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# **INOUE Follow-up Submission to Low Pay Commission Consultation Process 2018**

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## INTRODUCTION

The Irish National Organisation of the Unemployed (INOUE) welcomes this opportunity to make a further submission to Low Paid Commission (LPC) following on from the organisation's February submission and oral hearing with the LPC in April, 2018. As noted previously access to decent employment is critical for people who are unemployed to ensure that they can establish their economic independence and fully participate in Irish society.

*"The INOUE is a federation of unemployed people, unemployed centres, unemployed groups, community organisations and Trade Unions. The INOUE 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 INOUE is an anti-sectarian, anti-racist, non-party political organisation which promotes equality of opportunity within society."* (INOUE Mission Statement)

The organisation has over 200 affiliated organisations and 2,800 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.

## CONTEXT

In March, the Central Statistics Office (CSO) published the Labour Force Survey (LFS) for Quarter 4, 2017. According to this survey there were 2,231,000 people employed an increase of 66,800 on the same quarter in 2016. An additional 90,100 people were in full-time employment, while part-time employment decreased by 23,300. Part-time employment accounted for 20.7% of people in employment, but of that figure, 115,300 described themselves as underemployed. This figure has increased by 15,600 people over the year and represents 5.2% of those in employment.

There were 144,100 people who were unemployed, a decrease of 23,400 over the year, which brings this figure back to Q2 2008 levels. The overall unemployment rate in Q4 2017 was 6.1%, 1.1% less than the same quarter in 2016. 58,100 people were unemployed for more than a year, which brings this number back to Q1 2009 levels. The long-term unemployment rate was 2.5%, down 1.2% on Q4 2016.

The country is divided into eight regions: Border; Midland; West; Dublin; Mid-East; Mid-West; South-East; and South-West. In the Action Plan for Jobs 2018 launched March 9th by Minister Heather Humphries, a stated objective is to *"Ensure the unemployment rate of each region is within 1 percentage point of the State average by 2020."* In Q4 2017, three of the regions had an unemployment rate outside of this range: Midlands at 7.7%; South-East at 7.3%; and the Border at 4.9%.

The Labour Force is made up of people who are employed and unemployed, and the Participation Rate is the number arising when the Labour Force is divided by the total population. So, in Q4 2017 the Participation Rate was 62.2%, a slight increase on the year, 0.3%, but 5.2% lower than the highest pre-crisis levels, achieved in Q3 2007. The Employment Rate is achieved by dividing those in employment by the population, and was 68.3% in Q4 2017. The age group with the highest employment rate was people aged 35-44 at 80.2%. The group with the lowest rate are those aged 15-19 years, at 19.5%. Of course the majority of this age group are still in the formal education system, however it was also the age group with highest unemployment rate at 20.3%. Action 26 of the APJ 2018 should *"launch the Youth Employment Support Scheme"* which could help to address this unemployment rate.

## RECENT RESEARCH

In April, the Economic and Social Research Institute and the Low Pay Commission published ‘*Estimating the Effect of an Increase in the Minimum Wage on Hours Worked and Employment in Ireland*’<sup>1</sup> which explored the impact of the 5.8% increase in the NMW on January 1<sup>st</sup>, 2016 to €9.15 per hour. The report notes that “*Our results indicate that the increase in the MW in 2016 resulted in a decrease in hours worked for minimum wage workers. This was primarily driven by minimum wage workers on temporary contracts, who experienced an average reduction of approximately 3.5 hours per week.*” (p31) Given that the NMW remains less than the Living Wage, and that Irish public services are, unfortunately, designed on the assumptions that most people can provide for themselves, it is vital that people on or near the NMW gain access to steady and predictable hours of work so they can manage their own lives. As the recently published TASC report<sup>2</sup> noted “*Precarious working conditions can have a negative effect on physical and mental health. However, what emerged from our interviews was that the majority of participants could not afford to be ill. For precarious workers, the burden of expense is felt in two ways: no paid sick leave, and the expense of paying to see a GP and for medication, tests and follow-up appointments.*” (p9)

It is particularly important that people do not find their hours cut below the levels required for them to be able to access Working Family Payment (formerly Family Income Supplement): 19 hours a week or 38 hours a fortnight. As the following table demonstrates WFP is an important financial support for families in low paid employment.

