

2022

INOU Submission to Low Pay Commission

NATIONAL MINIMUM WAGE 2023 CONSULTATION

IRISH NATIONAL ORGANISATION OF THE UNEMPLOYED | www.inou.ie



INTRODUCTION

The Irish National Organisation of the Unemployed (INOUE) welcomes this opportunity to make a submission to Low Pay Commission (LPC) on Ireland's National Minimum Wage for 2023. Access to decent employment is critical for people who are unemployed, it facilitates their ability to achieve economic independence and participate more fully in Irish society.

THE INOU'S CALL TO THE LOW PAY COMMISSION

While welfare-to-work supports and services are critical to support unemployed people and others reliant on a social welfare payment to secure a decent job, and in-work supports are vital for people who are struggling to survive in low paid employment, it is absolutely essential that the Low Pay Commission play their part in addressing in-work poverty.

To that end it is vital that over the coming year considerable movement is made to bring Ireland's National Minimum Wage up closer to the Living Wage. The estimated Living Wage for 2021/2022 is €12.90 per hour: €2.40 higher than the current National Minimum Wage of €10.50 per hour for people aged 20 years and older.

Given the rising cost of living, the on-going challenges facing people on low income, the Government's commitment in *Our Shared Future* to "Progress to a living wage over the lifetime of the Government" (p74), a serious increase in Ireland's National Minimum Wage in 2023 must be realised.

CONTEXT

On February 17th, 2022 the Central Statistics Office (CSO) published the Labour Force Survey (LFS) for the fourth quarter of 2021. This release includes information using the International Labour Organisation standard methodology, alongside estimated figures considering the impact of the COVID-19 pandemic on the Irish labour market.

According to the standard LFS methodology, 2,506,000 people were employed in this quarter, the highest number ever recorded, and an increase of 229,200 on the last quarter of 2021. Full-time employment rose by 102,000 to 1,955,000 people, and part-time employment increased by 127,200 people to 551,000. Of this number, 110,200 people said they were underemployed, an increase of 11,300 people. Over the year full and part-time employment increased for men and women, however underemployment increased for women by 14,400 to 69,800 women. Women account for 63% of those who described themselves as underemployed, 68% of people who are in part-time employment, and 47% of those who are in full-time employment.

Over the year the labour force increased by 214,800 to 2,633,300. Two factors influence changes in the Labour Force, the demographic effect, which was positive (+22,900); and the participatory effect, which had an even greater impact, accounting for 89% of the increase (+191,900). The participation rate rose by 4.5 percentage points to 65.1%. The participation rate rose for both men (+3.4pp) and women (+5.6pp) over the year to 70.3% and 60.1% respectively.

In Q4 2021, 127,400 people were unemployed: 14,300 fewer people than in Q4 2020. The unemployment rate was 4.9%, a decrease of one percentage over the year. The number of people deemed long-term unemployed rose to 44,300 and the long-term unemployment rate was 1.7%. In Q4 2020 these figures were 36,800 and 1.5% respectively.

The official definition of unemployment captures *“Persons who, in the week before the survey, were without work and available for work within the next two weeks, and had taken specific steps, in the preceding four weeks, to find work. It should be noted that as per Eurostat’s operational implementation, the upper age limit for classifying a person as unemployed is 74 years.”*

It is useful to look at other figures as well to get a fuller picture of the numbers of people who would describe themselves as unemployed, or who would seek employment if other challenges weren’t facing them, for example, affordable childcare and transport. The Principal Economic Status (PES) captures data on how people described themselves and in Q4 2021, 165,900 people described themselves as unemployed. The Potential Addition Labour Force (PALF) captures people who have answered ‘no’ to one or both of the two questions people must answer with a ‘yes’ to be classified as unemployed. In Q4 2020, 103,500 people were classified as part of PALF. The Indicators of Potential Labour Supply (PLS), also capture people who do not fit into the official definition of unemployment, who for a variety of reasons may not be seeking employment (may be discouraged by previous unsuccessful attempts) or unable to take up work (may have caring responsibilities). In Q4 2021, the broadest indicator PLS4 was 15.4%.

Impact of COVID-19

When the impact of COVID-19 is factored in, the numbers of people employed drops to 2,439,099 at the end of Q4, 2021, but this figure is over half a million people higher than Q4, 2020. The CSO also published a COVID-19 Adjusted Measure of Employment for the end of January 2022, and that figure was 1,826,567 reflecting the restrictions imposed at the end of 2021 and beginning of 2022.

The COVID-19 Adjusted Measure of Unemployment was estimated to have increased to 195,313 with an unemployment rate of 7.4%. By the end of January 2022 this measurement of unemployment had increased to 202,027, with an unemployment rate of 7.8%.

DECENT WORK

The Government has noted that in implementing the seventeen Sustainable Development Goals (SDG) Ireland will be guided by two key principles:

- That every person is entitled to a life of dignity in which they can fulfil their full potential; and
- That the economic, social and environmental requirements of such a life are fundamentally linked and interdependent on each other. In putting these principles into practice, Ireland pledges that no one will be left behind and that we will endeavour to reach the furthest behind first.

