



Public Consultation on the phase in of the Living Wage

The purpose of this consultation is to seek your views on the Low Pay Commission recommendations on the phase in of the living wage which are now being considered by the Tánaiste and Minister for Enterprise, Trade and Employment, and on the appended 'Strawman Proposal' which provides an illustrative example of how the phase in of the living wage might be achieved.

The Low Pay Commission (LPC) was requested to examine the Programme for Government commitment to "progress to a living wage over the lifetime of the Government" and make recommendations on how best to achieve this commitment.

The LPC made a total of 18 recommendations on how best Ireland can phase in a living wage.

The primary recommendations regarding the implementation of a living wage are:

- Adopting a fixed threshold approach for the calculation of a living wage (as opposed to a Minimum Essential Standard of Living / "basket of goods" approach) and setting the fixed threshold at 60% of the median wage in the economy;
- Progressing to a living wage of 60% of the economy-wide median wage through a gradual adjustment to the minimum wage over a period of no more than five years;
- No sectoral or regional variation in the living wage; and
- After the 60% of the median wage target has been reached, subject to an assessment of the impact of the progression to the 60%, the Commission should assess the economic practicality of gradually increasing the targeted threshold rate towards 66% of the median wage.

Copies of the LPC's Living Wage Report and the accompanying research report from Maynooth University are available at [gov.ie - Publications from the Low Pay Commission \(www.gov.ie\)](http://www.gov.ie).

The 'Strawman Proposal' which provides an illustrative example of how phasing in a living wage might be achieved is available at [Living Wage Strawman Proposal.pdf \(enterprise.gov.ie\)](#).

The Tánaiste will consider these submissions in the context of finalising the proposals to bring to Government on the phase in of the living wage.

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Please indicate if this submission is made in a personal/employee capacity, an employer capacity or on behalf of your institution, organisation or group.

On behalf of **Citizens Information Board**

Name of company, institution, organisation or group covered by this submission:

Citizens Information Board

Respondents are requested to make their submissions by email to:

livingwage@enterprise.gov.ie

The closing date for submissions is close of business Wednesday, 27 July 2022

I. Background

In 2021 the LPC was requested by the Tánaiste to examine the Programme for Government commitment to “progress to a living wage over the lifetime of the Government” and to make recommendations on how best to achieve this commitment.

In order to inform its recommendations to Government on the best approach for achieving the Programme for Government commitment, the LPC commissioned research to examine the design of a living wage in an Irish context. This research was conducted by a group of researchers from Maynooth University and considered the policy, social, and economic implications of moving to a living wage as well as the process by which Ireland could progress towards implementing a living wage. The LPC also held targeted consultations with a limited number of stakeholders and representative bodies on the introduction of a living wage in Ireland.

The LPC submitted its report and recommendations to the Tánaiste and Minister for Enterprise, Trade and Employment on 31 March 2022.

To ensure that the views of all stakeholders are considered, submissions are now invited during a six-week public consultation period from 15 June to 27 July 2022.

II. Publication of Consultation Submissions and Freedom of Information

Any personal information, which you volunteer to this Department, will be treated with the highest standards of security and confidentiality, strictly in accordance with the Data Protection Acts 1988 and 2018. However, please note the following:

- The information provided in the submission form will be shared with relevant Government Departments and State organisations during the review process.
- The Department will publish the outcome of the reviews and the submissions received under this consultation on its website, and
- As information received by the Department is subject to the Freedom of Information Act, such information may be considered for possible release under the FOI Act. The Department will consult with you regarding such information before deciding should it be required to disclose it.
- If you wish to submit information that you consider commercially sensitive, please identify that information in your submission and give reasons for considering it commercially sensitive.

III. Note Regarding Responses

Respondents are encouraged to keep their responses succinct to each question. Please answer any questions that are relevant to you or your organisation.

Principle 1 – Calculation of a Living Wage

In its deliberations, the LPC considered recommending a fixed threshold approach or a Minimum Essential Standard of Living Approach (MESL), i.e., basket of goods approach.

