

**SINN FÉIN**  
AND THE  
**Living**  
**Wage**





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## Introduction

Sinn Féin believes in the Living Wage.

We believe that every worker across Ireland should get paid at least enough for their labour for them to be able to achieve a minimum acceptable standard of living.

This is not too much to ask.

The current minimum wage has not taken into account the day to day costs that the government have let spiral out of control, such as the massive increase in rents, the price of education, the enormous cost of insurance, nor the huge monthly childcare costs that are putting strain on families across the state.

The Living Wage on the other hand does take into account things such as food, clothing, health, education, transport and insurance, and calculates the minimum required for someone to provide for their needs, not their wants.

It is a scandal that some large corporations in Ireland pay their workers so poorly that these employees must seek additional financial help from the state, all while these companies themselves post huge profits.

Sinn Féin believes a National Living Wage Act should be introduced urgently.

This would require every employer to pay the Living Wage, which currently stands at €12.30 p/h, unless the business opens its books and can demonstrate that doing so would result in job losses, a reduction of hours or pay cuts.

This exemption would ensure jobs are not lost as a result of this move to the Living Wage, because if a business honestly cannot afford to pay the Living Wage, they will not be required to do so. It will however, ensure that major very profitable corporations, are required to pay their employees fairly.

This Living Wage Act would apply to all workers over 18 years of age.

The National Minimum Wage Act would continue to provide an absolute floor of protection for all workers with sub-minimum wage rates also abolished.

We hope that this submission to the Low Pay Commission policy document will show the feasibility of paying workers a Living Wage in Ireland and provide a solution for those businesses that genuinely cannot afford it at this time.



## What is the Living Wage?

The Living Wage is a wage which makes possible a minimum acceptable standard of living. It is evidence based and grounded in social consensus.<sup>1</sup>

The Living Wage, which currently stands at €12.30<sup>2</sup>, is set by the Living Wage Technical Group based on research identifying the Minimum Essential Standard of Living (MESL) in Ireland, conducted by the Vincentian Partnership for Social Justice (VPSJ).

This research establishes a consensus on what members of the public believe is a minimum standard that no individual or household should live below.

The Living Wage is intended to establish an hourly wage rate that should 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 afford the essentials of life. Earnings below the living wage suggest employees are forced to do without certain essentials so they can make ends-meet.

<sup>1</sup> <https://www.livingwage.ie/>

<sup>2</sup> February 2019



## Why is it needed?

The current minimum wage has failed to take into account major changes in the income and expenditure of workers across Ireland.

On January 1<sup>st</sup> 2018 the minimum wage rose to €9.55 p/h, which although a positive, albeit small increase of 3.2%, was dwarfed by other increases workers faced in the same time period.

For example, rents rose by 9.8% in 2018, with the final three months of 2018 being the 26<sup>th</sup> consecutive quarter of rising rents.<sup>3</sup>

In addition, according to data from the CSO, the cost of other key essentials rose significantly in 2018;

- A litre of petrol rose from €1.37 in January 2018 to €1.43 by the end of the year<sup>4</sup>;
- Diesel prices grew by almost 8%, increasing from €1.27 to €1.37 in the same period<sup>5</sup>;
- Natural gas rose by 9.2%, while home heating oil prices grew by 7.2% in the twelve months to the end of 2018.<sup>6</sup>

These few examples show how the tiny 3.2% rise in the minimum wage in 2018 was immediately swallowed up by price hikes in key essentials such as shelter and fuel alone.

When combined with other large expenses such as car insurance and childcare costs, workers on the minimum wage are struggling to make ends meet on the minimum wage.

According to the Organisation for Economic Co-operation and Development Irish workers are now the most productive workers in the world, adding an average of \$99.506 (€87) to the value of the economy every hour they work, far above the European Union average of \$56.60 per hour.

Data from the European Commission shows Ireland's real GDP grew by 6.7% in 2018<sup>7</sup>, while the OECD valued Ireland's 2018 GDP at \$84,000 per capita, the second highest in the EU<sup>8</sup>.

But the previous paltry increases in the minimum wage have not, and do not reflect this positive economic reality. Workers earning the minimum wage are not benefiting from this economic prosperity.

Therefore, a National Living Wage Act needs to be introduced.

