

The Living Wage:

Incomes, Work & Low-Pay in Ireland

ICTU *Making the Case for Decent Work*
January 24th 2013

Dr Micheál Collins
NERI (Nevin Economic Research Institute)
Dublin
mcollins@NERInstitute.net



Research for new economic policies



Research for new economic policies

Outline

A sweep through some relevant research
Leading to the Living Wage concept

- 1. Income in Ireland: a review**
- 2. Minimum Incomes**
- 3. 'The Cost of Work'**
- 4. A Living Wage**



NERI National Economic Research Institute
Research for new economic policies

1. Income in Ireland: a review



www.NERInstitute.net

NERI National Economic Research Institute

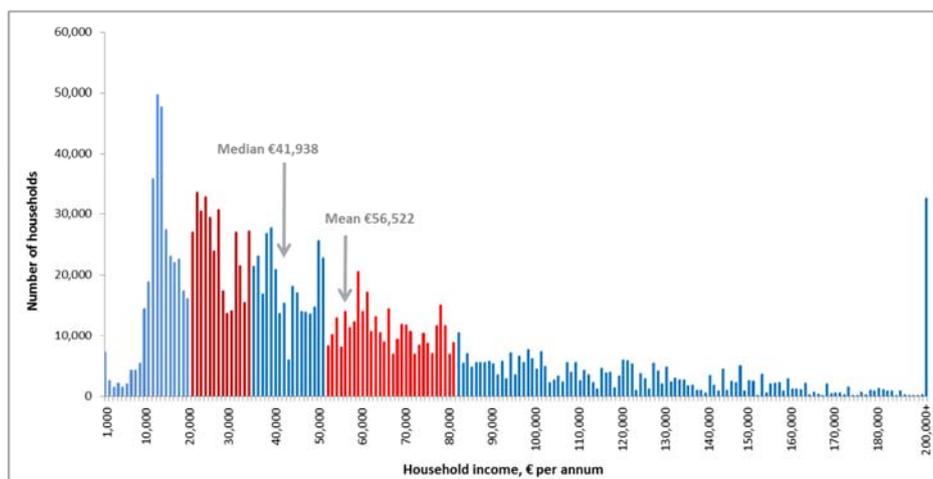
NERI National Economic Research Institute
Research for new economic policies

1. Income in Ireland: a review

- Understanding the nature, shape and composition of the income distribution is important for public policy
- Yet, limited understanding
- Latest NERI QEO: an outline of the situation
- Drawing on forthcoming:
 - *Income in the Republic of Ireland (Collins, 2013)*
- NERI Microeconomic model
- Data from CSO SILC survey

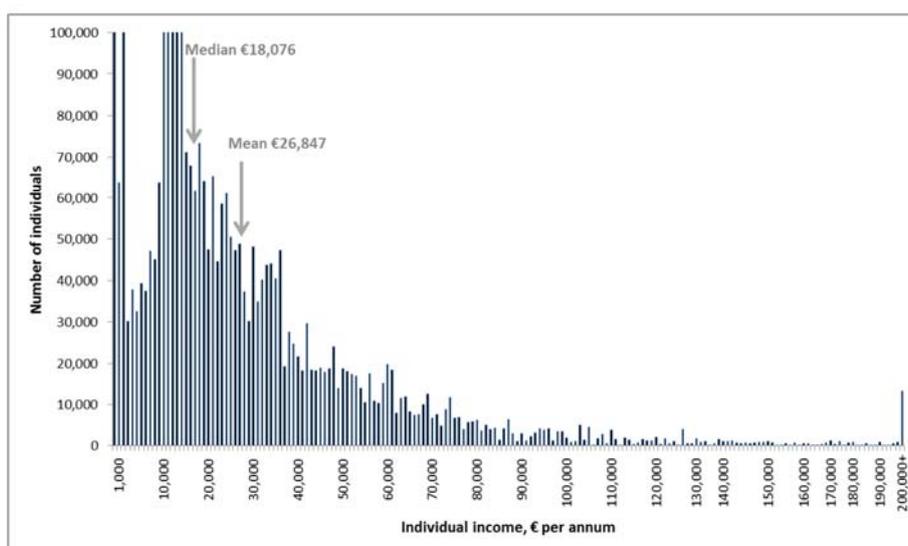
- Income
 - **Gross:** earnings, pensions, property income, investment income and all forms of welfare (including CB)
- Data for
 - Households
 - Individuals
- Initially, gross income...later the elements of this
- Data, never perfect, but best info we have

