

# The low pay scandal in Celtic Tiger mark 2

Owen McCormack

The news that ended 2018 was that Ireland had the highest recorded number of people at work in the state's history, surpassing the previous peak during the Celtic Tiger. Combined with record economic growth and profit margins in many sectors that are surpassing their 2007 peaks and the picture looks like justifying the hyperbole of Paschal Donohoe, the Finance minister, who waxed lyrical about the new jobs figures:

Behind each of these additional jobs ...is a human story: one of a jobseeker getting back on his/her feet, a household putting another salary on the table at the end of the week or the school leaver joining the jobs-market. *Paschal Donohoe*

If those new jobs repeat the pattern of the last 6 years of job growth, then an inordinate number of these "human stories" will be tales of low pay, low hours and precarious contracts with no prospect of a decent pension, paid sick leave or job security.

As if to emphasize the point, this year, workers who earn the Minimum wage will get an increase of 25 cent an hour as the nation's minimum wage threshold rises to €9.80 an hour, about ten euro a week extra for those in full time employment. When they finish celebrating, the near 130,000 workers who are on the Minimum wage may want to personally thank the *Low Pay Commission* for their generosity. This Government appointed body sets and reviews the minimum wage level each year. This year, there was unanimity among the group (a mix of economists, business insiders, two trade union reps and a migrants' rights advocate) on the modest rise. Brexit, uncertainty on the world's global economy and the ever present fear of losing "competitiveness" were offered as reasons for the lack of largesse toward Ireland's lowest paid workers.

It is testimony to the hegemony of neoliberal thinking in Ireland that a representative from a union of retail

worker, a migrants' rights advocate and the head of the ICTU could sign off on the pathetic 25 cent increase. This is especially ironic as various studies show that it is women, migrants and young workers that are disproportionately affected by the minimum wage rate and low pay in general. Some 25,000 other young workers will continue to earn *less* than this rate if they are under 18, a trainee, or in the first years of work. These workers can legally still be paid only 70% or 80% of the €9.80 hourly figure.

The second coming of the Celtic Tiger is not lifting all boats; indeed it is hardly lifting any outside of a small elite. As those on average earnings scramble to even pay rents, a large cohort of workers is stuck on much lower pay rates. The current boom and job growth is built on a mix of Foreign Direct Investment, multinationals dodging taxes and a growing sector based around retail, accommodation, food, construction and health that rests on low pay, low hours, bogus self-employment and precarious contracts.

If we take the standard definition of what constitutes low pay (defined as less than two thirds of the national median wage; around €12.20 an hour) then up to 30% of workers in Ireland are low paid. According to a Dáil report from 2015, compared to EU15 countries, the level of wages in the private sector in Ireland is 16% below the EU average. Almost 345,000 employees earn less than €11.45 per hour while just over 400,000 earn below €12.20 per hour. Paying rent or surviving without slipping into deprivation or poverty is a herculean task for hundreds of thousands of workers. Ireland has one of the highest rates of low pay in Europe AND the highest incidence of low pay for full time employees in the EU 15, at 17%. These are workers who, in the parlance of Varadkar, get up early in the morning and also pay for many public services which are free in other EU

countries. They remain one paycheck away from poverty, one bout of ill health from penury and one rent rise away from homelessness. Their numbers have grown as the boom has taken off in earnest.

These headline facts belie the spin that Varadkar and his allies push, but the growth of low pay alongside a decline in standard employment rights has not been an accident, it has been a deliberate policy of the state and the bosses. The IDA sells Ireland to international investors as a site with “flexible labour” with minimal employment rights and a “competitive” labour market. This translates into low pay, precarious contracts, minimal workers’ rights in legislation and a social welfare system that is geared to subsidising low-paying employers, punishing and pushing workers into taking those low paid jobs.

