



Society of St. Vincent de Paul

NATIONAL MINIMUM WAGE

Submission to the Low Pay Commission

MARCH 5, 2020

SVP Social Justice and Policy Team

Contents

1. Introduction	2
2. In-work poverty.....	3
SVP experience.....	4
Lone parent families	5
Cost of living.....	7
3. A higher minimum wage	8
Impact of increases	8
UK experience	9
A Living Wage in Ireland.....	10
4. NMW interaction with social welfare	10
Means Tests	11
Earnings Disregards.....	11
Marginal Effective Tax Rates.....	11
5. Conclusion.....	12

1. Introduction

We welcome the chance to respond to the Low Pay Commission’s consultation on the National Minimum Wage. At the Society of St Vincent de Paul we see first-hand the difficulties faced by those who are at work and yet still facing poverty, and we argue for the importance of a robust minimum wage that meets the cost of living.

SVP is the largest charity of social concern in Ireland with over 11,000 members and our primary aim is to provide direct assistance to low income households. We work to address the root causes of social injustice informed by the experiences of the people we assist.

We ask that the Low Pay Commission recommends a progressive move towards a National Minimum Wage (NMW) benchmarked against the cost of living, as calculated by the Minimum Essential Standard of Living (MESL). We also ask that the interaction between earnings and welfare criteria (at an individual and household level) is published and examined to safeguard the incomes of people on low pay.

This submission outlines the problem of in-work poverty in Ireland today, including reflecting on the results of a survey of our members on in-work poverty, the situation for lone parent families, and the cost of living; it then explores the potential benefits of a higher NMW for both workers and public finances; presents the Minimum Essential Standard of Living as the appropriate benchmark for the NMW; and concludes with an analysis of the need to ensure social welfare eligibility is updated in line with NMW increases.

2. In-work poverty

Of the 680,000 people living at risk of poverty in Ireland today¹, 16 per cent are in work, with more people at risk of poverty who have a job than are unemployed².

As Figure 1 shows, the last decade has only seen marginal improvements in the 'at risk' rate for workers, down from 5.5 per cent in 2009 to 5.1 per cent in 2018, revealing entrenched issues with low pay³. As the graph demonstrates, this is reflected in the consistent poverty rate for those at work, which was 1.1 per cent a decade ago and today stands at 1.6 per cent. The continued downward trend in material deprivation for those in work is very welcome, but almost 10 per cent of workers still don't have access to basic items or services due to not having enough money.

