

Low Pay Commission

Submission on the National Minimum Wage



March 2016

Contents

1. Summary & Recommendations	2
2. Why low pay and economic inequality matter	6
3. Low pay in Ireland	9
4. Income adequacy of the minimum wage	15
5. Cost of living in Ireland.....	17

1. Summary & Recommendations

Minimum wage

- TASC is of the view, based on its research, that the legal minimum wage in Ireland as it is currently constructed, and at its current level, is inadequate in providing low-paid employees with sufficient income to achieve an acceptable minimum standard of living.¹
- The importance of a legally binding minimum wage for many households is shown by the fact that in almost 40% of cases, workers earning the minimum wage are the only earners in their household.

Income and economic inequality

- High levels of economic inequality² should be of major concern due to the detrimental impacts on societal well-being, while recent research also highlights the destabilising impact of growing inequalities and low pay on the performance of the economy.³
- Income inequality is rising in Ireland: more than half of the increase in gross incomes in the last five years has gone to the top 10% and nearly 18% of the total has gone to the top 1%. While low paid sectors of the economy have seen declining wages.⁴
- The rate of material deprivation of minimum wage workers is 31.8%, which is over 10% higher than the general rate of employees experiencing deprivation (19.8%).⁵ In households with just one person at work the ‘at risk of poverty rate’ increased from 13.4% to 15.9% between 2013 and 2014.⁶
- It is essential that the Low Pay Commission takes into account the important role played by the minimum wage in addressing income inequality and the way in which the minimum wage interacts with other measures that mitigate economic inequalities such as social welfare, public services, taxation, and the cost of living.⁷
- A sustainable recovery requires that improved economic performance⁸ is rendered consistent with reductions in economic and income inequality.

¹ TASC is part of the Living Wage Technical Group which was established in March 2014 and has produced a number of research papers that highlight the inadequacy of the minimum wage. These papers are available at www.livingwage.ie

² Income inequality generally refers to either gross income (market) or net income (post tax and social transfers). Economic inequality includes broader measures of the distribution of resources in society and the economy. In order to understand economic inequality TASC argues that we have to look at seven key factors including income, wealth, public services, tax, capacities, family composition and the cost of goods and services (TASC, 2015, Cherishing All Equally).

³ Engelbert Stockhammer, ‘Rising inequality as a cause of the present crisis’, Cambridge Journal of Economics, 2015. Era Dabla-Norris et al., ‘Causes and consequences of income inequality’, IMF, 2015.

⁴ Cormac Staunton and Rory Hearne, ‘Budget 2016 Equality Analysis’, TASC, November 2015.

⁵ Michéal Collins, ‘A profile of those on the minimum wage’, NERI Working Paper, 2015.

⁶ CSO, ‘Survey on Income and Living Conditions (SILC) 2014’, November 2015.

⁷ Nat O’Connor and Cormac Staunton, ‘Cherishing all Equally: Economic Inequality in Ireland’, TASC, 2015.

⁸ NERI, ‘Quarterly Economic Observer’, Spring 2016.

Low pay and low hours employment

- There are serious issues of low hours of employment in low paid sectors of the Irish economy. Basing assessments of the adequacy of the minimum wage on just the hourly wage rate is therefore inadequate.⁹
- The current minimum wage only defines a minimum hourly rate and therefore it does not guarantee the provision of a sufficient weekly, monthly or annual wage/salary as it does not take account of the hours worked.
- Five sectors ('Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles', 'Accommodation and Food Service Activities', 'Administrative and Support Service Activities', 'Arts, Entertainment and Recreation' and 'Other Service Activities') have the lowest levels of pay in the Irish economy. The 'Accommodation and Food Service Activities' sector has, for example, an average wage that is almost 10% lower than the minimum wage.¹⁰

Social welfare and low hours employment

- The complex qualifying criteria and changing eligibility criteria for social welfare benefits for those on low hours work can leave them with insufficient income.¹¹
- The role of means tested social welfare transfers (FIS, unemployment benefits and other in-work transfers) is highlighted by the fact that 37% of minimum wage workers have a full means tested medical card which can be lost as family income rises. For example, the weekly wage income limits for eligibility for a medical card¹² for a couple or lone parent with two children is approximately €342 per week which is equivalent to a full time weekly wage on the minimum wage. Medical card eligibility also includes savings and other income so this demonstrates the precarious situation facing some workers in taking up additional hours with the potential loss of benefits such as the medical card.
- As individuals transition from unemployment to employment they experience losses of welfare payments and entitlements, gains in earned gross income and they begin to pay income taxes and social insurance contributions on their earned income. The participation tax rate attempts to measure the collective impact of these experiences by estimating by how much changes to taxes and benefits reduce the financial gain of moving into work. A participation tax rate of 50% implies that half of the gains in earnings from commencing work are lost through changes to taxes and benefits. Therefore, high participation tax rates indicate that individuals or households could be in poverty traps if they take up employment. For Ireland a one earner married couple faces an 81% tax participation rate if they are on 67% of the average wage, a one earner married couple with two children face 66%, and a lone parent 27%. The figure for workers on the average wage of a one earner married couple with two children rises to 68%; and for lone parents to 90%.¹³

⁹ TASC, Working Conditions in Ireland Project, 2016.

¹⁰ CSO, 'Earnings and Labour Costs Quarterly', May 2015.

¹¹ Vincentian Partnership for Social Justice, 'Low hour work and income adequacy', MESL Working Paper, March 2016.

