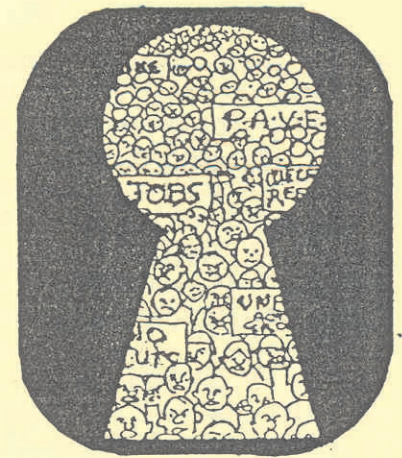


# WORKING NOTES

No. 5, May 1988.



## LOW PAY

The fight against poverty must include the working poor. If people with full-time jobs cannot enjoy a reasonable standard of living, the hope of countless thousands on the dole, that a job will lift them out of their hardship, is undermined. Yet many employed people share with the unemployed the struggle to make ends meet. In fact, 20% - 25% of all employees in the Republic are low paid. Low paid workers are not just to be found in such places as the burger-restaurants of the private sector - at least 50,000 public sector workers are low paid. Most striking of all: while women make up only 35% of the labour force, they represent 61% of low paid workers.

### WHAT IS MEANT BY LOW PAY?

Various measurements are used. For instance, two-thirds the average adult industrial wage (£132 p.w.) is considered low pay; or 1.4 times the rate of Supplementary Welfare Allowance (£112.60 p.w. for a married person with two children); or, eligibility for Family Income Supplement (FIS) (£120 p.w., for a married person with two children). These three instances - calculated at mid-1986 prices - show that the benchmark for low pay falls somewhere around £3.00 per hour.

### WHO ARE THE LOW PAID?

The latest comprehensive official statistics (Structure of Earnings Survey, 1979) reveal that something of the order of 20% to 25% of Irish employees are low paid. Low paid workers are to be found in both the public and the private sector. According to the Resource and Environmental Policy Centre at U.C.D., as many as 50,000 public servants earn wages not far above the level of social welfare payments: for example, cleaners, messengers and many clerical workers; postal workers in the semi-state body, An Post. In the private sector low paid workers include unskilled workers such as labourers, shop

assistants, drivers's helpers, security workers and porters.

A majority of low paid workers are *women*. In the 1979 Structure of Earnings Survey 46% of women workers were low paid. Women represented 61% of all low paid workers though only 35% of the labour force are women. Overall, womens earnings are only 68% of the average male hourly rate.

The Organisation for Economic Cooperation and Development's recent survey of Ireland (OECD, 1987/88) revealed that "in mid-1985 the average earnings of school leavers who had been in the labour force since the end of the previous school year was £65 p.w. or about one-third of average male-earnings in industry." And "the lowest-paid employment held by these young people tended to be in service sectors" (e.g. shop assistants). Another survey of the same age-group found that one in eight of *young females* had net earnings of less than £30 per week and a further one in four had net earnings between £30 and £50 per week. Hardly any wonder then that *young people* are leaving the country in droves!