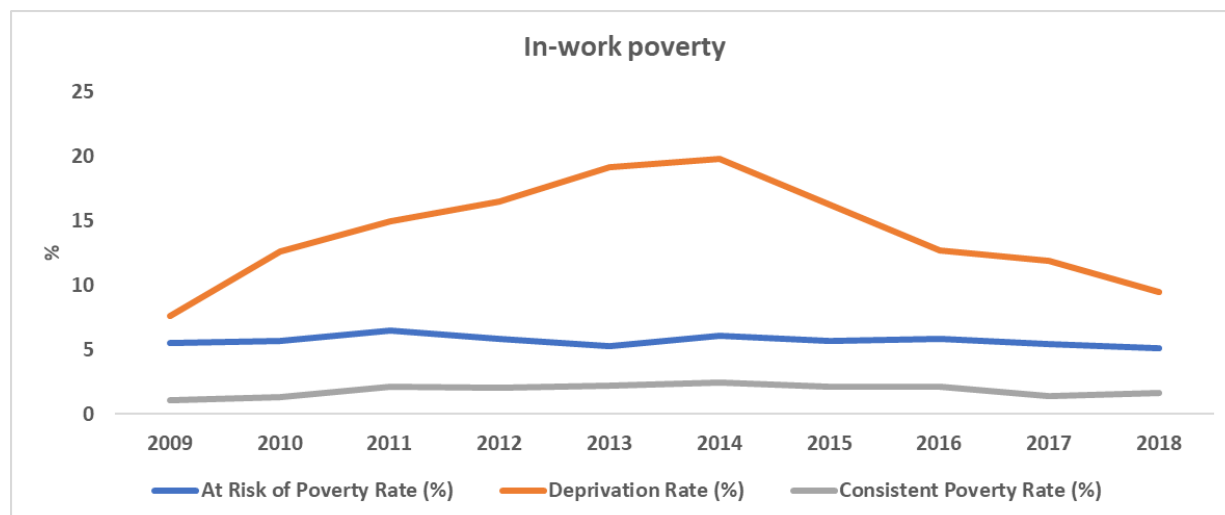


Figure 1: In-work poverty trends 2009-2018

Source: CSO EU-SILC SIA14

The impact of in-work poverty on workers and families is significant: aside from managing routine outgoings including housing and energy, irregular but unavoidable costs such as a car breakdown can push finances to breaking point. Almost 30 per cent of full-time, permanent employees could not meet an unexpected expense - for part-time underemployed workers, the proportion increases to just over 60 per cent⁴. The amount of work a household does is a significant determinant of their risk of poverty, with just over 10 per cent of part-time workers in poverty, compared to just under 3 per cent of full-time workers⁵.

¹ CSO Statbank: Income and Poverty Rates by Sex, statistical indicator and Year [SIA29] with Population Estimates (Persons in April) (Thousand) by Sex, Age Group and Year [PEA01]

² CSO statbank: Profile of the Population at Risk of Poverty, Experiencing Deprivation, and in Consistent Poverty by Principal Economic Status, statistical indicator and Year [SIA29]

³ CSO statbank: Income and Poverty Rates by Principal Economic Status, statistical indicator and year. [SIA14]

⁴ Nugent, C. (2019) 'NERI Research InBrief: In-work poverty in the Republic of Ireland.' November 2019, No. 7. <https://www.neriinstitute.net/sites/default/files/research/2020/inBrief%20no%2071%20Nov%2019.pdf>

⁵ Eurostat: In-work at-risk-of-poverty rate by full-/part-time work - EU-SILC survey [ilc_iw07]

SVP experience

Last year SVP surveyed some of our members to understand the challenges facing the people they support, focusing on households where someone was in work⁶. The open answers provide a unique insight into SVP volunteers' perspectives on the daily struggles that result from low paid work, as well as the benefits employment can bring to families they are supporting.

When asked about the benefits experienced by households with an adult in work the importance of work to self-esteem and mental health was prominent, alongside chances to socialise and 'keep busy'. 'Setting an example' to children was mentioned repeatedly, as was work offering 'hope' to progressively improve the family's finances. The material benefits of earnings were also raised – the chance to earn money for food and clothing – though not as often as other benefits.

Unfortunately, work for low income families could also bring strain and precarity. When asked about the challenges facing households in low paid work, the costs of work including transport and childcare featured prominently, and the worry of balancing inflexible employment with the responsibilities of parenting. The difficulty of managing in an 'emergency' was mentioned, with money already tight meaning unexpected costs like a broken-down car could lead to 'panic'.

A theme that ran through the answers was the unpredictability of pay compared to social welfare income: seasonality, the decisions of employers, reliable transport to reach work, and sickness of adult or child were all factors that could lead to a sudden, unpredictable drop in earnings. Social welfare on the other hand would come in despite these unavoidable events.

Healthcare and health issues were notable amongst the survey answers. While the mental health benefits of work stood out so too did the worry of losing access to a medical card and having to balance the benefits of work with the loss of other social protections. Time off sick (or caring for sick children) could lead to families who had been coping no longer managing.

Of the 134 respondents who answered the closed question 'Why are these households struggling to manage', the number one answer (ticked by 78 per cent of respondents) was 'Low paid work'. When asked 'What would improve the situation for the households in employment you are visiting' three answers came top with 69 per cent of respondents each choosing: 'Increase in the National Minimum Wage'; 'More supports for education or training'; and 'More supports for Childcare', followed less than 1 per cent behind by 'More flexible social welfare system.'

The picture painted by these answers are of families working hard to balance the significant benefits of employment with the strain of low paid work. Work offered 'hope' 'dignity' and 'self-esteem', but it could also lead to losing access to medical services and many other safety-net benefits, and 'panic' if an unavoidable event threatened to interrupt the working day.

The next section looks at lone parent families, the group we hear from most at SVP.

