – Good for business and the economy***

The research shows that decent work and decent pay are good for employers and business. Good labour practices result in lower staff turnover which reduces recruitment and training costs.

A decent floor on wages promotes high quality work, promotes greater productivity and prevents a race to the bottom.

The National Employment Regulation Authority found a 47% non-compliance rate with employment rights legislation in the hotel sector and a 62% non-compliance rate in the food and drinks sector.<sup>128</sup> This level of non-compliance puts pressure on compliant firms and creates a race-to-the-bottom in labour practices.

Without decent wages and conditions, workers will not be attracted into the various sectors as highlighted by business representatives who have raised at the apprenticeship commission the fact that they cannot attract good calibre craftspeople, such as chefs, into the industry.

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<sup>123</sup> IBEC, *Ibec meeting with the Oireachtas Joint Committee on Jobs, Enterprise and Innovation 24/02/'15* (2015) (See footnote [106](#))

<sup>124</sup> ISME, *Low Pay and the 'Living Wage'-The SME Perspective* (2015) (See footnote [101](#))

<sup>125</sup> IBEC, *Ibec meeting with the Oireachtas Joint Committee on Jobs, Enterprise and Innovation 24/02/'15* (2015) (See footnote [106](#))

<sup>126</sup> Mr. Fergal O'Brien, Meeting of the Oireachtas Joint Committee on Jobs, Enterprise and Innovation (24 February 2015) (See footnote [32](#)).

<sup>127</sup> Ms. Patricia Callan, Meeting of the Oireachtas Joint Committee on Jobs, Enterprise and Innovation (3 March 2015) (See footnote [33](#)).

<sup>128</sup> NERA, Review of 2013 (2014). Available at: [https://www.workplacerelations.ie/en/Publications\\_Forms/NERA\\_Review\\_2013.pdf](https://www.workplacerelations.ie/en/Publications_Forms/NERA_Review_2013.pdf)



## 7.4 Competitiveness

There is considerable disagreement about how competitiveness should be measured and even about the importance of competitiveness as a concept. Business representatives argue that competitiveness is maintained through keeping taxes and wages at the lower end low and that costs should be benchmarked against the UK and Northern Ireland as key competitors. Others argued for a broader understanding of competitiveness.

The National Competitiveness Council (NCC) defines competitiveness as all of those factors affecting the ability of Irish firms to sell goods and services in international markets. It believes that competitiveness is not an end in itself, but rather a means of achieving sustainable improvements in living standards and quality of life. Indeed the National Competitiveness Council 2015 report<sup>129</sup> noted that property costs are again emerging as a significant threat to sustained competitiveness – increases in commercial rents are occurring alongside rapid growth in residential rents and house prices. It noted that the link between house prices and wage expectations means that developments in the residential property sector have a direct impact on competitiveness. It also highlighted that Ireland remains an expensive location for energy compared to most of its EU peers while other costs have increased such as, air transport, computer consultancy, and postal services.

According to the NCC:<sup>130</sup>

- Diesel prices are 7% more expensive in Ireland than in the Euro Area;
- Electricity costs in Ireland are the fifth and sixth most expensive in the Euro Area for SMEs and large users respectively. Energy comprises a significant component of non-wage costs for enterprises in a range of growth sectors;
- Landfill gate fees are the fifth most expensive out of 10 countries considered, while non-hazardous treatment fees are third highest out of nine countries considered;
- Ireland is the fifth most expensive location out of 16 countries for industrial water costs;
- Telecom costs are relatively competitive, but there are concerns about the quality of services available;
- New business interest rates for non-financial corporations are higher in Ireland than in the euro area - rates are 31% higher for loans up to €1 million and are 27% higher for loans above €1 million. In November 2013, interest rates for revolving loans and overdrafts were 11.5% above the euro area average; and
- Prices for a range of business services such as transport, postal, courier and computer consultancy services have been increasing in Ireland over the past three years.

While consumer prices in Ireland have adjusted downward in recent years, Ireland remains an expensive place to live – Irish price levels are 16.8% above the euro area and prices were above euro area averages for 10 out of 12 categories of goods and services. Costs relative to national income (in GNP terms) remain particularly high when compared to the euro area average. In 2013, Ireland was the third most expensive location in the euro area for consumer goods and services. The principle contributors to Irish inflation over the last 12 months are “Miscellaneous goods and services” which was driven by “health insurance”, “Alcohol and tobacco”, “Education”, and “Restaurants and hotels”.<sup>131</sup>

Ireland is particularly vulnerable to losing FDI. In this respect, the government should be very wary of implementing any measure which makes Ireland less attractive to investment or which raises the cost for investors.

Raising overall costs on business in Ireland through the introduction of a living wage could also drive customers to shop elsewhere.

<sup>129</sup> National Competitiveness Council, *Costs of Doing Business in Ireland 2015* (2015) (See footnote 51).

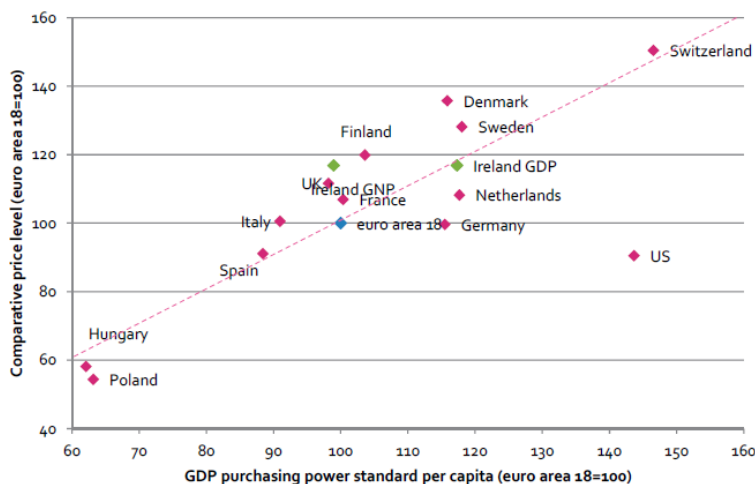
<sup>130</sup> National Competitiveness Council, *Costs Of Doing Business in Ireland 2014* (2014) Available at: <http://www.competitiveness.ie/Publications/2014/Costs-of-Doing-Business-in-Ireland-20141.pdf>

<sup>131</sup> National Competitiveness Council, *Costs of Doing Business in Ireland 2015* (2015) (See footnote 51).

While this report argues that measures such as the living wage need to be implemented – such initiatives must also be balanced against considerations including possible job losses and business closures if they are implemented.

The Committee also notes that introducing any measure which may raise costs may also exacerbate the smuggling problem on both sides of the border.

Table 39: Price levels and GDP per capita, 2013<sup>132</sup>



The NCC uses a framework model to understand national competitiveness. The Competitiveness Pyramid (Table 40) illustrates the framework model used by the NCC.

Table 40: The Competitiveness Pyramid<sup>133</sup>



The Irish economy’s dependence on international trade and foreign direct investment makes competitiveness especially important. Among eurozone countries, Ireland is particularly vulnerable to adverse exchange rate

<sup>132</sup> Ibid.

<sup>133</sup> National Competitiveness Council, *Ireland’s Competitiveness Scorecard 2014* (2014) Available at: [http://www.competitiveness.ie/media/ICS\\_2014\\_ONLINE\\_FINAL.pdf](http://www.competitiveness.ie/media/ICS_2014_ONLINE_FINAL.pdf)

movements as it has the largest share of trade outside the eurozone. With devaluation not an option, greater emphasis is placed on price and wage adjustments to generate improvements in competitiveness. But what can be seen from the NCC's framework is that policy inputs are the foundation stones of the economy and are the primary drivers of competitiveness which include 'physical' and 'knowledge' infrastructure. The state has a key role to play in investing in these. Prices and costs are secondary. Competitive gains at the lower levels of the pyramid allow growth potential to be maximised at the apex, whilst providing suitable conditions for sustainable development.

The Global Competitiveness report produced by the World Economic Forum saw Ireland ranked 25 in 2014.<sup>134</sup> The rankings are based on a number of indicators – infrastructure, taxation, business efficiency, labour market, ease of doing business, etc. The high-tax, high-spend, high-regulated economies performed much better than Ireland (see Table 41).

*Table 41: Ireland's Competitiveness Ranking*



The most competitive economies in Europe have high levels of investment, infrastructural quality, health and education, use of technology, and innovation. They also have high wage levels, which are critical to an economy's competitiveness.

There is, therefore, a clear question about the basis on which Ireland aims to compete internationally. There is a strong argument that Ireland needs to shift to compete on the basis of high wage, high skilled jobs economy built upon the bedrock of strong investment in high quality public infrastructure, skills and research development, robust worker's protection and bargaining rights, and high quality accessible public services. This is an alternative model that the most competitive countries in the world pursue.

<sup>134</sup> World Economic Forum, *The Global Competitiveness Report 2014-2015: Competitiveness Rankings* (2014). Available at: <http://reports.weforum.org/global-competitiveness-report-2014-2015/rankings/>

## 8. Precariousness, Decent Work and Worker's Rights in Ireland

### 8.1 Trade Union Views and Analysis

Trade unions made the case at the Oireachtas hearings that the key mechanism to address the issues of precariousness, in-work poverty, and achieve a living wage and decency in work is through adequate collective bargaining rights and statutory sectoral wage-setting mechanisms that are enforced, such as Registered Employment Agreements and Sectoral Employment Orders from JLCs. These enable workers to have some kind of equal bargaining relationship with their employers in setting rates of pay, reasonable hours, overtime rates and minimum sick pay etc. This is particularly important in moving beyond just seeing the issue of low pay as one of the hourly rate of pay, which, while important, is insufficient to adequately address the low pay and in-work poverty issues. This also enables a sectoral and regional approach to setting appropriate pay and conditions.

