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Introduction

The Society of St Vincent de Paul (SVP) is the largest charity of social concern in Ireland, responding to over 190,000 requests for assistance in 2021. Our mission is to provide friendship and support to those experiencing poverty and social exclusion, to promote self-sufficiency, and to work for social justice. SVP welcomes the opportunity to respond to the Low Pay Commission’s consultation on the National Minimum Wage.

This submission to the Low Pay Commission emphasises the importance of the introduction of a Living Wage that is benchmarked to the cost of living, as measured by the Minimum Essential Standard of Living. As well as being a measure of decency, setting a minimum wage that covers the cost of living would contribute to the reduction of hardship and deprivation experienced by too many workers in Ireland today. Unless the National Minimum Wage increase at least matches inflation, low paid workers will see a real-term pay cut this year.

Context

With the impacts of the Covid-19 pandemic and rising inflation, low paid employees and their families require the commitment to introduce a Living Wage to be fulfilled through a significant increase to the National Minimum Wage. SVP welcomed the

commitment in the Programme for Government to introduce a Living Wage in the lifetime of this government. Progress must now be made on this promise.

The financial implications of the pandemic fell hardest on workers most at risk of a financial shock: research commissioned by SVP found that the financial impacts of the pandemic were felt hardest by those already struggling financially before the pandemic, by one parent families, those out of work due to illness and disability, people who are unemployed, and renters.¹ Employees who worked in sectors such as hospitality where low pay is pervasive were either unable to work for extended periods or whilst at work were exposed to increased risk in their role. This led many to question the inadequate pay (and other employment conditions) of vast numbers of employees in the Irish economy, where 1 in 10 people are paid at the statutory minimum.

Last year's 2.9% increase to the Minimum Wage did not represent the step change needed, or promised, and many workers continue to receive a wage that does not cover the cost of living: for 2022 the NMW will only cover 81% of the essential cost of living for a full-time worker.² The impact of high inflation – which has hit the lowest income households hardest – means this inadequacy will continue to be felt as households in the lowest income quintile experiences 6.1% price inflation in 2021 compared to 5.7% overall.³

A Survey commissioned by SVP and carried out by Red C in January 2022 showed the impact of recent energy price rises⁴.

¹ SVP (2021) 'Cutting Back and Falling Behind?' Available at: <https://www.svp.ie/cuttingbackandfalling> and SVP (2022) 'The Cost of Surviving?' Available at: https://issuu.com/svp15/docs/red_c_2022_report_final/1?e=0

² Vincentian Partnership for Social Justice (2021) 'Budget 2022: MESL Impact Briefing'. Available at: https://www.budgeting.ie/download/pdf/budget_2022_-_mesl_impact_briefing.pdf

³ Social Justice Ireland (2022) 'Lower income, rural and older households most impacted by rising inflation'. Available at: <https://www.socialjustice.ie/article/lower-income-rural-and-older-households-most-impacted-rising-inflation>

⁴ SVP (2022) 'The Cost of Surviving?' Available at: https://issuu.com/svp15/docs/red_c_2022_report_final/1?e=0

- For full time workers, 34% had cut back on essential heating and electricity, 15% had cut back on other essentials, eg. Food, and 13% had used savings or gone into debt to pay bills.
- For part-time workers, 38% had cut back on essential heating and electricity, 17% had cut back on other essentials, eg. Food, and 14% had used savings or gone into debt to pay bills.

The survey sought to understand how respondents expected to manage financially over the next six months.

- For full-time workers, 37% are worried (very worried/quite worried) about their ability to meet households energy costs, 30% are worried about their ability to meet housing costs, 14% are worried about facing eviction or losing their home, 16% are worried about facing disconnection from utility supplier. 32% of full-time workers are worried about their ability to meet transport costs, the highest rate by work status.
- For part-time workers, 44% are worried about their ability to meet household energy costs, 34% are worried about ability to meet housing costs, 12% are worried about eviction or losing their home, 20% are worried about disconnection from utilities, and 31% are worried about transport costs.