<sup>3</sup> <https://www.daft.ie/report/2018-Q4-rental-report.pdf>

<sup>4</sup> <https://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?MainTable=CPM12&TabStrip=Select&PLanguage=0&FF=1>

<sup>5</sup> <https://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?MainTable=CPM12&TabStrip=Select&PLanguage=0&FF=1>

<sup>6</sup> <https://www.cso.ie/en/releasesandpublications/er/cpi/consumerpriceindexdecember2018/>

<sup>7</sup> [https://ec.europa.eu/info/sites/info/files/economy-finance/ecfin\\_forecast\\_spring\\_070519\\_ie\\_en.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/ecfin_forecast_spring_070519_ie_en.pdf)

<sup>8</sup> <https://data.oecd.org/gdp/gross-domestic-product-gdp.htm>



## Who will it benefit?

The most recent data from the CSO showed that the average number of people earning the minimum wage or less in 2016 totalled 155,100 people, or 10.1% of total employees<sup>9</sup>.

The ESRI report from November 2017 entitled “*A Study Of Minimum Wage Employment In Ireland: The Role Of Worker, Household And Job Characteristics*”<sup>10</sup> found that “in terms of deprivation rates (defined as being unable to afford at least 2 out of 11 basic items, including food, clothing, heating, furniture and some social participation activities) 28% of NMW workers are defined as being deprived”.

According to the ESRI<sup>11</sup>;

- 73.7% of employees on the NMW are female;
- 53.3% of employees on the NMW are aged between 18-29;
- 25.5% of employees on the NMW are foreign citizens;
- 48.8% of employees on the NMW work full-time;
- 84.6% of employees on the NMW are in permanent jobs;
- 39.5% of employees on the NMW work 35 hours+;
- 25.1% of employees on the NMW work in wholesale and retail;
- 22.8% of employees on the NMW work in accommodation and food.

As outlined above, almost three-quarters of those earning the national minimum wage are female.

The introduction of a National Living Wage Act will therefore make a contribution to tackling the gender pay gap that exists in Ireland.

<sup>9</sup> <https://www.cso.ie/en/releasesandpublications/er/q-nmw/qnhs-nationalminimumwageseriesq42016/>

<sup>10</sup> <https://www.esri.ie/system/files?file=media/file-uploads/2017-10/BKMNEXT332.pdf>

<sup>11</sup> <https://www.esri.ie/pubs/BKMNEXT332.pdf>



## Accommodation and food sectors

As outlined in the figure from the CSO, almost one quarter of those earning the minimum wage are employed in the accommodation and food industry.

These industries, particularly the accommodation sector, have benefited substantially from the recent positive economic growth and boost in tourism numbers that has accompanied this.

But many workers in these sectors feel they have been left behind, and have felt little benefit of this success.

The Crowe Ireland Hotel Survey for 2018 found that “profit levels for Irish hotels are now higher than levels achieved at the peak of the market in 2006.”<sup>12</sup>

Their research shows the profit before tax per room rose from €11,990 in 2015 to €16,377 in 2017, a massive increase of 36% in just 3 years.<sup>13</sup>

The Restaurant Sector is experiencing similar levels of growth. This is a sector supported by 72,000 workers, making an annual contribution of over €2 billion to the Irish economy.

Last year, 57% of businesses associated with Restaurant Association Ireland (RAI) saw an increase in visitors from outside Ireland, leading RAI to declare on their website that ‘consumer demand for dining out is on the rise...creating more jobs than ever before’<sup>14</sup>.

It can therefore not be denied that both the Irish hotelier and restaurant sectors are performing well and experiencing growth.

However, what we have not witnessed is this recovery translating into an increase in standards and pay for workers in both industries.

<sup>12</sup> <http://www.crowe.ie/crowe-release-21st-edition-annual-ireland-hotel-industry-survey/>

<sup>13</sup> <http://www.crowe.ie/wp-content/uploads/2018/08/Hotel-Survey-2018-Executive-Summary.pdf>

<sup>14</sup> <http://www.rai.ie/key-issues/>



## Benefits to the state

The introduction of a National Living Wage Act would also bring a number of benefits to the state.

Recent figures from the Department of Employment Affairs and Social Protection show that 55,815<sup>15</sup> people are currently in receipt of the Working Family Payment.

As the name suggests, these are people who are in fact out working, but whose low wages cannot meet the basic day to day necessities.

This results in the state having to step in and subsidise these people's wages, because their employers pay them inadequately. This subsidy to employer's wage bills cost the state €431,000,000<sup>16</sup> in 2018 alone.

The introduction of a Living Wage would have a positive effect on many families who currently find themselves in a vulnerable financial situation due to the inadequate minimum wage, and it could also save the state a considerable sum in the Working Family Payment scheme.

In addition, a Living Wage in Ireland would also have a significant impact on the tax take for the state, due to tens of thousands of additional workers paying slightly more in income tax, PRSI and USC.

