

## **Consultation on the appropriateness of the sub-minima rates for young people**

### ***Submission by the Citizens Information Board (January 2016)***

#### **Introduction**

The Citizens Information Board (CIB) welcomes the opportunity to make a submission on the sub-minima wage rates for young people. A key concern is if and how the lower rates of the minimum wage impact on younger people who are unemployed and not engaged in education or training. This applies in particular to: (a) the need to address at a fundamental level the issue of youth unemployment; (b) the need to eliminate welfare to work traps; and (c) ensuring that 'work pays'. It has been noted<sup>1</sup> that young people were amongst the groups hardest hit by the economic crisis.

The Board is of the view that the question of the appropriateness of the sub-minima rates for young people needs to be addressed in the broader context of addressing unemployment among this age cohort. The social and financial costs of unemployment are well known as is the impact of long periods of joblessness on young people. Difficulties being experienced by a significant section of the younger population relating to the nature and quality of jobs on offer and the type of training/education opportunities available need to be further identified and addressed. There is a particular need to address the problems of long-term unemployed young people with lower education (up to Leaving Cert and Post Leaving Cert qualification) and/or early school leavers who are over 18 years. This takes on a sharper focus in a society such as ours which highly values educational attainment and where higher educational qualification is almost a minimum requirement for entry to many jobs.

#### **Key factors that need to be taken into account**

Difficulties referenced in queries<sup>2</sup> to Citizens Information Services (CISs) and the Citizens Information Phone Service (CIPS) by or on behalf of young people include welfare to work traps, difficulties in meeting the costs of ordinary daily living and related financial strain (particularly for young people living independently from their parents). Research commissioned by the National Youth Council of Ireland (NYCI)<sup>3</sup> found that almost 4 in 10 young people (54% in Dublin) are struggling to make ends meet.

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<sup>1</sup> NESI (2013), *The Social Implications of the Crisis: the Evidence and the Implications*, [http://files.nesc.ie/nesc\\_reports/en/NESI\\_134\\_The\\_Social\\_Dimensions\\_of\\_the\\_Crisis\\_Main\\_%20Report.pdf](http://files.nesc.ie/nesc_reports/en/NESI_134_The_Social_Dimensions_of_the_Crisis_Main_%20Report.pdf)

<sup>2</sup> People aged under 25 account for some 6% of people who use Citizens Information Services (CISs), i.e., approximately 37,000 each year.

<sup>3</sup> [http://www.youth.ie/sites/youth.ie/files/NYCI%20Briefing%20Paper\\_RedC\\_Jobseekers%27%20Allowance\\_Final.pdf](http://www.youth.ie/sites/youth.ie/files/NYCI%20Briefing%20Paper_RedC_Jobseekers%27%20Allowance_Final.pdf)

It is widely acknowledged that the disengagement of young people can have serious consequences for an individual, for society and for the economy as a whole.<sup>4</sup> Thus, in addition to promoting youth employment as the key pathway to achieving social inclusion, there is a need to ensure that the work opportunities created are of good quality and ultimately lead to sustainable employment.

There are a number of contextual factors that need to be taken into account in looking at sub-minima wage rates for young persons:

- The seasonally adjusted unemployment rate in December 2015 for those aged 15-24 (youth unemployment rate) was 19.7% compared to 8.8% for the population as a whole<sup>5</sup>
- The number of young people signing on the live register for 12 months or more continues to be high.<sup>6</sup>
- The fact that some 18% of young people in Ireland are in the category 'not in education, employment and training'<sup>7</sup> (the 4<sup>th</sup> highest in the EU) is an ongoing cause for concern;
- The relatively slow pace of implementation of the Youth Guarantee undermines its basic underlying principle;
- The withdrawal of Child Benefit for young people over the age of 18 in full-time education and training presents financial difficulties for many families –young people under the age of 22 and in full-time education are regarded as child dependants in relation to social welfare payments and for student grant purposes, but not in respect of Child Benefit;
- While 27% of young people secured full-time employment following a JobBridge placement and 14% secured part time employment, 31% remained unemployed.<sup>8</sup>
- The lack of accreditation upon completion of internships has been identified as a concern;<sup>9</sup>
- Some young people report to CISs and CIPS that they have difficulty in funding independent accommodation and have to remain living with their parents – this impacts significantly on their ability to take up low-paid job offers or training/education options;

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<sup>4</sup> See, for example, Eurofound (2015), *Social inclusion of young people*  
<http://www.eurofound.europa.eu/publications/report/2015/labour-market-social-policies/social-inclusion-of-young-people>

<sup>5</sup> <http://www.cso.ie/en/releasesandpublications/er/mue/monthlyunemploymentdecember2015/>