⁶ The Society of St Vincent de Paul has over 10,000 volunteers working in 1,200 local groups on the island of Ireland (North and South). In total, 134 local groups or "conferences" responded to the survey on in-work poverty. Each conference answered the questions based on their experience of supporting households in need. While the survey gives insight into SVP volunteers views and experiences, it is not a representative sample.

Lone parent families

Different family types have very different chances of being at work and in poverty. As Figure Two shows, 21 per cent of lone parent families in work are also at risk of poverty – more than double the lowest point in the last decade (9 per cent in 2012)⁷.

This increase in poverty risk has gone alongside a rise in employment levels for this group, and data from the Department of Employment Affairs and Social Protection suggests that increasing employment for lone parents has largely been in low income and low hours workers⁸.

The challenge of high rates of poverty among lone parent families can be seen in many other European jurisdictions, where increases in employment levels haven't reduced the risk of poverty⁹, in large part due to the type of work lone parents – mainly women – are able to access (including the challenges of low pay, low hours and precarious contracts)¹⁰. In Ireland, women make up a higher proportion of minimum wage workers compared to other countries – in 2017 66.1 per cent of those earning between 90 per cent - 110 per cent of the minimum wage in Ireland were women. This compares to a European average of 57.5 per cent.¹¹ The OECD has found that in countries with lower wage differentials, more flexible working provisions, and state subsidised childcare, lone parents are more likely to work and less likely to be in poverty¹².

While the situation for lone parents has flatlined rather than worsened since 2016, we can see that the risk remains stubbornly high. The in-work poverty rate for lone parent families stands at 8 percentage points higher than for single adults without children (though their risk has gone up this year), and 17 points higher than for two-parent families, whose in work poverty rate is just under 4 per cent, and declining¹³.

⁷ Eurostat: In-work at-risk-of-poverty rate by household type - EU-SILC survey [ilc_iw02]

⁸ SVP (2019) 'Working, Parenting, Struggling? An analysis of the employment and living conditions of one parent families in Ireland.' https://issuu.com/svp15/docs/working_parenting_and_struggling-/1?e=25010855/71456122

⁹ Jaehrling, K., Kalina, T. and Mesaros, L. (2015) 'A paradox of activation strategies: why increasing labour market participation among single mothers failed to bring down poverty rates', *Social Politics*, Vol 22 (1), pp86-110.

¹⁰ Murphy, M. (2016) 'Low road or high road? The post-crisis trajectory of Irish activation', *Critical Social Policy*, Vol 36 (1), pp 1-21.

¹¹ Eurofound (2019) Minimum wages in 2019: Annual Review. https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef19028en.pdf

¹² OECD (2011) 'Doing Better for Families' <https://www.oecd.org/els/family/47719022.pdf>

¹³ Eurostat: In-work at-risk-of-poverty rate by household type - EU-SILC survey [ilc_iw02]