The focus of UN Sustainable Development Goal 8 is to *“Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.”* The

International Labour Organisation states that *“Decent work involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men”*.

In 2020 with the support of the Irish Human Rights and Equality Commission Grants Scheme, the INOU ran a project on the theme of decent work. Participants in this project included people who are unemployed; and people who work with and support people to participate in education, training and employment programmes and gain access to meaningful employment.

Participants noted the *“Need to ensure that there is greater awareness of the International Covenant on Economic, Social and Cultural Rights (ICESCR), the International Labour Organisation’s (ILO) definition of decent work, and the European Union’s Pillar of Social Rights (PSR).”* Participants also observed that *“People need to be made aware of their right to exercise their rights without penalisation and to participation in discussions around conditionality and rights.”*

Included amongst the key findings were:

- The concept of empowerment is a very important one, essential in practice, and needs to be an integral part of Ireland’s employment services and supports.
- Need to address distance from the labour market, including people who are not on a social welfare payment, and capture their journey properly.
- Need to ensure that targeted programmes are properly supported, valued by and have good links into mainstream learning and employment opportunities. This should work in tandem with a systemic and sustained approach to address labour market exclusion.
- The need to properly address the challenges facing people seeking decent work who, for example, live in rural areas, who are Travellers, have a disability, parent alone, are returning to the labour market after a long gap, whose job has changed or become obsolete, young people who left school early, or people who have limited access to technology.
- Need to map the jobs that will be obsolete, identify their replacements, ensure people are given the opportunity to reskill to avail of emerging opportunities.
- Need for those working on the ground to feed into Government policy development and implementation, and for their issues to be heard and responded to appropriately.

COSTING OF LIVING

According to the Central Statistics Office (CSO), the Consumer Price Index rose by 5.6% between February 2021 and February 2022. The areas where prices rose most dramatically over the year were Transport (+15.4%), and Housing, Water, Electricity, Gas & Other Fuels (+12.7%). This is a worrying trend, especially when put into the context of the pre-existing high levels of material deprivation already present in the country.

A key finding of the polling conducted by RedC on behalf of the Society of St Vincent de Paul¹ was that: the number of people reporting that they are finding it difficult to manage financially had doubled since the start of the pandemic in 2020; this figure was at 9% in 2020 and rose to 18% in January 2022.

Of those surveyed, 37% said they had reduced their essential heating and electricity use, while 17% had been cutting back on other essentials such as food. A trend which became significantly more pronounced with single parents: 47% having cut back on essential heating and electricity; and 37% having cut back on other essentials such as food. Other groups facing problems are unemployed people: 48% of whom have cut back on essential heating and electricity; and renters in Local Authority housing, 61% of whom have cut back on essential heating and electricity.

Over the year, between February 2021 and February 2022, food and non-alcoholic beverages rose by 3%. This situation is likely to get worse as problems in the global supply chain, the rising costs of raw materials, and the rising cost of energy work their way through the various levels of the economy. An article² in the INOU's e-bulletin Issue 49 explored how unaffordable a healthy diet can be, a problem which further rises in the cost of producing and distributing food will exacerbate.

Better-off families are likely to be in a stronger position to manage rising prices: they may have built up savings during the pandemic or have more scope for cutting back in general. Lower income families on the other hand are likely to be in a much worse position: they could be surviving week to week, may already be in debt, and have less scope for cutting back.

The ongoing housing crisis will further aggravate rising trends in the cost of living. According to the Residential Tenancies Board, the price of rent grew by 8.3% between the third quarters of 2020 and 2021 alone, with much of the growth coming from outside the traditional urban high pressure zones. This has led to a situation where more than half of all renters are worried about their ability to make rent, with 9% already behind on payments, and 29% worried about facing eviction in the next six months.

In the Survey on Income and Living Conditions 2020³ the CSO looked at the impact on people's at-risk-of-poverty rate after they paid rent and mortgage interest payments. The findings were particularly stark for people living in rented accommodation. For example, people receiving social housing support (excluding Local Authority accommodation) their at-risk-of-poverty rate rose by thirty-three percentage points to 55.9%; and for people living in rented accommodation without housing supports, their at-risk-of-poverty rate rose from 16.7% to 30.7%.

¹ Available at <https://www.svp.ie/getdoc/46ee6f34-44ef-4e3f-9c1b-9661c16d8cbd/number-struggling-financially-has-doubled-since-be.aspx>

² Available at <https://www.inou.ie/analysis/e-bulletin/2021/12/15/the-affordability-of-a-healthy-diet/>

³ Available at <https://data.cso.ie/product/SILC2020>

NATIONAL MINIMUM WAGE

According to the Central Statistics Office, 7.7% or 151,000 people were on the National Minimum Wage or less in Quarter 3, 2020. At that stage, according to the International Labour Organisation's definition of employment, 1,968,900 people were classified as employed.