Chart 4.1: Ireland's Gross Income Distribution - households



- Quintiles (20% groups) shaded
- 33% of households have a gross income of less than €30,000
- 56% of households have a gross income of less than €50,000
- 62% of households have a gross income below the average (mean) household income
- The top 30% of households have a gross income of more than €70,000 per annum
- The top 20% of households have a gross income of more than €80,000 per annum
- 14% of household have a gross income above €100,000 per annum
- 2% of households have gross incomes above €200,000 per annum

Chart 4.3: Ireland's Gross Income Distribution - individuals



- Almost 300,000 individuals (9% of the adult pop) received €0
- 1.5 million individuals (40%) have a gross income between €10,000 and €30,000 per annum
- 2.6 million individuals (77%) have a gross income below €50,000 per annum – this excludes those with zero incomes
- The top 5% of individuals in the income distribution have an income of more than €78,000 per annum
- The top 1.5% of individuals in the income distribution have an income of more than €120,000 per annum
- The top 1% of individuals in the income distribution have an income of more than €140,000 per annum

- More research to come from NERI on this
- However:
 - We tend to underestimate the number of individuals and households on low incomes
 - Many working households on low incomes
 - Real challenges...

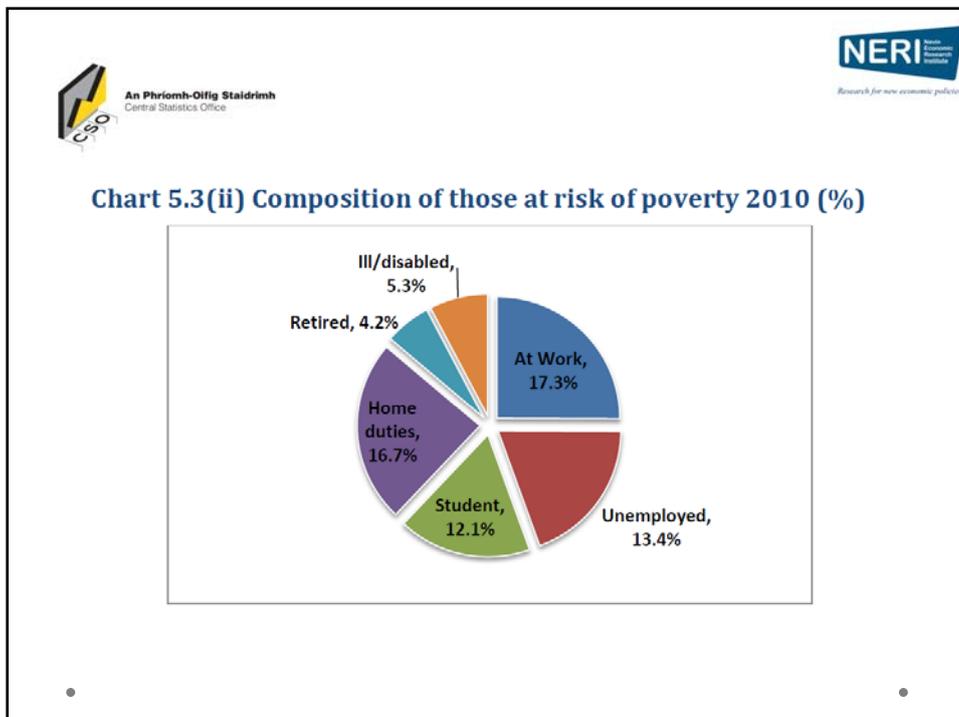
NERI National Economic Research Institute
Research for new economic policies