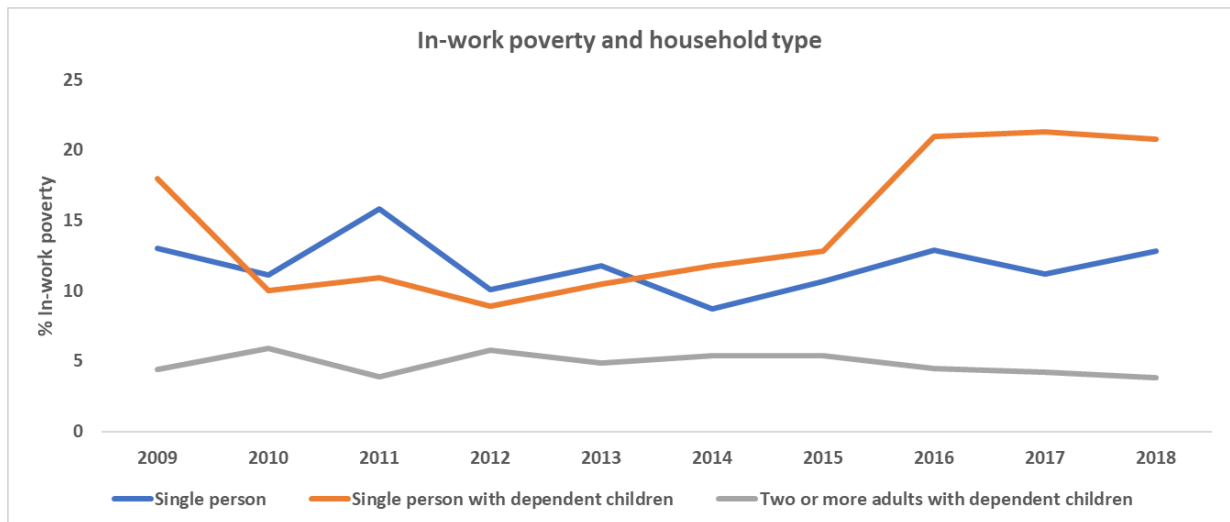


Figure Two: In-work poverty trends for different household types, 2009-2018

Source: Eurostat EU-SILC ILC_IW02

At SVP, the data is backed up by what we see every day: that lone parents are struggling, and are the largest group seeking assistance from us. The experience of our members is that one parent families suffered most through the recession and austerity policies and haven't shared in improvements as the economy bounces back from the financial crisis¹⁴.

Our 2019 report 'Working, Parenting, Struggling?' presented an in-depth look at the experience of lone-parent families at work in Ireland. It found that the primary drivers of deprivation for this group were low income levels and a high cost of living, which includes childcare and housing costs. While these costs can push all types of households into deprivation, the situation is particularly acute for lone parent families, who also make up 62 per cent of homeless families.¹⁵

The international comparison displayed in Figure 3 shows that Ireland has the third lowest in-work poverty rating for two parent families in the EU 15, but a substantially higher rate for lone parents. For lone parent families who are in-work, Ireland falls in the middle of the group as a result of the fourth largest gap between the poverty rate for two parent and one parent families, at 17 per cent¹⁶.

The 'headline' risk of in-work poverty shown below demonstrates the large gap in in-work poverty risk for lone parent families compared to families with two adults. It also shows that for two parent families, the risk of being in working poverty is comparatively low within Europe, but we know that social transfers play a very significant role in reducing overall poverty rates in Ireland¹⁷. For overall

¹⁴ SVP (2019) 'Working, Parenting, Struggling? An analysis of the employment and living conditions of one parent families in Ireland.' https://issuu.com/svp15/docs/working_parenting_and_struggling-_1?e=25010855/71456122

¹⁵ Ibid.

¹⁶ Eurostat: In-work at-risk-of-poverty rate by household type - EU-SILC survey [ilc_iw02]

¹⁷ Miežienė, R. and Krutulienė, S. (2019) 'The Impact of Social Transfers on Poverty Reduction in EU Countries': https://www.researchgate.net/publication/334817231_The_Impact_of_Social_Transfers_on_Poverty_Reduction_in_EU_Countries

poverty rates, social transfers decrease the risk of poverty by more than half, from 31 per cent to 15 per cent: before transfers, Ireland has the highest risk of poverty in the EU¹⁸.