The right to collectively bargain in a meaningful way, therefore, is the cornerstone to achieving a living wage for all workers. Indeed the trade unions made the case that:

“the only way that workers in this Sector can have the low pay issue addressed to enable them to achieve a Living Wage, so as to gain equally from the recovery and to be able to provide for themselves and their families is through the Joint Labour Committee process”.<sup>135</sup>

The trade unions have expressed the concern that, in regard to recently enacted legislation, employers must not be allowed an easy route away from the obligations which are placed upon them. Trade unions stated that:

“employers have been allowed through our voluntarist model of industrial relations adopt a dismissive and hypocritical approach to the real value of a workers constitutional right to become a member of a Trade Union”.<sup>136</sup>

For example, there is a need to address the issue whereby some employer groups and employers are not co-operating with existing statutory wage-setting mechanisms. In most European countries, even in countries where there are no NMW rates, workers in lower paid sectors of the economy tend to be covered by sectoral collective bargaining agreements. According to the trade unions, where employers are refusing to co-operate with Oireachtas policy, that workers should be covered by way of sectoral mechanisms; the state and government need to provide the means by which the Labour Court can be guided to deal with these issues. The Supreme Court in 2013 made the registration of employment agreements, such as Registered Employment Agreements and Sectoral Employment Orders governing terms and conditions for workers in particular sectors of the economy, invalid.

#### ***The Accommodation and Food sector and the JLCs***

The accommodation and food sector has been in the receipt of significant state subsidies. For example, between 2011 and 2013, there was a reduced employer PRSI rate if an employer's workers earned less than €356 per week. The employers in the sector also have the favourable Government policy of a lower VAT rate and international tourism numbers are now at pre-recession levels. The sector has improved in recent years with 7.6 million visitors to Ireland in 2014, a figure which increased by 9% on that of 2013. Domestic tourism numbers have increased by over 2.2%, with total spending in 2013 by tourists at €6.54 billion, which is an

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<sup>135</sup> SIPTU, *Oireachtas Joint Committee on Jobs, Enterprise and Innovation – Tuesday 3<sup>rd</sup> March 2015* (Submission to the Joint Committee on Jobs, Enterprise and Innovation 3 March 2015) Available at:

[http://www.oireachtas.ie/parliament/oireachtasbusiness/committees\\_list/jobsenterpriseandinnovation/presentationsandsubmissions/](http://www.oireachtas.ie/parliament/oireachtasbusiness/committees_list/jobsenterpriseandinnovation/presentationsandsubmissions/)

<sup>136</sup> Mr Gerry Light. Meeting of the Oireachtas Joint Committee on Jobs, Enterprise and Innovation (3 March 2015) (See footnote 33).

increase of more than 10% on the figures from 2013. The profits of some of the large fast food chains in Ireland are significant, for example:<sup>137</sup>

- McDonalds profits 2013 €15m;
- Dominos Pizza profits 2012 €5m;
- MBCC Foods (own KFC, Pizza Hut, Costa Coffee) profits €2.3m;
- Supermacs profits 2012 €5.4m; and
- BB's coffee & muffins profits €2.7m.

The recent PricewaterhouseCoopers report<sup>138</sup> stated that, by next year, Dublin hotel rates would return to pre-2007 levels. The JLC process is enshrined in the Legislation approved by the Oireachtas, Industrial Relations (Amendment) Act 2012.<sup>139</sup> Following a Review under this Legislation, a Statutory Instrument (SI) No 28 of 2014<sup>140</sup> for the establishment of a Hotels Joint Labour Committee and that the Joint Labour Committees in place pre-2011 for the Catering Industry remain in place, was approved by the Oireachtas. However, both hotel owners (represented by the Irish Hotels Federation) and restaurant owners (represented by Restaurants Association of Ireland) are exercising a veto over this piece of Oireachtas approved policy.

The trade unions have proposed that such employers that are in breach of Oireachtas policy on Joint Labour Committees should not be allowed to continue to avail of favourable policy measures such as favourable VAT rates.<sup>141</sup> They also note that the state provides significant funding of the sector through Fáilte Ireland, The Gathering, the Wild Atlantic Way and so on.

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<sup>137</sup> SIPTU, *Oireachtas Joint Committee on Jobs, Enterprise and Innovation – Tuesday 3<sup>rd</sup> March 2015* (Submission to the Joint Committee on Jobs, Enterprise and Innovation 3 March 2015) (See footnote **135**)

<sup>138</sup> PwC, *European cities hotel forecast for 2015 and 2016 for 20 gateway cities from Amsterdam to Zurich: Room for Growth* (2015) Available at: <http://download.pwc.com/ie/pubs/2015-pwc-european-cities-hotel-forecast-2015-and-2016.pdf>

<sup>139</sup> Industrial Relations (Amendment) Act 2012. Available at: <http://www.irishstatutebook.ie/2012/en/act/pub/0032/>

<sup>140</sup> Hotels Joint Labour Committee Establishment (Amendment) Order 2014, SI No. 2014/28. Available at: <http://www.irishstatutebook.ie/2014/en/si/0028.html>

<sup>141</sup> The Office of the Revenue Commissioners, *Second Reduced Rate of VAT - 9%*. Available at: <http://www.revenue.ie/en/tax/vat/leaflets/rate-change-9-percent.html>

## 8.2 *The Benefits of Collective Bargaining*

The trade union Mandate highlighted at the hearings that:

A robust meaningful collective bargaining environment not only has the direct effect of lifting workers out of precarious working conditions but also lessens greatly the pressure and obligations on the State to provide support structures which prevent more workers being exploited and moving deeper into workplace poverty. Many employers are prepared to do the right thing by their employees and enter into collective agreements with Mandate to produce working conditions which are decent and fair. In the main this ensures that the workers concerned do not have to turn to the State to supplement their earnings in order that they and their dependents can reach a basic standard of living. As a result of pay enhancements we have negotiated for our members in the past three years it is estimated that over €30 million has directly returned through consumption back into the domestic economy. This has had the combined effect of reducing social welfare transfers, increased economic activity which has helped maintain and create more jobs, increased revenue for the State through Employers' PRSI, Income Tax, Employee's PRSI and VAT receipts, while also reducing poverty and deprivation levels.<sup>142</sup>

It is accepted that there are businesses which are very profitable but still pay their workers either minimum wage or low pay. There is a need for the Oireachtas, through an organisation such as the Low Pay Commission, to be able to identify how many people on the minimum wage work for companies that cannot afford anything more than the minimum wage and how many work for extremely profitable businesses that could easily afford to compensate above the minimum wage. Facilities are now provided, in the minimum wage legislation, the reform agenda and Industrial Relations (Amendment) Act 2015<sup>143</sup> for the reintroduction of the joint labour committee system, for employers to be able to plead inability to pay in certain circumstances. We welcome the legislation on voluntary collective bargaining and urge the Government to introduce trade union recognition also.

Again, as highlighted by Mandate:

Much of the proponents who argue against provisions such as a statutory minimum and a living wage do so on the basis that the market must be free to compete without undue restrictions and ultimately wage levels and working conditions will find their own levels. Such unfettered self-regulation has proven in the past to have unquestionably failed to the extent that it could not predict or prevent the damage which was ultimately inflicted on the very economic model which it underpins. Also this ideology seems to conveniently ignore the voice of workers by denying them meaningful access to the negotiating table either individually or collectively in order to present their case.<sup>144</sup>

### ***New Code of Practice for Part-time and Underemployed Workers***

Trade unions have called for a new code of practice which establishes a framework that promotes genuine access to full-time employment for people who are currently under-employed or who are part-time workers and thus bring an end to involuntary part-time working where it is feasible and possible to do so. We also welcome the enactment of the Industrial Relations (Amendment) Act 2015. This is proposed to be achieved by refocusing and developing the relevant parts of EU Directive 97/81/EC<sup>145</sup> which was subsequently transposed into Irish law and largely contained in a Code of Practice drawn up by The Labour Relations Commission in 2006, titled "*Code of Practice on Access to Part Time-Working*".<sup>146</sup> The Directive was intended

<sup>142</sup> Mandate, *PRESENTATION TO THE JOINT COMMITTEE OF JOBS, ENTERPRISE AND INNOVATION, TUESDAY, 3<sup>RD</sup> MARCH 2015* (Submission to the Joint Committee on Jobs, Enterprise and Innovation 3 March 2015) Available at: [http://www.oireachtas.ie/parliament/oireachtasbusiness/committees\\_list/jobsenterpriseandinnovation/presentationsandsubmissions/](http://www.oireachtas.ie/parliament/oireachtasbusiness/committees_list/jobsenterpriseandinnovation/presentationsandsubmissions/)

<sup>143</sup> Industrial Relations (Amendment) Act 2015. Available at: <http://www.irishstatutebook.ie/eli/2015/act/27/enacted/en/html>

<sup>144</sup> Ibid.

<sup>145</sup> Council Directive 97/81/EC of 15 December 1997 concerning the Framework Agreement on part-time work concluded by UNICE, CEEP and the ETUC [1997]OJ L 14/9 Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31997L0081&from=EN>

<sup>146</sup> The Labour Relations Commission, *Labour Relations Commission: Code of Practice on Access to Part-Time Working* [2006] Available at: <http://www.lrc.ie/documents/publications/codes/9ParttimeWorking.pdf>



to facilitate the transition to part-time working in the context of encouraging and promoting the development of a flexible labour market. A much overlooked and largely ignored provision within the Directive and indeed the Code is a requirement to consider “requests by workers to transfer from part-time to full-time work or to increase their working time should the opportunity arise”.<sup>147</sup> According to Mandate, the application of this objective has been little practiced in the intervening years with the main emphasis being on the erosion of full-time employment rather than its creation.

The adoption of the call for a new code of practice is hoped to have the effect of sending out a clear message that, as a society, we are intent in moving away from an employment model which has resulted in Ireland currently having the highest prevalence of low-paid jobs in the OECD, second only to the United States. It would also make it clear to certain employers and their representatives, who continue to display a narrow and self-serving attitude, that they cannot be allowed ride two horses. On the one hand they cannot deliberately continue to skew the balance of power in their favour by refusing workers real and meaningful access to collective bargaining rights whilst, on the other, argue against protective statutory measures, such as minimum and living wage thresholds, the existence of which are a consequential necessity directly arising from their regressive attitude towards workers’ rights to collectively bargain in the first instance. Refusal by employers to address this crucial point will result in measures such as statutory minimum and living wage thresholds being an essential part of Ireland’s employment scene for many years to come.