Household Type / Payment Type	WFP Income limits	NMW @ 19 hours	Net Wage	WFP supports	Total Income	Living Wage @ 19 hours	Net Wage	WFP supports	Total Income
Single	-	181.45	180.54	-	180.54	222.30	221.19	-	221.19
Couple no kids	-	181.45	180.54	-	180.54	222.30	221.19	-	221.19
Couple with one child	521	181.45	180.54	204.276	384.816	222.30	221.19	179.886	401.076
Couple with two children	622	181.45	180.54	264.876	445.416	222.30	221.19	240.486	461.676
Couple with three children	723	181.45	180.54	325.476	506.016	222.30	221.19	301.086	522.276
Couple with four children	834	181.45	180.54	392.076	572.616	222.30	221.19	367.686	588.876
Couple with five children	960	181.45	180.54	467.676	648.216	222.30	221.19	443.286	664.476
Couple with six children	1076	181.45	180.54	537.276	717.816	222.30	221.19	512.886	734.076
Couple with seven children	1212	181.45	180.54	618.876	799.416	222.30	221.19	594.486	815.676
Couple with eight children	1308	181.45	180.54	676.476	857.016	222.30	221.19	652.086	873.276

<sup>1</sup> Ref: <http://www.esri.ie/pubs/BKMNEXT354.pdf>

<sup>2</sup> Ref: *Living with Uncertainty, the social implications of Precarious Work*  
[https://www.tasc.ie/download/pdf/living\\_with\\_uncertainty\\_final.pdf](https://www.tasc.ie/download/pdf/living_with_uncertainty_final.pdf)

The INOU welcomes the research's finding that *"We also test for the presence of employment effects related to the minimum wage increase. Both the descriptive and econometric evidence points to some volatility over time in the rate of job loss among low waged and minimum wage workers, with no consistent evidence that the increase in the NMW rate in 2016 caused an increase in the proportions of such workers becoming unemployed or inactive."* (p31)

## **WELFARE TO WORK**

The Welfare to Work information service in the INOU engages with and supports both jobseekers, in receipt of jobseekers payments, and other people who self-identify as unemployed, while in receipt of a variety of social welfare payments including one parent families, disability allowance / illness benefit / invalidity pension and carers allowance, in making the progression from welfare into / back to work.

It is widely accepted, as supported by a number of studies, that there are both social and economic benefits for an individual in returning to work / being in work when compared to longer-term reliance on basic income through the social welfare system.

Through our work we have identified that progression from welfare to work is dependent on a number of factors, not solely the monetary 'value' of employment in itself, key amongst these being the provision of information and support services at 'milestone' moments in the person's life and in their progression process.

This is a particularly relevant consideration when dealing with those who have been distanced from the labour market for a period of time due to job loss, redundancy, disability / illness, childcare or caring responsibilities and where reliance on secondary benefits and other social welfare payment related supports constitute a core integral part of their day-to-day subsistence for themselves, and any dependant partner or children.

It has been established that a number of significant societal / workplace barriers exist for individuals in progressing from welfare to work including age, educational attainment, the duration of absence from the labour market, experience, or lack thereof, and their perceived status while in receipt of any social welfare payment.

Equally, the fear of loss of established and relied upon benefits and supports experienced by social welfare recipients, particularly those in receipt of longer-term payments, cannot be underestimated in any critical assessment of the barriers facing longer-term social welfare recipients in their capacity and ability to assess or evaluate any intrinsic true 'value of work' from a non-welfare perspective.

Effectively, for welfare recipients, the practical value, and the perceived value, of supports and secondary benefits held by an individual, including Rent Supplement / Housing Assistance Payment, medical card, Back To School Clothing And Footwear Allowance (BTSCFA) and access to limited financial supports through the Supplementary Welfare Allowance (SWA) scheme, can influence any assessment of the 'true' value of engaging in employment – both positively or negatively.

In seeking to address and tackle these issues, and through its ongoing work, including engagement and consultation with a variety of organisations, groups and NGOs, the Department of Employment Affairs and Social Protection have provided and supported initiatives to support individuals in making the progression from welfare to work.

These include:

- Daily disregard - provision of a daily disregard of €20 per day from employment prior to the application of a means test for a jobseekers 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);
- Back to Work Family Dividend – retention of child payment for up to 2 years;
- JobsPlus (an employer incentive to recruit longer-term jobseekers);
- Back to Work Enterprise Allowance – engaging in self-employment;
- Medical Card – retention for up to 3 years 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 (formerly Family Income Supplement FIS).

As part of its engagement with the Department of Employment Affairs and Social Protection the INOU has consistently identified the provision of information, and individual information / advocacy services, as a key element in supporting individual progression from welfare to work.

The INOU proactively supports the position that a consistent, coordinated and coherent information support strategy must be engaged with by all stakeholders involved directly and indirectly in the provision of both information and service supports to jobseekers.

The INOU provides such by means of its website, e-bulletin, JobsWatch service, Welfare to Work information service and the production of our publication *Working for Work*.

The INOU would strongly contend that access to information and access to the services and supports to apply these supports on an individual one-to-one basis, remains a key consideration and requirement in enabling jobseekers to make the progression from welfare to work.