Quarterly Economic Facts
January 2013



www.NERInstitute.net

NERI National Economic Research Institute

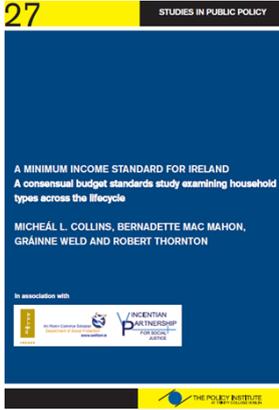




2. Minimum Incomes

- Collins et al (2012)
- Three questions:
 - What is a basic standard of living?
 - How much does it cost?
 - How much income do you need to afford this?

www.MISc.ie
www.tcd.ie/policy-institute





- Focus on measuring a *minimum essential standard of living* (MESL)
- Definition derived from UN documents:
 - ‘things which are necessary for a person’s physical, mental, spiritual, moral and social well-being’
- **Consensual Budget Standards Literature**
 - Consults households to establish a MESL via an established methodology and representative focus groups
 - Different for different groups...
 - Derived from negotiated consensus on what households believe is a minimum
 - Focus on needs and not wants
 - Budgets compiled across 16 areas of expenditure...approximately 2,000 items

Household Types Examined:

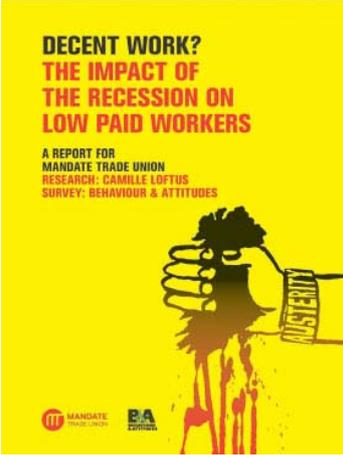
- 2 Adults and 2 Children
- 1 Adult and 2 Children
- Single Adult of working age
- Female Pensioner living alone
- Pensioner couple

In all cases for both urban and rural locations

Urban 2 Adults and 2 Child Household

Table 2: MESL and the cost of taking-up work – Urban 2 Adults, 2 Child Household (€ per week)

	9 Months & Pre- School	Both Pre- School	Pre & Primary School	Both Primary School	Primary & Second Level	Both Second Level	Second Level & 19 Years
MESL for each household type							
Unemployed, Dependent on JSB	464.03	421.14	451.50	481.87	547.77	613.67	648.85
1 Adult Employed Full-Time	484.44	441.55	471.92	502.28	568.18	634.08	660.56
Both Adults Employed, 1 Full-Time & 1 Part-Time	696.05	597.46	568.44	539.41	640.13	693.48	729.55

www.mandate.ie



- Many households, *especially working households*, living below the minimum
- Limited understanding of incomes at two extremes of the income distribution
- How much is enough: the minimum = MESL/MIS
- How much is enough: the maximum:
 - multiples of the minimum give an insight
 - possible research area...
 - Australian precedent

Forbes - New Posts -20 posts this hour Most Popular Google's Driverless Car Lists Business Of Basketball Vid NBA T

NERI North Carolina Economic Research Institute
Research for new economic policies

512
f Share
55
t Tweet
9
in Share
77
Submit
3
+1
34
reddit

OP/ED | 6/23/2012 @ 12:06PM | 7,179 views

If You Want Human Progress To Stop, Institute A Maximum Income

By Paul Hsieh, M.D.

Suppose a young medical researcher, Dr. Smith, discovered a safe, reliable vaccine for breast cancer. If a woman took a single pill at age 30, she'd never develop breast cancer. But the pill costs \$1,000. How many American women would take that deal?

Most women would likely jump at the opportunity. For \$1,000, a woman would be forever spared the expense and inconvenience of future annual mammograms. She'd never have to worry about her doctor calling to say, "Your mammogram showed a suspicious spot; please come in for a biopsy." The 12% of women who would have developed breast cancer during their lifetimes would be spared the pain and risks of surgery, chemotherapy, and radiation therapy.