### **Attack on pensions**

The increase in the numbers on low pay and in precarious conditions comes side by side with an ongoing campaign on workplace pensions. The so called crisis or “pension time bomb” that exercises commentators and economists is not about workers living longer and costing more to provide pensions for. It is about removing the costs of providing decent pensions from employers in order to boost profit rates. While the idea of a secure job is widely ridiculed in mainstream economics so too is the idea that your employer has any responsibility to provide a decent pension or sick scheme. Such ideas belong to a bygone day that is no longer “competitive” enough for today’s market. Thus the recession has given cover to extend the retirement age when workers can receive the state pension from 66 to 67 and 68 (depending on your date of birth), with some speculation of a further increase to age 70. Simultaneously there has been a wholesale attack on defined benefit (DB) schemes. These schemes mean a worker will know exactly what their weekly pension will be on retirement. The employer will traditionally pay more into this type of scheme and they usually show up on a firm’s accounts as a cost. The last two decades have seen an onslaught on these schemes by bosses across the globe with vast amounts of money being effectively pilfered by firms and funds. In 2006 over 270,000 workers in Ireland were covered by such schemes; by last year this had fallen to just 100,000. In Britain just two decades ago over 8 million workers had the security of these schemes; now over 5

million have been put into much inferior Defined contribution (DC) schemes. These have no guaranteed payments at the end of your working life and are effectively gambled by pension funds on the stock exchange.

In Ireland, Irish Life workers and Independent News and Media are just the two highest profile schemes that were scrapped or savaged last year with workers seeing cuts of up to 50% in their final pension in some cases. The companies leading this attack are not struggling or unprofitable; the attack is a straightforward money grab and part of the war on workers under neoliberalism. One university lecturer in the UK, on strike for pension rights, summed up the real impetus behind this attack:

“Workers on defined contributions pensions also found themselves at the mercy of the market. If they happened to have the [bad] luck of retiring during a recession, their income was going to be far lower than it might have been. Finally, many employees with defined contributions pensions found their employer was putting much less towards their pensions. According to one analysis, employers spent on average 15% of their earnings on people with defined benefits pensions and just under 3% on people with defined contributions.”

### **The future is precarious**

One of the most ironic figures contained in recent reports is the fact that up to 2016, with the boom in full swing, there were still 109,000 *fewer* workers in full-time employment than there had been before the recession. Ireland stands out in Europe not just for having such high levels of low pay, but for combining this with high levels of precarious, part time and low-hours employment.

The growth of precarious employment has been a deliberate employer tactic in sectors like accommodation, food, retail and hospitality. The traditional justification has been the low profit margins or the struggle to stay in business in these sectors. In fact, many of these sectors are now seeing profit levels that have surpassed the Celtic Tiger mark. The worst offenders are also unlikely to be the small struggling business; large companies and multiples like Dunnes and Tesco or large hotel chains are prominent users of precarious contracts of one kind or another. These firms are not struggling to survive. As Unite the union’s report highlighted last year;

“Profits in these main domestic sectors have recovered

and now exceed their pre-crash high; in 2015, profits were 16 percent higher than in 2007. Their recovery since the 2009 low has been remarkable – an increase of over 50 percent. Employee compensation, however, barely moved.”

But as the profits of retail, hospitality and even the construction sector have risen, the bosses attachment to recession style work practices and rhetoric has remained. Every proposal to deal with bogus self-employment, low hours or precarious work or to strengthen the minimal safeguards available to workers has been trenchantly fought by IBEC, CIF and the plethora of small and medium enterprise bosses organisations.

Insecure and uncertain hours have devastating effects on workers and are used by many bosses as a mechanism of control. Precarious employment means insecure, uncertain and unpredictable work from the workers’ point of view. It is work in which the hours and pay can vary with little notice. In an era of astronomical rents it makes securing the basic needs of life virtually impossible for many workers. According to the ICTU the term can mean all forms of “*low paid, indecent work with limited or no benefits such as health care pensions or bonuses, in unsafe or unhealthy workplaces.*” Its prevalence has mushroomed as the boom has grown. In 2016 7% of the workforce was in temporary employment and 1 in 10 was classed as self-employed. Those classed as self-employed without any employees has grown by 34% between 2008 and 2016. The problem with such a jump in this figure is that behind it lies a massive growth of bogus self-employment across a range of industries.