Question 1 - Do you agree with the recommendation that a fixed threshold approach should be used for the calculation of a living wage?

The Citizens Information Board (CIB) agrees that the Fixed Threshold Approach is marginally preferable to the MESL approach. The Fixed Threshold Approach is viewed as offering a clearer and more certain indication to both workers and employers regarding the earnings that they can expect to receive or pay out. It is likely also that the setting of the Living Wage (LW) through a mechanism that is visibly linked to the earnings of other workers will be accepted as a just and equitable approach by both workers and employers.

It is recognised, however, that the adequacy of the Fixed Threshold Approach is conditional on wage levels in general being sufficiently high. There is a danger that, in certain circumstances, delays between, for example, national level pay negotiations and rises in the cost of living, could result in low-pay workers having to endure possibly prolonged periods at an inadequate income level.

The Fixed Threshold Approach also contains a risk that significant changes in the overall economy will take time before translating into impact on general wage levels and will therefore not be mirrored for some time in the rate of the LW. It will be important that such eventualities are provided for.

CIB, therefore, welcomes the recommendation that the Low Pay Commission has discretion to use adjustment mechanisms to speed up or slow down progress toward the 60% target. This is particularly important in the light of the considerable negative impact of recent developments on the cost of living.

The relatively unforeseen economic effects that flowed from Covid-19 and from the Russian invasion of Ukraine emphasise the need for a rapid response that can adjust the LW rate.

Principle 2 – Fixed Threshold Rate

The LPC recommended using a fixed threshold approach set at 60% of the median wage

Question 2 – Do you agree that the fixed threshold rate should be set at 60% of the median wage?

CIB believes that the fixed threshold rate should be set at 60% of the median wage as a minimum. This rate represents the lowest level at which the LW should be set. Any rate below the 60% level would result in a totally inadequate and unacceptable change to the economic position of low-pay workers.

The possibility of moving to a rate of 66% after an initial period should be regarded as a target and objective rather than a matter for further debate at some stage in the future. The Eurostat¹ definition of low-wage earners as “those employees earning two thirds or less of the national median gross hourly earnings” is noteworthy. Having a living wage rate set at 66% of median wage would eradicate low-wage employment for all workers earning at or above that rate. A fixed threshold set at 66% of median wage is close to the amount calculated by the Living Wage Technical Group² which uses the MESL approach.

The adequacy of an initial 60% rate will be conditional on the continued entitlement of low-pay workers to a range of other state benefits and allowances, for example the Working Family Payment, Housing Assistance Payment, access to social and affordable housing, and appropriate PRSI rates. In some instances, it will be necessary to adjust eligibility levels to ensure continued benefits when wages are increased by the LW. Clarity and certainty regarding these benefits will be essential if low-pay workers are to be enabled and encouraged to enter and/or remain in the workforce.

Principle 3 – Timeline

The LPC recommended that the adjustment to a living wage set at 60% is made within a period of no more than five years. The ‘Strawman Proposal’ provides an illustrative example of a four-year progression to a living wage, over the period 2023 to 2026 and assuming a 3% average increase in the nominal median wage.

Question 3 – Do you agree with the strawman timeline of four years for achieving a living wage, by 2026?

CIB agrees with the timeline. While it is important that the LW be achieved as soon as possible, it is recognised that a phased approach is necessary. The four-year period should be viewed as the maximum prolongation of the process. It is equally important that the process be initiated as a matter of urgency.

¹ Eurostat (2021). *Earnings Statistics*. Available from https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Earnings_statistics#Low-wage_earners. Accessed July, 2022.

² Living Wage Technical Group (2021). *Living Wage Update 2021/22*. Accessed at www.livingwage.ie. July 2022.

Principle 4 – Regional Variation

The LPC recommended that there should be no regional variation in the living wage.

Question 4 – Do you agree with the recommendation that there should be no regional variances?