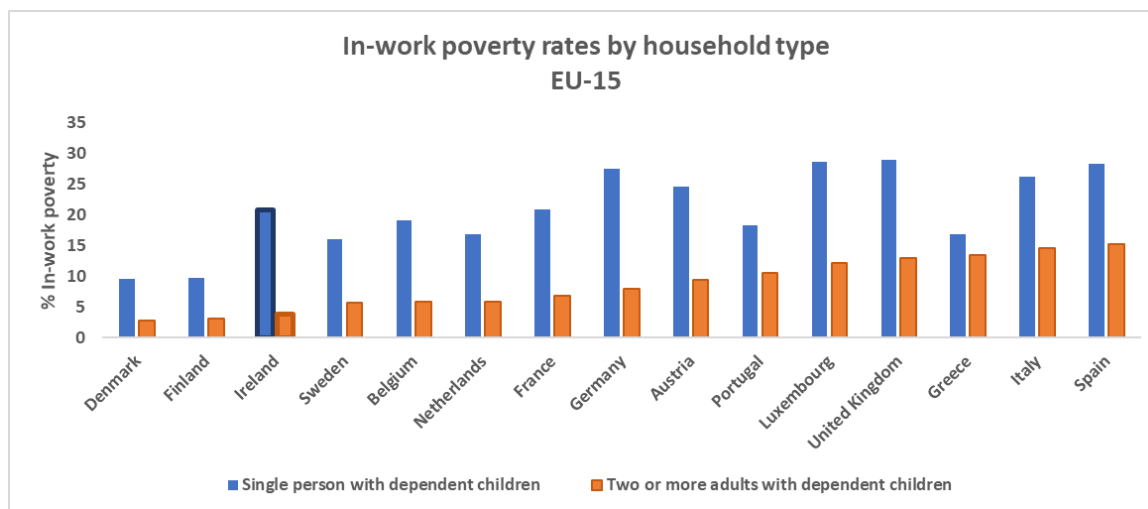


Figure Three: In-work poverty rates for household with children, EU15 2018

Source: Eurostat EU-SILC ILC_IW02

Cost of living

To further contextualise the headline rates of in-work poverty, Ireland has a very high cost of living compared to other European countries, with the second highest household expenditure in the EU¹⁹.

Some services that are subsidised by the state in other European countries must be paid for by individuals in Ireland, decreasing the value of a household's net income. This means that for people below the at risk of poverty line, more of their income will go on certain services than for equivalent households in other countries. For people in-work, childcare represents a significant outgoing in Ireland where costs are amongst the highest in OECD countries²⁰. For a lone parent of two children on the minimum wage, childcare costs would take up a quarter of their net income²¹. For a couple where one adult is on the NMW and one is paid at 67 per cent of the average wage, childcare would account for 28 per cent of their net income, the highest in the OECD.

The ongoing housing crisis is also concealed within the at risk of poverty rates, which do not take account of housing costs. ESRI have shown that people on low incomes (as well as those in the private rented sector, and those in Dublin and the Mid-East region) have been disproportionately impacted by increasing housing costs between 2006 and 2016²². They found that households in the bottom quarter of the income distribution spent an average of 40 per cent to a half of their income on housing, with 75 per cent paying more than 30 per cent of their income on housing²³.

¹⁸ Eurostat: Impact of social transfers (excluding pensions) on poverty reduction by sex [TESPM050]; At-risk-of-poverty rate before social transfers by sex - EU-SILC survey [TESOV250]; People at risk of income poverty after social transfers [SDG_01_20]

¹⁹ Eurostat: Comparative price levels [TEC00120]

²⁰ Russell, H. et al (2018) 'Maternal Employment and the Cost of Childcare in Ireland.' ESRI and Pobal. <https://www.esri.ie/system/files?file=media/file-uploads/2018-11/RS73.pdf>

²¹ <https://stats.oecd.org/Index.aspx?DataSetCode=NCC>

²² Corrigan, E. (2018) 'Working Paper No.593: Exploring Affordability in the Irish Housing Market.' ESRI <https://www.esri.ie/system/files/publications/WP593.pdf>

²³ Ibid.

Therefore, despite having the second highest NMW rate in the EU, when this is adjusted for purchasing power Ireland's NMW rate falls to 7th²⁴. Furthermore, this comparison doesn't include countries that do not have statutory minimum wages. Data on comparable collective agreements shows that workers in the lowest pay sectors in Denmark, Austria, Sweden and Finland have higher gross annual earners than minimum wage workers in Ireland.²⁵

For workers in poverty, the minimum wage is a vital legal floor protecting them from deeper income inadequacy. In conjunction with well-designed income supports and services, the NMW should be used as a tool to improve the earnings of low paid workers. The next section discusses the evidence for a NMW benchmarked to the cost of living.

3. A higher minimum wage

Impact of increases

Since 2000 Ireland has used a National Minimum Wage to protect the earnings of low paid workers. The early years of the millennium saw significant but sporadic increases, before the financial crisis and economic downturn led to 5 years of an NMW freeze. Since the crash, we have seen the wage rise from €8.65 as it had been between 2011 and 2015, to €9.15 from 1st January 2016. This 2016 increase of almost 6 per cent has presented an opportunity to observe the effects of a significant increase in the wage floor on the Irish economy and low paid workers.

