

ISME thanks the members of the Joint Committee on Enterprise, Trade and Employment for this opportunity to address you on the issue of sub-minimum rates of the national minimum wage.

OPENING REMARKS

The Low Pay Commission has recommended the abolition of the sub-minimum rates of pay under the national minimum wage. We note with regret that the Low Pay Commission has no SME representative in its membership, a fact which contributed significantly to its missteps in the last year, principally in recommending a 12.4% adjustment in the minimum wage which has resulted in a need for government to provide liquidity for SMEs.

The Department of Enterprise's own report on Cumulative Impact of Proposed Measures to Improve Working Conditions in Ireland¹ acknowledges that "payroll costs account for a significantly greater proportion of overall operating costs in more labour-intensive sectors, such as hospitality, retail and personal services." Our concerns are not academic, they are real and measurable.

We know that you the members of the Enterprise Committee are being lobbied aggressively by those suggesting that this is simply an issue of equity, and that there are no material impediments to the removal of sub minimum rates.

This lobbying ignores the reality that 56% of firms in the last set of analysed Revenue corporation tax returns showed a negative CT return in 2022,² a figure consistent with the Revenue's 2021 returns. These businesses are almost all micro businesses, and mostly inhabit the services sector. It is simply factually untrue to argue that micro and small businesses are greatly profitable enterprises with a capacity to continually inflate their labour cost input.

The AIB Irish Services Purchasing Managers' Index³ fell to 54.2 in June from 55.0 in the previous month. Confidence among service providers was the weakest since April 2023.

This is not an issue of equity. The phrase "a fair day's pay for a fair day's work" must be interpreted both ways, and those who lack the skills and experience of older work colleagues must necessarily accept their remuneration will reflect this. Similarly, those young workers who have acquired greater skills and experience than their peers are not constrained by law from accessing higher-paid employment.

¹ <https://enterprise.gov.ie/en/publications/publication-files/an-assessment-of-the-cumulative-impact-of-proposed-measures-to-improve-working-conditions-in-ireland.pdf>

² <https://www.revenue.ie/en/corporate/documents/research/ct-analysis-2024.pdf> (page 30)

³ <https://markets.businessinsider.com/news/interestrates/ireland-service-sector-growth-weakens-in-june-1033525290>

The sub-minimum rates are not discriminatory on age grounds. They represent a formal recognition of the lack of experience that is a function of youth. As such they are not discriminatory; in the same way that the legal voting age, age-related prohibitions on alcohol and tobacco use, driver licensing laws, service-related pay increments, and the fact that you must be 21 years old to stand for election as a TD are not discriminatory on age grounds. We therefore recommend retention of sub minimum rates of pay for younger workers, even if in modified form.

DISCUSSION

ISME acknowledges that there is no “right” answer to the issue of subminimum wages for young workers. However, there are a number of issues which inform our view that it is essential to maintain sub-minimum rates.

1. **Work Experience and Skill Development:** Younger workers typically have less work experience and fewer skills compared than older workers. The lower wage can be seen as a reflection of their lower contribution to overall productivity and the higher cost to employers of training these young workers.

The counter argument is “equal pay for equal work;” young workers are performing the same tasks as adults, therefore it is fair that they receive the same compensation. Paying them less for the same work undermines the principle of equal pay for equal work. However, if this principle is to be maintained, it must logically negate the concept of incremental pay scales which exist throughout the public service and in many businesses. The current Civil Service Executive Officer pay scale has 14 points, and that for Clerical Officers has 16 points.⁴ As these are annual increments, they are a direct analogue for age, yet have not, to date, been found to be discriminatory on age grounds.

A lower wage allows for the additional investment by a business in the time needed to nurture and train the younger worker, and to provide for guidance, shadowing, supervision, education, etc. It also accounts for the lack of experience, speed, awareness, workplace professionalism, productivity, etc.

Furthermore, in many service environments, younger workers are not in fact carrying out equal work, as they do not have the skills and experience. For example, in a hairdressing salon, a younger worker will wash hair, fold towels, make tea, and sweep the floor; they are not in any way equal in terms of productivity as they cannot perform a range of skilled services equal to the experienced hairdresser.

In a service environment like retail, while younger workers may have no difficulties scanning and bagging items, they have not yet gained speed, awareness, customer service skills, or workplace etiquette.

⁴ <https://www.forsa.ie/pay-scales/civil-service-salary-scales/>

Nor, very importantly, have they gained “soft skills.” Soft skills influence how individuals collaborate with colleagues and customers, handle challenges, and navigate the dynamics of the workplace. They're the people skills that make people effective members of a team, a reliable communicator, and someone who can seamlessly adapt to change.

Interesting, ISME recently attended a regional meeting of the NCPC in Limerick where a HR director in the financial services industry said they do not entertain CVs for hiring where the candidate has not worked in a pub, restaurant, hotel or shop; as they have not developed the requisite soft skills for work in the financial services sector.

2. **Job Opportunities:** A sub-minimum wage creates more job opportunities for young workers. Employers will be more willing to hire inexperienced workers at a lower wage, giving them the chance to gain valuable work experience.

