

National Minimum Wage Submission to the Low Pay Commission (March 2021)

Introduction

The Citizens Information Board (CIB) welcomes the opportunity to make a submission on the National Minimum Wage (NMW) to the Low Pay Commission. CIB has made previous submissions to the Commission relating to the setting of the NMW, including in 2020 and also in response to the Commission's specific consultations on Women on Low Pay and Sub-minima Wage Rates for Young People in 2016.

This submission is informed by the experience of and feedback from CIB delivery services¹ – the national network of Citizens Information Services (CISs), the Citizens Information Phone Service (CIPS) and the Money Advice and Budgeting Service (MABS) – each of which has a significant engagement with individuals and households at the lower end of the income spectrum.

These services deal on an ongoing and regular basis with:

- People in low-income work and on social welfare payments
- People who experience difficulties in transitioning from welfare to work
- Over-indebted families in low-income employment struggling to repay their debts and mortgages
- People at risk of homelessness because of an inability to pay rent in the private sector

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 the Phone

¹ These services supported over half a million people with information, advice and advocacy in 2020 and dealt with almost 900,000 queries - includes callers to CISs, the Phone Service and callers via a new web Call Back facility.

Service and in MABS casework, can provide insights to inform the Commission's ongoing deliberations on the NMW.

These services handle in the region of 70,000 queries relating to employment rights annually. CISs regularly receive complaints about breaches of NMW legislation. There are also regular complaints from employees about non-payment of wages, annual leave and public holiday entitlements.² Feedback from CIB services strongly indicates that, where the only available work is low-income work (minimum wage level or below), this acts as a disincentive to people taking up employment. Many people contacting CISs experience 'welfare to work' traps and difficulties in meeting living costs, especially lone parents and young people living independently from their parents.

Key considerations relevant to NMW

CIB wishes to re-iterate some of the key points made in our 2020 Submission on the NMW:

- The need to address the intrinsic link between poverty, under-employment and low-income employment
 - 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'.
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- While work at the NMW rate can be a stepping stone to further and better paid employment for many, some workers remain on this level of pay, and rely on other supports from the State -- in relation to transitioning from temporary work to permanent work, Ireland scores low relative to most EU member states.
 - The NMW is not fully reflective of increases in the costs of living relating to, for example, private housing rents, energy costs and child care.
 - Since the cost of living is relatively high in Ireland, the relative value of the minimum wage compared to other countries is lower because of the effect of the Purchasing Power Standards (PPS) factor which takes into account the differences in the costs of goods and services between countries.
 - There is clear merit in the argument that the minimum wage should be at the living wage level which has been identified as €12.30 in 2020.

² [See *Employment Rights that Work for All: A Citizens Information Perspective*](#),

- Wage floors are simple policy measures and, alone, should not be expected to solve problems of in-work poverty – they complement collective bargaining.
- 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.
- Structural pay inequality for women is an ongoing and significant issue which should be explored further by the Commission.

CIB notes the commitment in the Programme for Government to progress to a Living Wage over the lifetime of the Government. This commitment will no doubt inform the deliberations of the Commission around the NMW. This is critically important because of the relatively high numbers of people ‘clustering’ just above the minimum wage.

Impact of NMW

The finding of the recently published ESRI survey³ that the 2016 minimum wage increase in Ireland led to an eight percent reduction in the hourly wage gap between high and low earners is significant. The outcome for younger workers, where the hourly wage gap between young high and low earners decreased by 24% after the minimum wage increase, is particularly important. The analysis found that workers earning slightly above the minimum wage also experienced a wage rise. However, the research also noted that the impact on household income was somewhat limited because minimum wage workers are often not in low-income households. These findings highlight the need for ongoing increases in the NMW and the need for a transition to the Living Wage as the appropriate benchmark.

Other recently published ESRI research⁴ which focused on the impact on average labour costs, hours worked and employment in Irish firms found that the wage increase did lead to higher labour costs among firms where more than half of their employees were on the minimum wage (3% all firms). Another important finding was that there was no evidence that firms had reduced their number of employees in response to the minimum wage increase.

These research findings (although related to the 2016 NMW rate) suggest that, notwithstanding the uncertainty arising from Covid-19 in the short-term, there was scope for expediting the move to a Living Wage rate (currently estimate at €12.30 per hour). The

³[ESRI Research Bulletin, *The impact of a minimum wage change on wages and household income*](#)

⁴[ESRI Research Report, *The Impact of the 2016 Minimum Wage Increase on Average Labour Costs, Hours Worked and Employment in Irish Firms*](#)

findings also suggest that there would have been scope to provide for a higher rate in 2021 than that introduced (€10.20) in order to move closer to the level of the Living Wage.

This NMW level needs to be considered in a gender equality context. The majority of workers who currently earn the minimum wage are female. Women of all ages are particularly vulnerable to lower rates of pay, especially if working part-time, working unpredictable hours, on temporary contracts or in certain sectors such as retail and hospitality which are frequently low-paid positions⁵. Of the 122,800 employees who reported earning the NMW or less in Q4 2019, 66,600 (54.2%) were female while 56,200 (45.8%) were male. This compares to an overall even split of all employees in the State of 50.0% each for males and females. This has been a consistent feature since 2016.

