

# Promoting the Living Wage

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Unite welcomes Minister Gerald Nash's initiative in launching the Living Wage Forum. The introduction of a **Living Wage** would be a major boost to workers' incomes, economic growth and enterprise performance. However, this will not be achieved through voluntary means. It will require a range of policy measures which we outline below.

## 1. Poverty Wages

The Nevin Economic Research Institute estimates that last year 345,000 men and women, or 26 percent of all employees, earned below the Living Wage. However, even this does not fully reflect the numbers earning below a Living Income. Many more cannot get the hours they want to earn a full weekly wage, while others suffer periodic stretches between work. It is not just a matter of earning below the Living Wage; it is also an issue of earning below a living weekly and annual income.

The extent of low pay throughout the economy – the 3<sup>rd</sup> highest in the EU-15 - helps explain why nearly 20 percent of the workforce, or one in five working people, suffers multiple deprivation experiences.

## 1. The Medium Term Policy Goal

→ The goal of public policy should be to increase the national minimum wage, to the level of the Living Wage over the medium-term. In effect, this would transform the Living Wage into a *statutory Living Wage*.

The proposed national minimum wage of €9.10 is €2.40, or 21 percent below the Living Wage of €11.50. The length of time needed to increase the minimum wage to the level of the Living Wage will depend on the average annual increase in the national minimum wage.

Over 340,000 workers – or 25 percent of all employees – earn below a Living Wage, subjecting them to the risk of poverty and deprivation.

### Growth in National Minimum Wage to Reach Living Wage

Annual % Increase	4.0	4.5	5.0	5.5
Number of Years to Reach Living Wage	13	11	9	8
Average annual nominal increase (€)	0.46	0.50	0.54	0.59
Assumes 2 percent annual cost-of-living increase in Living Wage				

If the national minimum wage were increased by, on average, 60 cents each year, it would take 8 years to reach the Living Wage.

If the national minimum wage were to increase, on average, by 4.5 percent (or 50 cents) each year (the same amount as proposed by the Low Pay Commission this year), it would take 11 years to reach the Living Wage. To reach the Living Wage in eight years would require average increases of 5.5 percent (or 59 cents).

It should be noted that between 2000 and 2007, the national minimum wage increased by 6.5 percent annually – so such increases are possible.

## Policy Initiatives

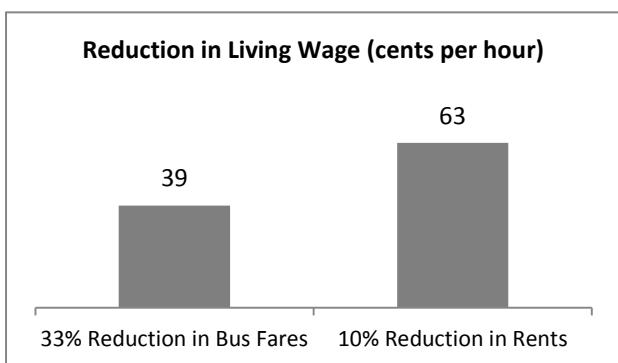
There are a number of policy initiatives necessary to implement a statutory Living Wage.

**1) Government as a Living Wage Employer:** the Government can, first, provide a demonstration effect by ensuring that all public sector workers including those working in local authorities and public agencies are paid a Living Wage. Secondly, it can introduce a Living Wage clause in its procurement budget – over 7,500 contracts representing €12 billion worth of goods and services purchased from the private sector. This will ensure that all companies the Government does business with pay their employees the Living Wage.

**2) Precarious Employment:** The Living Wage is a weekly and annual figure. Therefore, the hourly Living Wage may not be sufficient to achieve a 'Living Income'. We need to ensure that part-time employees who want more hours and certainty of working time can achieve that in their workplaces. This requires the introduction of the *EU Directive on Part-Time Employees* into statute and provision for minimum hours/pay in contracts.

**3) Sectoral Collective Bargaining:** There should be a substantial extension and deepening of the Joint Labour Committees. This would entail including more sectors into the bargaining framework - particularly those sectors with high levels of fragmentation (i.e. small business size). It would also broaden the range of working conditions that would be negotiated (e.g. Sunday premium, increments, etc.). A first step would be to end the employers' veto over stalled negotiations.

**4) Socialise Living Costs:** As the Living Wage is calculated on the expenditure that workers need to secure a minimum adequate living standard, the Living Wage is driven by high living costs. For instance, if Dublin public transport received as much of a subvention as the average European capital, bus fares would fall. Further, a policy of affordable rents would reduce rent levels which make up 42 percent of the net Living Wage in Dublin.



Substantial social investment can reduce the amount needed for a Living Wage. This will benefit the business sector while still ensuring that workers have a Living Wage, by reducing living costs. This will, however, require a much higher contribution from the corporate and business sector than currently received.

*Implementing a statutory Living Wage will require a number of policy instruments – it is not just a matter of increase the national minimum wage.*

*The most important step in realising a statutory Living Wage is to reduce the high living costs through social and economic investment – high rents, public transport fares, healthcare, etc.*

These and other steps can assist in phasing in a statutory Living Wage. This would not only vindicate the right of workers' to an adequate income and truly establish a 'work-must-pay' policy; it would be a major boost to the economy and enterprise performance. Society cannot prosper on low wages. Our society and our economy, as well as workers, need a Living Wage.

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