"We should give those who have earned great wealth honestly the respect and gratitude they deserve for the enormous value they've created." Image via CrunchBase

NERI North Carolina Economic Research Institute
Research for new economic policies

THE RICHEST PEOPLE IN AMERICA

Forbes

SPECIAL 30TH ANNIVERSARY ISSUE



WARREN BUFFETT
OPRAH WINFREY
BILL GATES

400 THE FORBES

MAKING IT BIG. GIVING IT BIG
THE TITANS OF PHILANTHROPY



3. 'The Cost of Work'



NERI Working Paper Series

**The Cost of Work:
Insights from Minimum Income Standards
Research for Ireland**

**Micheál L. Collins, Bernadette Mac Mahon,
Gráinne Weld and Robert Thornton.**

May 2012

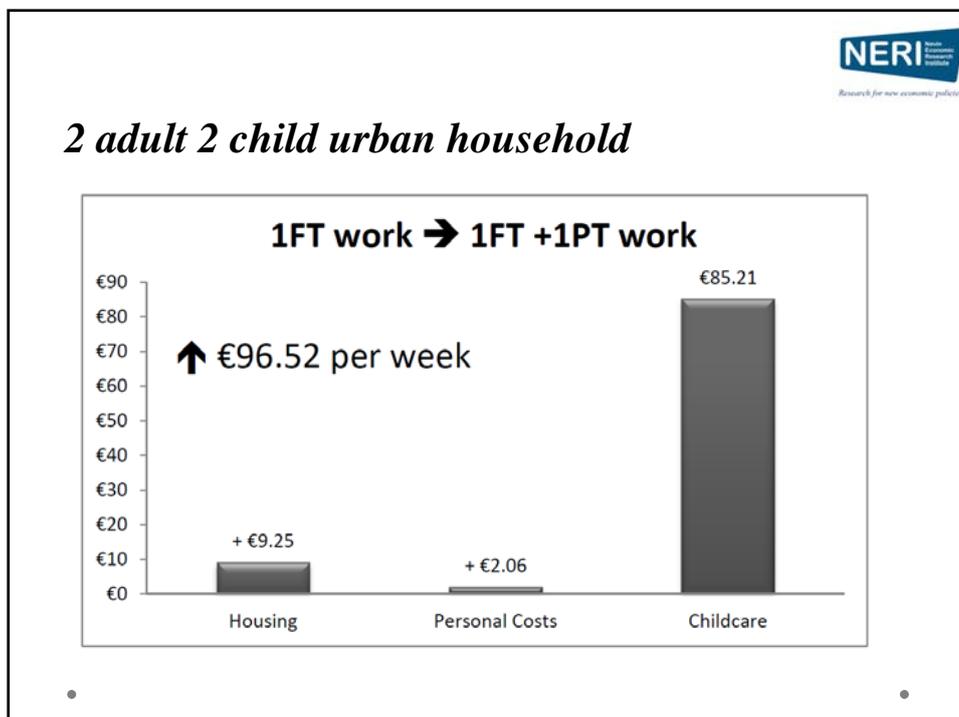
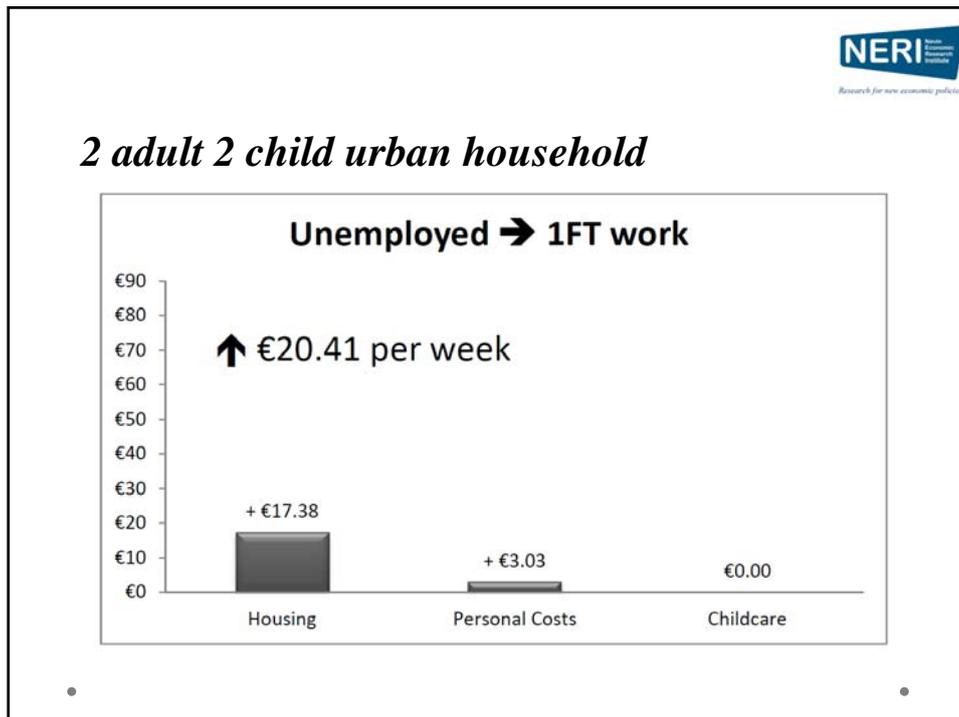
NERI WP 2012/No 3