### WHAT CAUSES LOW PAY?

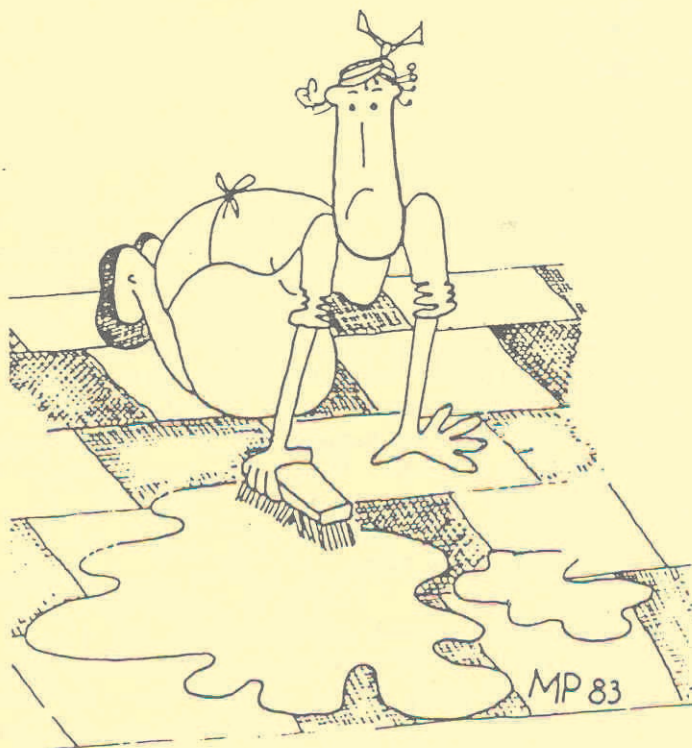
Low pay is concentrated among certain groups in the workforce - unskilled and manual workers, women and young people. However we should not simply conclude from this that low pay is *caused* by the personal characteristics of the people who are low paid. One needs to distinguish between *the low paid* and *low pay*. An individual's education and skills may help explain why he or she, rather than somebody else, ended up in a low paid job, but this does not explain why these jobs are low paying in the first place.

For such an explanation we need to look at factors such as the characteristics of the industries (e.g. the clothing industry) in which there are a high proportion of low paid workers. These typically have a multiplicity of small firms (and so cannot have the advantage of economy of scale)



and use labour intensive production methods (i.e. use relatively little technology). We also have to look at the overall structure of jobs in the economy and the existence of a 'primary' and a 'secondary' sector in the labour market. Jobs in the secondary sector (e.g. retailing) are poorly paid, often 'dead end', with higher than average turnover rates, little on-the-job training and few fringe benefits or promotion prospects.

Identifying factors such as these as the underlying causes of low pay, rather than personal characteristics, is important when we come to look at ways of addressing the problem. It highlights the fact that relying solely on interventions directed at the individual such as education and training is unlikely to be adequate. Certainly the experience of other countries shows that reliance on such measures is insufficient to eliminate low pay. Instead, emphasis must be given to policies aimed at changing the structure of jobs and to more direct measures setting wages and conditions of employment.



#### WHAT IS BEING DONE ABOUT LOW PAY?

1. *Wage bargaining by Trade Unions* can give particular attention to the position of the low paid through tapering pay increases percentage wise so that those on the lowest rates benefit relatively more, or through flat rate across the board increases rather than uniform percentage increases. Some measures along these lines were included in the Programme for National Recovery. Pay agreements included in the programme provided for a 3% increase on the first £120 of gross pay and 2% on earnings above that. They also set a minimum weekly increase of £4.00 in gross pay for full time adult employees i.e. a relatively greater increase for the lower paid.

2. *The State can directly tackle low pay in a number of ways.* One way it has tried to do this is through the social welfare system. The *Family Income Supplement (F.I.S.)*, which is a welfare subsidy to low paid workers with families, was introduced in 1984. The actual amount of the payment varies with earnings and the number of dependents of the recipient. It was officially estimated that some 35,000 eligible applications would be received but only about 6,000 families have so far availed themselves of the Supplement. Even with greater take up such a supplement can only be expected to have a limited impact; it does nothing to change the factors causing low pay. And of course the F.I.S. does not cover low paid workers who have no children. Indeed, while the F.I.S. may relieve some of the hardship of low pay for those eligible, it may also be subsidising low paying employers.

3. More importantly, *the State has a role in setting minimum wage levels.* In Ireland a system of *Joint Labour Committees (JLC's)* operate under the Labour Court and regulate the conditions of employment and minimum pay rates in traditionally low paying industries. However not all such industries are covered. Each committee is made up of representatives of employers and trade unions plus an independent Chairperson, and not more than two other independent members. There are seventeen JLC's presently operating and around 40,000 workers are covered by JLC minimum wage orders. Where it has been in operation the JLC system has had an important role in the protection of low paid workers. However, this system covers only a minority of the low paid.