¹² http://www.citizensinformation.ie/en/health/entitlement_to_health_services/medical_card_means_test_under_70s.html

¹³ NERI, Quarterly Economic Facts, December 2015.

Cost of living

- The cost of living in Ireland is now 25% higher than the EU average.¹⁴
- In relation to housing costs, for example, average rents are unaffordable for low income workers. The average monthly rent for a house in Dublin is almost 85% of the monthly full time minimum wage of €1546.30 (nationally the average rent is 60% of the monthly earnings for someone on a full time minimum wage income).¹⁵
- Housing costs are therefore likely to be a significant factor in pushing low income workers, such as those on the minimum wage, into poverty and deprivation.

Recommendations:

The minimum wage must be assessed in terms of what it can do to address Ireland's problem of growing income and economic inequality

- It is essential that the Low Pay Commission takes into account the important role played by the minimum wage in addressing income inequality and the way in which the minimum wage interacts with other measures that mitigate economic inequalities such as social welfare, public services, taxation, and the cost of living.¹⁶
- The Low Pay Commission should consider what other factors in government policy with regard to social welfare, income tax, and public services provision need to be addressed by government in seeking to eliminate low pay and in-work poverty; in particular, to address the issue of poverty traps which arise from means testing for secondary welfare benefits and employment status.
- The Low Pay Commission should investigate the effectiveness of current mechanisms for ensuring the monitoring of implementation and enforcement of the minimum wage.

The Low Pay Commission should set the living wage as a key target

- The Low Pay Commission should be tasked with the responsibility of recommending and calculating a living wage¹⁷ and outlining the steps necessary to achieve it. The concept of a living wage is intended to establish an hourly wage rate that will provide employees with sufficient income to achieve an agreed acceptable minimum standard of living. In that sense it is an income floor, representing a figure which allows employees to afford the essentials of life. The Low Pay Commission should undertake quantitative and qualitative research to establish a socially acceptable minimum standard of living for workers in Ireland.

¹⁴ Eurostat.

¹⁵ PRTB.

¹⁶ Nat O'Connor and Cormac Staunton, 'Cherishing all Equally: Economic Inequality in Ireland', TASC, 2015.

¹⁷ A Living Wage for Ireland was calculated by the Living Wage Technical Group, which was established in March 2014 and includes TASC, NERI, and others as part of the group. €11.50 per hour is what the Living Wage Technical Group have calculated as the gross hourly salary required by a single adult working full-time in Ireland to afford a socially acceptable minimum standard of living, compared to the current minimum wage of €9.15/hr.

- While it is obviously the case that 'ability to pay' and ensuring a competitive economy are key factors to be taken into account in establishing the legal minimum wage, TASC proposes that of equal importance to the Low Pay Commission in calculating the minimum wage should be the quality of life and standard of living for working people. It is TASC's view that these objectives would be met by Ireland ensuring that the legal minimum wage is a living wage.
- The Low Pay Commission should include the concept of a living wage as a key target and explore how it can be assessed and reached over a reasonable period of time when making its recommendation of an appropriate minimum wage. This will also require progress towards ensuring that workers have sufficient weekly hours of work to enable them achieve a real living wage. Therefore, the Commission should consider how the inadequacy of hourly minimum rates as a mechanism can be addressed for those on short or irregular working weeks/contracts of employment.
- The Low Pay Commission should investigate how the achievement of a living wage for low paid workers also interacts with the requirement that Ireland should invest in the provision of public services which requires the maintenance and extension of its tax base.

2. Why low pay and economic inequality matter

The role of the minimum wage in addressing poverty and income inequality needs to be assessed through an understanding of the wider impact of economic inequality.

Recent research highlights the destabilising impact of growing inequalities and low pay on economic performance. A shift in the distribution from lower to higher income groups – to those who consume a smaller proportion of their incomes – depresses aggregate demand and encourages financial deregulation to plug the spending gap. This very process lies at the root of the global financial and economic crisis of 2008.¹⁸

A recent study by the IMF showed that when the top 20% increase their share of income, at the expense of those in the middle and at the bottom, this causes the rate of economic growth to fall. In addition to the adverse effects on consumption, the IMF found that inequality dampens investment, and hence growth, by fuelling economic, financial, and political instability.¹⁹

Richard Wilkinson and Kate Pickett (authors of the *Spirit Level: Why More Equal Societies Almost Always Do Better*²⁰) have pointed out that high levels of income and economic inequality should be of major concern due to the detrimental impacts on societal well-being. It is not just of concern in relation to material poverty, but also the negative impacts it has on people's sense of self-esteem and the knock-on detrimental effects on their physical and mental health.

Rising income inequalities are strongly related to the concentration of wealth and the political influence it can bestow. The top 10%, and in particular the top 1%, have the political weight to fight against economic policies that will impose greater social responsibility upon them. There is also a growing concern about the disproportionate role that wealth plays in controlling the print and electronic media, and the consequent potential for a distortion of political and economic choices.