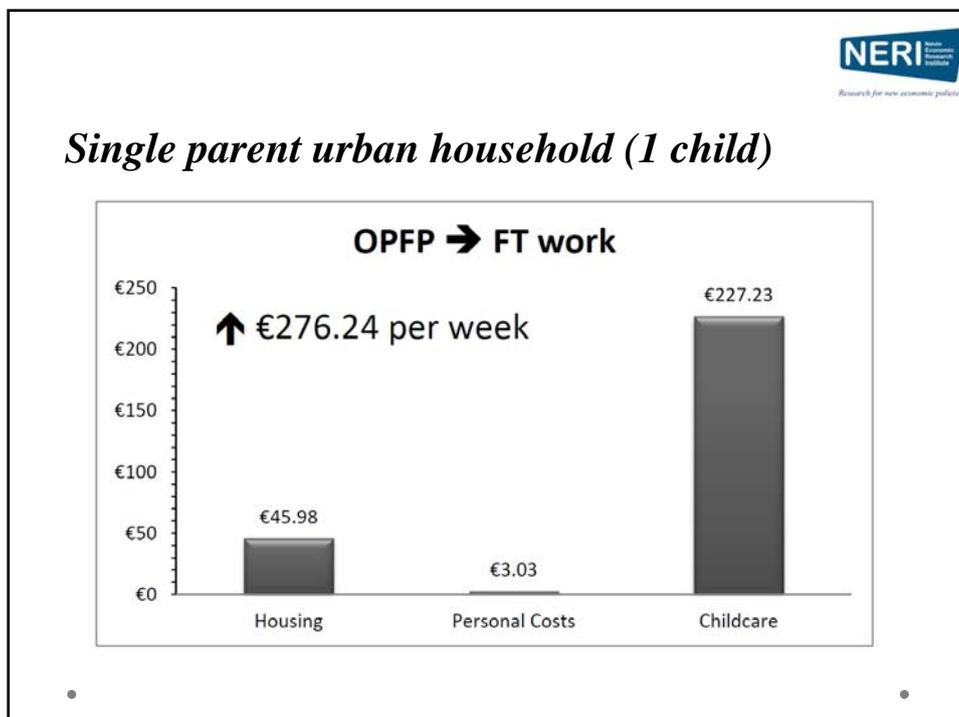
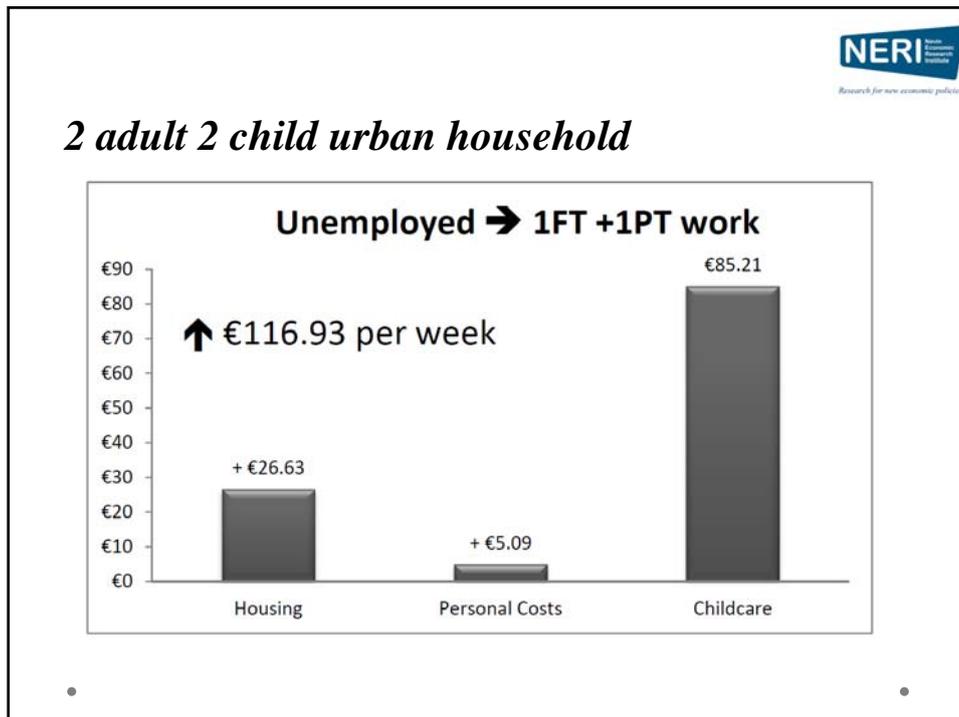
www.NERIInstitute.net