Another proposal is for ‘an honest contract’, whereby, if a person gets a ten-hour contract but is regularly asked to work 15 hours, or one is regularly working 25 hours, the excess hours above ten hours are paid at a rate of time and a half. This means an employer is incentivised into giving his or her employee an honest contract. That means it would be cheaper for employers to increase a worker's hours to 25 rather than pay the 15 extra hours worked at a time and a half rate of pay.

### ***Irish Constitution and the Courts on Workers Protection***

Bunreacht na hÉireann, the Irish Constitution, is the highest form of law in our jurisdiction, except where issues of European law are concerned. The Constitution guarantees, at Article 40.6.1(iii), the right of the citizens to form associations and unions. The Courts, however, have not to date interpreted Art.40.6.1(iii) as being an obligation on an employer to recognise a trade union. Indeed, the Courts have over the years made observations which suggest a positive constitutional right of employers not to recognise trade unions. For example Mr Justice Geoghegan stated in the Supreme Court decision of *Ryanair Limited v Labour Court & Impact*, 2007 that:

As a matter of law Ryanair is perfectly entitled not to deal with trade unions nor can a law be passed compelling them to do so. There is an obvious danger however in a non-unionised company that employees may be exploited and may have to submit to what most reasonable people would consider to be grossly unfair terms and conditions of employment. With a view to curing this possible mischief the Industrial Relations Acts 2001 and 2004 were enacted. Given their purpose they must be given a proportionate and constitutional interpretation so as not unreasonably to encroach on Ryanair’s right to operate a non-unionised company.<sup>148</sup>

However, the Lisbon Treaty includes the “EU Charter of Fundamental Rights”<sup>149</sup> which is now essentially a part of European Law and it provides, at Article 28, a “Right of collective bargaining and action” which states:

Workers and employers, or their respective organisations, have, in accordance with Union law and national laws and practices, the right to negotiate and conclude collective agreements at the appropriate levels and, in cases of conflicts of interest, to take collective action to defend their interests, including strike action”.

The Charter thus expressly acknowledges the right of employees to engage in compulsory bargaining but that right is subject to “national laws and practices”.

<sup>147</sup> Mandate, *PRESENTATION TO THE JOINT COMMITTEE OF JOBS, ENTERPRISE AND INNOVATION, TUESDAY, 3<sup>RD</sup> MARCH 2015* (Submission to the Joint Committee on Jobs, Enterprise and Innovation 3 March 2015) (See footnote 142)

<sup>148</sup> *Ryanair Limited v The Labour Court* [2007] IESC 6

<sup>149</sup> CHARTER OF FUNDAMENTAL RIGHTS OF THE EUROPEAN UNION [2012] OJ C 326/391 Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:12012P/TXT>



***Self-employed precariousness***

The issue of low pay in the self-employed sector also deserves more scrutiny. The assumption is that the self-employed are business people or entrepreneurs. However, increasingly, some self-employed people are contract or agency workers and may have to declare themselves as self-employed.

## 9. Public services and the Living Wage

### 9.1 *The Irish Public Service Context: Low Tax, Low Spend*

There is merit in joining the dots between the provision of public services and pay requirements. If there is poor provision for public services, more people will have to spend money and, therefore, have to earn more. Figures for items such as the living wage would be higher. The living wage figure I mentioned could fall if there were better public services because people would not need as much money to maintain a particular standard of living.<sup>150</sup>

Inadequate public services and infrastructure contribute significantly to the high cost of living, particularly for individuals and couples with children and those living in large urban areas. The particular areas are childcare, housing and transport. In relation to childcare the average price of a crèche place is around €888 for a baby and €1,596 for two children. That would require an annual salary of €22,000 but would leave nothing left after paying for childcare. In Dublin the average price is higher, coming in at €1,053 for a baby and €1,884 for two children - which would entirely swallow up a €27,000 salary. Childcare costs have also risen in the last year by 2.4%.<sup>151</sup>

The other area that the state is currently playing an important role is in welfare support for those on low incomes. While there is a strong concern that such welfare support subsidises profitable employers there appears to be a consensus that low-paid workers should not be penalised for working, particularly those taking up additional hours. The employers' representatives noted at the hearings that:

we have skilled employees at work and it makes far more sense in smaller companies, which is all I can speak for, to try to bring them up to full hours. The last time the minimum wage went up by €1 an hour, in many sectors that had minimum wage workers, they chose to reduce their hours from 20 hours to 15 hours. It was that black and white. It was a set number that made the difference in terms of maintaining welfare rates.<sup>152</sup>

Professor Seamus Coffey presenting stated that:

the solution is to get the social welfare and the work systems more integrated. Currently, they are disparate and one works in isolation from the other. If one is working, one is dealing with the tax system and if one is not working, one is dealing, by and large, with the social welfare system. They should be more integrated. If we have benefits, they should be universal. We should treat everybody in the same way. That might require higher rates of tax but it would not necessarily mean people will be worse off.... A system where one has generous social welfare is laudable, and that is what we should have, but it should not be designed in such a way that people lose it when they start to contribute to society.<sup>153</sup>

Professor Seamus Coffey made the case for more universality in transfers such as an increase in child benefit and maybe introducing something similar for adults. Then:

one would not have people fighting for their own corner and all these separate groups looking for what they want. If we have a social democracy and treat everybody in the same way, as happens in many countries, one would not get those divisions.... I would not view the minimum wage as the key issue about how one lifts people out of poverty. Work matters but the State should take a much stronger approach than it takes currently and offer more on the basis of social welfare. People say our social welfare budget is high but relative to the EU, it is not. Other countries spend far more in terms of cash transfers. They collect it through higher tax and higher social insurance and I believe we can achieve something like that. We have a divided society, a very progressive tax system and a very divided social welfare system in which one group is contributing and another is benefiting. If we were all in this together, the system would work much better.<sup>154</sup>

<sup>150</sup> Dr. Micheál Collins, NERI, Meeting of the Oireachtas Joint Committee on Jobs, Enterprise and Innovation (24 February 2015) (See footnote 32).

<sup>151</sup> Dr. Micheál Collins, NERI, *A Living Wage for Ireland: Some Considerations and Initial Estimates* (2014).

<sup>152</sup> Ms. Patricia Callan, Meeting of the Oireachtas Joint Committee on Jobs, Enterprise and Innovation (3 March 2015).

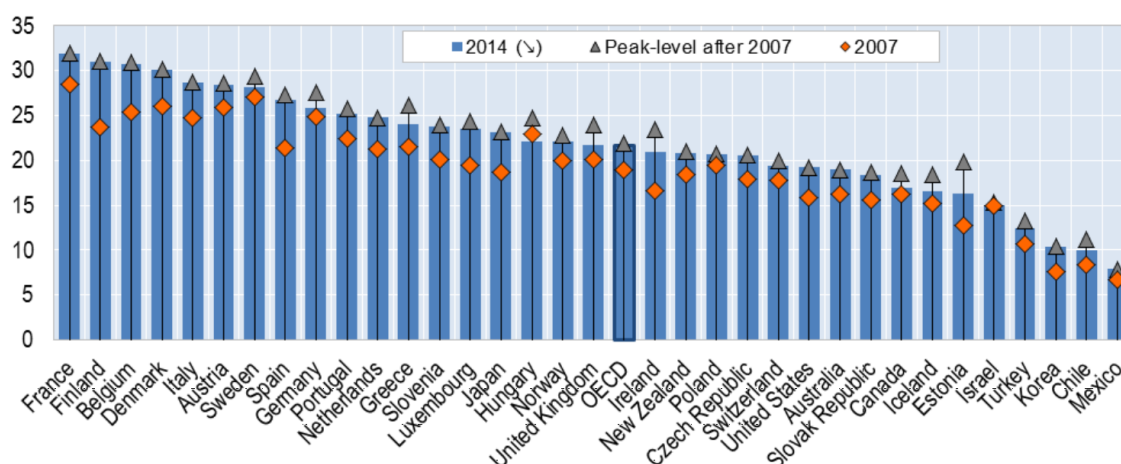
<sup>153</sup> Meeting of the Oireachtas Joint Committee on Jobs, Enterprise and Innovation (24 February 2015) (See footnote 32).

<sup>154</sup> Ibid.

However, there is a fundamental problem in addressing these issues because while Ireland has a relatively progressive income tax system, it has conversely followed a low public spending. It can be seen that for the last decade Ireland has trailed its European neighbours in spending levels. Tables 42, 43 and 44 show that General Government Spending in Ireland is way behind the average of the EU28 and below the OECD average. There was an increase in 2010 because of the bank bailouts. But Ireland’s public expenditure dropped dramatically during the ‘Celtic Tiger’ years. Putting this in context, the total amount of government revenue (as a % of GDP excluding debt interest payments) fell from 37.9% in 1997 to 34.9%<sup>155</sup> in 2013. That was the third biggest fall among EU28 countries (only Slovakia and Sweden had higher falls but these latter two countries have a higher government take in GDP to start with).

