



EAPN Ireland submission to the Independent Review of ERO and REA Wage Setting Mechanisms

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The European Anti-Poverty Network (EAPN) Ireland¹ welcomes the opportunity to make a submission under the review of the Employment Regulation Orders (ERO) and Registered Employment Agreements (REA) wage setting mechanisms.

EAPN Ireland is particularly conscious of the imperative of fairness presented in the review document as one of the core elements of the ERO mechanisms and this submission will focus on this point.

This submission will address misperceptions regarding the position of Ireland's minimum wage arrangements in a comparative EU context; the link between driving down wages and increasing poverty in Ireland; the negative implications for wage reduction for economic growth; and well as the central role of participation in decision making and the importance of social dialogue in that regard.

There are two key recommendations from our submission:

1. There should be no cut or reduction to worker's wages and conditions set by EROs.
2. The Joint Labour Committee mechanism of social dialogue between workers and employers for determining wages and conditions of EROs should be maintained.

Ireland's minimum wage in comparison to EU partners

It is argued by many in the business lobby that the Irish minimum wage is disproportionately high. However this is a misrepresentation of the facts. Other EU countries such as France, Belgium, and the Netherlands have similar minimum wages, yet their cost of living is considerably lower. The minimum wage in Luxembourg is much higher. When expressed in relation to purchasing power, Ireland's rate comes fifth in the EU, nearly identical to the rate in the UK² (see figure 1). Other EU countries are continuing to increase minimum wages in the recession; Ireland is unique in reducing its minimum wage.

¹ Established in 1990, the European Anti-Poverty Network Ireland is a network of groups and individuals working against poverty. It is the Irish national network of the European Anti Poverty Network (EAPN Europe), which has two decades of experience in lobbying for progressive social change at European level. See: www.eapn.ie

² http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Minimum_wage_statistics

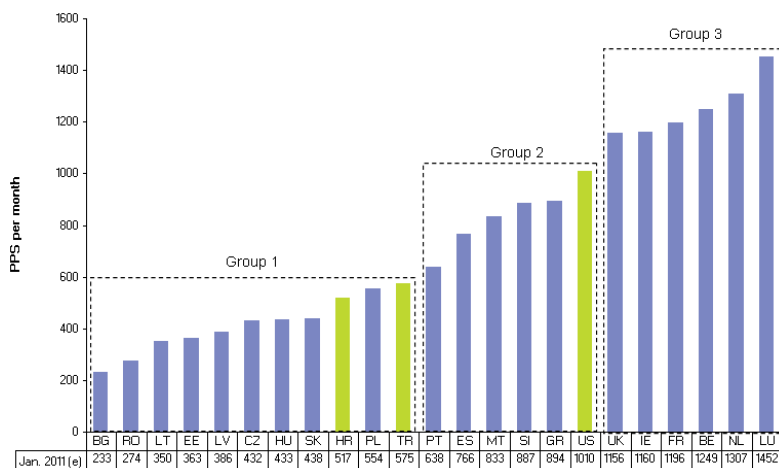


Figure 1: Minimum wage expressed in relation to purchasing power in the EU, January 2011, Source: Eurostat

Cutting minimum wages will further increase poverty levels among workers

The economic and social crisis in Ireland, and measures already undertaken to address this are resulting in an increase in poverty in Ireland. Data from 2009 indicates that consistent poverty³ had risen to 5.5% (form 4.2% in 2008), and is likely to increase further when data is available for 2010. The at-risk-of-poverty rate⁴ continued to decrease slightly to 14.1% in 2009 (form 14.4% in 2008).

