

## **Joint Committee on Enterprise, Trade and Employment**

### **Meeting on the work of the Low Pay Commission and its recommendations in respect of the national minimum wage.**

**Wednesday, 18 October 2023**

#### **Opening Statement of Ultan Courtney, Chair, Low Pay Commission**

Good morning, Chair and members of the Committee. Thank you for the opportunity to meet with you all again, following our meeting last September, and to discuss with you the Low Pay Commission's work and our recent report and recommendations on the National Minimum Wage.

First let me introduce myself and my colleagues. My name is Ultan Courtney, and I am Chair of the Low Pay Commission. I am joined today by Professor Frank Walsh, who has served as a member of the Low Pay Commission since 2019. Professor Walsh is an independent expert on the Commission, with expertise in labour economics. He is also a lecturer in the School of Economics at U.C.D.

I am also joined by Claire Pyke and Oisín Gilmore of the Department of Enterprise, Trade and Employment, who form part of the secretariat to the Low Pay Commission.

Before I begin, I would like to pay my respects to Professor Dónal O'Neill, who sadly passed away last week. Professor O'Neill served as a labour market expert on the inaugural Low Pay Commission from 2015-2018. More recently, he co-authored the Maynooth University Research Report on the Introduction of a Living Wage in Ireland, which played a major role in informing the Low Pay Commission's deliberations on the Living Wage last year. Donal made major contributions to our understanding of various labour market issues. His research examined unemployment, inequality, the gender and racial wage gap, education and

intergenerational mobility, and was published in some of the world's leading economic journals. He will be sorely missed.

### *1. The Low Pay Commission and the National Minimum Wage*

When we met last year, I outlined the role and function of the Low Pay Commission. I think it's important for me to again set out our role and the parameters of our work, to provide context to any discussion on our work and our recent report and recommendations.

The Low Pay Commission was established in 2015 as an independent body. Our statutory function, pursuant to the National Minimum Wage Acts, is to make recommendations to the Minister for Enterprise, Trade and Employment on the appropriate rate of the National Minimum Wage.

It is important to reiterate that the Commission's role is to recommend a National Minimum Wage, but it is Government who decides on the rate. The National Minimum Wage Acts include a provision whereby Government can choose not to accept the Commission's recommendation and opt to implement a different rate. Although heretofore, the Government has always accepted and implemented the Low Pay Commission's recommendations regarding the rate of the National Minimum Wage.

Our key focus, what we see as our main responsibility and mandate, is ensuring that in making research-based recommendations on the National Minimum Wage we seek to find a balance between a fair and sustainable rate for low paid workers and one that will not have significant negative consequences for employment and competitiveness.

The Low Pay Commission comprises eight members and myself, an independent Chair. The Commission has equal members of employee and employer representatives, and independent members that have particular knowledge and expertise in relation to economics, labour market economics and statistics, like my colleague Professor Walsh who has joined us today. This ensures that we have a wide spectrum of expertise and experience available to us allowing us to take a more balanced view when making our recommendations.

As I outlined at our last meeting, the National Minimum Wage Acts provide clear parameters for the Low Pay Commission in its consideration of the appropriate rate of the National Minimum Wage.

These include the cost of living, earnings and income distribution, competitiveness, and the likely effect that any proposed recommendation will have on future levels of employment.

Statute requires incremental adjustment to the National Minimum Wage.

The Low Pay Commission's remit has changed slightly since I met with you last year, as it now also has the responsibility to make recommendations to ensure the Government decision that the minimum wage will be set at 60% of hourly median wages by January 2026 is fulfilled. This decision was made on the recommendation of the Low Pay Commission which included a number of other recommendations on how best to implement the main recommendation on the rate.

## *2. Moving towards a National Living Wage*

Since the establishment of the Low Pay Commission the Commission has each year recommended an increase in the minimum wage. This has resulted in the minimum wage increasing from €8.65 in 2015 to €11.30 today.

When we met last year, we awaited a Government decision on Living Wage.

Last November, Government agreed to the introduction of a National Living Wage, with no regional or sectoral variations, set at 60% of hourly median wages by January 2026. This will be achieved through incremental changes to the National Minimum Wage over a four-year period, unless otherwise agreed by Government on the advice of the Low Pay Commission. This Government decision was based on the recommendations of the Low Pay Commission.

The first step towards reaching a Living Wage was the 80-cent increase to the National Minimum Wage which came into force on 1 January 2023 and increased the minimum wage to €11.30 per hour.

Last week, the Government agreed to accept the Low Pay Commission's recommendation to increase the National Minimum Wage by €1.40 to €12.70 per hour from 1 January 2024. This

significant increase, of 12.4%, is the largest increase in the minimum wage since its creation in 2000. This increase represents the next step in the progression to a living wage.

Because the Low Pay Commission now has the responsibility to make recommendations to ensure the Government decision that the minimum wage will be set at 60% of hourly median wages by January 2026 is fulfilled, a central focus of the Low Pay Commission is what is called the “bite” of the minimum wage - that is the minimum wage as a percentage of the median wage.

The Low Pay Commission estimates that the current €11.30 National Minimum Wage is 51.8% of the forecast median wage for 2023.

To get from 51.8% of median hourly earnings to 60% by 2026 in the space of three years requires significant change in the minimum wage.