To address these issues the INOU recommends:

- Greater ongoing publicity and promotion of the range of services and supports available to jobseekers / welfare recipients in returning to work in all DEASP Offices by means of leaflets and material displayed in offices, promotion on the welfare.ie website, promotion on the Citizens Information website, media and print campaign and the use of social media;
- A more coordinated and cohesive client engagement strategy focused on ensuring a seamless provision of services and supports through information and referral to other service providers at all points of contact i.e. direct referral from DEASP to Citizens Information for additional support / information on related issues etc.;
- The development of clear ‘pre-exit’ engagement where a person is leaving a jobseekers / welfare payment to take up employment, ensuring that they receive tailored information relevant to their particular circumstances i.e. JobsPlus, Working Family Payment, Back to Work Family Dividend and information on retention of Medical Card and impact on rent supplement / Housing Assistance Payment.

## QNHS - NATIONAL MINIMUM WAGE ESTIMATES

On April 26<sup>th</sup> 2017 the Central Statistics Office published a special Quarterly National Household Survey (QNHS), which in the three quarters, 2, 3 and 4 2016 included questions on the National Minimum Wage (NMW)<sup>3</sup>. As the table below illustrates, over three quarters 10.1% of those in employment were earning the NMW or less: this figure was 10.9% for female employees; and 9.3% for male employees.

Quarter 2 - Quarter 4 2016	Q2 2016	Q3 2016	Q4 2016	Average Q2 to Q4 2016
<b>Indicator</b>				
Employees reporting earning National Minimum Wage or less ('000)	173.2	157.6	134.5	155.1
Employees reporting earning more than National Minimum Wage ('000)	1,341.0	1,376.0	1,423.5	1,380.2
Not stated ('000)	154.8	164.8	156.1	158.6
Total ('000)	1,669.0	1,698.3	1,714.1	1,693.8
Proportion of employees reporting earning National Minimum Wage or less (%) <sup>4</sup>	11.4	10.3	8.6	10.1

The 'services' sector accounts for 81.7% of all employees in this category; with two sectors accounting for half of these employees: the 'wholesale and retail trade; repair of motor vehicles and motorcycles'; and the 'accommodation and food services sector'. These two sectors share of overall employment is 21.9%.

The 'elementary', 'sales and customer service' occupation groups also account for one fifth of all employees in the State. 29.9% of all employees in 'elementary' occupations and 25% of people in the 'sales and customer service' occupation group are earning the NMW or less.

Looking at these figures from a regional perspective, NUTS 3, 'the proportion of employees earning NMW or less' was higher in the Border (14.3%), the South-East (13.2%), the South-West (10.9%), and slightly in the West (10.2%). The region with the highest 'share of employees earning the NMW or less' was Dublin with 27.1%, which was 6% lower than its 'share of total employees'. The next three highest regions are the South-West (13.9%), the South-East (13.5%) and the Border (13%), which were all greater than their 'share of total employees'. The Border region had the biggest difference at 3.8%.

### ISSUES OF CONCERN

The INOU receives feedback from individual members and affiliates about the difficulties in securing access to decent employment. Amongst the issues raised are uncertainty of hours; transport and caring costs; the particular implications for women; ageism; and skills mismatch with available employment. In the past year at the INOU's Regional Discussion Forums the prohibitive cost of car insurance was raised, and in particular the exorbitant rates facing young people. This is a particular issue in rural areas, but also arises in urban areas if, for example, the hours of work on offer are outside of public transport provision.

<sup>3</sup> Further information available at [www.cso.ie/en/releasesandpublications/er/q-nmw/qnhs-nationalminimumwageseriesq42016/](http://www.cso.ie/en/releasesandpublications/er/q-nmw/qnhs-nationalminimumwageseriesq42016/)

<sup>4</sup> The CSO notes that the denominator excludes employees whose National Minimum Wage status was *Not stated*

## NATIONAL MINIMUM WAGE

The National Minimum Wage in 2018 will stand at €9.55 per hour for ‘an experienced adult worker’. The reduced rates for young people aged 18-20 years is questionable, and sends a negative message to young people about their contribution to the world of work. A very striking feature of the CSO study of the NMW was the age profile of the ‘proportion of employees reporting earning NMW or less. The overall figure was 10.1%, but for people aged 15-24 it was 41.5%. Now 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.

In ‘A Programme for a Partnership Government’ there is a commitment to “*Increase the minimum wage to €10.50/hour by 2021*” (p135). Given that the Living Wage for Ireland was estimated as €11.70 per hour<sup>5</sup>, it is absolutely critical that this target is not only met, but that a more ambitious target is set and achieved.

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<sup>5</sup> Further information available at [www.livingwage.ie](http://www.livingwage.ie)