TASC argues, therefore, that it is essential that assessments of the minimum wage take into account its important role in addressing income inequality and the way in which the minimum wage interacts with other measures that mitigate economic inequalities such as public services, taxation, and the cost of living.²¹

Income and economic inequality in Ireland

Standard measures of income inequality are often cited as evidence that economic inequality is not a significant issue in Ireland. Ireland's net Gini coefficient²², for example, is 30.7, as compared to a net Gini of 30.9 in the EU 18. Ireland's net Gini has been relatively stable over the past decade or so, if increasing somewhat in recent years. However, standard measures of income inequality such as the net Gini coefficient and the income quantile share ratio are blind to the structure of the economy – in particular, the balance between the public and private provision of necessary goods and services. A given net income will go a lot further in meeting people's needs in a country where

¹⁸ Engelbert Stockhammer, 'Rising inequality as a cause of the present crisis', Cambridge Journal of Economics, 2015.

¹⁹ Era Dabla-Norris et al., 'Causes and consequences of income inequality', IMF, 2015.

²⁰ Richard Wilkinson and Kate Pickett, *The Spirit Level*, Allen Lane, 2009.

²¹ Nat O'Connor and Cormac Staunton, 'Cherishing all Equally', TASC, 2015.

²² The Gini coefficient is a statistical index that captures the distribution of income. The index is scaled between 0 and 100, where 0 represents perfect equality (everyone has the same income) and 100 represents perfect inequality (one person has all the income).

vital goods and services are heavily subsidised or provided free of charge via the state. Ireland’s high cost of living (25% higher than the EU average according to Eurostat) and poor public provision of basic necessities – childcare, healthcare, education, housing, and transport – means that resources are more unequally distributed than the standard measures would suggest.

It is also instructive to look at trends in the underlying level of gross income inequality (pre-tax and transfers). The level of gross income inequality tells us something about the balance of power in the workplace, where incomes are initially distributed between wages and profits, and the level of employment in the economy. The level of (un)employment determines the numbers who are earning an income in the first place, and also affects the bargaining position of workers in wage negotiations with their employers.

The gross Gini coefficient in Ireland is 45.6, as compared to 36.9 in the EU 18. This shows how hard the tax and transfer system has to work to move Ireland closer to European averages. Figure 1 below tracks the evolution of the gross income share of the top 1% and bottom 90% over recent decades:

Rising income inequality in Ireland

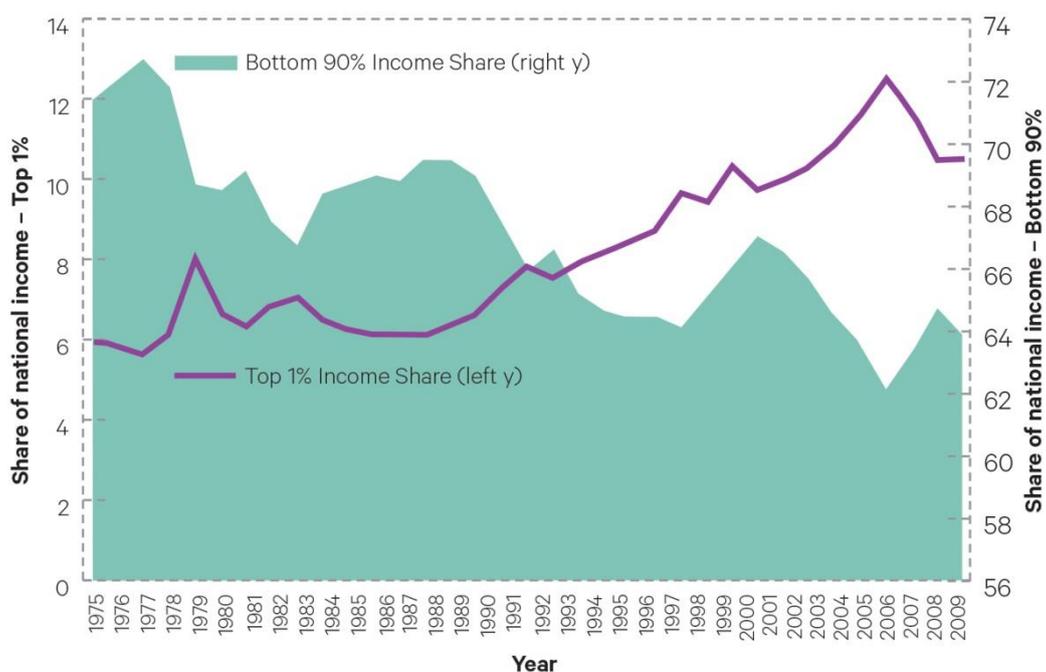


Figure 1: Income share of bottom 90% and top 1% (Source: WWID)

It is clear from Figure 1 that the distribution of gross incomes in Ireland has become significantly more unequal since the 1980s, driven by a decline in labour’s share of national income.²³ This trend has continued throughout the recovery, as can be seen in the table below:

²³ Paul Sweeney, ‘An Inquiry into the Declining Labour Share of National Income and the Consequences for Economies and Societies’, Journal of the Statistical and Social Inquiry Society of Ireland, 2013.