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15 PQ [29471/18]

16 PQ [29471/18]





## Exemption for businesses that cannot afford to pay the Living Wage

Although we believe most businesses will be in a position to pay their staff a Living Wage and would be happy to do so to ensure their workers can achieve an acceptable standard of living, some SMEs across the state will genuinely be unable to afford this jump to the Living Wage.

We recognise this reality and to account for this, we propose including an exemption clause in the new National Living Wage Act, similar to Section 41 of the current National Minimum Wage Act 2000, which could provide an exemption for businesses who can prove to the Workplace Relations Commission that their margins show they cannot afford to pay their workers a Living Wage without it incurring job losses, a reduction in hours or pay cuts.

In these circumstances, if a business can prove to the Workplace Relations Commission, by way of opening up their books for inspection, that they genuinely cannot afford to pay their staff a Living Wage, then they would be eligible to be exempt from paying the Living Wage and would instead continue to pay their normal hourly rate, with the minimum wage, as set by the Minimum Wage Act, level remaining the lowest rate permissible.

This would protect against job losses, a reduction in hours or pay cuts for businesses and their employees.



## The Living Wage Foundation

The Living Wage Foundation<sup>17</sup> is a British based group that recognises and celebrates the leadership shown by Living Wage employers across Britain.

Their accredited employers number 5,141<sup>18</sup> and include companies such as Aviva, IKEA, KPMG, Citi, Google and Unilever to name just a few.

In 2017 the Living Wage Foundation and Cardiff Business School produced a report into the effects of introducing the Living Wage, based on a survey with employers who introduced the rate. The survey of more than 800 accredited real Living Wage businesses, ranging from SME's to FTSE 100 companies, found that 93% reported they had gained as a business after becoming a real Living Wage employer.

The Living Wage Employer Experience<sup>19</sup> also found;

- 86% say it improved the reputation of the business;
- 75% say it increased motivation and retention rates for employees;
- 64% say it has helped differentiate themselves from others in their industry;
- 58% say it improved relations between managers and staff

This report also examined how employers who moved to the Living Wage dealt with the wage increase.

On the positive side;

- 70% of employers stated that they had “absorbed the cost of the Living Wage without making major changes”
- 15% said it resulted in promotion opportunities for low wage employees
- Over 10% said it resulted in them “increasing the training for LW employees, and in them increasing the responsibility of LW employees.
- 7% said it resulted in them “moving LW employees onto permanent contracts”

On the negative side;

- 10% said they raised prices;
- 5% said it resulted in them “cancelling or scaling down plans for investment”;
- Around 2% said it resulted in them “reducing the number of LW jobs, and reducing the hours of work of LW employees”.

We would argue, that 2% who cut jobs and hours could avail of the exemption through the Workplace Relations Commission.

<sup>17</sup> <https://www.livingwage.org.uk/>

<sup>18</sup> <https://www.livingwage.org.uk/accredited-living-wage-employers>

<sup>19</sup> <https://www.livingwage.org.uk/sites/default/files/Cardiff%20Business%20School%202017%20Report.pdf>

## Conclusions and recommendation

In Ireland there are now more people living in poverty in Ireland today than there were in 2008.

Social Justice Ireland estimate that more than 760,000 people are living in poverty in Ireland, with 109,000 of these people in jobs, but living in poverty<sup>20</sup>.

This shameful inequality in our society must be reduced and low-paid workers must receive an income sufficient to afford a minimum, but decent, standard of living.

Sinn Féin believes the Living Wage can help address this, and we strongly believe a National Living Wage Act should be introduced.

This change will benefit thousands of workers and their families across Ireland by providing greater financial security and a better standard of living.

Businesses will gain by increased motivation and retention of employees, in addition to tens of thousands of additional consumers who will have greater spending power.

Financially vulnerable businesses, who genuinely cannot afford this change, will be exempt, protecting their businesses and the jobs of their employees.

The Exchequer will benefit by an increase in the tax take, in addition to savings made by the reduced need to subsidise large corporations wage bills.

Workers earning the minimum wage should not be forced to wait any longer to get decent pay for their hard work.

We believe that every worker across Ireland should get paid at least enough for their labour for them to be able to achieve a minimum acceptable standard of living. This is not too much to ask.

Proper wages and the eradication of precarious working practices must be the essential foundations of economic growth and productivity.

When in government Sinn Féin will introduce the Living Wage, which will make a positive difference to the living standards of workers and their families.

<sup>20</sup> <https://www.socialjustice.ie/content/policy-issues/more-760000-people-are-living-poverty-ireland-which-over-230000-are-children>



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