SVP experience: low pay

Each year, SVP assists many individuals and households dealing with poverty and financial hardship whilst in work. Our members see clearly that whilst a vital route to financial independence, work that is not decent and paid fairly can present its own challenges. The importance of a wage that can meet the cost of living, allowing employees and their families to afford the essentials, is an essential first step to creating fair work.

In addition to wages, the withdrawal of certain social welfare supports from workers can leave people in precarious financial circumstances when additional expenses arise (a rental deposit, car repairs, periods of illness), or income reduced (through changing hours, seasonal work, temporary time out of work).

Ireland's social welfare system can exclude low pay workers from essential assistance. For example, limitations around the Exceptional Needs Payment mean many full-time workers on a low wage are not eligible for vital support for one off

costs, despite having no means to afford them out of weekly earnings. In addition, there is no in-work income support payment for households without children which would be equivalent to the working family payment, meaning for adult-only households income levels are dictated by the market and minimum wage policy.

In 2019, SVP surveyed members on their experience of assisting people in in-work poverty, as discussed in Box 1.

Box 1: 2019 SVP Member Survey on In-work Poverty⁵

When asked about the benefits experienced by households with an adult in work the importance of work to self-esteem and mental health was prominent, alongside chances to socialise and ‘keep busy’. ‘Setting an example’ to children was mentioned repeatedly, as was work offering ‘hope’ to progressively improve the family’s finances. The material benefits of earnings were also raised – the chance to earn money for food and clothing – though not as often as other benefits.

Unfortunately, work for low-income families could also bring strain and precarity. When asked about the challenges facing households in low paid work, the costs of work including transport and childcare featured prominently, and the worry of balancing inflexible employment with the responsibilities of parenting. The difficulty of managing in an ‘emergency’ was mentioned, with money already tight meaning unexpected costs like a broken-down car could lead to ‘panic’.

A theme that ran through the answers was the unpredictability of pay compared to social welfare income: seasonality, the decisions of employers, reliable transport to reach work, and sickness of adult or child were all factors that could lead to a sudden, unpredictable drop in earnings. Social welfare on the other hand would come in despite these unavoidable events.

Healthcare and health issues were notable amongst the survey answers. While the mental health benefits of work stood out so too did the worry of losing access to a medical card and having to balance the benefits of work with the loss of other social

⁵ The Society of St Vincent de Paul has over 10,000 volunteers working in 1,200 local groups on the island of Ireland (North and South). In total, 134 local groups or “conferences” responded to the survey on in-work poverty. Each conference answered the questions based on their experience of supporting households in need. While the survey gives insight into SVP volunteers views and experiences, it is not a representative sample.

protections. Time off sick (or caring for sick children) could lead to families who had been coping no longer managing.

Of the 134 respondents who answered the closed question ‘Why are these households struggling to manage’, the number one answer (ticked by 78 per cent of respondents) was ‘Low paid work’. When asked ‘What would improve the situation for the households in employment you are visiting’ three answers came top with 69 per cent of respondents each choosing: ‘Increase in the National Minimum Wage’; ‘More supports for education or training’; and ‘More supports for Childcare’, followed less than 1 per cent behind by ‘More flexible social welfare system.’

The picture painted by these answers are of families working hard to balance the significant benefits of employment with the strain of low paid work. Work offered ‘hope’ ‘dignity’ and ‘self-esteem’, but it could also lead to losing access to medical services and many other safety-net benefits, and ‘panic’ if an unavoidable event threatened to interrupt the working day.

In-work poverty

Whilst work can still be a route out of poverty, this is no guarantee, as demonstrated by Ireland’s in-work poverty rate of 6.2%, or approximately 134,000 people⁶. This varies significantly by household type, as shown in Figure 1, with one parent families at highest risk, followed by single adults. The rates show clearly the that being a single adult household, or a household with children, greatly increases the risk of in-work poverty.