Distribution of income growth, 2011-2016

Group	Percentage of total increase in gross income received
Bottom 50%	5.77%
Middle 60%	30.31%
Top 10%	56.35%
Top 1%	17.65%

Table 1: Income growth shares (Source: Revenue)

Total gross income increased by €21bn between 2011 and 2016. Of this, more than half (€11.8bn) has gone to the Top 10% and nearly 18% of the total has gone to the Top 1%. The change in income share over the same period is even more revealing:

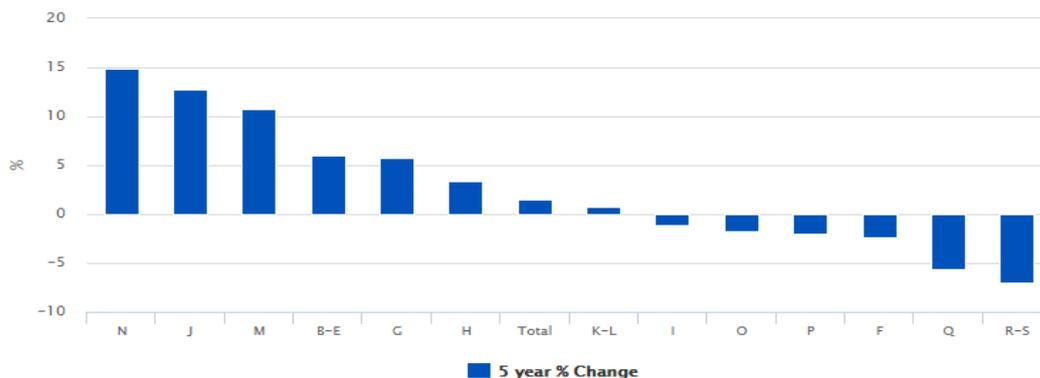
Income share, 2011-2016

Group	% share of income 2011	% share of income 2016	percentage point change in income share	percentage change in income share
Bottom 50%	17.81	15.22	-2.6	-15%
Middle 60%	52.26	46.02	-6.2	-12%
Top 10%	33.93	38.75	4.8	14%
Top 1%	9.11	10.95	1.8	20%

Table 2: Change in income share (Source: Revenue)

We can provide a sectoral analysis of these trends by contrasting the rise in earnings over the last five years for higher paid sectors with the fall in earnings for the lowest paid sectors (see Figure 2 below). This again shows the growth in income inequality in Ireland in recent years and is a worrying trend.

Percentage change in average weekly earnings by sector, Q4 2010 to Q4 2015



Source: CSO Ireland

Total	All Sectors	K-L	Financial, insurance and real estate activities
B-E	Industry	M	Professional, scientific and technical activities
F	Construction	N	Administrative and support service activities
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	O	Public Administration and defence; compulsory social security
H	Transportation and storage	P	Education
I	Accommodation and food service activities	Q	Human health and social work activities
J	Information and communication	R-S	Arts, entertainment, recreation and other service activities

Figure 2: % change in average weekly earnings (Source: CSO)

3. Low pay in Ireland

At 23%, Ireland has among the highest incidence of low paid jobs in the OECD. The low paid are mainly women, who represent 60% of all low paid workers in Ireland.²⁴ This high level of low pay amongst workers contributes to Ireland's high level of gross income inequality.

²⁴ NERI, Quarterly Economic Observer, Spring 2015.

Incidence of low pay in OECD countries

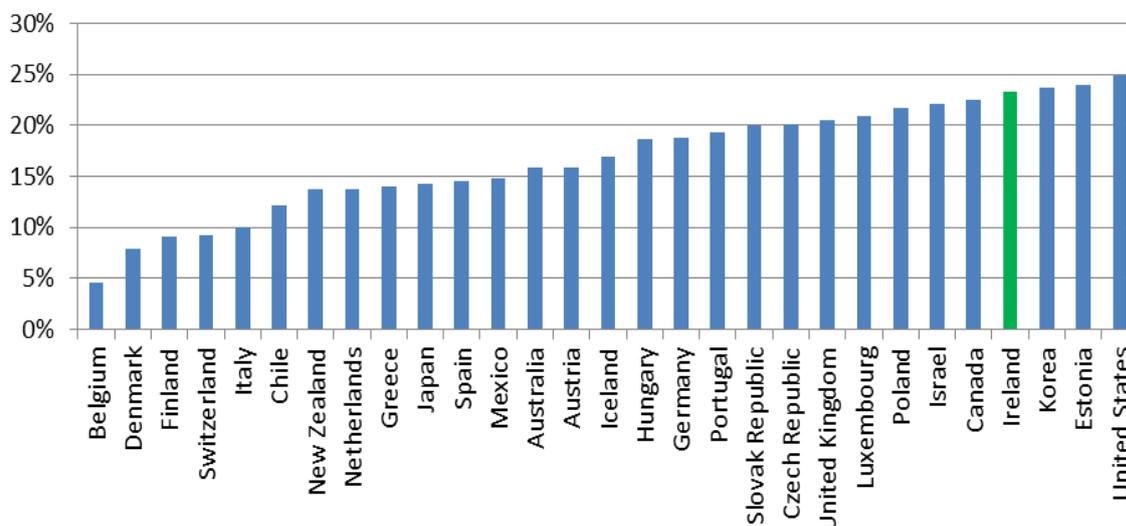


Chart 1: Low pay incidence (Source: OECD Stat)

Sectoral analysis of low pay in Ireland

The latest analysis of CSO earnings data shows that five sectors ('Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles', 'Accommodation and Food Service Activities', 'Administrative and Support Service Activities', 'Arts, Entertainment and Recreation' and 'Other Service Activities') are the ones which have the highest levels of low pay. The data from Q4 2015 shows that these sectors had average weekly earnings at a level significantly lower than the national average of €712.75 per week, with the 'Accommodation and Food Service Activities' sector having an average wage of almost 10% lower than the minimum wage. In 2014 the average annual earnings in this sector was €16,658 in contrast to an annual salary for a full-time minimum wage worker of €18,556.