This is in counterpoint to the experience and skill development above, since there is an inbuilt disincentive to remain in a lower paying employment. However, this is also a hazard for the employer, who will lose the relatively more skilled young worker to an employment paying a higher wage. This fact is confirmed in ESRI research⁵ published in November 2023 which showed that while all employees aged 15–19 could legally be paid a sub-minimum youth rate, just under one-quarter are actually paid this rate. The remaining three-quarters earn a higher wage. Therefore, very few employees in Ireland are on a sub-minimum youth rate. Just one in every 140 employees earns a sub-minimum youth rate. This is equivalent to approximately 15,000 individuals.

In the grooming industry for example, the sub minimum wage allows employers to give young people opportunities; if this facility is removed employers will naturally seek to employ these with greater experience, militating against opportunities for young people, early school leavers, and various socio-economic groups that find a career in the beauty industry.

Furthermore, the law restricts the terms of employment for workers under the age of 18. The Protection of Young Persons (Employment) Act⁶ provides for working limits, time off, and breaks for young workers that are more restrictive than those for adults. It would be perverse, therefore, if the law were to suggest a right to the same rates of pay on equality grounds, when it does not exist on working time grounds.

In addition, if those with limited experience and skills are given the full minimum wage, this will have spillover impact on the pay demands of those with higher levels of experience. As mentioned in our introduction, the Low Pay Commission blundered in its minimum wage report in 2023 precisely because it relied on erroneous research by Maynooth University which ignored spillover effects.

⁵ <https://www.esri.ie/node/9718>

⁶ <http://www.irishstatutebook.ie/1996/en/act/pub/0016/index.html>

3. **Economic Transition:** For many young workers, their first jobs are often part-time or temporary positions while they are still in school. These jobs are not meant to support a household but rather to provide supplementary income and work experience.

We acknowledge the economic justice counterpoint to this reasoning: some young workers face the same living expenses as adults, such as contributing to family finances, saving for education, or personal expenses. Receiving lower wages can make it harder for them to meet these financial needs. However, there is a societal benefit argument against them earning “real wages” which would prove more attractive than developing skills at school or in apprenticeships. This is of greater long-run benefit and importance for poorer social classes where education is their way out of lower-skilled employments.

4. **Youth Unemployment Rates:** Lower wages for young workers can help reduce youth unemployment rates by making it economically feasible for businesses to employ more young people.

The standard counter to this position is the living expenses argument which is dealt with above. Paying them less can undervalue their contributions and discourage them from entering the workforce.

5. **Consistency and Simplicity:** Having a single minimum wage for all workers simplifies payroll and compliance processes for employers, avoiding potential legal and administrative complexities.

As noted in ESRI research above, most workplaces employing young workers already pay the full NMW or above. The current system therefore allows for incremental improvement for younger workers within the age brackets and the 70%, 80% & 90% allows for progress.

6. **Moral and Ethical Considerations:** It is morally and ethically unjust to pay people based on their age and employers should ensure that all workers, regardless of age, receive fair compensation for their labour. This promotes dignity and respect in the workplace. However, like the experience and skill argument, this can just as easily be used to pronounce service-related increments inequitable.

7. **European Context:** The Low Pay Commission themselves acknowledge that of the 22 EU Member States that have statutory minimum wages, 17 have some form of exemption and/or variation in respect of young workers. Therefore Ireland is not an outlier in this respect.

Ireland also has the second-highest minimum wage in the EU, after Luxembourg.⁷ The country with the next highest NMW, Netherlands, also has sub-minimum rates⁸ which extend as far as 21 years, unlike Ireland’s 20 years:

⁷ [Eurostat Minimum Wages 2024](#)

⁸ <https://www.government.nl/topics/minimum-wage/minimum-wage-amounts-as-of-2024>

Age	Hourly minimum wage
21 years and older	€13.27
20 years	€10.62
19 years	€7.96
18 years	€6.64
17 years	€5.24
16 years	€4.58
15 years	€3.98

Our nearest neighbour the UK, against which our NMW is frequently compared, also has sub-minimum rates extending up to 21 years.

- 8. General:** While it is a difficult topic to address, there is a general issue around money management and financial education for young people as they enter the workforce. This is not an argument in favour of sub-minimum rates *per se*, but to give a 16-year-old an adult wage without clear guidance and support, which is not an employer's job creates poor money habits. They usually lack bills and expenses, and may favour gratification before learning how to budget, save and create sustainable spending habits.

The state already recognises the productivity argument when it comes to the employment of persons of disability.⁹ There is no logical (or any) reason why it cannot do the same, and pay for the productivity difference, for young, inexperienced, less productive workers in their early working careers.

We must also recognise that it has become government policy in recent years to pass more of the burden of the “social wage” to employers via the higher minimum wage, domestic violence leave, statutory sick pay, etc. This process will continue with the introduction of pensions auto enrolment. Therefore, we need to recognise the cost of change.

Regardless of what pro and counter arguments advanced above, the reality is that any transition to a new rate level will create material difficulties for many hard-pressed SME businesses.

If the state sees fit to abolish the subminimum wage rates, it must logically foot the cost of the transition, and must also remove the distinctions currently in place which provide for variable employment terms for young workers.

⁹ <https://www.citizensinformation.ie/en/employment/employment-and-disability/wage-subsidy-scheme-for-people-with-disabilities/>