

Submission to Joint Committee on Gender Equality

Vincentian MESL Research Centre at SVP

Introduction

1. The Vincentian MESL Research Centre at SVP welcomes the opportunity to make a written submission to the Joint Committee on Gender Equality on the recommendations made in the Citizen's Assembly on Gender Equality's report. This submission discusses recommendation 34; "Increase the minimum wage to align it with the living wage by 2025 while considering potential employment impacts on small businesses," as this is the recommendation that is most relevant to the work of the Vincentian MESL Research Centre.
2. This submission will discuss the following topics: the background of the MESL research, what constitutes a Living Wage in relation to the Living Wage Technical Groups Living Wage rate and the Government's proposed Fixed Threshold approach, and the Citizen's Assembly's recommendation on the introduction of a Living Wage.

MESL Research Background

3. The Vincentian MESL Research Centre at SVP has been established to ensure that the Minimum Essential Standard of Living (MESL) remains an independent source of data on what constitutes a minimally adequate income, shining a light on what is required to avoid poverty and improve social inclusion. The MESL research has been ongoing since 2004, developed by the VPSJ, and now in 2022 continued by the Vincentian MESL Research Centre at SVP.
4. The Minimum Essential Standard of Living (MESL) consensual budget standards research establishes the cost of a socially acceptable minimum standard of living. The MESL research contributes to the policy debate on income adequacy, poverty, and social inclusion by providing this ongoing benchmark of minimum needs.
5. The MESL research works with members of the public in deliberative focus groups to reach consensus on the minimum people need to live and partake in Irish society. It is a standard of living which people agree no one should be expected to live below. It represents the

minimum required to meet physical, social and psychological needs, and enable a life with dignity.

6. The research is iterative, working through multiple phases of deliberative groups, to establish a negotiated social consensus on what people regard as essential for households to have a minimum, but socially acceptable, standard of living. In this way the MESL is a tangible measure, grounded in lived experience and derived from social consensus, of what is required for participation, dignity and avoiding poverty.
7. The MESL research operationalises the concepts which underpin the Irish Government definition of poverty and social inclusion, the human right to an adequate standard of living, and the key principle set out in the European Pillar of Social Rights that all have a right to an adequate minimum income which enables a life with dignity. The MESL translates these concepts and ideals into a practical benchmark, as it specifies the average weekly cost of the goods and services deemed necessary to enable a socially acceptable minimum standard of living, of what is required to avoid poverty, enable participation and inclusion, and live a life with dignity.

What constitutes a Living Wage?

A Living Wage based on MESL data and the Fixed Threshold Approach

8. The living wage rate produced by the Living Wage Technical Group using the MESL research is the gross salary needed, on average, for a single person in full-time employment without dependants to afford an acceptable minimum standard of living. While earning the living wage rate will not guarantee an adequate income for individuals and households in all circumstances, it provides a base for social supports to build from. The Living Wage Technical Group was formed in 2014 and has produced a living wage rate annually since its formation.
9. At a minimum, the living wage rate should be based on the rationale that full-time employment will provide for an acceptable minimum standard of living. The Technical Group's living wage provides an evidence-based rate which will meet this minimum threshold. In that sense, earnings below the living wage suggest that in order to make ends meet, employees are forced to do without certain essentials which are needed to take part in the norms of everyday life in Ireland.
10. In June 2022, the Government announced their proposal to introduce a living wage for all Irish employees. This proposal was based on the findings of the Low Pay Commission's report on the Living wage, which recommended that the Government adopt a fixed threshold approach for the calculation of a living wage. The Government has proposed to set said fixed threshold at 60% of the median wage in the economy, to be introduced within a period of no more than five years, with the process beginning in 2023. The Commission also recommended that after the 60% target has been reached, subject to an assessment of the impact of this, the economic practicality of gradually increasing the targeted threshold rate

towards 66% of the median wage should be assessed, and appropriate recommendations made.¹

