

*The ambition of this Government is to provide each citizen with accessible and affordable health care, housing, education, childcare and disability services, **as well as a living wage**, upskilling, and a dignified retirement. It will provide greater security for individuals and communities and will be founded on the principle of equality and ensuring that every citizen can achieve their full potential.*
Programme for Government (p74)

INOUE Submission on the phasing in of the Living Wage



July 2022

Introduction

The Irish National Organisation of the Unemployed (INOU) welcomes the opportunity to engage in the public consultation on the phasing in of the Living Wage. Over the past number of years this has been a key ask in the organisation's pre-budget submissions, and we welcomed the inclusion in the *Programme for Government - Our Shared Future* of the commitment to *Progress to a living wage over the lifetime of the Government*. (p74)

Amongst the issues raised in the INOU's Decent Work¹ project were the "*Challenges facing people to meet the cost of living. It was noted that even working fulltime, trying to live on the National Minimum Wage was unsustainable.*" (p12) It is important to note that this project was undertaken in early 2020 before the current cost of living crisis emerged. At that time the annual growth in inflation was around 1%, while in June 2022 the Consumer Price Index rose by 9.1%, the largest increase in thirty-eight years.

"The INOU is a federation of unemployed people, unemployed centres, unemployed groups, community organisations and Trade Unions. The INOU represents and defends the rights and interests of those who want decent employment and cannot obtain it. We promote and campaign for policies to achieve full employment for all. We also campaign for an acceptable standard of living for unemployed people and their dependents. The INOU is an anti-sectarian, anti-racist, non-party political organisation which promotes equality of opportunity within society." (INOU Mission Statement)

The organisation has almost two hundred affiliated organisations and six hundred individual members. We work at the local and national level on issues affecting unemployed people through the provision of training and welfare rights information services; analysis of Government policies and related advocacy work; and working with a wide range of other organisations on issues of common concern.

In this submission the INOU will use as headings the principles published in the Department of Enterprise, Trade and Employment (DETE) consultation document, and address the questions posed under them by the Department.

Principle 1 – Calculation of a Living Wage

In its deliberations, the LPC considered recommending a fixed threshold approach or a Minimum Essential Standard of Living Approach (MESL), i.e. basket of goods approach.

- *Question 1 - Do you agree with the recommendation that a fixed threshold approach should be used for the calculation of a living wage?*

The INOU's preference would be the Minimum Essential Standard of Living approach. It is an approach the organisation would like to see and has called for to address income inadequacy for people reliant on a Jobseeker's and other social welfare payments.

It is a methodology that captures what are essential to meet people's needs. Through their work, the Vincentian Partnership for Social Justice have demonstrated, across different household types and circumstances, the impact of inadequate provision of other supports

¹ The full report is available at https://www.inou.ie/assets/files/pdf/inou_decent_work_report_web.pdf

and services on people's ability to manage and the income they require - in particular the cost of housing, childcare, and transport.

On www.livingwage.ie they note that the living wage *is a wage which makes possible a minimum acceptable standard of living. It is evidence based and grounded in social consensus.*

It is:

- *based on 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 today*
- *unlike the National Minimum Wage which is not based on the cost of living.*

In principle, 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 which allows employees afford the essentials of life. Earnings below the living wage suggest employees are forced to do without certain essentials so they can make ends-meet.

For the period 2021 – 2022 the Living Wage Technical Group estimated that Ireland's living wage should be €12.90 per hour, 73 cent higher than the €12.17 estimated in the Strawman² proposal prepared for this public consultation.

Principle 2 – Fixed Threshold Rate

The LPC recommended using a fixed threshold approach set at 60% of the median wage

- *Question 2 – Do you agree that the fixed threshold rate should be set at 60% of the median wage?*

While the INOU's preference is for the MESL approach, the Commission's proposal of starting off with a fixed threshold rate of 60% of the median wage would be an improvement on Ireland's National Minimum Wage rate.

The organisation also notes that as part of recommendation six of the Low Pay Commission's Living Wage Report 2022³ it states: *the Commission should assess the economic practicality of gradually increasing the targeted threshold rate towards 66% of the median wage and make recommendations accordingly.* (p20)

² The Strawman proposal is available at <https://enterprise.gov.ie/en/consultations/consultations-files/living-wage-strawman-proposal.pdf>

³ This report is available at <https://www.gov.ie/en/collection/9f6d7b-low-pay-commission-publications/>

It would be important that this recommendation is acted on as quickly as possible and that if a fixed threshold rate is to be used for setting Ireland's Living Wage, that 60% is an interim rate and that 66% becomes the fixed threshold rate.

Principle 3 – Timeline

The LPC recommended that the adjustment to a living wage set at 60% is made within a period of no more than five years. The 'Strawman Proposal' provides an illustrative example of a four-year progression to a living wage, over the period 2023 to 2026 and assuming a 3% average increase in the nominal median wage.

- *Question 3 – Do you agree with the strawman timeline of four years for achieving a living wage, by 2026?*

It will be essential to move forward on this timeline and ensure that Ireland progresses to a Living Wage as soon as possible. To that end the proposed timeline must be the maximum length of time it takes to achieve this outcome and not the minimum, otherwise there is a real danger that Ireland will not achieve a Living Wage.

Similarly, given the data challenge identified by the Low Pay Commission in calculating the correct median wage to establish the current Living Wage, progress on recommendation fourteen must be made as a matter of urgency. This recommendation calls for *A process of consultation with the CSO and other relevant stakeholders is launched to identify and report on what legislative, resourcing, administrative or other barriers impede the timely collection and provision of reliable data on median hourly earnings and other data requirements as outlined in the "Data Requirements" chapter of this report. (p21)*

Principle 4 – Regional Variation

The LPC recommended that there should be no regional variation in the living wage.

