

Introduction to the Living Wage in Ireland



ROBERT THORNTON

Senior Research & Policy Officer, VPSJ



The Living Wage in Ireland

OUTLINE

- What is the Living Wage?
- Evidence underpinning calculation
- How the rate is produced
- Changes in Living Wage from 2014

What is the Living Wage?

The Living Wage is based on the concept that work should provide an adequate income to enable individuals to live with dignity, at a minimum but socially acceptable level.

- Adequate
- Based on cost of an acceptable standard of living
- Standard no one should be expected to live below
- Earnings floor
- Evidence based

Evidence base for the Living Wage – Minimum Essential Standard of Living

- Budget Standards / Reference Budget research growing in use internationally
- Minimum required for people to live with dignity and participate in day-to-day life
- Meets physical, psychological & social needs
- Reflects concepts which underpin
 - Human Right to adequate standard of living
 - European Pillar of Social Rights
 - Irish Government definition of poverty
- Consensual Budget Standards method
 - Academically rigorous approach used internationally
 - Deliberative focus groups
 - Negotiated social consensus
- Counts the actual average weekly cost of the 2,000+ essential goods and services
- Evidence based benchmark to assess the income required to enable people to live with dignity, at a minimum but acceptable level

Living Wage Development

- VPSJ exploratory paper (2013/14)
 - Examined potential of using MESL data
 - Proof of concept – applied UK model
- Technical Group established (2014)
- Produce an agreed method to calculate national Living Wage rate
 - Evidence Based
 - Robust
 - Practical
 - Transparent
- Gross salary required by a Single Adult in full-time employment, across the country
- Families have additional and different needs
- These are demonstrated in the calculation of Family Living Income
- These additional needs must be met through a combination of salary and social supports

Calculating the Living Wage

1 MINIMUM LIVING COSTS

Evidence based basket of goods and services agreed as essential to enable a life with dignity.

2 REGIONAL DIFFERENCE

Different and additional needs across the country.

- Dublin
- Other cities
- Towns
- Rural

3 HOUSING

- Private Rented
- One bedroom dwelling
- Below average rent
- Data from RTB

4 TRANSPORT

Public transport
Dublin and Other cities

Car required
Towns and Rural areas

5 GROSS SALARY NEED

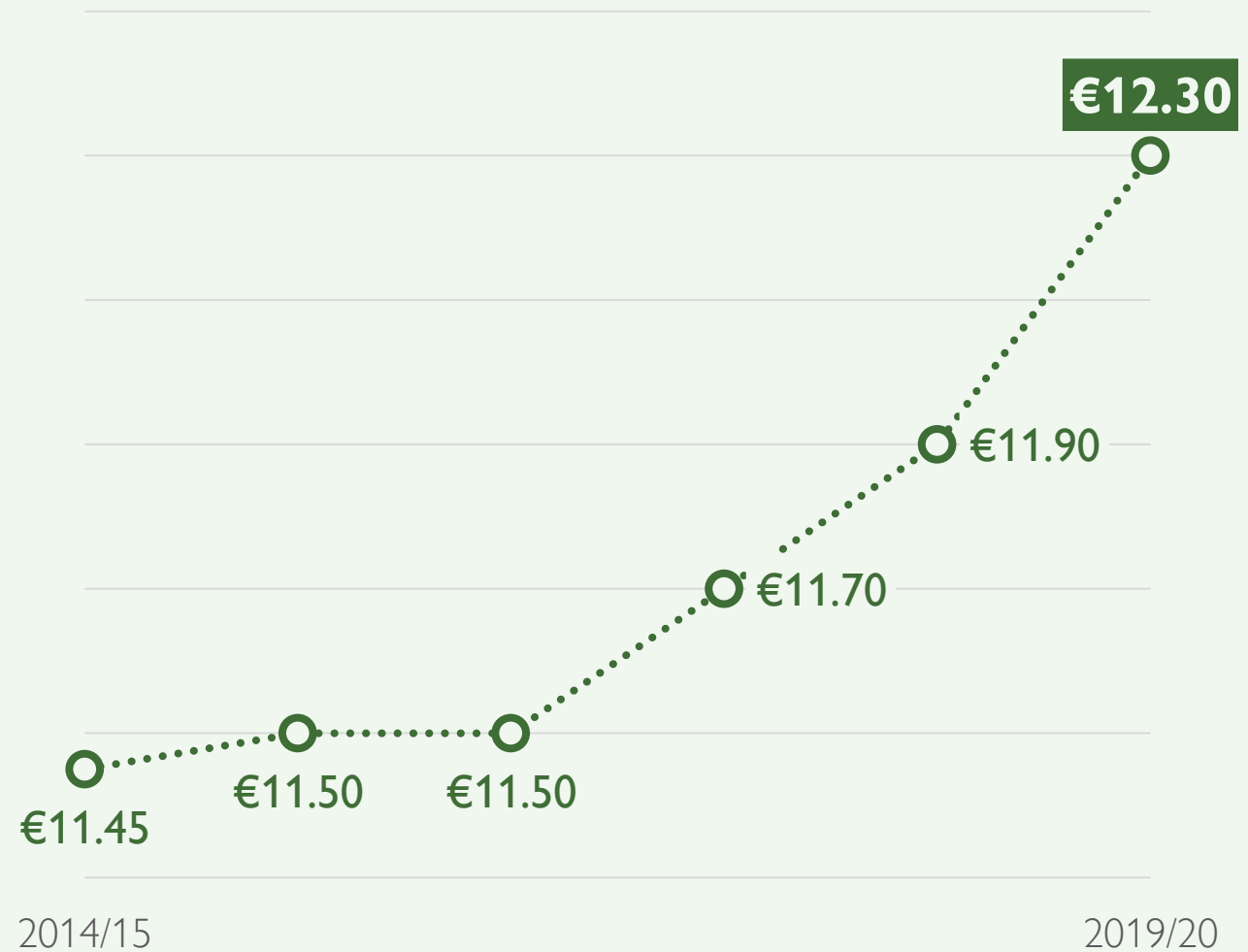
Full-time (39 hour) gross salary needed to meet the cost of a socially acceptable standard of living.

6 NATIONAL RATE

Average hourly salary needed across the country, weighted by proportion of the labour force in each area.

Living Wage updated annually

- Rate updated each year, based on
 - Change in minimum cost of living
 - Services which effect living cost
 - Tax payable on Living Wage
- Rate can go up or down
- Increase of €0.85 (7.4%) from 2014/15 – 2019/20
- Increased at slower rate than average private sector earnings



Limit on Annual Increase

- Ceiling on level of increase in any one year
- Recognition of employers need for degree of certainty on labour costs

Living Wage cannot increase at a greater level than average hourly earnings in the private sector

Conclusion

ADEQUATE INCOME



Work should provide an adequate income to enable individuals to live with dignity.

It is an earnings floor.

TRANSPARENT CALCULATION



Calculation method is detailed in Living Technical Document and summarised in Annual Living Wage paper.

All available on www.livingwage.ie

EVIDENCE BASED



Rate is underpinned by robust data, which is produced through a recognised and accepted research methodology.

It is grounded in social consensus.

UPDATED ANNUALLY



Rate is updated annually to ensure it continues to reflect minimum living costs.

Published in July to provide notice for both employees and employers.