While traditionally seen as the sort of practice found in hotels or retail outlets, the boom has brought these practices into other sectors. The creeping privatisation of the health and care sector has seen a burst of precarious and low hours work from a raft of private companies cashing in on the state’s failure to provide adequate care for those with disabilities and the elderly. While all these services, (such as Home Helps and Home Care packages) were cut during the recession, the more recent increases in funding have seen much of these services effectively privatised. Some 60% of home care packages for example are now delivered by external and “for-profit” organisations. There are now over 430 private nursing homes getting huge funding from the state and various tax breaks to provide services no lon-

ger provided directly by state bodies. This private sector has seen a mushrooming of low paid, precarious work alongside its growth.

The pattern is not unique to Ireland. All of Europe has seen a growth in various forms of part-time, temporary and precarious work patterns to varying degrees since the recession. 10% of Europe’s workforce are deemed to be precarious workers; defined as those whose work and life is characterised by uncertainty, low income, limited social benefits or statutory entitlements. Across Europe, involuntary, part time workers are at the highest risk of suffering from *in work* poverty. This is not just about the “gig economy” typified by Uber, Deliveroo or Amazon. Three decades of neoliberal “labour market reforms” and the most recent recession have seen these work practices embed themselves in sectors that had, not so long ago, been unionised jobs with decent standards, pensions and sick pay schemes.

A report last year found that “*amidst high unemployment and global economic competition, the EU has been actively promoting self-employment*” The problem with the growth in self employment is not about plucky entrepreneurs finding a niche market; increasingly it is about bogus self-employment where bosses can categorise workers as self-employed in order to avoid paying any of the taxes that go with employing workers or any of the responsibilities for sick or pension schemes. Even though these practices cost states millions in lost taxes, it is encouraged and connived at by Governments.

### **The State looks on**

In Ireland the Department of Social Protection is lethargic at best in pursuing or prosecuting clear breaches of the existing employments laws. Workers have to complain themselves to the social welfare inspectors about cases of bogus self-employment, something which many, who may be migrants or dependent on their employers in various ways, are reluctant to do. The practice is not confined to the obvious candidates like Deliveroo. It is widespread in construction and even in high-profile companies like Ryanair who flagrantly employ pilots on bogus self-employment contracts not just to avoid taxes but to control their workers and combat any unionisation attempts. In construction, one estimate of lost tax as a result of bogus self-employment is over €83 million a year. As highlighted in the Dáil last year by Richard Boyd Barrett, many of the most flagrant breaches by

construction firms were happening at sites that the state was funding, such as the National Children's Hospital.

A Department of Finance report in 2013 made it clear that the trends were obvious and known to Government:

“Trends over the last two decades towards greater flexibility and casualisation have resulted in low paid and precarious employment with workers being classified as self-employed even though they might not possess those characteristics... perceived as features of the self-employed.”

Across Europe much of this weakening of workers' rights has been actively legislated for, with various waves of reforms aimed at making the labour market more “flexible” with the right to fire workers made easier for employers and the right to pay young workers less made legal across much of Europe.

The World Bank alongside the EU and the IMF have openly advocated against regulations that might protect workers and for greater powers for employers to hire and fire at will. Such calls and policies have been the constant refrain of free market advocates who call for reforms to any obstacle that impedes “job creation”; what they really mean is any workers' rights that impede profit creation, regardless of the social costs. The goal has been to make European workers competitive with the other trading blocs of the US or Asia. Ireland has been to the fore in this since the recession and hence the startling figures for low pay and precarious work. As Michael Taft has highlighted, in some sectors like retail, hospitality and food, workers here would need to see wage increases of over 25% to reach the EU 15 average for similar jobs. In waste and bin collection after a decade of privatisation, workers here would need to get over 40% wage increases to be near level with their European counterparts.

While Government and media commentators will often lament how high the minimum wage rate is compared to other countries, they are less outspoken about how Ireland's rate drops down the rankings when the figures are adjusted for purchasing power. More telling is how the minimum wage level compares when examined against the recommended *Living wage* of €11.90 per hour or the average hourly industrial wage (over 22 euro). Comparing the headline figure across states doesn't really show us anything in terms of workers' actual living standards.