⁶ Social Justice Ireland (2021) ‘More than 660,000 people in poverty in 2020, over 210,000 are children.’ Available at: <https://www.socialjustice.ie/article/more-660000-people-poverty-2020-over-210000-are-children>

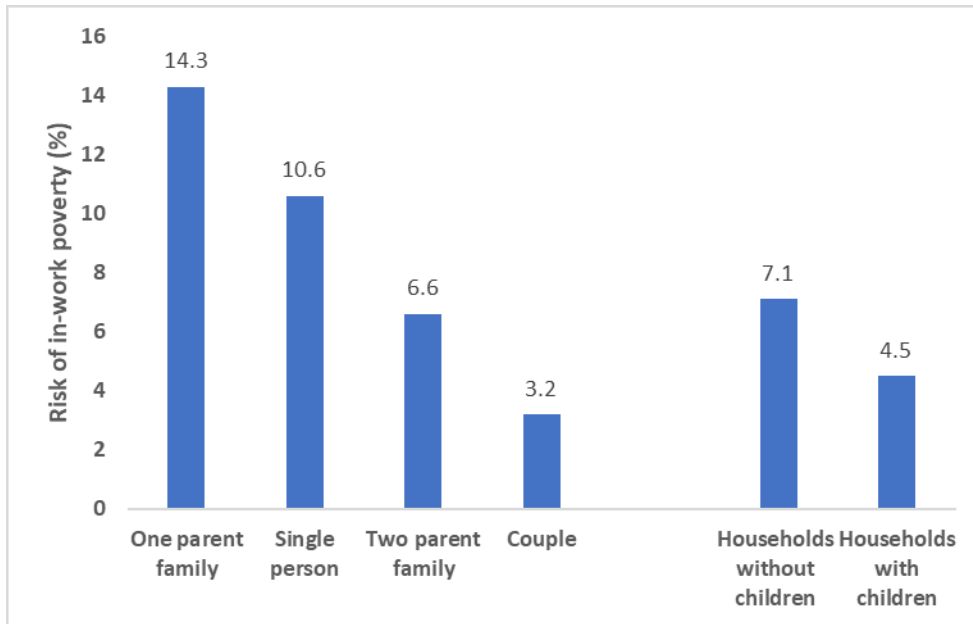


Figure 1. In-work poverty rates by household type, 2020. Source: SILC ilc_iw02⁷

Newly available data from the CSO reveals the impacts of housing costs on workers risk of poverty, with poverty rates after housing costs of 9.7%, 3.4 percentage points higher than the rate before housing costs.⁸ In the LPC’s own examination of the links between housing and minimum wage work, it finds that 43.9% of minimum wage workers are living in rented accommodation.⁹ For workers earning above the minimum wage, only 28.7% rent. Of the 43.9% of minimum wage workers who rent, the majority rent privately, and therefore face the high and increasing levels of rent associated with the private rented sector.

The risk of in-work poverty has steadily remained around 3 times higher for part-time workers than full-time workers¹⁰. Maitre et al. (2021) for the ESRI have found that full-time work, rather than any work, is essential in moving households with children out of poverty.¹¹ This demonstrates both the importance of hours worked in determining

⁷ Due to a break in series between 2019 and 2020, we have not included trend data.

