



## **Submission to the Low Pay Commission**

### **National Minimum Wage Consultation 2020**

#### **Executive Summary**

The Labour Party is proposing that the National Minimum Wage (NMW) should be formally linked to two-thirds of median earnings, rising to match this over a period of three years, with an increase in 2021 to €11.25. This proposal corresponds to the original recommendation of the National Minimum Wage Commission in 1998.

In addition, the Labour Party is proposing that a review be undertaken to examine the feasibility of extending the NMW to those in a statutory apprenticeship. Given our chronic shortage of construction workers and the comparatively low uptake of apprenticeships (in part due to low levels of pay), this measure should be explored to recruit and retain more suitably qualified workers into such sectors.

## Labour's Proposals

1. The National Minimum Wage (NMW) should be €11.25 in 2021, rising to two-thirds of median earnings by 2023 (currently estimated as €13.45/hour).
2. Ireland has far too many workers on low pay, with one of the highest proportions of workers on low pay (23%) in the EU or OECD<sup>1</sup>.
3. In terms of market inequality, Ireland is one of the most unequal countries in Europe<sup>2</sup>. However, the introduction of the 2016 NMW rate change resulted in a decrease in wage inequality<sup>3</sup>, with a reduction of hourly wage inequality between high and low earners by up to 8%.
4. Although Ireland has a relatively high NMW by international standards, this is significantly undermined by the high cost of living (particularly pronounced in Dublin), with price levels for consumer goods and services the 2<sup>nd</sup> highest in the EU<sup>4</sup>.
5. Women are more likely than men to be in a low paid job and raising the NMW will help close Ireland's gender pay gap, which is 13.9%<sup>5</sup>.
6. All Employment Regulation Orders (EROs), Registered Employment Agreements (REAs) and Sectoral Employment Orders (SEOs) should be revised to ensure that the minimum rates of pay that they provide are at least €1 above the National Minimum Wage.
7. Small businesses that cannot afford to pay the NMW should be encouraged to use the 'inability to pay' mechanisms that have existed since 2000 but which few, if any, employers have used. An evidence base to support the 'inability to pay' mechanisms should also be developed by the Low Pay Commission.

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<sup>1</sup> <https://data.oecd.org/earnwage/wage-levels.htm>

<sup>2</sup> [https://www.tasc.ie/assets/files/pdf/18457\\_inequality\\_in\\_irelandinnerv2.pdf](https://www.tasc.ie/assets/files/pdf/18457_inequality_in_irelandinnerv2.pdf)

<sup>3</sup> <https://assets.gov.ie/40388/2f7092f324644333bf38e3e4799aeea5.pdf>

<sup>4</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php/Comparative\\_price\\_levels\\_of\\_consumer\\_goods\\_and\\_services#Overall\\_price\\_levels4](https://ec.europa.eu/eurostat/statistics-explained/index.php/Comparative_price_levels_of_consumer_goods_and_services#Overall_price_levels4)

<sup>5</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php/Gender\\_pay\\_gap\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_pay_gap_statistics)

## **The National Minimum Wage should be €11.25 per hour by the January 1<sup>st</sup> 2021, and should reach two-thirds of median earnings by 2023**

- The next Government must deliver a national minimum wage of €13.45 by 2023, starting with an increase to €11.25 in 2021 and climbing to at least the rate of a Living Wage by 2022.
- The NMW (currently €10.10/hour) should be raised to €11.25 in 2021, and should steadily increase to reach two-thirds of median earnings by 2023. By current estimates, the NMW should be at least €13.45/hour by 2023.
- In June 2000, when the first National Minimum Wage (NMW) rate was introduced and set by the then Minister for Enterprise, Trade and Employment, Mary Harney, it was set at a level that corresponded to approximately two-thirds of the median average income.
- This level was a recommendation of the report of Ireland's National Minimum Wage Commission, published in April 1998.
- The initial rate was £4.40, which was 73.33% of the median hourly earnings of £6.00<sup>6</sup>.
- However, following that initial rate, the NMW has failed to keep up with rises in median average incomes, as illustrated below.

<b>Year</b>	<b>Median Earnings (Eurostat)<sup>7</sup></b>	<b>National Minimum Wage</b>	<b>NMW as % Median Earnings</b>
2006	€16.81	€7.65	45.5%
2010	€18.25	€8.65	47.4%
2014	€20.16	€8.65	42.9%

- Two-thirds (66.6%) of the median earnings in 2014 was €13.43. If the NMW had kept pace with median hourly earnings, it would have reached this level by 2014.
- Labour is proposing a three-year process to bring the NMW back in line with median earnings.
- Data for the Median Earnings in 2018 is not yet available (this data is published based on a Eurostat survey carried out every four years. CSO statistics on median earnings from other sources end at 2014). Labour's calculations are based on the 2014 Eurostat data on median earnings, illustrated in the next table.