Furthermore, there is a subsector of the 'Administrative and Support Service Activities' sector called 'Services to Buildings and Landscape Activities'; this includes cleaning services, which had average weekly earnings of €309.74. This is almost 15% lower than what would be earned from working full-time on the minimum wage.

In terms of the actual numbers of workers affected by low pay we can see that three of these sectors ('Wholesale and Retail', 'Accommodation and Food', 'Admin and Support') together account for almost 25% of the total employment in Ireland. The 'Wholesale and Retail' sector has the largest numbers employed with 279,000 employed by the end of 2015. The 'Accommodation and Food Service Activities' sector is the second largest amongst these sectors with 143,000 employed in Q4 2015. This sector also experienced employment growth up from 120,000 in 2013. While the 'Administrative and Support Service Activities' sector employs 67,000 people.²⁵

²⁵ CSO, 'Quarterly National Household Survey', Q4 2015.

Analysis of the latest latest micro data from the Central Statistics Office (CSO) Survey on Income and Living Conditions (SILC) shows that 25.6% of employees have an hourly wage rate of less than €11.45 while some 30.3% of employees lie below the low pay threshold of €12.20. These findings imply that almost 345,000 employees earn less than €11.45 per hour while just over 400,000 earn below €12.20 per hour. This shows that there are approximately 75,000 employees on the minimum wage – equivalent to 5.6% of all employees. Furthermore, over 46,000 employees are classified as earning less than the minimum wage. Therefore, a total of 9.1% of employees (approximately 120,000) earn the minimum wage or less than the minimum wage.²⁶

Average earnings (€) by sector

Accommodation and food service activities (I)	
Average Weekly Earnings (Euro)	321.51
Average Hourly Earnings (Euro)	12.36
Average Weekly Paid Hours	26
Administrative and support service activities (N)	
Average Weekly Earnings (Euro)	549.76
Average Hourly Earnings (Euro)	17.2
Average Weekly Paid Hours	32
Arts, entertainment and recreation (R)	
Average Weekly Earnings (Euro)	502.2
Average Hourly Earnings (Euro)	18.04
Average Weekly Paid Hours	27.8
Other service activities (S)	
Average Weekly Earnings (Euro)	453.94
Average Hourly Earnings (Euro)	16.28
Average Weekly Paid Hours	27.9

Table 3: Average earnings (Source: CSO EHECS, Q4 2015)

In terms of the range of earnings within these sectors the last National Employment Survey (2009) shows that the proportion of those earning less than €10 per hour was the following in these sectors:

- Accommodation and food services: 30%
- Arts, entertainment, other services (aggregated R and S from the previous table): 20%
- Administrative and support services: 17%
- Wholesale and retail trade: 18%

This supports the research which shows that the ‘Accommodation and Food’ sector has the highest proportion of workers on the minimum wage with 22.3% of all minimum wage workers in this

²⁶ Michéal Collins, ‘A profile of those on the minimum wage’, NERI Working Paper, 2015.

sector. This is followed by the 'Wholesale and Retail Trade' sector with 20.3% of minimum wage workers.

When we look at weekly wages for these sectors we can see that the proportion of people with low average weekly earnings is also high in these sectors. In 2009 the proportion of those who worked for less than €400 per week was as follows:

- Accommodation and Food Services: 58%
- Wholesale and retail trade: 43%
- Arts, entertainment and other services: 42%
- Administrative and support services: 36%

While this data is from a number of years ago, it is unlikely that the proportions have changed dramatically, as earnings have been generally stable (although falling in two of these sectors).

These figures raise the issue of lower hours employment in these sectors and, therefore, the appropriateness of limiting assessments of the adequacy of the minimum wage to just the hourly wage rate. It shows that a worker's take home wage not only depends on the hourly rate but also on the amounts of hours worked per week. This is especially the case of casualised jobs, which are a significant feature in the above sectors.

It also highlights the issue with using average figures as, for example, managers clearly earn much more than 'regular' or lower-skilled employees, and therefore the range of wage levels within the sectors is important to include.

We can look at this issue through the use of median wages per hour. Table 4 below shows that the lowest median hourly rate was recorded in the 'Accommodation and Food Service Activities' sector.

The following table illustrates such variations:

Median hourly wages (€) by sector

	Mean Hourly Rate	Median Hourly Rate
All Employment Status		
All NACE Economic Sectors	22.05	17.82
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	16.58	13.46
Accommodation and food service activities	13.83	11.51
Administrative and support service activities (N)	17.12	14.19
Arts, entertainment, recreation and other service activities	17.86	14
Full Time		
All NACE Economic Sectors	23.59	19.21
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	18.23	14.66
Accommodation and food service activities	14.98	12.74
Administrative and support service activities	18.54	15.3
Arts, entertainment, recreation and other service activities	19.43	15.31
Part Time		
All NACE Economic Sectors	16.97	13.97
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	13.47	11.56
Accommodation and food service activities	11.8	10
Administrative and support service activities	13.68	11.72
Arts, entertainment, recreation and other service activities	15.18	11.68

Table 4: Median hourly wages (Source: CSO EHECS, Q4 2015)

Part time and the low paid

Table 4 also shows the difference in rates of pay between part-time and full-time work. With part-time work receiving much lower rates of pay. In the 'Accommodation and Food Service Activities' sector its rate of low pay is in part explained by the fact that this sector is characterised by the largest proportion of part time work (roughly 40%); there is however evidence that many of such part time workers are underemployed and would like to work more hours if there was such a possibility.²⁷ Wholesale and retail, and the administrative support services also had a relatively high proportion of part time work (33% and 32% respectively), compared to 22.7% across all economic sectors.