⁸ CSO (2021) Survey of Income and Living Conditions, Table 3.8. Available at: <https://www.cso.ie/en/releasesandpublications/ep/p-silc/surveyonincomeandlivingconditionssilc2020/povertyanddeprivation/>

⁹ Low Pay Commission (2021) ‘Low Pay Commission Annual Report 2021’. Available at: <https://www.gov.ie/en/publication/a8e07-low-pay-commission-annual-report-2021/>

¹⁰ EU-SILC survey, ilc_iw07

¹¹ Maitre et al, (2021) ‘The dynamics of child poverty in Ireland’

poverty risk, and the need to address the reasons behind part-time work resulting in in-work poverty, considering that for many households part-time work is a suitable employment pattern give care and family responsibilities. NESc, in their in-depth examination of the social welfare system and its interactions with work, recommend that part-time work be considered ‘sufficient’ for many of those moving from unemployment to work, as this would ‘reflect more accurately the work sought by women and many in atypical employment’.¹²

In SVP’s experience, activation policies that are not sufficiently focussed on decent work that is sustainable for the individual can lead to poor outcomes. This is the case for one parent families, the group we support most often at SVP, who have been subject to increasing conditionality since the recession. This has led to increases in rates of in-work poverty rates for the group as many of the roles available have not enabled a move out of poverty.

Low pay in Ireland

The cost of living in Ireland (as calculated by comparative price levels of final consumption by private households) is 40% higher than the EU average¹³. This is the second highest level in the EU and follows Denmark (with the highest costs) by only 0.1%¹⁴. The gap between the EU average and Ireland has been steadily increasing over the last decade, increasing from 20% higher than average in 2010 to reach the current level of 40% higher than EU average.¹⁵

Ireland’s minimum wage is nominally the second highest in the EU in terms of monthly pay (out of countries with statutory minimums), however when accounting

¹² NESc (2020) ‘The future of the Irish Social Welfare System: Participation and Protection’. Available at: http://files.nesc.ie/nesc_reports/en/151_Future_Social_Welfare.pdf

¹³ CSO (2021) ‘Measuring Ireland’s Progress 2020 Table 2.13’ Available at: <https://www.cso.ie/en/releasesandpublications/ep/p-mip/measuringirelandsprogress2020/economy/#d.en.295637>

¹⁴ Ibid.

¹⁵ Ibid.

for purchasing power it drops to sixth highest¹⁶. In terms of hourly pay, Ireland is nominally the third highest in the EU: this would again drop according to the purchasing power that wages afford.

During a strong economic recovery since the financial crash – and predictions and indicators of a strong recovery from the pandemic – SVP believe that it is necessary to pursue a more ambitious NMW policy that seeks to improve the statutory wage floor.

Low paid workers:

In 2018 Ireland's low pay rate was 19.8%, meaning 1 in 5 employees earned less than €11.86 per hour.¹⁷ This proportion of low pay workers has been consistent over the last twenty years.¹⁸ While low paid workers are employed throughout the economy, some sectors have high concentration of low paid jobs, including Hospitality at over 53.6%.¹⁹ Women, young people, and people with temporary contracts are all at a higher risk of low pay than the EU average.²⁰

Research from 2015 shows that 36.5% of low paid employees were the sole earners in their household.²¹ 35.8% of low paid employees live in households that would have difficulty making ends meet, and two-thirds of low paid workers' households wouldn't be able to meet a significant unexpected expense.²²

The same research showed that half of single parent employees were low paid. In terms of housing tenure, 48% of working renters who paid below the market rate were low paid, and 38.7% of working renters who paid standard working rates.

¹⁶ Low Pay Commission (2021) 'Low Pay Commission Annual Report 2021'. Available at: <https://www.gov.ie/en/publication/a8e07-low-pay-commission-annual-report-2021/>

¹⁷ SIPTU (2021) 'Low Pay Republic' Available at: https://www.siptu.ie/media/media_22712_en.pdf

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

²¹ Collins, M. (2016) 'Earnings and Low Pay in the Republic of Ireland' Available at: https://www.maynoothuniversity.ie/sites/default/files/assets/document/CollinsLowPay_0.pdf

²² Ibid.

Considering the high cost of housing in Ireland, and the impact of HAP top ups, the inadequacy of these rates of pay is clear.