If the goal is to guarantee a decent standard of living for Irish workers these measures are clearly not enough. Ireland continues to have the unenviable 'distinction' of being one of the countries with the highest proportion of low paid workers in Europe. Under Article 4 of the European Social Charter, of which Ireland is a signatory, the Government is committed to ensuring that "all workers have the right to a fair remuneration sufficient for a decent standard of living for themselves and their families". The Committee of Independent Experts, which monitors adherence to the provisions of the Charter, lists Ireland as a country "definitely failing to comply" with this objective. So what more can be done? What is required is a national minimum wage backed by the force of law. Opposition to the introduction of a national minimum wage here has argued that it would cause further unemployment. The possibility of some loss of jobs cannot be denied though measures to minimise these losses are possible. And the evidence from countries such as the U.S., France, Belgium and the Netherlands, which have national minimum wage standards, suggests that the disemployment effects of a minimum wage system have been exaggerated. The introduction of a Statutory National Minimum Wage in this country would be a major step towards the elimination of low pay.



## GRADUATES AND INDUSTRY

The recent ESRI Quarterly Commentary described certain features of the Irish economy as "bizarre". It highlights how a substantial increase in the economy's output in 1987 was nevertheless accompanied by a fall in living standards. An equally bizarre happening - going on for some time now - is that qualified Irish people have been emigrating and yet we have been able to rapidly increase our exports of the type of products that it takes qualified people to make.

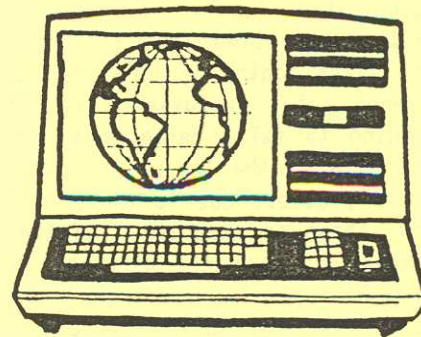
When the composition of Ireland's manufactured exports is examined, we SEEM to be a research-intensive economy because a large proportion of our exports are sophisticated technological products. In fact, the technology embodied in our manufactured exports is more advanced than that embodied in the exports of such countries as the Netherlands, Sweden, Germany, Japan or France.

However, the amount of Research & Development that actually goes on in the Irish economy to make our sophisticated exports possible is another story. We SHOULD be providing substantial employment for technicians and scientists. In fact, countries whose exports may be only half as R & D-intensive as ours, have a lot more brainpower working in their manufacturing industries than we have. The reason, of course, is that those countries - such as Austria and Italy - have relied much less than we have on multinationals and got on more with their OWN research & development. They may export much less office equipment than we do, for example, but their workers will have played a much bigger part in designing what they do export than did Irish workers in the flood of such products leaving our shores.

The composition of our exports gives us the APPEARANCE of being a very advanced economy. There is a growing consensus, however, that we must bring the reality of our manufacturing industry up to the image that the quality of our exports projects. Until we do so, we shall continue to export qualified people and quality products side by side.

To date, sophisticated exports have been the preserve of multinational subsidiaries, drawing on the brainpower of their parent companies overseas. It is IRISH companies who must now apply advanced technological and marketing skills to their operations. Where this happens, a company will enjoy rising sales, be able to provide secure employment and considerably increase its purchases from the rest of the Irish economy. For example: the 'spin-off' effect of each £1m increase in turnover by a manufacturing company is reckoned to create, on average, 6 jobs in the rest of the economy. Bailey's Irish cream is the oft-cited example - it spends £45 million a year on purchases of cream, whiskey, packaging materials

and so on, creating an exceptional number - 600 - jobs. So, the race is on, and rightly so, to develop more quality export products like Bailey's Irish cream. The Confederation of Irish Industry, for example, wants to see State support for industry shift decisively from subsidising machinery to subsidising Research and Development. To date, we are spending proportionately much less on Research & Development than countries with whom it is reasonable to compare ourselves. Austria and Denmark, for example, each spent 1.3 per cent of their GDP on R & D in 1985 as against Ireland's 0.8 per cent.