²⁷ Michelle O'Sullivan et al., 'A Study on the Prevalence of Zero Hours Contracts among Irish Employers and their Impact on Employees', University of Limerick, 2015.

Low and irregular hours and the definition of a 'wage'

The term 'minimum wage' suggests that an individual can expect a minimum amount of money to be earned each week (or month). However, the current minimum wage only defines a minimum hourly rate and therefore it does not guarantee the provision of a sufficient weekly, monthly or annual salary as outlined above. If you have low and irregular hours, for example, you might be earning an hourly minimum wage but you might not be earning a sufficient weekly or monthly wage to cover your living costs.

Example: A person employed in a restaurant on a full time basis is asked to come to work for 37 hours in a given week, instead of 39 (which is the standard number of hours in a full time week). A salary based worker would expect to be paid 39 x €9.15 per hour, which is a total of €365.85 per week. An hourly paid worker, however, who was scheduled to work only for 37 hours, would be paid 37 x €9.15, which is a total of €338.50 per week.

Definition of the hourly rate

According to the regulations, minimum hourly rates apply to the actual hour of work. In practice, however, the definition of 'an hour' may vary and thus affect the actual earnings of a worker. There is evidence of some employers defining 'an hour' not as a unit of time, but rather as a measurement of tasks to be completed.

Example 1: A hotel worker may be asked to clean 4 rooms per hour. In practice it would take them 1.5 hours to complete their task, however the employer only pays them for one hour of work. Their actual hourly rate is thus €6.10.

Example 2: A fast food chain worker is asked to cover the shift that starts at 6 p.m. and ends at 2 a.m., which is the closing time of the store. The store employees are also required to clean their workplace after the closing time, which can take an additional hour. This 'extra' work is, however, not accounted for and the workers are only paid for their shift (i.e. until the closing time). In such case their actual hourly rate is €8.13.

There is also evidence of some employers imposing mandatory deductions from those who are employed on a minimum wage basis. These deductions vary between industries and include charging employees for their 'uniform pay' or providing them with their payslips at additional costs. Such practices allow employers to reduce their labour costs below the minimum hourly rates.

Prevalence of low hours and the minimum wage

One-third (32.5%) of minimum wage workers work less than 19 hours per week while almost four-in-ten (approximately 28,000 employees) work more than 35 hours per week.²⁸

Similarly, 42.6% of these workers are full-time workers on the minimum wage – some 32,255 workers.

²⁸ Micheál Collins, 'Who gains from a minimum wage increase?', NERI, October 2015.

The risk of minimum wage work is also much higher for employees on low hours (less than 20 hours per week). They face a risk at more than twice the general level for employees (13.5%) whereas the risk is much lower for employees working more than 35 hours per week (3.4%) or in full-time jobs (3.3%). While the risk of being low paid does not differ to any great degree between urban and rural residents, the nature of an employee’s contract suggests a difference in risk. Employees on permanent contracts carry a below average risk of being on the minimum wage whereas those on temporary contracts face a one in ten risk of being minimum wage workers.

Size of the enterprise

The size of the business also has an impact on wage levels. In the ‘Accommodation and Food Services Activities’ sector those working in workplaces employing between 50 and 250 people had an average hourly rate of €12.85 (€368.09 per week) and those in enterprises with more 250 employees earned on average €12.9 per hour (€346.68 per week). Those in workplaces with less than 50 employees earned €11.81 per hour (€284 per week). This sector is dominated by SMEs which suggests that a large proportion of hospitality sector workers are affected by these lower wages for smaller enterprises. A similar trend could be observed for the ‘Arts, Entertainment and Other Services’ as those working in companies with less than 50 people employed tended to earn less per week than those working in larger businesses. There was an opposite effect for the ‘Administrative and Support Service Activities’ sector where workers in enterprises employing more than 250 earned less on average per week than those employed in smaller firms.

4. Income adequacy of the minimum wage

In order to assess the impact and role of the minimum wage and potential changes that are required we must look at the overall context of low pay and in-work poverty in Ireland.

At risk of poverty rate by household economic status

Number of persons at work in the household	2010	2011	2012	2013	2014
1	13.9	14.1	13.2	13.4	15.9
2	2.7	3.9	4.5	2.3	3.1

Table 5: At risk of poverty rate (Source: CSO SILC)

The rate of deprivation for minimum wage workers is 31.8%, which is over 10% higher than the general rate of employees experiencing deprivation (19.8%). Similarly, the proportion of minimum wage workers in poverty (8.2%) is more than twice that of all employees (3.2%).

Furthermore, one in five minimum wage workers (21.6%) live in a household that was required to go into debt in the previous 12 months so that they could meet ordinary living expenses.

There is also a greater reliance among minimum wage workers on private rented accommodation (32.2% rent privately versus 18.8% of all workers) and therefore they are more exposed to escalating rent prices.

Table 5 provides analysis of the latest CSO SILC data which shows that in households with just one person at work the 'at risk of poverty rate' increased from 13.4% to 15.9% between 2013 and 2014. Furthermore, the at risk of poverty rate for a household with just one person at work is over five times the rate for households with two people at work. This is an indicator that for some households a single wage is simply not enough to keep people out of poverty or deprivation and that this trend of in-work poverty is becoming worse.

