



## **Submission to the Low Pay Commission**

### **National Minimum Hourly Rate of the Minimum Wage 2024**

**May 2023**

1. The Irish Congress of Trade Unions (Congress) is the representative body for 45 affiliate unions and the largest civil society organisation on the island of Ireland, representing and advancing the interests of over 700,000 workers and their families in all sectors of the economy.
2. On the 3<sup>rd</sup> May 2023 the Chairman of the Low Pay Commission wrote to Congress seeking our views on the hourly rate of the minimum wage for 2024. The correspondence set out the context in which our view was being sought namely, the decision of Government to introduce what it terms a 'national living wage', to be in place by 2026 and which will initially be set at 60% of median earnings of all workers.<sup>1</sup>
3. At the outset it is important to note that Congress has been an advocate for the introduction of a real living wage for many years. Ireland's minimum wage is among the lowest of the 21 EU member states with statutory minimum wages. According to the latest EU estimates, Ireland's rate of €10.20 an hour in 2021 was below 50% of the gross median wages of full-time workers and below 40% of the gross average wage of full-time workers.<sup>2</sup> The 2021 rate was also €2.10 below the Living Wage Technical Group's recommended living wage for 2020-2021 of €12.30 for a full-time worker with no dependents. We agree that by adjusting the hourly rate of the minimum wage on an annual basis so that it is set at rate that is sufficient for workers to have a decent standard of living is the best way of achieving a real living wage. However, we believe that the circumstances facing workers on low pay merit the Low Pay Commission considering an accelerated timeframe by which the hourly rate of the minimum wage becomes a real living wage.
4. The Low Pay Commission will be aware that we continue to experience very high rates of price inflation. This has meant that recent increases in the minimum wage have not been sufficient to prevent the value of the national minimum wage from falling in real terms. The living standard of the average minimum wage worker is likely to have declined over the combined 2021 and 2023 period, with an associated increase in in-work poverty. The table below shows that in real terms the value of the minimum wage has declined over the period 2021 – 2023.

	2021	2022	2023	Cumulative 2021 -2023
National Minimum Wage Increases	1%	2.9%	7.6%	11.8%
Harmonised index of Consumer Prices	2.4%	8.1%	5% <sup>3</sup>	16.2%
Real Minimum Wage Increases	-1.4%	-5.2%	2.6%	-4.4%

<sup>1</sup> [Tánaiste announces introduction of national living wage](#), 16 November 2022

<sup>2</sup> EU Joint Employment Report 2023, p.52. This report was adopted by the EPSCO Council on 16 March 2023, with Minister of State Neale Richmond TD representing Ireland.

<sup>3</sup> 2023 inflation figure is a projection from the [Central Bank's latest Quarterly Bulletin](#)

5. The data provided to Congress by The Low Pay Commission has indicated that if the hourly rate of the minimum wage is to increase to 60% of median wages of all workers in 2026, as announced by Government, it will have to increase to approximately €12.50 an hour in 2024. This is an increase of €1.20 an hour or 10.6%. When account is taken of the fall in the value of the minimum wage over the period 2021 – to 2023 and the Central Bank's forecast rate of HICP inflation for 2024 of 3.2%, this represents a very modest increase in the hourly rate of the minimum wage. It is particularly modest in light of the Department of Finance<sup>4</sup> forecast of wage growth of 5% for 2024 for the economy in general. It should be further noted that in 2022, Germany increases its minimum rate of Pay by 22% between July and October 2022.<sup>5</sup>
6. In light of this Congress is recommending that the hourly rate of the minimum wage increase by €2 per hour in 2024. Increasing the hourly rate of the minimum wage to €13.30 will give low paid workers a better chance of avoiding in work poverty and take their earnings close to the rate of the living wage as calculated by reference to the Minimum Essential Standard of Living, which is calculated to be €13.85 per hour for 2022/23 by the Living Wage Technical Group.
7. The Low Pay Commission is required to have regard to the impact of its recommendation on employment and competitiveness. The economy is at or near full employment. The rate of unemployment in April 2023 was 3.9% the lowest rate since 2001. The Central Bank has forecast that rate of unemployment will 4.4% in 2024. Labour demand outstrips labour supply. Congress is therefore of the view that its recommendation of an increase in the hourly rate of the minimum wage will not lead to an increase in unemployment, a reduction in employment or damage the competitiveness of the economy as a whole.
8. Congress would also like to draw the attention of the Low Pay Commission to provisions of the EU Adequate Minimum Wage Directive. For example, recital 28 states that minimum wages are to be considered adequate if they are fair in relation to the wage distribution in the relevant member state and if they provide a decent standard of living for workers based on a full-time employment relationship. Recital 10 acknowledges that women, younger workers, migrant workers, single parents, low-skilled workers, persons with disabilities, and in particular persons who suffer from multiple forms of discrimination, still have a higher probability of being minimum wage or low wage earners than other groups. Article 5 of the Directive requires that the setting of minimum wages be guided by criteria set to contribute to their adequacy, with the aim of achieving a decent standard of living, reducing in-work poverty, as well as promoting social cohesion and upward social convergence, and reducing the gender pay gap. Article 6 requires member states to ensure that variations and deductions respect the principles of non-discrimination and proportionality.

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<sup>4</sup> [gov.ie - Stability Programme Update 2023 \(www.gov.ie\)](https://www.gov.ie/en/publications-and-statements/publication/2023-03-27-stability-programme-update-2023/) see page 21 and reference to wages per head.

<sup>5</sup> [Minimum wage of 12 euros: millions of people will benefit | Federal Government \(bundesregierung.de\)](https://www.bundesregierung.de/breg-de/themen/lohn-und-lohnschutz/minimum-wage-of-12-euros-millions-of-people-will-benefit)

9. While the deadline for transposition of the Directive is not until November 2024, the EU Joint Employment Report 2023 recommends ‘frontloaded implementation’ in order to encourage ‘efforts to help ensure adequate working and living conditions for workers’<sup>6</sup>. Congress is of the view that an increase in the hourly rate of minimum wage by at least €2 per hour in 2024 is consistent with the Directive<sup>7</sup> and the recommendation to frontload to ensure adequate conditions for workers. While Congress acknowledges the Low Pay Commission’s ongoing work on sub-minimum rates we believe there should more urgency in ending the unjust and outdated practice of paying young workers below the main hourly rate of the minimum wage.
10. In conclusion, in recommending an increase of €2 per hour in the hourly rate of the minimum wage in 2024, Congress believes that;
- such an increase will go considerable distance to providing a decent standard of living for low paid workers;
  - will provide an increase in earnings consistent with the projected increase in earnings in the economy in general;
  - will not in any way contribute to a higher rate of unemployment or a reduction in employment and will not undermine the competitiveness of the economy as a whole;
  - it is consistent with provisions of the EU Directive on Adequate Minimum Wages.

**Irish Congress of Trade Unions**  
**May 2023**

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<sup>6</sup> Joint Employment Report 2023, p.6.

<sup>7</sup> [EUR-Lex - 32022L2041 - EN - EUR-Lex \(europa.eu\)](#)