NMW workers:

The ESRI estimate that 9.6% of employees in Ireland are paid the minimum wage²³. Younger people, migrants, those with lower than tertiary education increase the risk of being paid the NMW. The research finds that NMW workers are distributed in households throughout the income scale, with 11.4% at risk of poverty. The LPC's annual report for 2021 has shown that women are also paid the NMW at a higher rate than men²⁴.

The ESRI have recently examined the impact of the 2016 increases in the NMW on earners and household incomes. They found that the increases reduced inequality by limiting the gap between high earners and low earners: without the increase the higher earners' wages were 4 times more than lower earners'; after the increase this decreased to 3.7 times.²⁵ This impact was strongest for younger workers, for whom the gap decreased by 24%. The research finds a more limited impact on overall household incomes as NMW earners are distributed throughout the income scale.

Research by the ESRI has shown that migrants, younger persons, those with lower educational attainment, part-time workers and employees with temporary contracts were less likely to move from minimum wage to higher paid work than Irish nationals, older workers, those with higher educational attainment, and full-time or permanent employees.²⁶ Other research by the ESRI has shown that minimum wage employees

²³ Redmond, P. et al (2021) 'A Comparative Assessment of Minimum Wage Employment in Europe' Available at: <https://www.esri.ie/system/files/publications/RS123.pdf>

²⁴ Low Pay Commission (2021) 'Low Pay Commission Annual Report 2021'. Available at: <https://www.gov.ie/en/publication/a8e07-low-pay-commission-annual-report-2021/>

²⁵ Redmond, P, Doorley, K. and McGuinness, S. (2021) 'The impact of Minimum Wage change on wages and household income' Available at: <https://www.esri.ie/system/files/publications/RB202104.pdf>

²⁶ Redmond, P., McGuinness, S., and Maitre, B. (2018) 'An examination of the Labour Market Transitions of Minimum Wage Workers in Ireland' Available at: <http://aei.pitt.edu/102131/1/RS75.pdf>

in Ireland are 10 percentage points less likely to be satisfied in their job than higher paid employees²⁷.

Benchmarking to the cost of living.

In 2016 the minimum wage increased by 5.8%, an increase that has not been replicated since, with subsequent increases around either 1 or 3 percent. The ESRI's recently published analysis of the impact of this change, finding that while workers' hours may have reduced marginally, there isn't evidence of job losses, and increases to the NMW led to increased take home pay overall²⁸. They examined the differential impact on firms who rely heavily on workers paid the NMW compared to firms with low levels of NMW workers, finding no evidence of these firms reducing how many people they employed, but some evidence of an increase in full-time hours, and a decrease in part-time hours.²⁹

The ESRI results echo similar findings from the UK which have not found large employment, wage or income effects³⁰ in the context of increases to the National Living Wage (the higher Minimum Wage rate for over 22s) of over 4% annually since its introduction in 2016, at which point the wage increased by 7.5% for all over 25s, due to trajectory towards meeting 2/3 of median earnings within a set time period.³¹ In 2020 the European Commission introduced a draft proposal for an 'Adequate Minimum Wage Directive' which was intended to tackle the various impacts of inadequate incomes and poor working conditions, such as in-work poverty and

²⁷ Redmond, P. et al (2021) 'A Comparative Assessment of Minimum Wage Employment in Europe' Available at: <https://www.esri.ie/system/files/publications/RS123.pdf>

²⁸ Redmond, P. and McGuinness, S. (2021) 'The impact of the 2016 Minimum Wage increase on average labour costs, hours worked and employment in Irish firms' Available at: https://www.esri.ie/system/files/publications/RS118_2.pdf

²⁹ Low Pay Commission (2021) 'Low Pay Commission Annual Report 2021'. Available at: <https://www.gov.ie/en/publication/a8e07-low-pay-commission-annual-report-2021/>