- *Question 4 – Do you agree with the recommendation that there should be no regional variances?*

A number of key factors underpin the cost of living differentials that face people living in urban and rural areas. Housing, both to buy and to rent, is invariably higher in urban areas, while transport costs can be much higher for people living in rural areas. A lack of adequate and affordable public transport that will get people to and from work when required can be particularly challenging for people in low paid employment.

Ireland needs to address these issues in an equitable, inclusive, and sustainable manner. There have always been strong social arguments for supporting people to secure a good home, to ensure they can afford to get to and from work. However, they are now strong economic and environmental arguments to providing appropriate and innovative solutions, as it is becoming clearer that Ireland's economic model is unsustainable if these issues are not properly addressed.

In their report *LFS National Minimum Wage Estimates*⁴ the Central Statistics Office notes that *"The results show that females are more likely than males to earn the NMW or less and this has been a consistent feature of the series since it began in Q2 2016."* Their report also

⁴ This report is available at

<https://www.cso.ie/en/releasesandpublications/er/lfsnmw/lfsnationalminimumwageestimatesq42019/>

states that “In Q4 2019, the Services sectors accounted for more than four out of five (86.1%) of all employees who reported earning the NMW or less, which continued a similar trend from earlier periods. Specifically, the Accommodation and food services activities sector accounted for 30.0% of all employees who reported earning the NMW or less while the Wholesale and retail trade; repair of motor vehicles and motorcycles sector accounted for 28.7%.”

In Quarter 1, 2022 these two sectors accounted for 18.5% of people in employment, this percentage is higher for women at 21% and lower for men at 16.5%. Access to affordable childcare is an issue that can have regional variations as well. It is an issue of concern for many women, and has been identified in a range of Government policies as critical to support women’s participation in the labour market. It is noticeable and extraordinary that this issue is not raised in the Low Pay Commission’s report on the Living Wage.

Principle 5 – Sectoral Variation

The LPC recommended that there should be no sectoral variation in the living wage.

- *Question 5 - Do you agree with the recommendation that there should be no sectoral variances?*

In his presentation, *Strategies for a Living Wage*, Michael Taft, SIPTU Research⁵ noted that there are three parts to a strategy for realising the Living Wage including “*the legal right to collective bargaining which could involve two levels: firm-level and sectoral, multi-employer bargaining. The latter is important to lay down ‘floors’ on wages and working conditions which effectively remove these from competitive, downward pressures. Collective bargaining allows workers to set their own workplace agendas.*”

Ireland has a range of mechanisms in place that can facilitate the setting of terms and conditions of employment for employees in a particular business or sector, including Employment Regulation Orders; Registered Employment Agreement; Sectoral Employment Order. Unfortunately, these mechanisms are more noticeable by their absence in sectors where low pay, including uncertainty of hours, is a significant feature of employment.

Ensuring that collective bargaining is a reality for all workers in Ireland and that people have accessible mechanisms to improve their working terms and conditions is critical. In particular in sectors where union density is low, staff turnover is high - conditions that do not lend themselves to successful outcomes for employees and raising of living standards.

Principle 6 – Support to Employers

The LPC recommended consideration should be given to how employers with a significant number of low wage employees can be supported during the progression to a living wage.

- *Question 6 - Do you agree with the recommendation that certain employers should be supported in the phase in of the living wage? If so, what form should these supports take?*

⁵ This presentation is available at https://www.livingwage.ie/download/pdf/strategies_for_a_living_wage_-_michael_taft_siptu.pdf

At present, depending on their circumstances and eligibility, low paid workers with families may be eligible to access the Working Family Payment, a payment designed to support such workers to address in-work income deficiency. Concerns have been raised that while this support is badly needed for the workers involved, it facilitates employers to continue paying inadequate wages.

It is in Ireland's interest that the country secures better paid employment, such a focus has been a key element of the country's employment and enterprise policies. For example in *Future Jobs Ireland 2019* the Government noted that "*It sets out a deliberate policy shift to increase firstly quality jobs that will allow for better living standards and secondly, sustainable jobs which will be less vulnerable to loss.*" (pi)

If the Government deem it necessary to support certain employers to ensure that Ireland progresses to a Living Wage, these supports should be time limited, tapered and phased out as quickly as possible.

Any Other Comments

Recommendation seven of the Low Pay Commission's 2022 report on the Living Wage states: *The existing National Minimum Wage youth rates should also be applied to a living wage. However, the Low Pay Commission further recommends it reviews the issues around retaining, removing, or expanding youth rates and make recommendations to the Minister for Enterprise, Trade and Employment on this issue.*

In past submissions to the Low Pay Commission on Ireland's National Minimum Wage, the INOU has raised concerns about the reduced rates for young people aged 18-20 years, and the negative message it can send to young people about their contribution to the world of work. Many people in this age group will be students, hopeful of acquiring much better employment when their studies are complete. But for others, the prospects of moving on into a decent job are far more challenging and potentially unattainable. The reality is that those with a higher educational attainment tend to be the people who pursue life-long learning opportunities and often working in sectors where this is expected and supported. But, for others they are facing a cycle of uncertain and low paid work and inadequate welfare⁶. To that end and in the interests of equality there should be no age segregation in Ireland's Living Wage.

Thank you for your time and consideration

Contact:

Bríd O'Brien
INOUE Head of Policy and Media
Email: policy@inou.ie
Telephone: 01 856 088

⁶ In the INOU's Pre-Budget Submission we call on the Government to *End the age segregation still evident in the Jobseeker's Allowance payment*. Available: https://www.inou.ie/assets/files/pdf/inou_pbs_july_2022.pdf