Research by ESRI showed there was no effect on employment rates of the increased rate. Despite a 3 percentage point increase in part-time work, involuntary part-time work fell in the NMW group, suggesting that the slight reduction in hours wasn't necessarily based on employers offering less hours, but could have been employees choosing to reduce hours and maintain the same level of income²⁶.

The European Commission has cited the importance of the NMW in tackling poverty, whilst the OECD has recommended that NMW policy is a useful tool in tackling inequality²⁷. As of 2018, the NMW in Ireland represented 42 per cent of the median wage²⁸, which is low compared to other European countries²⁹ (and far below a Minimum Essential Standard of Living for many households). This gap between the NMW and median earnings has also grown significantly since 2000. In 2000, NMW represented 67 per cent of average median wage³⁰. At SVP we believe a higher NMW can do more to tackle in-work poverty.

²⁴Malone, P. and O'Connell, P. (2019) 'The National Minimum Wage' PublicPolicy.ie
http://publicpolicy.ie/downloads/papers/2019/The_National_Minimum_Wage.pdf

²⁵ Eurofound (2019) Minimum wages in 2019: Annual Review.
https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef19028en.pdf

²⁶ McGuinness, S. and Redmond, P. (2018) 'Estimating the effect of an increase in the Minimum wage on hours worked and employment in Ireland.' ESRI <https://www.esri.ie/system/files/media/file-uploads/2018-04/BKMNEXT354.pdf>

²⁷ ICTU (2019) 'Congress Pre-Budget Submission Budget 2020 – Building a Shared and Sustainable Future.'
https://www.ictu.ie/download/pdf/2020_congress_pre_budget_submission_final.pdf

²⁸ Callaghan, N. 'Social Impact Assessment 2018: National Minimum Wage.' IGEES <https://igees.gov.ie/wp-content/uploads/2018/10/SIA-National-Minimum-Wage.pdf>

²⁹ Malone, P. and O'Connell, P. (2019) 'The National Minimum Wage' PublicPolicy.ie
http://publicpolicy.ie/downloads/papers/2019/The_National_Minimum_Wage.pdf

³⁰ OECD database "Minimum relative to average wages of full-time workers."
<https://stats.oecd.org/Index.aspx?DataSetCode=MIN2AVE>

UK experience

The UK government has announced its ultimate goal for minimum wage policy is 'ending low pay in the UK' by increasing the bite of the NMW towards two thirds of median earnings³¹. In 2016 the UK government introduced a higher minimum wage for over 25s, called the 'National Living Wage'. In a departure from previous policy which saw the NMW recommended by the Low Pay Commission based on a judgement of what the market could bear, the NLW had a clear target set by government to reach 60 per cent of median earnings by 2020. This target has now been achieved by a trajectory of an average increase of 6 per cent each year, putting an estimated £3 billion into the pockets of low paid workers³².

The impacts of the significant annual increases to the wage floor have been closely monitored for its impact on the economy and on workers.

The LPC has reported positive impacts on wages and earnings from the introduction of the National Living Wage³³. Workers with the lowest hourly wages have seen the fastest pay growth and due to the maintenance of pay differentials hourly wage increases have been seen up to thirtieth percentile of workers³⁴. Although there is less impact on weekly earnings, there is evidence that the significant NLW increases have also had a positive impact³⁵. In a review of NMW increases in an international context, Dube found no evidence of a negative impact on headcount or hours due to the NLW³⁶, and focusing on Northern Ireland, ESRI found evidence that the NLW introduction led to zero employment and hours impacts in its first year³⁷.

Modelling potential benefits of a different 'Living Wage' – the voluntary rate calculated according to the cost of living by the Living Wage Foundation - the Smith Institute investigated a scenario where a quarter of low paid workers in ten different areas of the UK had their pay increased to this higher rate of pay (which is derived from the UK calculation of a Minimum Income Standard). They found significant positive impacts on the local and regional economy though increased worker productivity and higher individual earnings, as well as direct benefits to the Treasury through increased taxation. This higher voluntary Living Wage has also been shown to have a positive impact on individual firms by reducing staff turnover and absenteeism and boosting motivation and productivity³⁸.