## The social wage

Comparing minimum wage rates across countries is also misleading for another reason. This is because of what is known as the “social wage” this refers to the kinds of services and rights that workers can expect to be provided by the state, based on their and their employers' social insurance contributions (paid as PRSI contributions in workers' wages). This can include such things as health coverage, old age pensions, paid sick leave, maternity and other benefits. This is usually paid out of contributions from both the worker and his employer. Ireland has an abysmal level of such services. It's unsurprising as the state charges bosses one of the lowest levels of contributions in Europe. The Unite report from 2016 highlighted that;

Out of 28 EU countries Ireland ranks 27<sup>th</sup> in relation to employer's social insurance contributions. Ireland suffers from a very low ‘social wage’ – employers' social insurance. This explains the high cost of public services and low in-work supports for Irish employees. The Social Wage would have to more than double to reach the EU-15 average.

Tellingly, the Low Pay Commission devoted a whole chapter of their report to warning that the latest rise in the minimum wage could cost *employers* more in PRSI contributions and that this should be avoided at all costs. It advocated widening the bands of income that would see higher contributions from those employers that pay workers the minimum wage. Ireland's bosses already pay one of the lowest rates of social insurance (PRSI) contributions in Europe. This matters because the fund is used to pay out pensions and many social welfare and other benefits to workers. The lack of full GP care, dental care and the limited access to maternal and paternal benefits stems from the underfunding of social insurance by employers. This is seen in the Commission report as an unnecessary cost to employers. They seem either unaware or choose to ignore that the lack of benefits available to workers here is directly related to the relatively low contributions from Ireland's boss class. As Taft again points out:

“Through the social wage, employees in continental Europe can access free (or low-cost) health care, subsidised prescription medicine, and in-work income supports (pay-related sick benefit, maternity and paternity leave, etc.). Further, in many countries the social wage – apart from social insurance – subsidises

public transport (e.g. Paris) and generous family supports (e.g. Austria).”

### **War on the unemployed**

The state and the Fine Gael led Government have nurtured the growth of a low-paid and precariously employed workforce, but it also continues to turn a blind eye to employers’ use of bogus self-employment and ensure minimal oversight of breaches of the current employment laws. There are just 51 workplace inspectors for the whole country and the number of actual inspections has declined in recent years. Side by side with this has been a deliberate and thought out policy that seeks to demonise the unemployed and push them into accepting various forms of low-paid and precarious work. The state has paid two private firms to operate the Jobpath scheme. This is where unemployed people are forced to attend regular meetings with a “Personal Advisor” to discuss how to get back into the workforce. The threat of sanctions and having your social welfare stopped is very real for those who don’t cooperate. Once in the scheme, the unemployed person will have to sign a Personal Progress Plan. Many have spoken of feeling humiliated and coerced into accepting low-paid and unsuitable jobs removed from their chosen profession or qualifications. One person, who had a PhD and could not get regular work as a lecturer was advised to lower her horizons and be more realistic and urged to accept call centre work “as a start”.

Both outsourced ‘employment activation’ firms, Turas Nua and Seetec, are effectively paid a bounty of almost €4,000 for every unemployed person who goes through their books and takes up a job. There is no evidence the scheme actually aids anyone to get that job, as figures suggests that those who aren’t in the scheme are just as likely to get a job as those in it. The two companies have gotten almost €150 million from the state to “help” the unemployed. In reality the scheme is part of an ideologically driven agenda to force job seekers into unsuitable and often unsustainable jobs. Since 2015, over 6,500 people have had their social welfare cut or stopped for non- cooperation with Seetec or Turas Nua. In many cases the trigger is refusing to sign the Personal Progression Plan.