This data is represented diagrammatically below in Figures 4 and Figure 5:

At risk of poverty rate for households at work

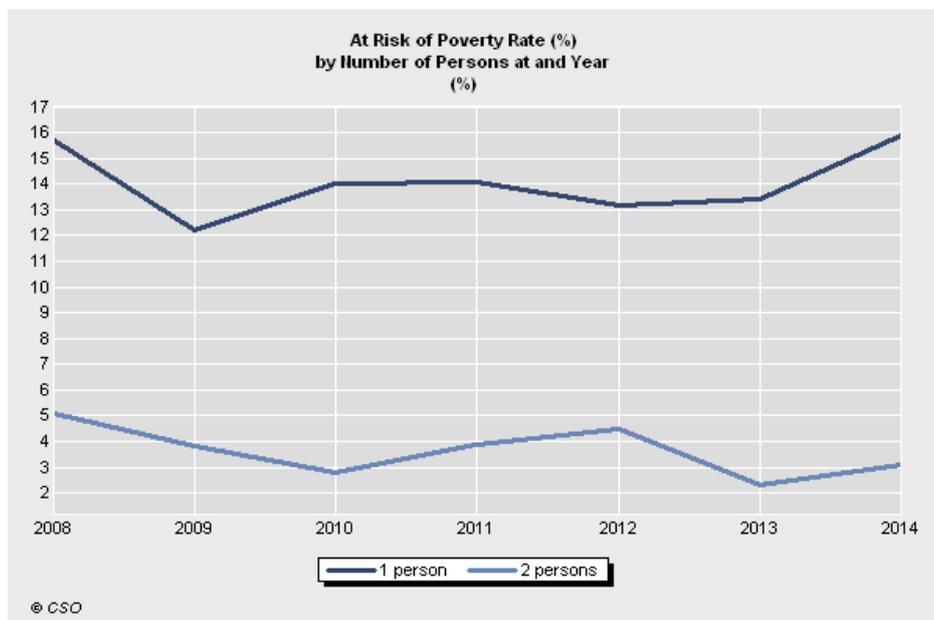


Figure 4: At risk of poverty rate (Source: CSO)

A similar pattern is visible in material deprivation rates. The material deprivation rate for households with one person at work rose from 15% in 2009 to reach 35% in 2014. The deprivation rate for households with one person at work is over double that of households with two people at work. It is also significant that even for households with two people at work the rate of deprivation increased between 2013 and 2014 (from 15.7% to 16.8%).

Deprivation rate for households at work

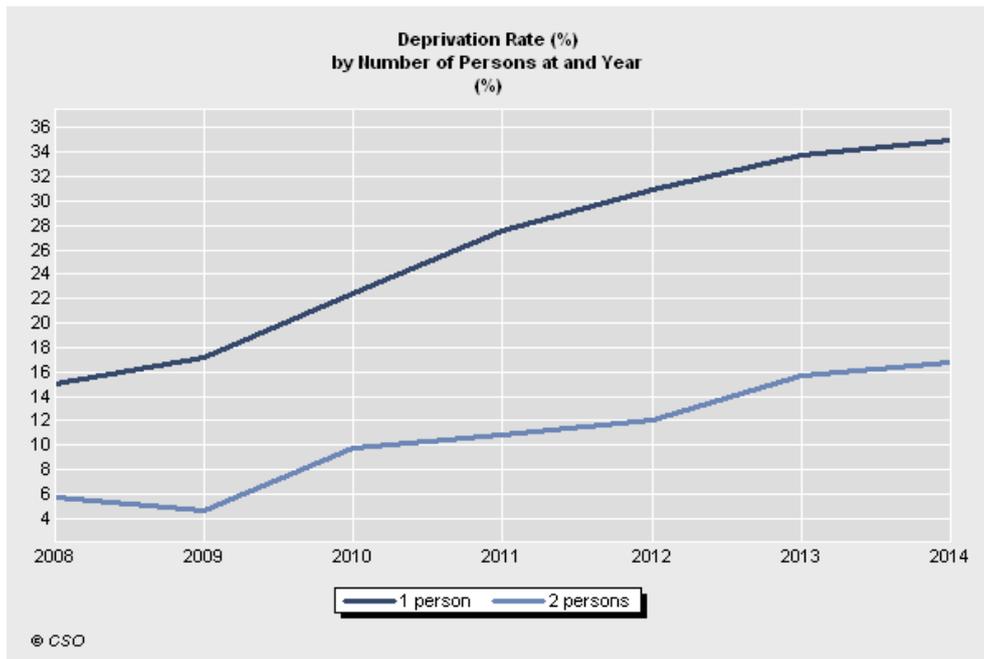


Figure 5: Deprivation rate at work (Source: CSO)

The inadequacy of part-time work to provide a sufficient income for people is shown in the fact that the in work 'at risk of poverty rate' is 3.1% for full time workers and 9% for those working part time. The in work at risk of poverty rate for those with a permanent job contract is just 2.65%, while it is almost five times that rate (11.1%) for those with a temporary job contract²⁹.

5. Cost of living in Ireland

The adequacy of the minimum wage in Ireland must be seen in the context of the low level of public spending and the often marketised nature of the Irish economy and society which mean that Ireland remains an expensive place to live, particularly for workers on low pay. The cost of living in Ireland is now 25% higher than the EU average (see Chart 2 below).

²⁹ Eurostat.

