



Why do we need a Minimum Wage?

Everybody supports the achievement of full employment, which means keeping as many people as possible in work. It logically follows that work should have a decent reward.

The Minimum Wage exists to promote this and is aimed especially at the more vulnerable groups in the labour market: young people, the unskilled and migrant workers. The minimum wage acts as a barrier against the 'race to the bottom' - where employers will force people to take increasingly lower wages, because there is no legal limit on how low they can go. That is especially true in a recession.

Minimum wage rates also protect good employers who want to pay proper rates but who might be undercut on wages by more unscrupulous bosses.

When a limited system of minimum wages was first introduced in Britain a century ago, Winston Churchill described their purpose as being: "To protect good employers from bad, and the bad employers from the worst."

Under the National Minimum Wage Act (2000) Ireland has a basic minimum wage of €8.65 for adult workers. In addition wages in a number of sectors - construction, catering, contract cleaning, for example - are set by legally binding Employment Regulation Orders (EROs). These are arrived at by agreement between unions and employers in each sector.

This is to ensure that where employers price a service or a contract they compete on the basis of fair wages. Most of the ERO rates are set at less than €1 per hour above the Minimum Wage.

Is Ireland's Minimum Wage one of the highest in Europe?

Minimum wage rates exist in 20 out of the 27 EU member states. In some countries it is set by law and in others, by agreement between unions and employers. For example, the Nordic countries - Denmark, Sweden, Norway - do not have a Minimum Wage set by law.

Instead, employers and unions agree a rate in each sector (construction, catering etc) and these are adhered to by all employers. The rates are amongst the highest in Europe, far higher than in Ireland.

Equally, a wage is only worth what goods it will purchase in each economy. If Ireland's rate seems high, that is because prices in this country run at 10-15 percent higher than other EU states. People in Ireland also pay for

services - GP visits, A&E visits, education costs - that are usually free or very low cost elsewhere,

When you factor in the countries with a non-legal minimum wage and calculate purchasing power, Ireland's Minimum Wage rate ranks in ninth across Europe.

Indeed, if our Minimum Wage was so much higher and bought so much more than anywhere else in Europe, we would find people from Northern Ireland clamouring for minimum wage jobs in towns like Dundalk, Clones or Buncrana. But this is not the case.

What happens if an employer cannot afford to pay the minimum wage?

Under section 41 of the National Minimum Wage Act an employer can plead 'inability to pay' and apply to the Labour Court to be exempt from paying it for up to a year. To date no employer has done so.

Yet the Government is currently considering granting such an exemption to employers covered by EROs. Once again, employers and Government seem to believe it is the low paid that are the cause of our problems.

Would a lower minimum wage make us more competitive?

Almost certainly not. The National Competitiveness Council - which advises the Government on this issue - has identified other factors that have damaged competitiveness: broadband speed (the lack of it); business rents and electricity costs, are just some of the issues which it identified.

Most Irish goods for export are from sectors such as pharmaceuticals or medical devices which pay far more than minimum wage. And most industries that have a statutory minimum wage do not export goods or compete abroad - hotels, catering, cleaning etc.

Ironically those calling for reductions in the minimum wage generally represent the very same service industries, which enjoyed super profits in the boom years.

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