CIB agrees with the recommendation that there should be no regional variations in the living wage. It is recognised that regional variances would result in confusion especially regarding commuting workers and would bring little benefit to low-pay workers generally or geographic locations.

The impact that housing costs would have on the adequacy of the LW would clearly differ across regions (and particularly as between rural and urban settings). However, this would be offset to some extent by the fact that a substantial proportion of low-pay workers are likely to be in social housing or in receipt of HAP.

Principle 5 – Sectoral Variation

The LPC recommended that there should be no sectoral variation in the living wage.

Question 5 - Do you agree with the recommendation that there should be no sectoral variances?

CIB agrees with the recommendation that there should be no sectoral variation in the living wage. It is recognised that – as with regional variances - this would result in confusion especially regarding the many low-pay workers who hold multiple part-time jobs. It would, in addition, result in workers facing financial challenges when changing jobs.

Principle 6 – Support to Employers

The LPC recommended consideration should be given to how employers with a significant number of low wage employees can be supported during the progression to a living wage.

Question 6 - Do you agree with the recommendation that certain employers should be supported in the phase in of the living wage? If so, what form should these supports take?

CIB agrees with the recommendation that consideration be given to how employers with a significant number of low wage employees can be supported during the progression to a living wage.

Such support should be temporary as opposed to permanent and should be clearly defined in a manner that indicates that responsibility for paying an adequate wage in the longer-term rests with the employer and the relevant business sector within which they operate.

It is noted that the Maynooth University Research Report* (p.43) indicates that the increased overall cost to employers will not be equivalent to the percentage wage increase created by implementation of the LW but will be a substantially lower percentage. For example, in the *Accommodation and Food* sector an increase in wage costs of 4.5% would translate into an increase in total costs of approximately 1.7%.

There is a range of temporary and facilitating measures that the State could use to ease the transition to the LW. These could include, for example, an easing of the PRSI burden on employers at present.

CIB would have reservations regarding any provision that would exempt an employer (in difficulty) from an obligation to pay the LW – as exists under the National Minimum Wage Act (2000) regarding the minimum wage.

It is also considered important that employers be presented with a clear, across-the-board LW provision that provides no room for manipulating employment situations and creating confusion.

* Doris, A., O'Neill, D., Sweetman, O. (2022) *Research on the Introduction of a Living Wage in Ireland Final Report*. Maynooth University. <https://assets.gov.ie/226963/abf64971-90ba-4f77-966e-4e403ca4fd65.pdf>

Any Other Comments

CIB, through feedback from our funded delivery services (Citizens Information Services and Money Advice and Budgeting Services - MABS), is acutely aware of the problems faced by people who are in low-wage employment. CIB is conscious of the situation of people who find themselves positioned between dependency on low pay/precarious employment and social welfare benefits and provisions.

CIB believes that progress toward the adoption of the LW is a necessary component in addressing several needs:

- 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 present momentum in job creation
- The need to 'make work pay'
- The need to signal to employers that workers deserve and should be entitled to a reasonable and fair wage

CIB agrees that implementation of the recommended phasing-in of the LW should be closely monitored and that adjustments should be made as necessary.

CIB is also conscious, from our funded services, that a small but significant proportion of employers demonstrate an unwillingness to implement the existing minimum wage regulations. This impacts especially severely on low-wage and vulnerable workers, often in precarious and part-time employment.

It will be essential, therefore, that implementation of the introduction of the LW be preceded and accompanied by a vigorous information campaign aimed at employers and employees; and by effective and rigorous monitoring and enforcement of any new regulations instituted by government.

CIB recognises that implementation of the LW is but one measure amongst many other public policies and provisions that aim to better the position of low-wage workers and tackle concerns about poverty and disadvantage. However, the implementation of the LW is an important element in this mix of measures, not only in simple financial terms but also in reinforcing a message about justice, equality, participation in society and the right of all workers to remuneration that enables them to have a decent quality of life.