<sup>6</sup> <https://www.eurofound.europa.eu/publications/article/1998/ireland-set-to-introduce-a-national-minimum-wage-in-2000>

<sup>7</sup> [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn\\_ses\\_pub2s&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn_ses_pub2s&lang=en)

Year	Median Earnings 2014 (Eurostat) <sup>8</sup>	National Minimum Wage	NMW as % 2014 Median Earnings
2020	€20.16	€10.10 (current)	50.1%
2021	€20.16	€11.25	55.8%
2022	€20.16	€12.30*	61.0%
2023	€20.16	€13.45	66.7%

\* €12.30 is the current Living Wage

- The above calculations should be revised when more recent data on median earnings is available.
- The Government should ensure annual data on median earnings is available and published in a timely manner to inform this and other important industrial issues.

### **A review should be undertaken to examine the feasibility of extending the NMW to those in a statutory apprenticeship**

- People enrolled in a statutory apprenticeship are currently *not* entitled to the NMW.
- Consequently, an apprentice in Year 1 of their given craft (e.g. carpenter) can earn as little as €6.48 per hour, with those in Year 2 earning only €9.72 per hour<sup>9</sup> - both below the NMW.
- Given the critical labour shortages in the construction sector and the comparatively low uptake of apprenticeships by international standards, an Oireachtas report has recommended that “salary scales in ETBIs should be sufficient to attract and retain suitably qualified staff”<sup>10</sup>
- The Low Pay Commission should commission a report examining the feasibility of extending the minimum wage to those within a statutory apprenticeship.

### **Labour’s Principles on the National Minimum Wage**

- The purpose of the National Minimum Wage should be to raise the incomes of workers, so that no full-time worker is in ‘low pay’ employment.
- Full-time employment (39 hours/week) should pay enough for a worker to have a decent minimum standard of living.

<sup>8</sup> [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn\\_ses\\_pub2s&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn_ses_pub2s&lang=en)

<sup>9</sup> [https://www.workplacerelations.ie/en/news-media/workplace\\_relations\\_notices/minimum-rates-of-pay-for-workers-in-the-construction-and-electrical-contracting-sectors-set-to-rise-by-2-7-in-the-autumn-as-minister-breen-gives-go-ahead-for-new-pay-rates-following-labour-court-recommendations.html](https://www.workplacerelations.ie/en/news-media/workplace_relations_notices/minimum-rates-of-pay-for-workers-in-the-construction-and-electrical-contracting-sectors-set-to-rise-by-2-7-in-the-autumn-as-minister-breen-gives-go-ahead-for-new-pay-rates-following-labour-court-recommendations.html)

<sup>10</sup> [https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/joint\\_committee\\_on\\_education\\_and\\_skills/reports/2019/2019-09-25\\_report-on-hearings-relating-to-the-uptake-of-apprenticeships-and-traineeships\\_en.pdf](https://data.oireachtas.ie/ie/oireachtas/committee/dail/32/joint_committee_on_education_and_skills/reports/2019/2019-09-25_report-on-hearings-relating-to-the-uptake-of-apprenticeships-and-traineeships_en.pdf)

- All workers engaged in an internship (excluding those connected to a course of study) should be entitled to at least the National Minimum Wage provided they are doing work of value to the employer, have a similar level of supervision and responsibility as the rest of the workforce
- Anyone working overtime should gain a benefit above and beyond a minimum living standard.
- Recent international research has generally concluded that the minimum wage has close to zero effect on employment<sup>11</sup>.
- Eurostat defines 'low pay' as pay below two-thirds of median earnings.
- A 'decent minimum standard of living' should be understood, in part, in terms of the goods and services that a person needs to live in a way that is recognised by other people in society as a dignified and decent lifestyle<sup>12</sup>.
- The Government should publish an annual report on the level of goods and services a single worker, working full-time on the NMW, can afford, including information on the price of these goods and services in typical shops and other businesses to ensure the National Minimum Wage is a true Living Wage.
- Sub-minima rates of the NMW are unfair and unjustified, and should be abolished.
- Comprehensive data on the use by employers of the 'inability to pay' clause should be collated and published annually. If it transpires that categories of employer are systematically unable to pay higher NMW rates, additional policy measures should then be considered for those sectors or categories of employment.
- Stronger collective bargaining rights and other mechanisms to strengthen the position of workers relative to employers and business owners should be introduced.

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<sup>11</sup> <https://www.imf.org/external/pubs/ft/fandd/2019/03/pdf/does-a-minimum-wage-help-workers-basics.pdf>

<sup>12</sup> See, for example, <https://www.budgeting.ie/>, <https://www.livingwage.ie/>