Costs of living (PPP) in Ireland

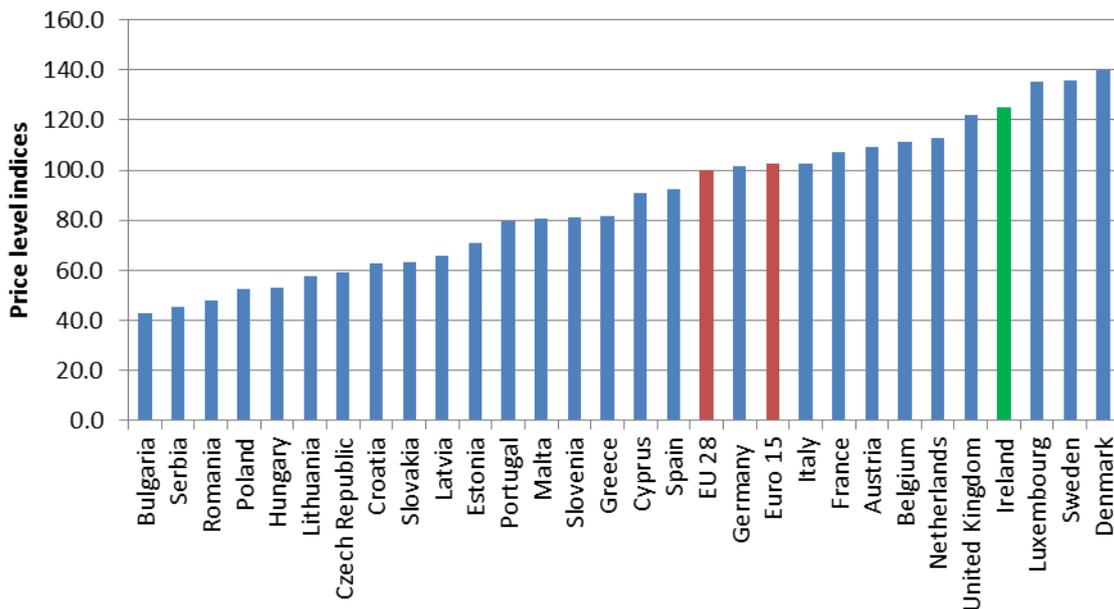


Chart 2 Cost of Living in EU 28 (Source: Eurostat)

Inadequate public services and infrastructure contribute significantly to the high cost of living, particularly in areas such as childcare, housing, education, healthcare and transport. Also, people on low incomes are worst affected by high costs of basic necessities as they take a larger proportional slice of their income.

This may explain Ireland’s high level of household indebtedness, where Ireland has the fourth highest level of household indebtedness in the OECD as a percentage of net disposable income.

Household debt as a % of net disposable income in OECD countries

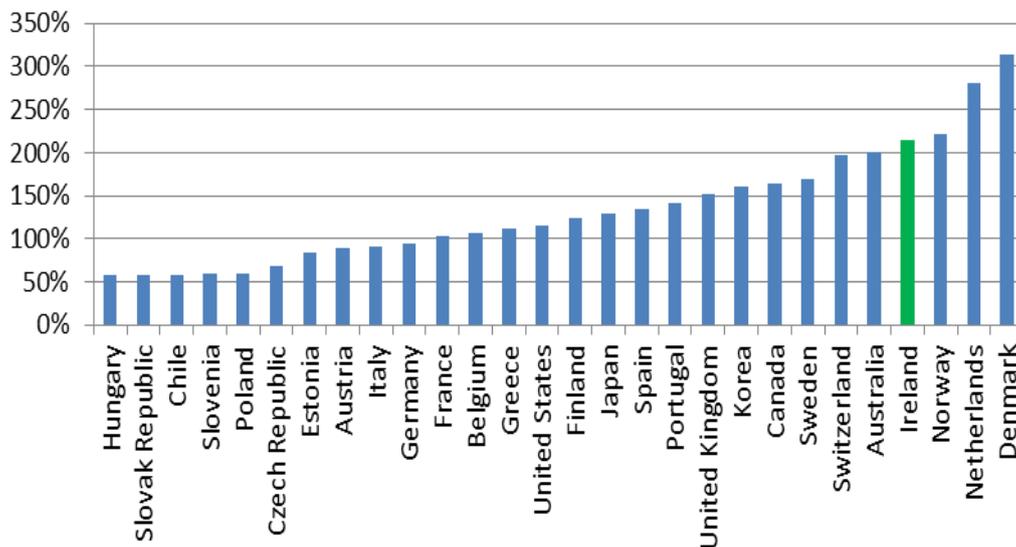


Chart 13: Household debt (Source: OECD Stat)

Housing costs

If we take the area of housing, for example, a sustainable rent is considered to be approximately 30 per cent of a person’s net income. Yet in Dublin rents are rising at close to 10% per annum with average rents unaffordable for low income workers. The average rent, for example, in Dublin South City is equal to the monthly minimum wage of €1546.30 and actually higher than the net take home pay received by a worker working full time on the minimum wage. The average rent in North County Dublin is €1,197³⁰ which is 75% of the monthly minimum wage. Housing costs are a clearly major factor in pushing low income workers such as those on the minimum wage into poverty and deprivation. Without other remedial actions in the provision of affordable housing the minimum wage is wholly inadequate to enable workers achieve a basic human necessity such as housing in Dublin and its surrounding counties.

³⁰ PRTB.