More R & D expenditure will mean more graduates from engineering, science and marketing backgrounds working in Irish companies. Nothing could make more sense. At present, some graduates of third-level institutes emigrate to work in the research laboratories of multinational companies where they will design products of which Ireland may subsequently be given only a small, relatively un-demanding piece to manufacture. That is not a path to development so much as a way of remaining permanently dependent.

Irish Industry should realise the urgency for it, and for the country, of bringing more skilled, young people to share in the challenge of capturing new export markets. The question of motivation is critical and must be addressed. If graduates of our engineering and science faculties are interested only in money, then the Sterling and Dollar salaries (especially after tax) they can earn in the UK and USA will lead them overseas. The response, however, should not be to pay salaries and reduce taxes that will bring about the type of gross social inequality that has developed in the UK and the USA (where salaries resembling 'phone numbers are being paid in economies that are simultaneously reducing social welfare payments). It would be a sad reflection on the Irish educational system if graduates, whose studies have been powerfully supported by public money, were to see no independent value in their working immediately for the Irish economy rather than for some other. Industry, in turn, should ensure that it can provide them with a responsible and interesting role where a sense of partnership and shared control would compensate for earnings that would be less than what could be got in some very large overseas company. It becomes apparent that, in the search to bring fresh dynamism to Irish manufacturing industry, the values by which people are being guided is

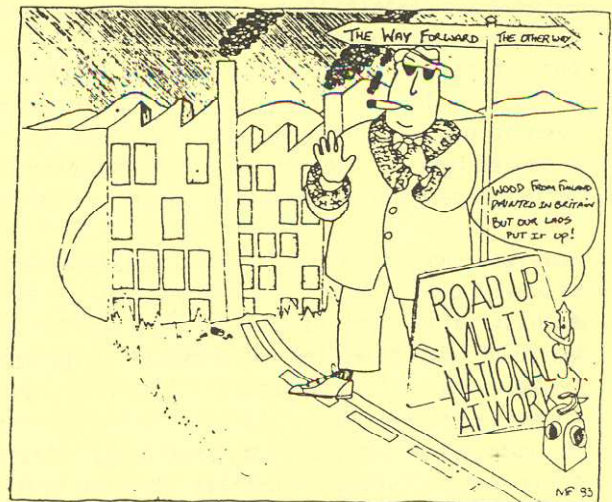


## GROWTH — BUT NO JOBS

The April 1988 *Quarterly Economic Commentary* of the ESRI highlighted a number of disturbing developments in the Irish economy. There was considerable growth in the economy in 1987 with GNP growing by 4½%. However this growth did not translate into jobs. Total employment fell by 14,000 in 1987 and is forecast to fall by a further 13,000 in 1988. This was accompanied by a decrease in unemployment. As one would normally expect unemployment to increase as employment decreases, some explanation is needed. The ESRI point out that "...the decline in the level of the seasonally corrected live register of unemployed in the later months of 1987 and early 1988, at a time when total employment was almost certainly continuing to fall, reflects a renewed reduction in the size of the labour force. To some extent this was probably due to the effects of the job-search scheme in removing from the register some claimants who were not genuinely in the labour-force. Most of the reduction, however, was more probably due to an accelerated rate of net emigration". In a word the recent reduction in unemployment is not a sign of success but of failure, it is for the most part a measure of emigration.

What growth in 1987 principally represents is a strong growth in output and exports in the, mostly foreign owned, 'modern' manufacturing industries. These industries are typically highly capital intensive, allowing huge growth in output with, if anything, only small employment increases. Meanwhile growth in the more traditional sectors has come about through increased productivity rather than increased employment.