11. The Vincentian MESL Research Centre welcomes any improvement in wages for those on low pay, however, the use of a fixed threshold approach based on median wages, particularly when set at 60%, will not do enough to provide employees with a true living wage. The Vincentian MESL Research Centre instead recommends that the Minimum Essential Standard of Living approach, an approach based on what is needed for people to participate in the norms of Irish society and meet their physical, social and psychological needs at a minimum level, should be used.
12. The Low Pay Commission's report states that a living wage is "set at a level to allow a worker to attain a socially acceptable living standard." The report also states that earnings below a living wage result in employees being forced to do without certain essentials and cannot make ends meet. The Maynooth University report² on the Introduction of a Living Wage in Ireland, which informed the Low Pay Commission's report and recommendations, explains that a living wage sets out to establish an hourly wage rate that provides employees with sufficient income to achieve an agreed acceptable minimum standard of living, that allows employees to afford the essentials of life. The Maynooth report also acknowledges that the MESL approach to producing the living wage is rooted firmly in the needs of individual employees, and that it comes closest to capturing the spirit of a living wage.
13. Earlier this year, the European Parliament reached an agreement on new rules for adequate minimum wages in the EU, which stated that member states will have to assess the adequacy of their current minimum wage rate to ensure an adequate standard of living.³ For this adequacy assessment, the Parliament's first recommendation is for member states to establish a basket of goods and services approach, like the MESL approach. The second recommendation is that EU countries could use a fixed threshold approach, like the 60% of median wage rate, however it is significant that the basket of goods and services approach was the first and favourable recommendation made by the European Parliament. This month, this Directive has been adopted by the European Parliament and the Council of the European Union.⁴
14. The proposal for this directive of the European Parliament and of Council on adequate minimum wages in the European Union, from November 2020, stated that women, young and low-skilled workers and persons with disabilities have a higher probability of being minimum wage or low wage earners than other groups. It also states that as the majority of

¹ Low Pay Commission (2022) "Low Pay Commission report on the Living Wage" available at: <https://www.gov.ie/en/collection/9f6d7b-low-pay-commission-publications/#2022-living-wage-report>

² Maynooth University (2022) "The Introduction of a Living Wage in Ireland" available at: <http://repec.maynoothuniversity.ie/mayecw-files/N316-22.pdf>

³ European Parliament (2022) "Deal reached on new rules for adequate minimum wages in the EU" available at: <https://www.europarl.europa.eu/news/en/press-room/20220603IPR32188>

⁴ European Parliament (2022) [https://www.europarl.europa.eu/doceo/document/TA-9-2022-0316_EN.html#:~:text=\(28\)%C2%A0%C2%A0Minimum%20wages,of%20minimum%20wages](https://www.europarl.europa.eu/doceo/document/TA-9-2022-0316_EN.html#:~:text=(28)%C2%A0%C2%A0Minimum%20wages,of%20minimum%20wages)

minimum wage earners are women, by supporting adequate minimum wages, the proposal will support gender equality, closing the gender pay and pension gap as well as elevating women out of poverty.⁵

15. The Low Pay Commissions 2022 Annual Report shows that on average, females were more likely to be in receipt of the national minimum wage than males. In 2021, 53.7% of people earning the national minimum wage were female, 46.3% were male. The report states that the ratio of male to female national minimum wage employment was remarkably stable since 2016, when this measure started to be taken, and that it has rarely deviated substantially from an annual average around 55% female to 45% male.⁶
16. The fixed threshold approach is an indirect measure of poverty, based on income levels. It is not based on purchasing power, or what a person needs to have a socially acceptable standard of living, to live a life with dignity and to avoid poverty, which is what a living wage is intended to do.
17. The table below takes data from the Maynooth University report for 2017 to 2019,⁷ while 2020 and 2021's data is taken from the Low Pay Commission's report which projected the median wage for these years on the basis of the 2019 figure using estimates from the CSO's "Earnings and Labour Costs" releases.⁸
18. The table looks at the amount the three proposed measurements of a Living Wage, (60% of median wage, 66% of median wage, and the Living Wage produced using MESL data) were based on the median wage from 2017 to 2021, and what percentage of the median wage the living wage produced using MESL data was in those years.

	2017	2018	2019	2020	2021
Living Wage 60%:	€10.04	€10.10	€11.00	€11.52	€11.82
Living Wage 66%:	€11.05	€11.11	€12.10	€12.67	€13.00
Living Wage (MESL):	€11.70	€11.90	€12.30	€12.30	€12.90
Living Wage (MESL) - % of median wage:	69.90%	70.71%	67.12%	64.06%	65.48%

⁵ Eur Lex (2020) Proposal for a directive of the European Parliament and of Council on adequate minimum wages in the European Union available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020PC0682>

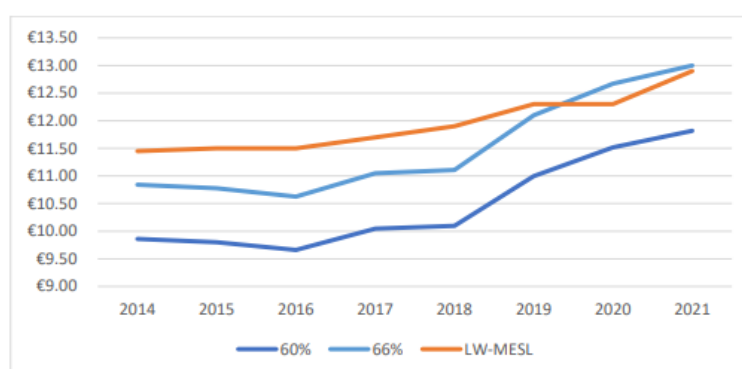
⁶ Low Pay Commission (2022) Annual Report 2022 <https://www.gov.ie/en/publication/957d0-low-pay-commission-annual-report-2022/>