Officials from both the Department and the companies operating Jobpath make no secret of the ideological underpinning behind the scheme. In this world view,

unemployment is a personal failing that can be corrected with the right attitude and help, or as is clear from the numbers facing sanctions, the right mix of threats. Despite unemployment falling dramatically since 2011, the number of unemployed people facing sanctions of one kind or another has rocketed. In 2011 just 359 job-seekers faced cuts or reduced payments by the department as a sanction. But by 2016, over 16,400 had seen their payments cut or reduced as a punishment. Behind Varadkar’s bogus campaign against “welfare cheats” lies an ongoing campaign to vilify the unemployed and ensure an atmosphere is created that can isolate and coerce workers into the low-paid precarious job market.

### **Conclusion: Live working or die fighting!**

Kim Moody’s recent book: “On new Terrain” charts changes in the US working class, but it is relevant here and elsewhere. The working class has changed: it is more ethnically diverse, has more women in it, and has shifted its location, both in geographic terms and in what are the main industrial sectors. Its primary strength, in numbers and importance to capital, may not be in the mines or steelworks as in the 1930s, but in new centres, while the service industries are just as vital for today’s capitalism as the giant GM plants were in the 1930s. Importantly, the working class remains a collective class with the potential power to radically change society and indeed remains the only class with the revolutionary potential to fight and replace capitalism.

Ireland’s working class is also more ethnically diverse, has greater numbers of women in it and has shifted the industries in which it is concentrated. The growth of low pay and precarious work here fits a pattern across much of the world in recent decades. The weakness of the trade union movement in responding is evident for all to see. But none of these outcomes or any future outcomes are inevitable. A new generation of workers have the capacity to fight these trends. The radicalism of the Repeal and Housing movements can feed into the workplaces in the coming years. Recent fights by workers in Dunnes, Tesco, Lloyds and among teachers, nurses and Irish life workers show that the employers’ offensive can be resisted. The attack on workers is most pronounced in sectors with low levels of unionisation. The boom will see more struggles and more opportunities to reverse the trends outlined above. Union membership makes a big difference in these battles. Last year according to

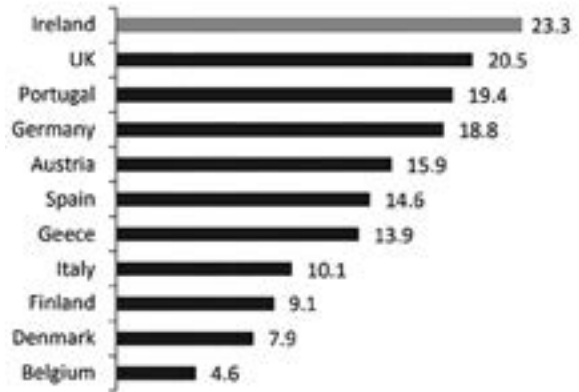
one report “A significant number (71%) of unionised organisations plan to increase basic rates of pay compared to 49% of non-union organisations.”

The key slogan that Thatcher and the neoliberals used against workers and trade unions in the 80s was TINA: *There Is No Alternative*. It meant that after the collapse of the communist regimes there was no alternative to capitalism, to the pursuit of profits and to market economics. For workers and many in the trade union movement this translated into acceptance of bosses demands and the pervasive feeling that workers had little power to fight attacks on pay, pensions and job security. It is clear that for a new generation the consequences of this have been horrific. The current trends are not sustainable for workers, the environment or society.

The key role for socialists in the coming fights will be to build and argue for solidarity with those struggles that will happen. This starts with the nurses’ fight for a decent pay rise. The chorus from the Government and others will be: “we can’t afford this”, or “we must look after the lowest paid first”. What the last two decades show is that attacks on the public sector or other full-time unionised jobs are a precursor to attacks on all workers and a race to the bottom. The greatest step the movement could take this year is a victory for a group like the nurses that could inspire other sectors and workers to rise up.

**Ireland’s workers; more productive, more profitable than before the recession and getting rewarded with higher levels of low pay and precarious work.**

**Low Paid as a % of All Employees: 2013**



**Employee Compensation Total Economy (excl. Public Administration): 2016 (€ per hour)**



**Increase in Market Employment by Sector: 2012 - 2018 (%)**



Graphs from Michael Taft’s *notesfromthefront* blog and the CSO