**Table 42: Public Social Expenditure as a percentage of GDP<sup>156</sup>**

Public social expenditure as a percent of GDP, 2007, peak-level after 2007, and 2014



**Table 43: General Government Revenue and Spending in EU and Ireland<sup>157</sup>**



**QEF Table 6.1 General Government Revenue, % GDP (EU28 and Republic of Ireland)**

Year	EU28 Government Spending	ROI Government Spending	EU28 Government Revenue	ROI Government Revenue
2004	46.7	33.3	43.8	34.6
2005	46.7	33.5	44.2	35.1
2006	46.2	34.1	44.6	36.9
2007	45.5	36.0	44.6	36.2
2008	47.0	42.0	44.6	35.0
2009	51.0	47.6	44.1	33.7
2010	49.9	66.1	43.5	33.6
2011	48.5	46.1	44.0	33.5
2012	48.9	42.2	44.6	34.2
2013	48.5	40.5	45.3	34.8

Source: Eurostat Government Statistics (2014)

<sup>155</sup> Eurostat, Total general government revenue. Available at: <http://ec.europa.eu/eurostat/web/government-finance-statistics/data/main-tables>

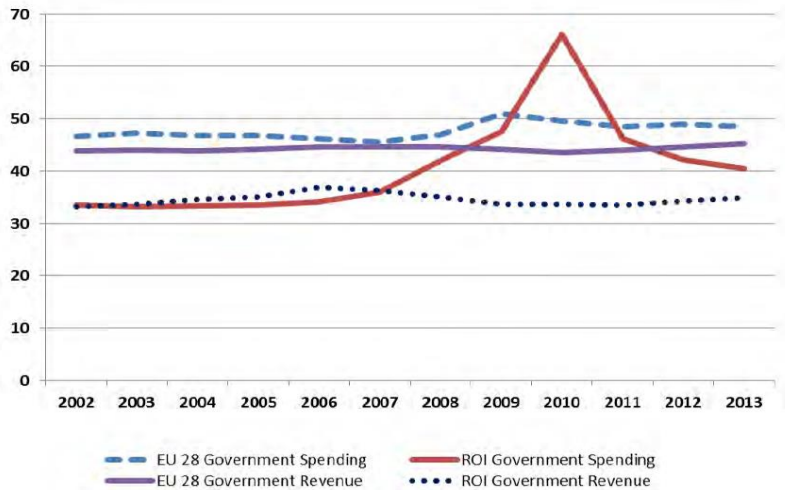
<sup>156</sup> OECD, Social Expenditure Update (November 2014): Figure 1 (2014) Available at: [http://www.google.ie/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&cad=rja&uact=8&ved=0CCOQFjACahUKewjY0pCY2aPHAhUMm9sKHafgAMw&url=http%3A%2F%2Fwww.oecd.org%2Fels%2Fsoc%2FOECD2014-Social-Expenditure-Update-Nov2014-Figures-Data.xlsx&ei=XVDLVZiwFly27gahwYHgDA&usg=AFQjCNEg\\_TZxV1HM6lgoZeoMYHZgjzI0w](http://www.google.ie/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&cad=rja&uact=8&ved=0CCOQFjACahUKewjY0pCY2aPHAhUMm9sKHafgAMw&url=http%3A%2F%2Fwww.oecd.org%2Fels%2Fsoc%2FOECD2014-Social-Expenditure-Update-Nov2014-Figures-Data.xlsx&ei=XVDLVZiwFly27gahwYHgDA&usg=AFQjCNEg_TZxV1HM6lgoZeoMYHZgjzI0w)

<sup>157</sup> Nevin Economic Research Institute, Quarterly Economic Facts: Spring 2015 (2015) Available at: <http://www.nerinstitute.net/download/pdf/20150318162546.pdf>

Table 44: Trends in General Government Spending and Revenue

**NERI** National Economic Research Institute  
*Research for new economic policies*

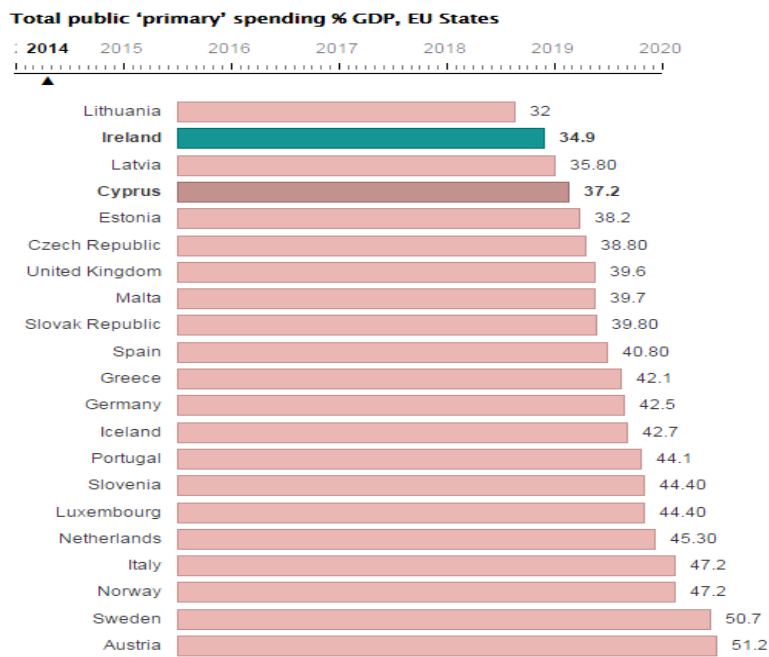
**QEF Chart 6.1 Trends in General Government Expenditure and Revenue, % GDP (EU28 and Republic of Ireland)**



Source: Eurostat Government Statistics (2014)

Table 45 below shows that Ireland is at the bottom of the European table when it comes to primary spending as a percentage of GDP.

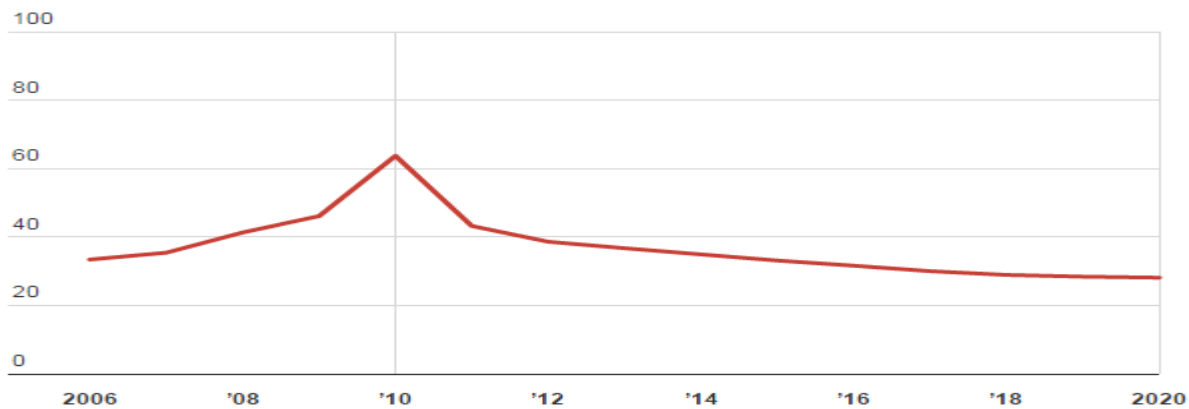
Table 45: Total Public Primary Spending % GDP, EU States



Furthermore, the projection is for public spending to remain insufficient to fund public services in coming years, as outlined overleaf in Tables 46 and 47.

Table 46: Total Public Primary Spending % GDP, Ireland

**Total public 'primary' spending % GDP, Ireland**

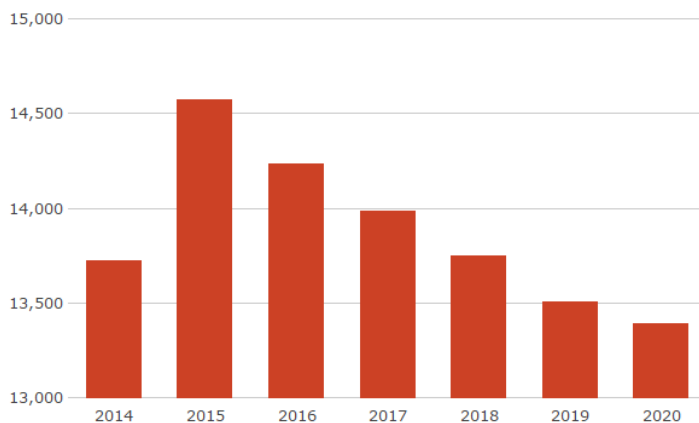


Source: [IMF Fiscal Monitor, Table A1 and Table A2](#) [Get the data](#)

Table 47 shows an estimate of real public spending (excluding payment of interest on Ireland's debt) per capita of population from 2015 up to 2020 based on the totals for spending provided in the Spring Statement.<sup>158</sup> Taking account of population growth, modest inflation assumptions and using the projected spending numbers in the statement a clear pattern of declining spending in real terms can be seen.<sup>159</sup>

Table 47: Real Public Spending Per Capita, Ireland 2014-2020

**Real public spending per capita (excluding cost of debt service)**



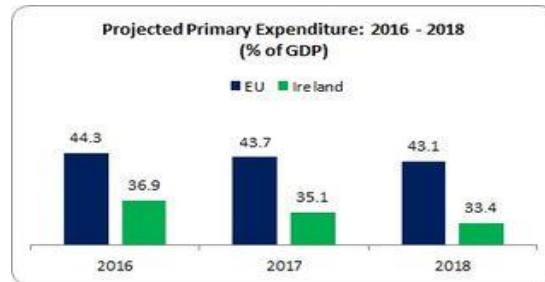
If this spending in Ireland is compared to other EU countries it can be seen that Ireland would have to increase spending by over €8 billion to reach the EU15 average and spend an extra €12 billion to reach the average of other EU12 countries.<sup>160</sup> By 2018, Ireland will have achieved truly ultra-low expenditure status with the lowest levels of expenditure of an EU country with the possible exception of Latvia and Lithuania.

<sup>158</sup> Department of Finance and Department of Public Expenditure and Reform, *Spring Economic Statement (2015)* Available at: <http://www.budget.gov.ie/Budgets/2015/Documents/Spring%20Economic%20Statement%20For%20Web.pdf>

<sup>159</sup> Nevin Economic Research Institute, *Quarterly Economic Observer: Spring 2015* (2015) Available at: [http://www.nerinstitute.net/download/pdf/nerispring2015qeo\\_compressed.pdf](http://www.nerinstitute.net/download/pdf/nerispring2015qeo_compressed.pdf)

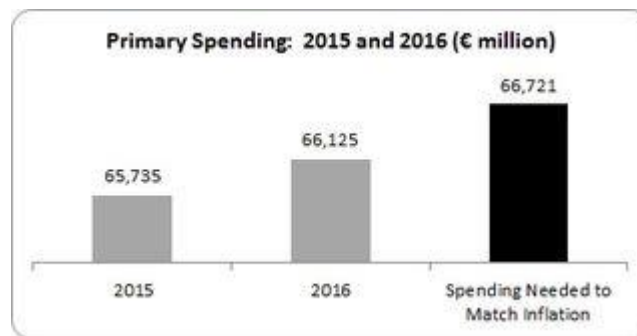
<sup>160</sup> Unite, *Unite's Notes on the Front, Starving Ourselves: Ireland's Low Spend Economy* (2015) Available at: <http://notesonthefront.typepad.com/politiceconomy/2015/03/>

Table 48: Projected Primary Expenditure 2016-2018



Based on these projections Ireland is facing a form of what could be described as permanent austerity. Public spending will be kept below the rate of inflation, thus cutting its value and at a time of increased demographic pressures (see Table 49).