⁷ Maynooth University (2022) "The Introduction of a Living Wage in Ireland" available at: <http://repec.maynoothuniversity.ie/mayecw-files/N316-22.pdf>

⁸ Low Pay Commission (2022) "Low Pay Commission report on the Living Wage" available at: <https://www.gov.ie/en/collection/9f6d7b-low-pay-commission-publications/#2022-living-wage-report>

19. The table shows that a fixed threshold rate of 66% of median wage more closely corresponds to the living wage (produced using MESL data) rates than the fixed threshold rate of 60%, with the 66% threshold estimated to be higher than the living wage (produced using MESL data) rate in 2020 and 2021. This signifies that a fixed threshold rate of 66% of the median wage rate would be closer to the amount required to enable employees to have a socially acceptable standard of living.

Figure 2: Fixed Thresholds vs MESL



20. The graph above, taken from the Low Pay Commission’s report⁹, further highlights the considerable gap between a fixed threshold rate of 60% and the Living Wage (produced using MESL data) rate from 2014 to 2021. This means that a fixed threshold rate of 60% of the median wage would not do enough to enable employees to live at a minimum, socially acceptable standard of living and to afford the essentials of life, which is what a living wage is intended to do.

21. The Low Pay Commission’s report itself acknowledges that a fixed threshold rate set at 60% of the median wage may be lower than what is considered a living wage. And as mentioned, they state that after the 60% of the median rate target has been reached and following review and the availability of additional international evidence on increases over the 60% threshold, that the Low Pay Commission should assess the practicality of gradually increasing the target threshold rate towards 66% of the median wage. However, the timeline associated with the introduction of a fixed threshold rate of 66%, up to five years until the 60% fixed threshold rate is introduced and following review, is a long time to wait to provide employees with an income close to what is needed to achieve a Minimum Essential Standard of Living.

⁹ Low Pay Commission (2022) “Low Pay Commission report on the Living Wage” available at: <https://www.gov.ie/en/collection/9f6d7b-low-pay-commission-publications/#2022-living-wage-report>

22. Low-wage earners are defined by Eurostat as “those employees earning two thirds or less of the national median gross hourly earnings”¹⁰ and that on that basis, having a fixed threshold rate set at 66% of median wage would be a commitment to eradicate low-wage employment for all workers earning at or above this wage rate.
23. The Living Wage rate based on the MESL data produces an evidence-based rate which provides employees with the income necessary to meet this standard. A fixed threshold rate of 66% corresponds more closely to the rate produced using the MESL data and would help to lift employees out of low-wage employment. The fixed threshold rate of 60%, which has been proposed by the Government, will not do enough to provide low-wage employees with a true Living Wage.

The Citizen’s Assembly on Gender Equality Report – Recommendation 34

24. Recommendation 34 of the Report of the Citizen’s Assembly on Gender Equality recommends that the Government increase the minimum wage to align it with the living wage by 2025 while considering potential employment impacts on small businesses. The report states that the members of the Citizen’s Assembly strongly supported increasing the national minimum wage to the level of the living wage, with close to 98% support, noting that women are consistently more likely than men to earn the national minimum wage.¹¹ The increase in pay that would come from the introduction of a living wage, rather than the national minimum wage, will benefit lower paid workers of all genders.
25. The Citizen’s Assembly on Gender equality was established in 2019 and its meetings took place between 2020 and 2021, with the Citizen’s Assembly’s report being published in June 2021. The Government announced its proposal for a fixed threshold living wage, and the Low Pay Commission’s Living Wage Report was released in June 2022. Based on this timeline, it is understood that the Citizen’s Assembly on Gender Equality’s recommendation to increase the minimum wage and align it with the living wage by 2025 is in relation to the Living Wage Technical Group’s Living Wage rate, produced using MESL data.
26. In that context, the Citizen’s Assembly on Gender Equality are recommending the introduction of a Living Wage rate that provides the gross salary needed, on average, for a single person in full-time employment without dependants to afford an acceptable minimum standard of living, earnings below which suggest that in order to make ends meet, employees are forced to do without certain essentials which are needed to take part in the norms of everyday life in Ireland. A fixed threshold approach based on median income is unable to accurately measure what is needed to achieve a socially acceptable standard of living, which is what a Living Wage rate is expected to do.

¹⁰ Eurostat (2021). Earnings Statistics.

https://ec.europa.eu/eurostat/statisticsexplained/index.php?title=Earnings_statistics#Low-wage_earners.

¹¹ The Citizens Assembly (2021) Report of the Citizen’s assembly on Gender Equality

<https://www.citizensassembly.ie/en/previous-assemblies/2020-2021-citizens-assembly-on-gender-equality/about-the-citizens-assembly/report-of-the-citizens-assembly-on-gender-equality.pdf>