³¹Low Pay Commission (2019) 'The National Living Wage Beyond 2020'
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/844178/The_National_Living_Wage_Beyond_2020_1.pdf

³²Cominetti, N. (2019) 'Ain't no minimum high enough: Minimum Wage policy in the 2019 General Election'. Resolution Foundation. <https://www.resolutionfoundation.org/publications/aint-no-minimum-high-enough/>

³³Low Pay Commission (2019) 'the National Living Wage Beyond 2020'
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/844178/The_National_Living_Wage_Beyond_2020_1.pdf

³⁴ Ibid.

³⁵ Avram and Harkness (2019) cited in Low Pay Commission (2019) 'The National Living Wage Beyond 2020'
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/844178/The_National_Living_Wage_Beyond_2020_1.pdf

³⁶Dube, A. (2019) 'Impact of minimum wages: review of international evidence.' UK Government.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/844350/impacts_of_minimum_wages_review_of_the_international_evidence_Arindrajit_Dube_web.pdf

³⁷ McVicar, D., Park, A., McGuinness, D. (2017) Employment and hours impacts of the National Minimum Wage and National Living Wage in Northern Ireland.' ESRI. <https://www.esri.ie/system/files/media/file-uploads/2017-12/BKMNEXT348.pdf>

³⁸ www.Livingwage.org.uk

The UK provides two examples of progressively boosting the wage floor: the National Living Wage is a model of moving towards a higher NMW through setting a time-bound government target, while the ‘real’ Living Wage (a voluntary rate based on the cost of living) allows us to investigate the impacts of a wage floor set according to a minimum income standard. The next section outlines our arguments for moving towards an NMW benchmarked against the Minimum Essential Standard of Living.

A Living Wage in Ireland

The Minimum Essential Standard of Living is a consensus-based calculation of an adequate standard of living for 90 per cent of household types in Ireland. The MESL is used to calculate a Minimum Income Standard, from which an hourly Living Wage is calculated based on the needs of a single adult.

This Living Wage rate provides for a basic but decent standard of living, built on a social consensus of the resources people need to live in Ireland today. It allows for individuals to take part in everyday life and to purchase the goods and services they need to be an active member of society.

For 2019-20 the Living Wage is €12.30, 22 per cent higher than the NMW³⁹. This was a €0.40 increase on the previous year, when the Living Wage was €11.90 a year. Rent increases due to the national housing crisis bear much of the responsibility for this increase⁴⁰.

In a MESL ‘basket’ everyday outgoings such as food, electricity and heating make up more of a household’s outgoing than for an average-income household, meaning that the MESL – and therefore the living wage – increases faster than inflation, as measured by CPI⁴¹. Between 2013 and 2018 CPI inflation measures would underestimate changes in the costs of living for low income households by 9.7 percentage points⁴². A significant proportion of this increase is driven by the cost of private rented accommodation.

The Living Wage is calculated at a rate that means when a single adult works full time, they will be able to achieve a MESL. The simplicity of this calculation is a strength: it responds to a societal expectation that work should offer employees dignity and security.

At SVP we believe that work should first and foremost offer workers the chance to make ends meet and have an adequate standard of living: in order to do this they must be paid at a rate that reflects the actual costs of living in Ireland today.

4. NMW interaction with social welfare

The level at which the minimum wage is set is just one of the factors that effects the income of those on low pay: the interaction between wages and social protection is also a key consideration for those committed to preventing poverty.

For the many workers paid at the NMW who are in different financial or household circumstances to the one used in the Living Wage calculation (a full-time single adult) – they may work part-time due to caring responsibilities, have children, are unable to access below-average rents, or have above

³⁹ www.livingwage.ie

⁴⁰ Vincentian Partnership for Social Justice (2019) ‘Submission to Low Pay Commission’
https://www.budgeting.ie/download/pdf/vpsj_submission_to_lpc_2019.pdf

⁴¹ Ibid.

⁴² Ibid.

average transport costs to reach their place of work – raising the NMW to reach a Living Wage will be insufficient to provide them with a decent standard of living. For all these workers and their families, social security provides a necessary safety net to ensure they can make ends meet while in work.