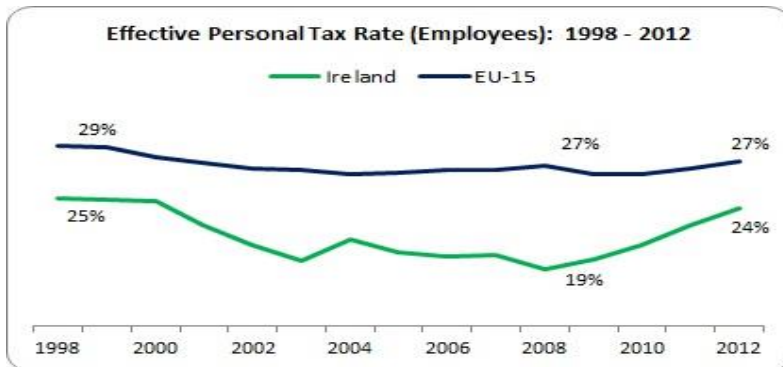
Table 49: Primary Spending: 2015 & 2016



## 9.2 Taxation

Public finances were devastated when ‘boom’ turned to ‘bust’ and it revealed the fallacy of pursuing such a low tax model. IBEC makes this point that “we must learn from that crisis. When the economy collapsed, there was nothing coming into the public coffers”.<sup>161</sup> However, IBEC argues that, along with the excessive reliance on transaction related property taxes, there was also an “excessive reliance on income tax”.<sup>162</sup>

Table 50: Effective Personal Tax Rate 1998-2012



It can be seen in Table 50 the result of these policies is that Ireland has the lowest of the EU15 of Government Revenue as a percentage of GDP in 2013.

<sup>161</sup> Mr Fergal O’Brien, Meeting of the Oireachtas Joint Committee on Jobs, Enterprise and Innovation (24 February 2015) (See footnote 32).

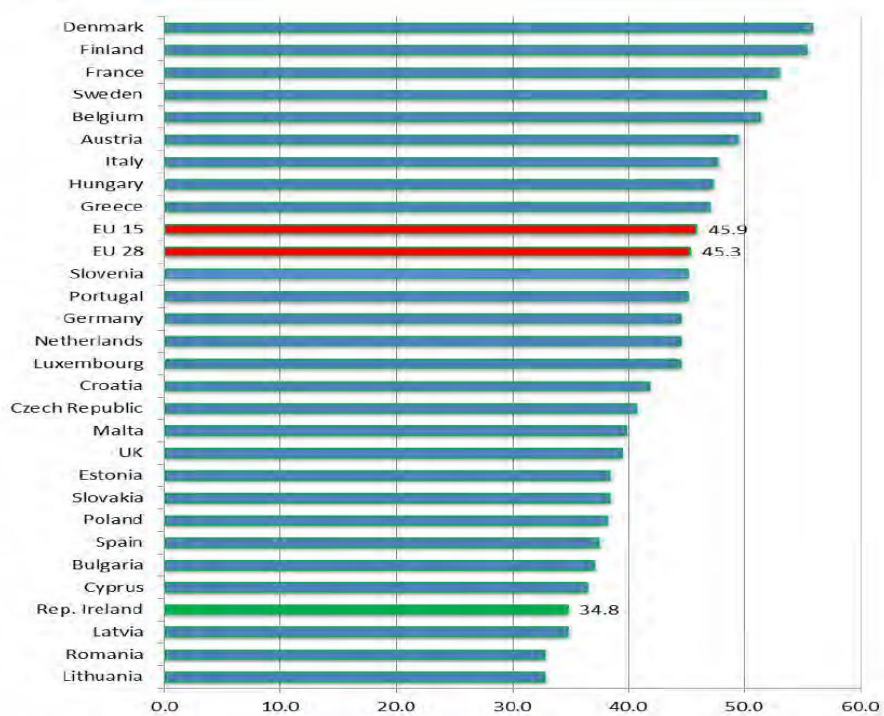
<sup>162</sup> Ibid.



Table 51: General Government Revenue as a % of GDP, 2013<sup>163</sup>

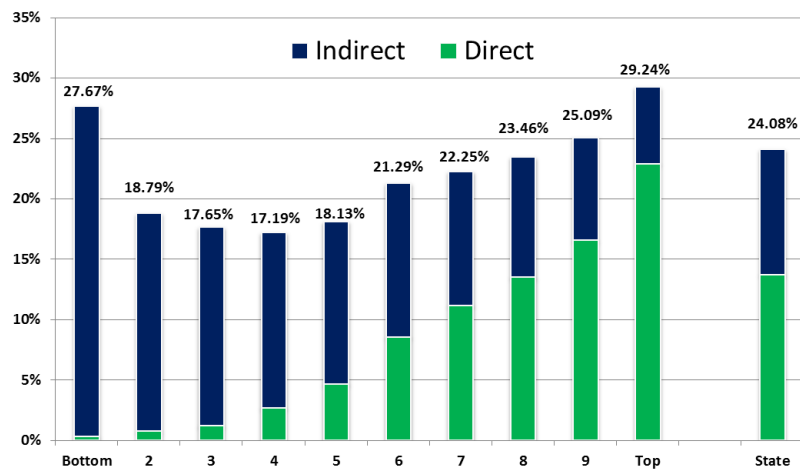


QEF Chart 6.2 General Government Revenue as a % of GDP, 2013



Furthermore, the effective tax rate on minimum wage earners in Ireland is 3.3% vs. the UK's 6.6%. However, this does not include the impact of indirect taxes, such as VAT rates. Net pay and taxation cannot be viewed in isolation from indirect taxes, the role of tax reliefs that benefit the higher paid and the role of public services and subsidised services. It can be seen from Table 52 that lower income households pay a much higher proportion of their income in indirect taxes.

Table 52: Total Household Tax Contributions, % Gross Income



<sup>163</sup> Nevin Economic Research Institute, *Quarterly Economic Facts: Spring 2015* (2015) Available at: <http://www.nerinstitute.net/download/pdf/20150318162546.pdf>

Table 53: Gross Household Income, by income type and decile<sup>164</sup>

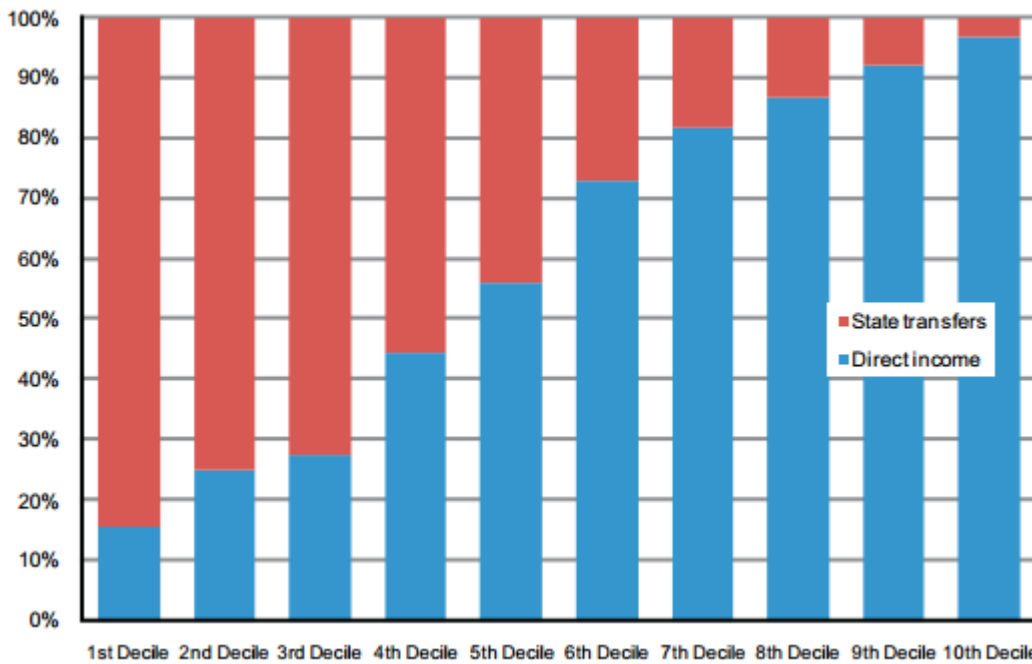
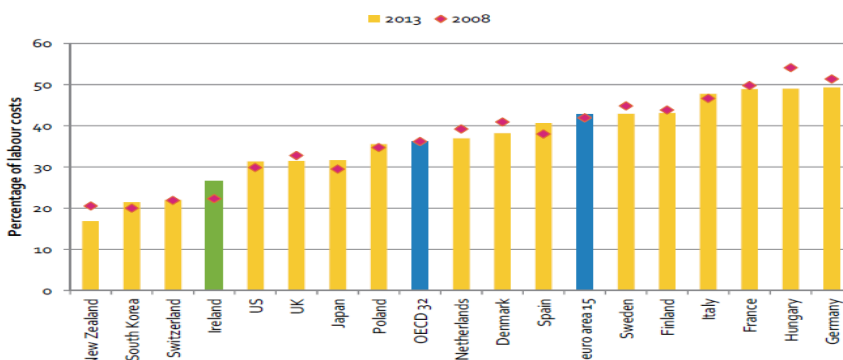


Table 53 shows that, across the income distribution, three deciles contribute taxation to the exchequer at above the average level – the top two deciles and the bottom decile. This gives a U-shape to the overall household tax contribution curve – households at the bottom and top of the income distribution contribute the most, with contributions as a percentage of gross income declining to their lowest point in the fourth decile and then increasing after that towards the top decile.<sup>165</sup> Table 54 shows that for a single person with no children on the average wage, the combined total of income tax plus social security contributions (the gap between what the employer pays and what the employee receives) is the sixth lowest in the OECD. At 25.6% it remains well below the OECD average of 36.3% (and the euro area average of 42.8%), despite the upward trend since 2008.