The largest age group earning NMW or less were people aged 15-24 years (48%); 25-34 year olds accounted for 17% of people on NMW or less; while 35-44 year olds account for 14%. Looking at the educational attainment of those employees on the NMW or less: 44% had higher secondary; 16% had lower secondary; and 14.5% had post-secondary non-tertiary education.

31.5% of the people earning the NMW or less lived in households with three or more adults and no children under 18 years; 26% lived in other households with children under 18 years; and 18% lived in two adult households with one to three children under 18 years. Fifty-six percent of people on NMW or less were working part-time, and fifty-seven percent were female.

In the Programme for Government, *Our Shared Future*⁴, the section entitled *Mission: A New Social Contract*, the Government states that *"Policy decisions throughout the course of the Government will consistently seek to improve living standards for the most vulnerable in society. Particular attention will be paid to refugees and asylum seekers, the homeless and people living on low incomes."* (p74)

The Government also noted that *"The Low Pay Commission will be instrumental in ensuring that those who are in low-paid employment are valued. We will be guided by the recommendations of the Low Pay Commission with regard to any future changes in the minimum wage."* (p75)

Ireland's National Minimum Wage in 2022 is €10.50 per hour aged 20 years and older; €9.45 for people aged 19 years; €8.40 for someone who is 18 years of age; and €7.35 for someone aged under 18 years. On the website ROI Living Wage⁵, the estimated Living Wage for 2021/2022 is €12.90 per hour. The Living Wage is described as *"a wage which makes possible a minimum acceptable standard of living. It is evidence based and grounded in social consensus."*

Given the rising cost of living, the on-going challenges facing people on low income, the Government's commitment in *Our Shared Future*, it is vital that over the coming year considerable movement is made to bring Ireland's National Minimum Wage up closer to the Living Wage.

⁴ Available at <https://assets.gov.ie/130911/fe93e24e-dfe0-40ff-9934-def2b44b7b52.pdf>

⁵ Available at <https://www.livingwage.ie/>

WELFARE TO WORK

Access to decent work for unemployed people seeking to make the welfare-to-work journey is a critical issue for the INOU. Ensuring that decent work is at the heart of all employment policies, supports and service delivery, including the development of the National Minimum Wage, is essential to ensure that socio-economic exclusion is properly addressed. The INOU would also regard the Government pro-actively supporting the roll-out and attainment of the Living Wage as a major step in creating a more inclusive labour market.

The INOU's *Welfare to Work Information Service* engages with and supports people in receipt of a Jobseeker's payment and other people who self-identify as unemployed. The latter group may be in receipt of other social welfare payments including: One Parent Family Payment; Disability Allowance / Illness Benefit / Invalidity Pension; Carers' Allowance; and are seeking to make the progression from welfare into / back to work.

Through the Department of Social Protection, the following supports are available to unemployed people on a Jobseeker's payment to make the progression from welfare-to-work:

- Daily disregard: provision of a daily disregard of €20 per day from employment prior to the application of a means test for a Jobseeker's payment;
- Supplementary Welfare Allowance (SWA): payment pending wages, financial support where a delay in payment of wages can occur in getting paid when taking up employment;
- Part-time Job Incentive Scheme (PTJI), to which a self-employed strand was added in Budget 2021;
- Back to Work Family Dividend: retention of Qualified Child Increase for up to two years;
- JobsPlus: an incentive for employers to recruit longer-term jobseekers, with a particular focus on younger and older unemployed people;
- Back to Work Enterprise Allowance: to support unemployed people to engage in self-employment;
- Medical Card: retention for up to three years if the unemployed person is taking up full-time / part-time employment;
- Rent Supplement: disregards for income above the social welfare rate of payment;
- Housing Assistance Payment (HAP): assessment of income based on the Local Authority Differential Rent model;
- Working Family Payment: an in-work support for people on low incomes who have children.

As part of its engagement with the Department of Social Protection, the INOU has consistently identified the provision of information, including individual information / advocacy services, as key elements in supporting individual progression from welfare to work⁶.

⁶ The INOU provides support through our website, e-bulletin, JobsWatch service, Welfare to Work Information Service and the production of our publication *Working for Work* at <https://www.inou.ie/>

As part of this work, across a range of physical and online sites, greater publicity and promotion of the range of services and supports available to facilitate people to take up paid employment is required. A more coordinated and cohesive person centred engagement strategy which focuses on ensuring a seamless provision of services and supports at all points of contact is critical. The development and implementation of a clear and supportive pre-exit engagement strategy: where a person who is leaving a social welfare payment to take up employment receives tailored information relevant to their particular circumstances e.g., Back to Work Family Dividend; information on retention of Medical Card; and the impact on Rent Supplement / Housing Assistance Payment.

IRISH NATIONAL ORGANISATION OF THE UNEMPLOYED (INOUE)

“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.” (INOUE Mission Statement)

The organisation has almost 200 affiliated organisations and 600 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.

Thank you for your time and consideration

Contact:

Bríd O’Brien

INOUE Head of Policy and Media

Email: policy@inou.ie