³⁰ Institute for Fiscal Studies (2021) 'The impact of the National Living Wage on wages, employment and household incomes.' Available at: <https://ifs.org.uk/publications/15876#:~:text=Our%20central%20estimate%20of%20the,a%2095%25%20confidence%20interval%20spanning%20%E2%80%93>

³¹ <https://www.nibusinessinfo.co.uk/content/national-minimum-wage-previous-rates>

inequality.³²³³ The proposal cites a ‘threshold of decency’ to 50% of the gross average wage.³⁴ As a reference, the UK’s national living wage reached its target of 60% of median earnings by 2020 and now intends to reach 66% of median earnings by 2024.³⁵

In terms of wages, the EU’s proposed Adequate Minimum Wages Directive, and the UK’s National Living Wage, link (or propose to link) statutory minimums to a percentage of average national incomes as an indicator of adequacy. Recent discussions by the Joint Oireachtas Committee on Budgetary Oversight examined benchmarking social welfare rates examined the impacts that could be made between linking the minimum wage to various relative measures of earnings.³⁶

It is essential that in Ireland, the National Minimum Wage is benchmarked to a measurement of the cost of living, as provided by Minimum Essential Standard of Living research. Benchmarking to adequacy guarantees that workers on the statutory minimum can access a Minimum Essential Standard of Living and are not trapped in poverty, unable to meet Ireland’s rising cost of living even when working full-time. It would provide a safeguard that each year, employees in Ireland will be able to meet the necessary income for their essential needs and receive a fair wage for each hour’s work that recognises their contribution.

Without this, the cost of workers unable to afford the basics will continue – for workers themselves in terms of financial distress and precarity, for the state in supporting people unable to make ends meet, and for employers in terms of lost productivity.

³² NESc (2021) Shared Island: Projects, Progress and Policy. Sharing Knowledge and Lessons in Combatting Poverty’. Available at: http://files.nesc.ie/nesc_secretariat_papers/sec_28_si_poverty.pdf

³³ EU Monitor (2021) ‘Parliament’s action for fair minimum wages in the EU’ Available at: <https://www.eumonitor.eu/9353000/1/j9vvik7m1c3gyxp/vlllbg9xiuz8?ctx=vh94ercwm6u9>

³⁴ Social Europe (2021) ‘More ambitious European minimum-wages directive demanded.’ Available at: <https://socialeurope.eu/more-ambitious-european-minimum-wages-directive-demanded>

³⁵ <https://www.politics.co.uk/reference/national-minimum-wage/>

³⁶ <https://www.oireachtas.ie/en/press-centre/press-releases/20220216-committee-on-budgetary-oversight-to-complete-discussions-on-indexation-of-taxation-and-social-protection-system/>

Last year's NMW increase has been calculated by the Vincentian Partnership for Social Justice as offering an addition €8.37 per week to a full-time employee.³⁷ The implications of this are an increased depth of income inadequacy for single adults working fulltime on the minimum wage due to rising living costs. These calculations were done prior to recent months' experience of soaring inflation.

An employee living alone in Dublin would need to work 60 hours a week on the minimum wage to meet an adequate standard of living, with a standard full-time week leaving them €148 a week short of the income they would need.³⁸

An adequate minimum wage – and the supportive policies that go along with it, as discussed in the next section – enables truly sustainable employment, rather than work that traps people in financial hardship. For 2022 the NMW will only cover 81% of the essential cost of living for a full-time worker.³⁹ This means that workers must each week compromise on around a fifth of their needs. This leads to long term consequences for individuals and for wider society.

Wider policy considerations

It is important to acknowledge that while a Living Wage is only one facet of fair and good work, it is an essential foundation of any respectful and sustainable employment relationship. It is also an essential foundation for individuals to afford a decent standard of living.

Interactions with the social welfare system, hours worked and other employment conditions, the cost of living such as housing (and the cost of work, including childcare and transport) all impact on people's risk of living in in-work poverty, or – if adequately addressed – can enable people to afford a decent standard of living.