3. 'The Cost of Work'

- Using the MIS data
- Examine how minimum standards change as households status changes
- Relevance re. key socio-economic transitions:
 - labour force changes
 - family formation
 - children
 - relocation
- Look at the cost of work for:
 - 2 adult 2 child urban household
 - Single parent urban household (1 child)



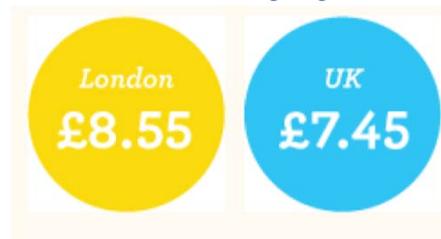


4. A Living Wage

- Low income workers...the incentive to work...the cost of work
- UK MIS work lead to development of a living wage campaign
- Employers should pay their employees a wage that gives them a decent living standard
 - not what the market will bear
 - what an employee needs for a decent living standard
- Good for all...broad support
- Research in Ireland emerging...



Current Living Wage



Current minimum wage



- **Research has found:**

- **Good for Business**

- in London > 80% of employers believe that the Living Wage had enhanced the quality of the work of their staff
- absenteeism had fallen by approximately 25%
- 66% of employers reported a significant impact on recruitment and retention within their organisation.
- Following the adoption of the Living Wage PwC found turnover of contractors fell from 4% to 1%.
- 70% of employers felt that the Living Wage had increased consumer awareness of their organisation's commitment to be an ethical employer.

- **Good for the Individual**

- 75% of employees reported increases in work quality as a result of receiving the Living Wage.
- 50% of employees felt that the Living Wage had made them more willing to implement changes in their working practices; enabled them to require fewer concessions to effect change; and made them more likely to adopt changes more quickly.

- **Good for Society**

- Over 45,000 families have been lifted out of working poverty as a direct result of the Living Wage.

NERI Neuchâtel
Economic
Research
Institute
Research for new economic policies

London study:

Jane Willis, University of London
NERI Research Seminar
April 24th 4pm

The costs and benefits of the London living wage

October 2012

Jane Willis and Brian Linneker

School of Geography
Queen Mary University of London, Mile End Road, London E1 4NS

Trust for London
Tackling poverty and inequality

Queen Mary
University of London



NERI Neuchâtel
Economic
Research
Institute
Research for new economic policies

In Ireland:

- Potential impact of a Living Wage on low income households is very large:
 - e.g. ↑ €1 per hour
 - €8 per week
 - €1,976 per year
 - well above any possible changes to taxes and welfare

The Living Wage:

Incomes, Work & Low-Pay in Ireland

ICTU *Making the Case for Decent Work*
January 24th 2013

Dr Micheál Collins
NERI (Nevin Economic Research Institute)
Dublin
mcollins@NERInstitute.net



Research for new economic policies