A large proportion of those at work in Ireland are at risk of poverty. In 2009 this accounted for 5.5% of workers (6.7% in 2008). 8.5% of workers also experienced material deprivation.⁵

	2009 At risk of poverty (60%)	Minimum wage @ €7.65 excluding PAYE/USC 2011	Sample ERO rate, cleaner €9.50 excluding PAYE/USC	VPSJ MEB, single male 25+ 2010
Annual	12,064	15,514.20	19,226	13,079
Monthly	1005.33	1,292.85	1605.50	1,089.96
Weekly (39hrs)	232	298.35	370.50	251.53

Table 1: Comparison of poverty threshold, minimum wages, sample ERO wage and the VPSJ minimum essential budget standard

In 2009 almost one in four households was in arrears with bills. Any cut to the minimum wages set under the EROs will have will further reduce the household incomes of the lowest paid workers already struggling to make ends meet for their families. This will increase the numbers of 'working poor' and make it harder for people to escape poverty through securing decent work.

Those working for the minimum wage, and in low incomes, including many of those who currently have their wages and conditions set by an ERO live dangerously close to the poverty threshold, and the minimum essential budget standards as defined by the Vincentian partnership for Social Justice.⁶ The income situation of these groups has been undermined further in Budget 2011 through increased PAYE contributions and the application of the Universal Social Charge, any move to reduce the income of these groups further, will drive increasing numbers into poverty, and damage Ireland's social and economic recovery.

³ The term consistent poverty describes someone whose income is below the relative/at risk of poverty threshold (individual income of 12,455 per annum), and who cannot afford at least two of the eleven deprivation indicators.

⁴ People or households are considered to be at risk of poverty when their income is less than a particular threshold. In the EU, the threshold has been set at 60% of the median income (mid-point in the scale of the highest to the lowest of all incomes in Ireland).

⁵ CSO (2010). Survey of Income and Working Conditions 2009. Dublin <http://www.cso.ie/releasespublications/documents/silc/current/silc.pdf>

⁶ <http://www.budgeting.ie/>

It is not possible rebuild an economy while damaging our society. The economic costs of the social damage will undermine Ireland's long term recovery. This increase in poverty levels also undermines commitments given by the Irish Government to the EU as part of Europe 2020 and specifically the EU target of lifting at least 20 million people out of poverty and social exclusion by 2020.

Specific groups in society such as women, young people and migrants are more dependent on minimum wage jobs and will be hit hardest by any cut to the EROs. This will result in greater social inequity including an increase in the gender pay gap.

Cutting the minimum wage is bad for our economy

Cutting the minimum wages and conditions is bad for our economy. People on the minimum wage are not only workers but also represent a large proportion of consumers and reducing their wages further will damage consumer spending and therefore the economy. This is bad for business. There is insufficient evidence that it will generate any new jobs, nor will it help to reduce the government deficit, on the contrary it will likely push more families onto social welfare.

Cutting the national minimum wage has already been a draconian move which would be reinforced by reducing the pay of those whose wages are protected by EROs.

There are other means open to the Government to addressing the constraints being faced by small and medium enterprises, such as tackling rent and other fixed costs that are crippling businesses.

Important role of social dialogue

It is essential that the principle and practice of social dialogue be maintained and strengthened in Ireland. The current social dialogue mechanism of the joint labour committees allows thousands of workers to have a collective voice in the conditions that affect their lives. If this mechanism is removed thousands of workers will be denied a voice especially due to the fact that there is no legislative basis for collective bargaining in Ireland.

The wages set by EROs are agreed between workers and employers in a fair manner. Wages are set only slightly above the national minimum wage. They also set out very basic provisions which are fair and reasonable in sectors where workers need and deserve greater protection.

Conclusion

EAPN Ireland is opposed to any reduction in the minimum wage particularly because such a move will result in greater levels of poverty for workers and their families. This will undermine commitments to poverty reduction given at European level as well as existing national targets. Such a move increases social inequality. Reducing minimum wages also greatly reduces consumer spending and is therefore damaging to the Irish economy.

Currently the social dialogue mechanism of the joint labour committees is an essential means for agreeing on the minimum wages in those sectors covered under this mechanism specifically because it engages workers directly in this process.

Therefore, EAPN Ireland makes two key recommendations as in relation to the review of the EROs and REAs.

1. There should be no cut or reduction to worker's wages and conditions set by EROs.
2. The Joint Labour Committee mechanism of social dialogue between workers and employers for determining wages and conditions of EROs should be maintained.