

Consultation on the National Minimum Wage

Submission to the Low Pay Commission by the Citizens Information Board (March 2016)

Introduction

The Citizens Information Board (CIB) made a submission on the National Minimum Wage to the Low Pay Commission in April 2015 in which we welcomed the evidence-based approach being adopted to the setting of the minimum wage. We believe that this is important in order to achieve an appropriate balance between the needs of low income work-households, the need to eliminate welfare to work traps, the need to ensure that employers (current and potential) can maintain the momentum in job creation and, very importantly, the need to ‘make work pay’.

At this juncture we wish to note the following points:

- The increase in the minimum wage (to €9.15 per hour), effective from January of this year, while welcome, falls far short of the €11.45 per hour living wage that has been widely mooted;
- Feedback from CIB service delivery partners – Citizens Information Services (CISs) and the Citizens Information Phone Service (CIPS) – strongly suggests that, where the only available work is low-income (minimum wage level), this acts as a disincentive to people taking up employment;
- The need to address the intrinsic link between poverty, on the one hand, and unemployment, under-employment and low-income employment, on the other, should be at the heart of ongoing deliberations on the national minimum wage;
- There is a need to examine further the national minimum wage rates for younger people and, specifically, whether and to what extent, these act as a disincentive to young people taking up employment:
- Dealing with youth unemployment in order to eliminate people becoming long-term unemployed is important and, in this regard, employers should be incentivised in some manner to take on younger workers without experience – consideration should be given to providing supports to employers to pay more than the minimum wage to young people where there is training and upskilling relevant to taking up longer-term employment;

- The need to create and maintain an environment to stimulate job creation should be considered in tandem with consideration of the case for a living wage;
- It is almost certain that any future minimum wage increases would put money back into the domestic economy, which could potentially have a knock-on effect of stimulating job creation this should be a factor in determining the minimum wage;
- Ongoing consideration of the national minimum wage needs to factor in the respective contributions of the tax and social welfare systems and related in-work supports, (e.g., FIS and Housing Assistance Payment) and consider how best to achieve the optimum balance between wages and these supports in combating poverty and dealing with welfare traps;
- The ‘living wage’ concept should be kept to the forefront of ongoing deliberations by the Commission about the minimum wage – this is important because of the relatively high numbers of people ‘clustering’ just above the minimum wage¹ and, also, because, clearly, work should provide an adequate income to enable individuals to afford a socially acceptable standard of living’;²
- The question of the minimum wage must be considered in the context of ensuring that those who are long-term unemployed (many of whom are disconnected from the labour market) can get started in work in order to receive ‘on-the job’ skills training relevant to current and future job availability;
- The collective impact of work income, welfare losses, income tax and in-work costs (e.g. child care and transport) for individuals and households as they transition from unemployment to employment needs to be analysed fully;
- There is a need to strike the appropriate balance between minimum wage levels and maintaining and creating jobs and to give due weight to the concerns of employers in this regard;
- Additional and targeted research is required to get more comprehensive gender disaggregated data relating to low-paid employment;

The CIB believes that the experience of people at the interface between low-paid and precarious employment and social welfare benefits which is regularly reflected in queries to CISs and CIPS can provide a valuable insight into the Commission’s ongoing deliberations on the minimum wage. We would be happy to liaise with the Commission in exploring and analysing further these experiences.

¹ Collins, M. (2016), Earnings and Low Pay in the Republic of Ireland, NERI, http://www.ssi.ie/SSIS/Earnings_and_Low_Pay.pdf

² http://www.livingwage.ie/images/Documents/Living_Wage_Technical_Document_July_2014.pdf