Table 54: Average Income Tax plus Employee and Employer Contributions less Cash Benefits – Single Individual Earning 100% of Average Earnings, 2013<sup>166</sup>



Source: OECD, Taxing Wages 2014

<sup>164</sup> CSO, Household Budget Survey 2009-2010: First Results (2012) Available at:

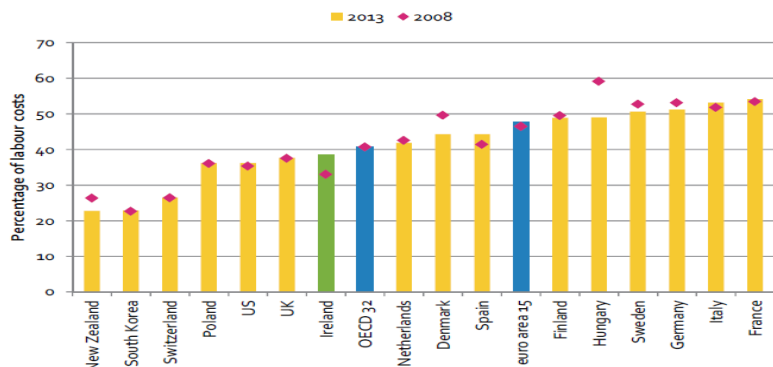
<http://www.cso.ie/en/media/csoie/releasespublications/documents/housing/2010/0910first.pdf>

<sup>165</sup> Nevin Economic Research Institute, Total Direct and Indirect Tax Contributions of Households in Ireland: Estimates and Policy Simulations (2014) Available at: [http://www.nerinstitute.net/download/pdf/household\\_tax\\_contributions\\_neri\\_wp18.pdf](http://www.nerinstitute.net/download/pdf/household_tax_contributions_neri_wp18.pdf)

<sup>166</sup> National Competitiveness Council, Costs of Doing Business in Ireland 2015 (2015) (See footnote 51).

Table 55 shows that the combined total of income tax and social security contributions is the 13<sup>th</sup> lowest in the OECD for single individuals with no children earning 167% of average earnings, down from ninth lowest in 2008. For this higher income cohort, the total income tax on labour (plus social security contributions) in Ireland (38.5%) is much closer to the OECD average (40.8%), but still significantly lower than the euro area average (47.7%).

**Table 55: Average Income Tax plus Employee and Employer Contributions less Cash Benefits – Single Individual Earning 167% of Average Earnings, 2013**



Source: OECD, Taxing Wages 2014

Tables 56 and 57 show that the biggest gap in tax revenue between Ireland and other European countries is the area of employers' PRSI. Table 55 shows that Ireland has the eighth lowest rate of total social contributions in the OECD32 while employer's social security contributions are the 11<sup>th</sup> lowest, and employee contributions are the sixth lowest.

**Table 56: Employer and employee social security contributions, 2013**

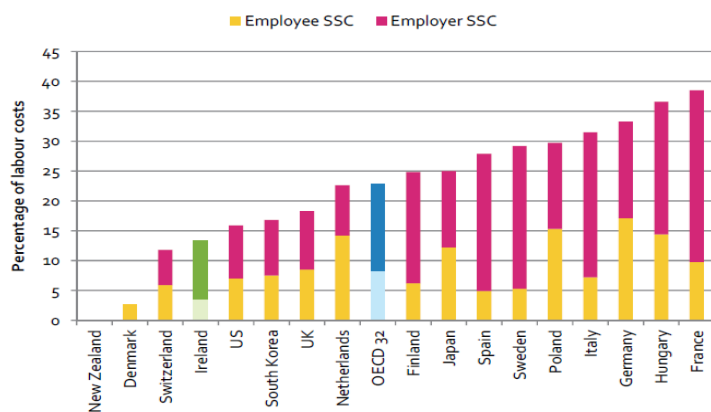
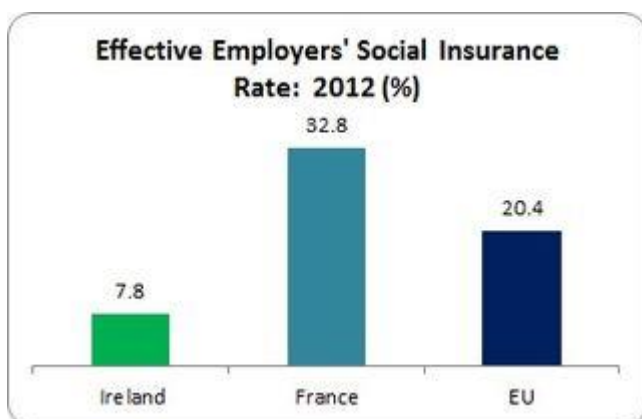


Table 57: Effective Employers' PRSI, EU, France and Ireland, 2012



To put this in real financial terms, Irish employers' PRSI raised €5 billion in 2012. If it were at French levels, for example, it would have raised €21 billion while if it was at the EU average, it would raise an additional €8 billion. In many countries, employers' PRSI raises more than personal taxation on employees: Estonia, France, Czech Republic, Lithuania, Italy, Slovakia, Cyprus, Spain and Sweden. In Ireland, the situation is radically reversed. Employers' PRSI raises €5 billion, personal taxes on employees raise €15 billion and employers' PRSI raises 65% less than employees' taxes. The Committee recognises the importance of broadening the tax base thus mitigating the impact of cyclical downturns.

Employers argued at the Oireachtas hearings that we should further reduce income taxes. However, it is clear from this, that Irish workers are relatively low taxed, particularly at the lower end, in European comparison. So there is little scope for tax reductions on Irish workers if we are to maintain public investment in services. IBEC argues that we should also broaden the tax base to services and property charges. However, in a similar fashion, lower income households already pay a large proportion of their income on indirect charges and taxes. IBEC explained their position:

It is the Government's responsibility to make sure it has the proper policy to deliver affordable housing and the supply of housing the economy needs. In terms of how that will be funded, the Senator is correct that we do not favour higher tax rates but we do favour more tax revenue. We can have more tax revenue by supporting activity through a competitive cost base but not by having higher tax rates. This is one of the things we saw in the 1990s and early 2000s. We like to put a lot of it down to a property bubble but there was a solid economy that grew strongly on the back of competitive tax rates. We can do so again in terms of growing a revenue base without higher tax rates. Crucially, the Government must lead policy in terms of investment in housing. The private sector will support it and there are lots of options for it to support investment in housing. There is a lot of money available in the markets. Workers are looking for jobs and those with money are looking for investment vehicles, but Government policy must lead, as we cannot expect business to bear the cost of policy failures in the housing sector that will cost further jobs in the economy.<sup>167</sup>

While Professor Seamus Coffey explained:

In regard to where can Ireland get the money to pay for services that we wish to provide, we have one of the lower Government revenue rates in the EU. There are two key differences between Ireland and the rest of the EU. First, as I have already mentioned, is Ireland's relatively low rate of income tax on low to middle incomes. Most EU countries would have a substantially higher rate. Second, Ireland is right at the bottom in terms of employers' social insurance.<sup>168</sup>

Dr. Micheál Collins also highlighted:

I and some of my colleagues at the Nevin Economic Research Institute have been pointing towards the fact that we must stop dealing with the day-to-day crises we have been dealing with, in positive and negative

<sup>167</sup> Fergal O'Brien, Meeting of the Oireachtas Joint Committee on Jobs, Enterprise and Innovation (24 February 2015) (See footnote 32).

<sup>168</sup> Meeting of the Oireachtas Joint Committee on Jobs, Enterprise and Innovation (24 February 2015) (See footnote 32).

times, for approximately three decades and begin to embrace seriously where we are going as a society. We must think about that. This will require us to think about structural reform and about preparing for the long-term challenges. It is unrealistic to look at the tax take we collect currently and the likelihood of what is ahead for society without realising that we must either make significant public spending cuts in the years to come or collect more tax. We have not had that debate, but it would be useful to have it.<sup>169</sup>

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<sup>169</sup> Ibid.

### 9.3 An Alternative Model of Economic Development

In order to become competitive in a sustainable way, Ireland needs to invest in public childcare, housing, and economic infrastructure such as broadband, public transport, water and waste-water infrastructure etc. Investment is the key to long-term sustainable growth. It increases the productive capacity of the economy and increases employment and incomes.

On the basis of these current projections, Ireland's low spend and low tax economy is going to be unable to do this. This shows that the idea of further reducing taxes is a dead-end approach that will push Ireland further into unsustainable crises.

It is clear that Ireland is a low-tax, low-spend, low-investment, low-service model economy.<sup>170</sup> But workers and low and middle income households face high costs for services and goods that would be free or at lower cost through public services in other countries. Indirect taxes disproportionately affect lower income households and are, therefore, regressive. The Irish Social Contract involves low taxes on capital/wealth/higher incomes and high indirect taxes affecting lower income households, poor public services, a low social wage, and high wage inequality.

In France, for example, a GP visit costs €7, childcare and early education is free and if you are made unemployed you get 80% of your last wage.<sup>171</sup> The reason France can afford to provide such a high social wage is because of the high rate of employers' social insurance. A strong social wage allows workers to avail of services such as health care and prescription medicine for free or at heavily subsidised prices; it provides workers a range of benefits, such as pay-related sick benefits, enhanced family income supports and pay-related pensions which means workers aren't forced to rely on costly and uncertain private pensions.

There is a clear need for a new sustainable model of economic and social development based upon a New Social Contract which expands public investment in the key areas of childcare, health, housing and transport and economic infrastructure, education, training and skills development. This would provide one of the most competitive, equal and sustainable economies and societies in the world. It would have to be paid for through progressive taxation and in particular, bringing Ireland in line with employers' taxation and PRSI rates in Europe.