<sup>6</sup> See, for example, <https://www.kildarestreet.com/wrans/?id=2015-0324a.143&s=%2236+months%22+section%3Awrans#g145.q>

<sup>7</sup> <https://www.welfare.ie/en/downloads/Youth-Guarantee-Implementation-Plan.pdf>

<sup>8</sup> NYCI Report (2015), [www.youth.ie/JobBridge](http://www.youth.ie/JobBridge)

<sup>9</sup> IMPACT (2015), <http://www.impact.ie/wp-content/uploads/2015/04/JobBridgeReport2015.pdf>

- Only 5% of people with an intellectual disability are in mainstream employment – the transition from education to work for people with disabilities, particularly those with an intellectual disability, is not well provided for under current policies;
- Families with teenage children face higher living costs than those with younger children;
- The current rate of allowances (€160 per week) for young people participating on VTOS, Youthreach, Community Training Centre Programmes and other SOLAS training, as well as in the Back to Education Programme, may be too low to enable some young people to take up options available;
- Long spells of unemployment or disengagement from the workforce at an early stage in the working age cycle is likely to have a strong negative impact on future labour market outcomes and on people's well-being generally.

### **Low-paid and precarious work: Implications for younger people**

A 2013 report by the European Foundation for Living and Working Conditions<sup>10</sup> found that the proportion of young people aged 15 to 24 in temporary employment in Ireland increased from 11% in 2004 to 35% in 2012. This trend has almost certainly continued in more recent years. The National Youth Council of Ireland (NYCI)<sup>11</sup> has voiced concern about the changing nature of the labour market, with a significant growth in precarious employment and has noted that young workers are having the traditional entry into well-paid and secure employment postponed or frustrated by the growth of internships and temporary jobs on minimum and low wages. The NYCI has called on Government to tackle the issue of the number of young people engaged in internships, temporary work, part-time jobs, zero-hours contracts and sub-contracting.

Thirty-nine per cent of workers on the minimum wage are aged between 18 and 29<sup>12</sup> - and obviously a proportion of those would be on sub-minima rates. TASC<sup>13</sup> has pointed out that one-fifth of Irish jobs are classified as 'low pay' by the EU, which is significantly higher than the EU average of 16.9% and a Euro area average of 14.7% -- this is a matter very relevant to younger people.

The concept of a 'living wage' which has been gaining traction in Ireland, as well as in other jurisdictions, in recent years is important and should be actively considered in order to meet the requirements for a socially acceptable standard of living. The fact that full-time employment on the legally minimum wage does not guarantee a minimum decent standard of living for people generally is particularly applicable in respect of younger people on sub-minima rates.

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<sup>10</sup> [http://www.eurofound.europa.eu/sites/default/files/ef\\_publication/field\\_ef\\_document/ef1377en.pdf](http://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1377en.pdf)

<sup>11</sup> <http://www.youth.ie/nyci/Living-Wage-forum-welcome-increase-temporary-contracts-and-precarious-work-needs-be-tackled>

<sup>12</sup> <http://www.lowpaycommission.ie/publications/national-minimum-wage-/recommendations-of-the-low-pay-commission-for-the-national-minimum-wage-2015-.pdf>

<sup>13</sup> [http://www.tasc.ie/download/pdf/tasc\\_cherishing\\_all\\_equally\\_web.pdf?issuusi=ignore](http://www.tasc.ie/download/pdf/tasc_cherishing_all_equally_web.pdf?issuusi=ignore)

## Addressing the question of sub-minima wages

The CIB takes the view that addressing the question of sub-minima wages requires a focus on how to actively engage people in work and activation measures as well as a focus on the rates *per se*. While the rates may be very relevant for individuals in specific household circumstances, other factors are likely to have a significant bearing on young people's ability to engage in employment, in particular, the nature of the work, the quality of training provided and its long-term sustainability and how employment from work impacts on social welfare entitlements.

The following are identified as relevant factors to be taken into account:

- Ensuring that the correct balance is achieved between minimum rates of pay and social welfare income support in the context of young people taking up low paid or part-time/casual work
- The need to ensure that work opportunities created for young people are of good quality and ultimately lead to sustainable employment
- The importance of applying the living wage concept in the longer-term to younger persons living in different household types, taking into account the fact that many young people are parents and live in multi-person households
- Ensuring that young people 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 need to look again at the implications of the lower rates of social welfare paid to younger people, in particular, to those participating in education, training and work experience programmes
- The need to further stimulate and fully implement the Youth Guarantee<sup>14</sup> initiative
- The need to examine the impact of current social welfare payments to families combining part-time work and social welfare who have children aged 18-22 remaining in education

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<sup>14</sup> This Programme is designed to ensure that any young person unemployed for four months or more is guaranteed a quality education, training or work experience place.