The Low Pay Commission must consider the knock on effects of welfare eligibility from higher wages, and work with the Department of Employment Affairs and Social Protection to mitigate any loss of income, and maximise the returns, for those who will receive a pay increase as a result of a higher minimum wage.

Means Tests

Index linking increases in the NMW to means tests for a range of welfare payments including the Back to School Clothing and Footwear Allowance (BSCFA), medical card and Working Family Payment (WFP) would maintain the value of these payments year on year.

It is welcome that the thresholds for the BSCFA and the WFP increased in Budget 2020, but this wasn't the case for previous years. As a result fewer individuals are eligible for such benefits as earnings have risen.⁴³ It is important that the Department of Employment Affairs and Social Protection develop a strategy to future proof access to secondary supports by index linking means tests and income thresholds for these benefits. This would ensure that the number of eligible households does not fall simply due to increases in the NMW and indexation of other components the tax and welfare system.

In regard to eligibility for childcare subsidies, SVP recommends that the Department of Employment Affairs and the Department of Children work jointly to monitoring the interaction between NMW, in-work income supports and childcare subsidies to ensure the returns from work are maximised for low income families. The income thresholds for the National Childcare Scheme should also be index-linked to ensure families access to children subsidies are not affected by increases in the NMW.

Similarly, income limits for the Differential Rents for Local Authority properties and the HAP would need to be indexed in line with incomes to ensure that increases in earnings do not continually result in higher rent payments for minimum wage workers.

Earnings Disregards

Linking increases in the National Minimum Wage to earnings disregards would mean that welcome increases in wages doesn't disincentivise maintaining or increasing hours at work. At SVP we were pleased that the disregard for One-Parent Family Payment was increased to €165, effectively restoring the 2011 value to 16 hours paid at the National Minimum Wage. To protect this value, we recommend that the LPC publish an analysis of the impact of increases in the NMW on all earnings disregards and thresholds.

Marginal Effective Tax Rates

The Vincentian Partnership for Social Justice (VPSJ) have highlighted the role of Marginal Effective Tax Rates (METR) in limiting net increases to the NMW. For the 2019 increase to €9.80, the METR

⁴³ Callen et al (2019) Assessing the distributional impact of budgetary policy: the role of benchmarks and indexation https://www.esri.ie/system/files/publications/BP202002_2.pdf

was 43 per cent for a full-time worker, with PAYE, PRSI and USC leading to a net gain to the worker's income of 1.6 per cent⁴⁴.

AS the VPSJ point out, for a worker on both One-parent Family Payment and Working Family Payment, moving from part-time to full time would result in a METR of 84 per cent, meaning the gains of significantly increasing earnings would be marginal for the individual and their family. In this instance, the steep taper rate and the One-parent Family Payment threshold build in a disincentive to increase hours⁴⁵.

We recommend that the Low Pay Commission takes a proactive approach to working with the Department of Employment Affairs and Social Protection to ensure that increases in the NMW do not adversely affect the social protection eligibility of earners by maintaining the value of income supports and earnings disregards year on year. This should include publishing analysis of the range of impacts to different benefits, and the required changes to protect their value year on year.

5. Conclusion

Income adequacy is a key pillar of poverty prevention. The National Minimum Wage is a vital safeguard to people's earnings, providing a legal floor for all employees. Alongside a well-designed social protection system, the NMW is a powerful policy mechanism that should be put to work in pursuit of the poverty reduction targets detailed in the Roadmap for Social Inclusion.

The benefits of Ireland moving towards a Living Wage are manifold, for the individual, their household, the community, and the public purse. By boosting the pay of those on the NMW over an extended period with the target of reaching a Living Wage, the government would enable many earners and their families to benefit from a strengthened and thriving economy.

⁴⁴ Vincentian Partnership for Social Justice (2019) 'MESL 2019 Update Report' https://www.budgeting.ie/download/pdf/mesl_2019_update_report.pdf

⁴⁵ Vincentian Partnership for Social Justice (2019) 'Submission to Low Pay Commission' https://www.budgeting.ie/download/pdf/vpsj_submission_to_lpc_2019.pdf