A stronger, collective provision of services for people will mean that they do not have to demand as high a wage. One of the problems was that wages rose in the pre-crisis period because they had to keep up with inflation, especially inflation induced by housing. If Ireland can reach equilibrium whereby more of those services are provided through collective provision, wage structures which are more egalitarian, promote living standards, remove in-work poverty and still provide a basis of profitability for employers can exist.

Furthermore, a hollowing out of the income tax base coupled with a downward movement in taxes on capital and corporate profits, such as happened over many decades, will leave the Republic of Ireland vulnerable to future shocks.

In relation to raising the wages in the economy, there is a need to develop indigenous enterprises as large-scale reliance on foreign direct investment is not a sustainable long-term strategy.<sup>172</sup> Key to this is the Irish state playing a greater innovative role in generating new products and services that can transform economies and societies. By focusing on areas of strategic investment and cooperation, many regions have seen the rise of new global enterprises and general purpose technologies which have transformed their position in the world.<sup>173</sup> Ireland needs to develop a stronger developmental network state that can harness the synergies of both public and private sectors. Only 34% of Irish-owned enterprises reported innovation related expenditure in the reference period compared to 46% of foreign-owned enterprises. Many, though by no means all,

<sup>170</sup> Unite, *Unite's Notes on the Front, A Democratic Economy, A Prosperous Society, A Risen People* (2015) Available at: <http://notesonthefront.typepad.com/politiceconomy/2015/05/>

<sup>171</sup> Ibid.

<sup>172</sup> Nevin Economic Research Institute, *The Better is Yet to Come, A Social Vision and Economic Strategy for Ireland in the 21<sup>st</sup> Century*, January 2015, <http://www.nerinstitute.net/research/the-better-is-yet-to-come/>

<sup>173</sup> Ibid.

domestic enterprises have lacked critical size, incentive or support to invest in upskilling, research, innovation or exporting.

Lower taxes on work are part of an overall approach to driving economic growth which in turn raises more revenue to pay for vital public services. However, this is not a substitute for a joined-up short-medium-long term strategy to create a different economy and society - one that works for people and in which they can work with dignity. The best way to 'put more money' into people's pockets is to create employment, raise wages, raise skills, invest in public services, a decent social wage, raise productivity, and drive entrepreneurship and innovation across the business economy. In this way, better public services can be generated and poverty and homelessness abolished in the medium-term. Otherwise the outcome of the low-tax, low-spend, low wage economy will be a continuation of the trend toward a smaller state, fewer public resources per citizen, more privatisation and un-remitting downward pressure on wages in vulnerable sectors and among particular vulnerable groups of workers. There is a need to develop a long-term vision of where Irish society and economy could be heading and what sort of industrial, social and political-economy strategy is required to bring this about.<sup>174</sup>

Ireland is at a cross-roads. It can learn from the past and do things differently. Or, it can go back to the past and repeat many, or all, of the mistakes of the past. The roots of the recent crisis – which is still not over – lie in a weakness at the heart of Irish economic policy and political culture. This weakness concerns the lack of a strong, native industrial and service base.

The structural failures in becoming a 'competition state' rather than a 'developmental state' have been well highlighted, which, in addition to diminishing social development outcomes, have reduced the state's willingness and even capacity to provide sustainable employment in a globalised world of changing labour markets.<sup>175</sup>

The continuity between past and present in the free market project is striking. Since independence, apart from the temporary ten year period from the late 1970s to the late 1980s, income taxes were kept low. Most of the shortcomings of past industrial policy continued in terms of a failure to develop a strong and varied indigenous industrial sector; poor levels of ongoing re-training for work; a reliance on workfare programmes, such as community employment schemes which averaged 40,000 participants a year during the 1990s; an over reliance on low cost assembly industries which were increasingly relocating to lower cost countries; an over reliance on FDI which was becoming harder to attract in an increasingly globalised world; a failure to embrace the need for the Government itself to create and invest in high knowledge industries which could maintain higher productivity, greater value added and reasonably good wages.<sup>176</sup>

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<sup>174</sup> Ibid.

<sup>175</sup> Philip O'Connell and Sean O'Riain, 'The Role of the State in Growth and Welfare' in Brian Nolan, Philip J. O'Connell and Christopher T. Whelan (eds) in *Bust to Boom? The Irish Experience of Growth and Inequality* (Institute of Public Administration 2000)

<sup>176</sup> Tom O'Connor, 'The Structural Failure of Irish Economic Development and Employment Policy' (2009) *Irish Journal of Public Policy*, Vol 2, Issue 1



## 10. Conclusion

### ***After the Crisis, the Troika and Austerity - What Economic Model for Ireland and Europe Now?***

Ireland and Europe are now at a crossroads in regard to choosing what economic policies will underpin the recovery and direct their development into the future. It is important to point out that it wasn't high wages or workers' protection that caused the crash and the recession. Yet it was workers and their supportive structures that suffered badly and were most affected. Just under a half of private sector workers took a pay cut at some point between 2009 and 2012. Others accepted a pay freeze, while some employees in certain occupations and sectors received pay rises over the same period. Many of the self-employed and small business were also badly affected.

Seven years into the crisis it is by now abundantly clear that across Europe the crisis management based on cutting wages and free market structural reforms not only failed to generate growth and employment but have led to far reaching social repercussions such as a substantial increase of in-work poverty and deprivation. It is important to acknowledge that there has been employment growth in Ireland in recent years. The debate in Ireland about minimum wages has acquired new momentum.

### ***Ireland's High Cost Economy: The failure of the free market approach***

Ireland's low wages are a more severe problem than in other EU countries. One of the key reasons for this is that Irish people face much higher costs than other European countries particularly for public services that are generally heavily subsidised or free in other countries (such as the NHS in the UK). In 2013, Ireland was the third most expensive location in the euro area for consumer goods and services. Irish prices were 16.8% above the euro area average, and prices were above euro area averages for 10 out of 12 categories of goods and services. Ireland is a high cost economy for both business and workers.

The housing crisis is also adding a major cost to low income households as is the lack of affordable or free childcare. The message is clear; if Ireland is to address its problems of low pay, inequality and competitiveness then the state must actively intervene in the economy and continue to provide adequate public services.

Left to its own devices, the free market does not guarantee that all employers who can afford to pay a fair wage will necessarily do so. The assumption underpinning the perspective outlined by employers' representatives is that self-regulation and the free market will ensure a fair wage is paid. The only state intervention required in their model is gently encouraging businesses to pay fairly. The reality is many employers will, and do, ignore the call for a fairer and more decent workplace

Ireland faces a choice; the current models of economy and government place the cost of childcare, health and housing in particular on to individuals. Those who argue that taxes should be lowered on workers as a way to increase take home pay believe that putting more money in people's pockets grows the economy, creates jobs, raises tax revenue, reduces social welfare expenditure and provides the extra funding to invest in public services. A greater provision of social housing, public health care, and public childcare would take the pressure off workers needing greater wages but it would require increased taxes to provide this. If the welfare system is to be used to supplement the incomes of those on low pay how is this to be funded? The Republic of Ireland is distinguished as having, at 34.8%, the third lowest overall government revenue take as a percentage of GDP.

Ireland's employers' PRSI, for example, is the lowest in the entire EU. In 2012, Irish employers' PRSI raised €5 billion, if Irish employers' PRSI were increased to just the EU average, it would raise an additional €8 billion. In France, for example, employers' social insurance raises €266 billion and personal taxation on employees raises €175 billion.<sup>177</sup> In other words, employers' social insurance raises 51% more than

<sup>177</sup> Eurostat, *Taxation trends in the European Union: Data for EU member states, Iceland and Norway* (2014) Available at: [http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/gen\\_info/economic\\_analysis/tax\\_structures/2014/report.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_structures/2014/report.pdf)

employees' taxes. In Ireland, the situation is radically different. Employers' PRSI raises €5 billion; personal taxes on employees raise €15 billion; employers' PRSI raises 65% less than employees' taxes. In other EU countries, higher levels of public services and social protection income support are funded by much higher levels of employers' social insurance. Citizens cannot avail of an EU level of public services and social protection support.

Achieving competitiveness through a low tax, low pay model is not sustainable. This situation, whether through US or EU policy changes in the coming decade, will radically alter Ireland's ability to compete through these methods. Therefore, what is clear is that Irish policy makers and politicians, in partnership with civil society, trade unions and business need to develop a more sustainable and fair model of economic and social development. There are plenty of examples to look to based on higher levels of public spending, fair and progressive taxation, and high levels of state investment in research and development, enterprise support, and strong legislative and regulatory support for workers.

### **Raising the Minimum Wage and A Living Wage**

International research shows that the minimum wage can be an important tool in addressing low pay, while improving the quality of life for a significant portion of the population. But in order to be effective it must be close to a living wage and the Low Pay threshold. The current Irish minimum wage is well below both of these targets. In Ireland, the living wage necessary to provide a single adult earner with no dependents has been calculated as €11.45 per hour with full time hours. Currently a quarter of all workers - almost 345,000 employees earn less than that living wage. The current minimum wage is not sufficient to meet a minimum living standard, and this report recommends that it should rise to meet the living wage over time in order to lift these 345,000 employees out of poverty wages. The minimum wage has been increased by 50 cents to €9.15 effective from 1 January 2016. It is the Committee's view that a living wage be achieved through incremental increases in the minimum wage and continued investment in public services. The living wage should not be achieved through wage increases alone. With the recent setting up of the Low Pay Commission in Ireland, there is much to be learned from the experience of the UK Low Pay Commission. For example, the report of the expert panel setup to assess the impact of the UK's minimum wage over a fifteen year time span found no evidence that increases in the minimum wage lead to job losses. On the contrary, the Resolution Foundation (2014) suggested the need for a broader approach where government make it an explicit long term ambition of economic policy to reduce the incidence of low pay, and the share of employees who earn below two-thirds of the hourly median wage.

