



**Chambers
Ireland**
Advancing business together



**Chambers Ireland Submission to the
Joint Oireachtas Committee on
Enterprise, Trade and Employment
Regarding the Low-pay Commission's
Report on the Cost of Living/Minimum
Wage**

November 2022

Overview

Chambers Ireland, the voice of business throughout Ireland, is an all-island organisation with a unique geographical reach. Our 40 members are the Chambers of Commerce in the cities and towns throughout the country – active in every constituency. Each of our member Chambers is central to their local business community and all seek to promote thriving local economies that can support sustainable cities and communities.

In September 2019, our Network pledged to advocate for and support the advancement of the Sustainable Development Goals. In doing so, we use the Goals as a framework to identify policy priorities and communicate our recommendations. We have a particular focus on five of the goals encompassing Decent Work and Economic Growth (SDG 8), Sustainable Cities and Communities (SDG 11), advancements in Gender Equality (SDG 5), viable Industries, Innovation, and Infrastructure (SDG 9) and progress in Climate Action (SDG 13).¹

Given our commitment to decent work we have not taken positions on the minimum wage, or how it is set, since then. The primary reason for that is that most of our members do not pay minimum wage to their employees. Those that do tend to be in particular sectors or regions, and while wage costs are an issue there, they are unlikely to be the most important factors in keeping a business viable. In recent years the competition for talent has greatly increased, and many firms that were operating business models where their employees received the minimum wage have been suffering as a result of other employers offering more competitive wages to those employees. Consequently, the impact of the minimum wage has reduced in many parts of the country.

¹ The Chambers Ireland SDGs. Available at: <https://www.chambers.ie/policy/sustainable-development-goals/chambers-ireland-sdgs/>

Chambers Ireland continues to not take a position on what the appropriate minimum wage ought to be, though we do have observations to make as we hope that the delivery of the “progression to a living wage” policy has the intended effect.

Concerns about the impact on rents in the housing market

Our principal concern is that housing costs are one of the primary causes of claims for higher wages. There is an extremely inelastic demand for housing which results in many people paying more in housing costs than is either prudent or affordable. This creates an economic fragility that is easily exploited (as seen through the large number of houses and apartments that cater to those on lower incomes where individuals pay nominally low rent but do so to live in crowded accommodation – it is not exceptional to have four adults sharing a bedroom in many of our cities and towns.

Should the consumer surplus that minimum wage workers receive be translated into higher rents for those in the most vulnerable parts of the economy then this policy will have failed in its aims. The burden of increased housing costs would be faced by all those who need rented accommodation. Individuals who are unemployed or are unable to work will suffer the most.

The department should, over the course of the rollout of these minimum wage increases conduct research to ascertain whether the benefits of this policy are delivered to the workers, or to landlords.

Concerns about the effects on the regions

Some of our members have highlighted how there may be concentrated regional effects in certain areas – particularly those that are dependent on the hospitality and retail sectors. Regional areas which are dependent on (a now very volatile) seasonal tourism industry could be disproportionately affected. **State bodies must assess whether a relationship develops between**

the increase in minimum wage and unemployment claims that originate from people who work in such sectors in regional areas.

Concerns regarding migration

For many people who are new to Ireland, their first job (unless they have arrived through a permit scheme) will be minimum wage. There is a risk that as the minimum wage increases fewer entry level positions may be offered. If there are fewer roles available in the formal economy people who are new to Ireland may become more likely to enter into the informal economy. While the competition for labour is high at present, the role of the informal economy will likely increase should our economy experience further negative shocks over rollout of these minimum wage increases. **State bodies should be alert to how the increases in minimum wage interact with the informal economy.** Workers in the informal economy lose benefits they are entitled to, while businesses that informally employ workers are unfair competition to legitimate operators.

Given that our minimum wage is high relative to GB, and the continual political discord and tensions around migration, there is the possibility that Ireland will become a more attractive location for people who are undocumented.

Undocumented workers are particularly vulnerable to exploitation of many kinds, so ensuring that an increased minimum wage does not give rise to an increasing population of undocumented workers who will feel that they do not have recourse to state bodies that can protect their rights is an absolute necessity. **State bodies should carefully monitor the second order effects that the increase in the minimum wage has on undocumented workers.**

Chambers Ireland notes that the appropriate response to undocumented workers is to create channels for legal economic migration, not the prosecution or expulsion of those who are undocumented.