Almost two-thirds (64.6%) of the fall of 14,400 in the number of persons who reported earning the NMW or less in the year to Q4 2019 was accounted for by females. While this trend is very much to be welcomed, the ongoing situation is that women are more likely than males to earn the NMW or less. Since there is a greater likelihood of part-time working by women often linked to the need to combine work with caring responsibilities, the only jobs available may frequently be those that are low-paid.

Impact of Covid-19

More than half of Ireland's minimum-wage employees work in the retail, the food sector, and accommodation. These are the sectors that have experienced widespread disruption and business closures due to the Covid-19 crisis. These sectors alone employ half of all minimum wage workers which means that low-paid workers may be disproportionately affected by job losses in these areas. Also relevant is the fact that tiered levels of PUP payments result in low-paid workers remaining on a low level of income while off work compared to higher earners. Another relevant factor is that many of the workers on the minimum wage are essential workers who have helped to keep services running through the Covid-19 pandemic

Just under 70,000 employment rights queries were handled by CISs in 2020 with a notable increase in enforcement and redress issues. Unsurprisingly, Covid-19 specific employment rights related issues featured heavily in the concerns presented to service helplines during the crisis.⁶

There were a number of issues reported by people who continued working, for example,

⁵ [Collins, M, 2016, *Earnings and Low Pay in the Republic of Ireland*, NERI.](#)

⁶ [CIB Submission to Special Oireachtas Committee on Covid 19](#)

- Employers not allowing for flexibility for employees to enable alternative working arrangements in order to facilitate childcare
- Pressure on employees to continue to work in the absence of social distancing provisions in the workplace
- Employees not been paid their full wages and feeling that they have to accept these terms or else lose their job
- Employers not topping up wage subsidy - employees working normal hours for a lower wage than previously.
- Dissatisfaction with the fact that people aged over 66 years in receipt of the State Pension were not eligible to apply for the PUP
- Essential and frontline workers not being able to access childcare, and wages being cut as a result.

In many of the cases reported, levels of work and working hours have remained the same for employees (and were noted to have increased in certain cases) – which would not seem to be consistent with the stipulation that employers had to have experienced a 25% downturn in business in order to be eligible for the Subsidy Scheme payment. Effectively this means that employees were essentially doing the same level of work for which they were receiving a reduced pay, with reports indicating that some employees were left working below the minimum wage rate.

The issues highlighted above point to the need to explore the longer term impact on employment of Covid-19, relating in particular to the suitability and adaptability of existing employment policies and legislation in dealing with the new context and in addressing the impact of the pandemic e.g. in relation to flexible and remote working, sick leave measures, employer's responsibilities. While these matters may not be directly relevant to the Low Pay Commission, they are important in the broader context of ensuring that people in low paid employment are protected in the same way as higher earners in terms of both equity and employment rights protection.

In-work poverty

A point regularly made in research findings as well as in feedback from CIB delivery services is that having a job is not, of itself, a guarantee that people do not live in a poverty free household.

The number of employees reporting earning less than National Minimum Wage in 2019 was 21,900 compared to 24,500 in 2018.⁷ The number of employees who self-reported earnings equal to the NMW was 100,800 and this was down 11,900 (-10.6%) from a year earlier. In

⁷ [LFS National Minimum Wage Estimates, Q 4 2019](#)

total, 122,800 employees self-reported that they earned the NMW or less in Q4 2019 which was down 14,400 (-10.5%) from Q4 2018.

While these trends are very welcome, there continues to be a significant proportion of people who can be defined as 'working poor', i.e., people with jobs who are still at risk of poverty. Data analysis carried out by Social Justice Ireland⁸ has shown that there is only a marginal difference in the risk of poverty experienced by many people at work and those who are unemployed.

Low pay has been found⁹ to be most common among, people working alone (self-employed), young workers, those in retail, hotels and security sectors, lone parents and those on temporary contracts. A higher proportion of low paid employees are living in households that struggle financially, borrow for day to day living costs and experience poverty. Many CIB service delivery clients fall into one or more of the above categories. Great care must, therefore, be taken in order to ensure that this situation does not worsen in the post Covid-19 climate.

Key points

CIB takes the view that public and policy debate about the Living Wage and how to reach its target is important for a number of inter-related reasons, in particular, the importance of joined-up housing, labour market and social welfare policies to secure a basic, decent living standard for all working households.

- In view of the experience of Covid-19, consideration should be given to raising the National Minimum Wage for home care assistants and childcare workers through a Sectoral Employment Order for those sectors.
- In order to deal more effectively with long-term unemployment, consideration should be given to providing supports to employers to pay more than the minimum wage to people where there is training and upskilling relevant to taking up longer-term employment, including, in particular, people with disabilities and those experiencing mental health difficulties.

CIB acknowledges that gradual and significant progress has been made in increasing NMW levels. While some people continue to be paid at or below the minimum rate, the overall numbers on the NMW have been falling in recent years. It remains to be seen how this will be impacted by the fallout from the pandemic. Also, the NMW continues to be significantly below the Living Wage level.

CISs report that where the only work available is at the minimum wage, it acts as a

⁸ [Poverty Focus 2018, Social Justice Ireland](#)

⁹ [Low Pay: Some Insights \(NERI Research in Brief\) - Collins, M. 2015](#)

disincentive to taking up employment. Women and young people are particularly vulnerable to low rates of pay and although the majority of people starting on the National Minimum Wage move to higher earnings, a significant minority remain trapped in low paid jobs. This remains a matter of concern.