### ***The Important Role of Trade Unions and Worker's Legislation***

It is also important to note that, across the world, trade unions are playing an important role in raising the issue of the living wage and improved worker's conditions and are organising broad civil society campaigns that are achieving some success. Irish workers have seen improvements in statutory protections in recent times, however, further protections are necessary. Deep-rooted collective bargaining structures at national, sectoral and firm level provide better pay in other European countries. In Ireland the level of trade union density at around 25%, of private sector employees, (and just 8% in workers in the accommodation and food sector) is such that a statutory minimum wage, working towards a living wage along with sectoral wage mechanisms, are essential for the significant proportion of workers who are in workplaces without union protection. In this respect we welcome the recent introduction of collective bargaining legislation, which although it remains voluntarist provides workers with some level of protection. A robust meaningful collective bargaining environment not only has the direct effect of lifting workers out of precarious working conditions but also lessens greatly the pressure and obligations on the State to provide support structures which prevent more workers being exploited and moving deeper into workplace poverty. As Mandate Trade Union noted in its presentation to the Oireachtas hearing:

Many employers are prepared to do the right thing by their employees and enter into collective agreements with Mandate to produce working conditions which are decent and fair. In the main this ensures that the workers concerned do not have to turn to the State to supplement their earnings in order that they and their dependents can reach a basic standard of living. As a result of pay enhancements we have negotiated for our members in the past three years it is estimated that over €30 million has directly returned through consumption back into the domestic economy. This has had the combined effect of reducing social welfare transfers, increased economic activity which has helped maintain and create more jobs, increased revenue

for the State through Employers' PRSI, Income Tax, Employee's PRSI and VAT receipts, while also reducing poverty and deprivation levels.<sup>178</sup>

### ***The Human Right to a Living Wage: Ireland Should Be a Global Leader***

What is clear from the evidence provided in this report is that low pay and precariousness are pressing and urgent problems for both government and society in Ireland. This report outlines the key aspects that should form a response to bring Ireland into line with sustainable and fair European economies. Ultimately, low pay, precariousness, in work poverty and deprivation are fundamentally issues of human decency, equality and dignity. They are issues of human rights. Every worker has the right to work that provides them with a standard of living and decency. But they are also the core of a sustainable economic model. The research shows that more unequal societies do worse on key economic and competitiveness indicators. The more equal societies are the more sustainable economies they have. High rates of inequality put significant pressure on the state and slow economic growth as they dampen consumer spending.

The economy and society are interlinked. An unequal economy breeds huge social problems. Without a cohesive and holistic vision for an economy that is built upon a fair and equal society the economy is going nowhere. There is a need to develop a new model based on social solidarity and the social contract where everybody, including employers, has a social responsibility. There is a clear role for the state and the employer to address poverty and inequality. Some would argue that the most successful economies exist in strongly interventionist and developmental states with progressively high taxation and well-funded quality public services. Countries such as Finland, Sweden, Denmark, Belgium and Austria have much higher personal taxes, higher corporate taxes, higher wages, higher employers' PRSI and better labour protections than Ireland. They all have much better workers' rights, better wage levels and are much more competitive. They show that if one builds a model and a more sustainable economy on decent work, decent pay and decent workers' rights, it would be more sustainable for everybody.

This report shows that the concept of decent work that can enable people to live in dignity with their basic needs, rights and requirements being fulfilled includes three key issues: the level of pay and ensuring sufficient stable hours to provide a living wage, worker's rights and conditions, and the provision of decent public services. The state also has a clear role in providing legislation and regulation. There is an obligation on policy makers and on public representatives to ensure that Ireland is the best small country in the world in which not just to do business but to live and work with dignity.

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<sup>178</sup> Mandate, *PRESENTATION TO THE JOINT COMMITTEE OF JOBS, ENTERPRISE AND INNOVATION, TUESDAY, 3<sup>RD</sup> MARCH 2015* (Submission to the Joint Committee on Jobs, Enterprise and Innovation 3 March 2015) (See footnote [142](#)).

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[ilibrary.org/docserver/download/8113181e.pdf?expires=1439285922&id=id&accname=oid006516&checksum=D9108C486751CC9BD81137A24A2EECAA](http://www.oecd-ilibrary.org/docserver/download/8113181e.pdf?expires=1439285922&id=id&accname=oid006516&checksum=D9108C486751CC9BD81137A24A2EECAA)

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## 12. Appendices

### 12.1 Appendix 1: Membership of the Committee

Chair: Marcella Corcoran Kennedy (FG)

Deputies: Dara Calleary (FF)  
Áine Collins (FG)  
Michael Conaghan (LAB)  
Marcella Corcoran Kennedy (FG)  
Seán Kyne (FG)  
Anthony Lawlor (FG)  
John Lyons (LAB) (Vice-Chairman)  
Peadar Tóibín (SF)  
Mick Wallace (IND)

Senators: David Cullinane (SF)  
John Kelly (LAB)  
Michael Mullins (FG)  
Hildegarde Naughton (FG)  
Feargal Quinn (Ind)  
Mary White (FF)

## ***12.2 Appendix 2: Terms of Reference***

### **a. Functions of the Committee – derived from Standing Orders [DSO 82A; SSO 70A]**

- (1) The Select Committee shall consider and report to the Dáil on—
  - (a) such aspects of the expenditure, administration and policy of the relevant Government Department or Departments and associated public bodies as the Committee may select, and
  - (b) European Union matters within the remit of the relevant Department or Departments.
- (2) The Select Committee may be joined with a Select Committee appointed by Seanad Éireann to form a Joint Committee for the purposes of the functions set out below, other than at paragraph (3), and to report thereon to both Houses of the Oireachtas.
- (3) Without prejudice to the generality of paragraph (1), the Select Committee shall consider, in respect of the relevant Department or Departments, such—
  - (a) Bills,
  - (b) proposals contained in any motion, including any motion within the meaning of Standing Order 164,
  - (c) Estimates for Public Services, and
  - (d) other matters as shall be referred to the Select Committee by the Dáil, and
  - (e) Annual Output Statements, and
  - (f) such Value for Money and Policy Reviews as the Select Committee may select.
- (4) The Joint Committee may consider the following matters in respect of the relevant Department or Departments and associated public bodies, and report thereon to both Houses of the Oireachtas:
  - (a) matters of policy for which the Minister is officially responsible,
  - (b) public affairs administered by the Department,
  - (c) policy issues arising from Value for Money and Policy Reviews conducted or commissioned by the Department,

- (d) Government policy in respect of bodies under the aegis of the Department,
  - (e) policy issues concerning bodies which are partly or wholly funded by the State or which are established or appointed by a member of the Government or the Oireachtas,
  - (f) the general scheme or draft heads of any Bill published by the Minister,
  - (g) statutory instruments, including those laid or laid in draft before either House or both Houses and those made under the European Communities Acts 1972 to 2009,
  - (h) strategy statements laid before either or both Houses of the Oireachtas pursuant to the Public Service Management Act 1997,
  - (i) annual reports or annual reports and accounts, required by law, and laid before either or both Houses of the Oireachtas, of the Department or bodies referred to in paragraph (4)(d) and (e) and the overall operational results, statements of strategy and corporate plans of such bodies, and
  - (j) such other matters as may be referred to it by the Dáil and/or Seanad from time to time.
- (5) Without prejudice to the generality of paragraph (1), the Joint Committee shall consider, in respect of the relevant Department or Departments—
- (a) EU draft legislative acts standing referred to the Select Committee under Standing Order 105, including the compliance of such acts with the principle of subsidiarity,
  - (b) other proposals for EU legislation and related policy issues, including programmes and guidelines prepared by the European Commission as a basis of possible legislative action,
  - (c) non-legislative documents published by any EU institution in relation to EU policy matters, and
  - (d) matters listed for consideration on the agenda for meetings of the relevant EU Council of Ministers and the outcome of such meetings.
- (6) A sub-Committee stands established in respect of each Department within the remit of the Select Committee to consider the matters outlined in paragraph (3), and the following arrangements apply to such sub-Committees:

- (a) the matters outlined in paragraph (3) which require referral to the Select Committee by the Dáil may be referred directly to such sub-Committees, and
  - (b) each such sub-Committee has the powers defined in Standing Order 83(1) and (2) and may report directly to the Dáil, including by way of Message under Standing Order 87.
- (7) The Chairman of the Joint Committee, who shall be a member of Dáil Éireann, shall also be the Chairman of the Select Committee and of any sub-Committee or Committees standing established in respect of the Select Committee.
- (8) The following may attend meetings of the Select or Joint Committee, for the purposes of the functions set out in paragraph (5) and may take part in proceedings without having a right to vote or to move motions and amendments:
  - (a) Members of the European Parliament elected from constituencies in Ireland, including Northern Ireland,
  - (b) Members of the Irish delegation to the Parliamentary Assembly of the Council of Europe, and
  - (c) at the invitation of the Committee, other Members of the European Parliament.

**b. Scope and Context of Activities of Committees (as derived from Standing Orders [DSO 82; SSO 70])**

- (1) The Joint Committee may only consider such matters, engage in such activities, exercise such powers and discharge such functions as are specifically authorised under its orders of reference and under Standing Orders.
- (2) Such matters, activities, powers and functions shall be relevant to, and shall arise only in the context of, the preparation of a report to the Dáil and/or Seanad.
- (3) It shall be an instruction to all Select Committees to which Bills are referred that they shall ensure that not more than two Select Committees shall meet to consider a Bill on any given day, unless the Dáil, after due notice given by the Chairman of the Select Committee, waives this instruction on motion made by the Taoiseach pursuant to Dáil Standing Order 26. The Chairmen of Select Committees shall have responsibility for compliance with this instruction.
- (4) The Joint Committee shall not consider any matter which is being considered, or of which notice has been given of a proposal to consider, by the Committee of Public Accounts pursuant to Dáil Standing Order 163 and/or the Comptroller and Auditor General (Amendment) Act 1993.
- (5) The Joint Committee shall refrain from inquiring into in public session or publishing confidential information regarding any matter if so requested, for stated reasons given in writing, by—
  - (a) a member of the Government or a Minister of State, or
  - (b) the principal office-holder of a body under the aegis of a Department or which is partly or wholly funded by the State or established or appointed by a member of the Government or by the Oireachtas:

Provided that the Chairman may appeal any such request made to the Ceann Comhairle / Cathaoirleach whose decision shall be final.