The Low Pay Commission has discretion to recommend speeding up or slowing down the transition to the 60% target. Therefore, the Commission considered a range of options for increasing the minimum wage in 2024.

Due to the minimum wage being forecast at 51.8% of the median hourly wage in 2023, well below the 60% target, and the fact that Ireland is experiencing strong economic growth and very low levels of unemployment, the Commission recommended speeding up the transition to the 60% target.

For these reasons, the Low Pay Commission recommended that the National Minimum Wage be increased by €1.40, or 12.4%, from €11.30 to €12.70 on January 1st, 2024.

The Commission has estimated that a National Minimum Wage of €12.70 will represent 55.1% of median wages in 2024.

This recommendation was supported by eight of the nine members of the Commission. One of the issues that feature in the discussion was on our recommendation about potential supports to employers to assist with the transition to the living wage.

The Low Pay Commission estimates that 148,100 people earned at or below the National Minimum Wage in 2022. Therefore, it is expected that at least that number will see an increase in their wages arising from this increase in the minimum wage.

For someone on the National Minimum Wage working a 39-hour week, this translates to a pay increase of €54.60 per week, or more than €2,800 per year. It is estimated that a full-time worker on the minimum wage will see an increase in their net take home pay of approximately €2,300 on an annual basis.

### *3. Protecting Employment and NMW employers*

It is a legislative requirement that the Low Pay Commission give consideration to “the likely effect that any proposed order will have on levels of employment and unemployment”. And this is something that the Low Pay Commission has given a great deal of attention to.

Since its establishment, through its research partnership with the ESRI the Commission has produced numerous studies on the employment effects of changes in the minimum wage.

These studies show that increases in the National Minimum Wage have had little effect on employment. Whilst this is encouraging the commission is always seeking up to date data and research to inform its recommendations and to closely monitor any findings on this issue.

We have also paid close attention to the international evidence of the employment effects of changes in the minimum wage.

The Maynooth Report on the Introduction of a Living Wage in Ireland examined this international evidence and significantly stated:

“Based on our reading of the international evidence, we believe there is some evidence that a statutory wage floor set at 60% of the median wage of all workers could be implemented without substantial effects on employment.”

It must, of course, be acknowledged that increases in the National Minimum Wage affect some employers more than others. While the Commission recommended that the Living Wage should apply equally across sectors and regions, we also suggested that consideration should be given to how employers with a significant number of low wage employees can be supported during the progression to a Living Wage. This was an important recommendation of the commission and a significant component of the transition to the living wage.

This issue of the introduction of supports for vulnerable businesses. was an important part of the Low Pay Commission's deliberations this year. The employer representatives on the Commission in particular saw the introduction these supports as critical to their continued support for the transition to a Living Wage. Therefore, I welcome the announcement of the Increased Cost of Business Grant, which has funding of €250m to provide a targeted refund to businesses who are rate payers and will be paid through local authorities and benefit up to 130,000 micro and small businesses. However, I am aware that the detailed terms and conditions attached to the grant are to be finalised. This is something that the Low Pay Commission will continue to pay attention to.

#### *4. Recent and Forthcoming Reports & Research*

Following acceptance by Government of our recommendations for the 2024 minimum wage the Commission is now focusing on the issue of sub-minimum, or youth rates.

Last year, the Low Pay Commission was asked to revisit the issue of sub-minimum rates. We have received a research report authored by ESRI, under the terms of the Commission's research partnership with ESRI, on youth rates. This summer the Commission held a stakeholder consultation on these rates. We are currently examining the issue and we intend to submit a report to the Minister before the end of this year.

Before I conclude Chair, I would like to briefly outline the Low Pay Commission's research activity.

The Commission's research partnership agreement with the Economic and Social Research Institute to undertake and disseminate research on the issues surrounding low pay in Ireland. This research has led to the publication of high-quality research on the impact of changes to the National Minimum Wage.

In the last year, this research resulted in the publication of two reports: "*A Universal Basic Income for Ireland: Lessons from the International Literature*", which was published last December and "*Job quality of minimum wage workers in Ireland*", which was published in August.

As part of our research partnership with the ESRI, we expect to publish two further studies shortly. These are a study on “Different Approaches to Categorising Minimum Wage Workers”, which will compare evidence from administrative wage data and data from the Labour Force Survey.

In 2021, the Commission awarded research bursaries for two independent pieces of research on minimum wages issues. Both pieces of research were published since we last met. This includes Micheál L. Collins of UCD and Trinity College’s Catherine Elliott O’Dare’s report “*Low Paid Older Workers: A quantitative and qualitative profile of low pay among workers aged over 50*”, which was published last November, and three papers by Kevin Devereux and Zussana Studnicka of UCD on local labour market concentration and minimum wages in Ireland, which were published in May.

In addition, the Low Pay Commission itself published its report on “*Report on Piloting a Universal Basic Income*” in December.

We awarded four further bursaries this year on low paid young workers; on work in the home-care sector; on how organisational practices, strategies and environments shape low pay; and on the effect of National Minimum Wage hikes on interregional commuting and employment.

The Low Pay Commission’s research activity makes a significant contribution to the provision of more knowledge and information in relation to low pay and labour market economics in Ireland.

Thank you Chair, and I’m happy to take any questions members may have on the Commission’s work or our recent report and recommendations.