³⁷ Vincentian Partnership for Social Justice (2021) 'Budget 2022: MESL Impact Briefing'. Available at: https://www.budgeting.ie/download/pdf/budget_2022_-_mesl_impact_briefing.pdf

³⁸ Ibid.

³⁹ Ibid.

The Low Pay Commission's annual report from 2021/22 emphasised the importance of the social welfare system proactively accounting for increases in the NMW in order to avoid creating cliff-edges and effective earnings limits for workers.⁴⁰ SVP recommend the automatic indexation of key secondary welfare payments, benefits and supports including the Back to School Clothing and Footwear Allowance, the Medical Card, and the Working Family Payment. This should also apply to earnings disregards for relevant social welfare payments, including the One Parent Family Payment. Automatic indexation would future proof this process ensuring households maintain support year on year.

Monitoring must be maintained of the interaction between National Minimum Wage rates and eligibility for childcare subsidies under the National Childcare Scheme, requiring joint work between the Department of Social Protection and the Department of Children, Equality, Disability, Integration and Youth. Likewise, the interaction of NMW rates and differential rents in local authority housing must be guaranteed, so that tenants are not faced with continual rent increases linked to rising earnings.

SVP would support the Commission's own recommendation for a unit remit within the Department of Finance to ensure these consequences are accounted for before implementation: 'The Commission recommend that the complex interaction of tax, welfare and secondary benefits be examined to ensure that workers are not trapped in low pay. To do so a central unit in the Department of Finance should be given responsibility for coordination of means tests to ensure they are coherent'.⁴¹

While outside the direct remit of the Low Pay Commission, the importance of services to minimum wage adequacy and sustainable employment is important to note. For example, the transport required to reach work, especially for rural

⁴⁰ Low Pay Commission (2021) 'Low Pay Commission Annual Report 2021'. Available at: <https://www.gov.ie/en/publication/a8e07-low-pay-commission-annual-report-2021/>

⁴¹ Low Pay Commission (2021) 'Low Pay Commission Annual Report 2021'. Available at: <https://www.gov.ie/en/publication/a8e07-low-pay-commission-annual-report-2021/>Page 96

households reliant on a car, will come under pressure in 2022 due to rising fuel costs. Childcare continues to present significant and, in some cases, insurmountable barriers to work. The Vincentian Partnership has also shown that the interaction between housing support policy and the NMW can leave workers unable to afford a decent standard of living: both one and two parent households with an older child working on the NMW in a HAP tenancy would face inadequate incomes, compared to families living in social housing.⁴²

Conclusion

In the context of increases to the cost of living unseen for many years, it is vital that workers are offered a fair deal and the National Minimum Wage is increased substantially. The current gap of 19% between a minimum wage and a Living Wage leads to weekly compromise and financial hardship. Unless the National Minimum Wage increase at least matches inflation, low paid workers will see a real-terms pay cut this year.

It is now time to begin the progress towards a Living Wage that benchmarked against a Minimum Essential Standard of Living. Without linking the legal minimum to what it actually affords to live in Ireland, workers will continue to be offered a wage they cannot live on.

Recommendations

- 1. The National Minimum Wage should be increased for 2023, taking into account the significant increases in the cost of living being experienced. The Low Pay Commission should pursue increases in living with benchmarking the NMW to the rate of the Living Wage, as calculated accorded to a Minimum Essential Standard of Living.**

⁴² Vincentian Partnership for Social Justice (2021) 'Budget 2022: MESL Impact Briefing'. Available at: https://www.budgeting.ie/download/pdf/budget_2022_-_mesl_impact_briefing.pdf

2. Increases to the National Minimum Wage must be accompanied by indexation of the social welfare and tax systems to ensure employees are able to take home benefits arising from an increased rate. Between departments (including Departments responsible for childcare and housing) there must be ongoing monitoring to maintain eligibility and support.