Even where strong output growth does not directly produce many jobs it is usually assumed that it will do so indirectly. Put crudely it is assumed that greater output leads to greater profits, more investment and more jobs. Is this happening in Ireland? We seem to be seeing greater output and greater profits. What about greater investment? It has long been recognised that the foreign owned sector repatriates vast sums in profits and dividends—£1,320 million in 1986, £1,275 million in 1987 and a forecast of £1,556 million for 1988. What the *ESRI Commentary* now shows us is that much of the profits of indigenous industry are also invested abroad; "some £500 million, or over half the real growth in the economy over the last two years, appears to have been invested abroad".



The Government's job creation strategy puts great emphasis on supporting the private sector as the key to providing jobs. This strategy depends on a response from the private sector which on the above evidence has not yet been forthcoming. ■

## FIGHT, STARVE, OR EMIGRATE

When we think of the 1950's in Ireland the first thing that springs to mind is emigration. Some 400,000 people left the country in that decade. Emigration then, just as today, exported Ireland's unemployment problem. Many however did not emigrate and those that stayed swelled the ranks of the unemployed. They were left with two options - starve or fight.

The story of those who fought is told in "*FIGHT, STARVE OR EMIGRATE - a History of the Irish Unemployed Movements in the 1950's*". This short pamphlet, (fifty pages), has been written by Evanne Kilmurray, in conjunction with the Larkin Unemployed Centre, and is published by the Centre. It is well written and, apart from a few typesetting errors, very well produced. It focuses on two organisations, the Dublin Unemployed Association of 1953 and the Unemployed Protest Committee of 1957. Both led campaigns of public protest in which thousands took part, forcing public awareness of the plight of the unemployed and pushing the unemployment crisis up the

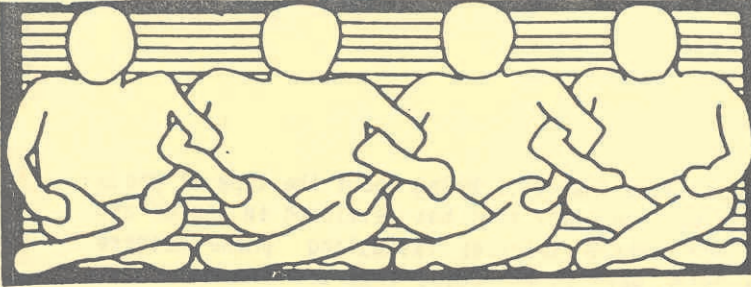
political agenda. Public meetings, marches and sit down demonstrations were their stock in trade. In addition the 1957 committee put forward Jack Murphy as a Dail candidate in the General Election of that year. He was elected as a T.D. for the Dublin South Central Constituency.

Both organisations were relatively shortlived. But there is much to be learnt from their experiences - the obstacles they faced, their successes and even their weaknesses. This pamphlet greatly helps us in this task. Recommended reading for all concerned to fight unemployment from the bottom up.

It costs £1.50 from the Larkin Unemployed Centre, 57/58 North Strand Road, Dublin 3. ■

*WORKING NOTES carries information and analysis of the unemployment situation and related issues. We welcome feedback and dialogue on material covered in the bulletin. Use these 'Working Notes' in any way you like, but please acknowledge the source if you are reproducing them.* ■





## THE 'SOLIDARITY' ENCYCLICAL

"Positive signs in the contemporary world are the *growing awareness* of the solidarity of the poor among themselves, *their efforts to support one another* and their public demonstrations on the social scene which, without recourse to violence, present their needs and rights in the face of the inefficiency or corruption of the public authorities". (ON SOCIAL CONCERNS - *SOLICITUDO REI SOCIALIS* - encyclical of JOHN PAUL II, 1987: No. 39)

### THE QUESTION

For almost one hundred years now, since *Rerum Novarum* appeared in 1891, the Church has insisted on the obligation of every society and its governments to ensure that all have their basic needs provided for. However, the question 'How do we achieve this objective?' was never answered with any clarity.

### THE RESPONSE OF PREVIOUS POPES

Leo XIII, at the end of the last century, would insist that we seek this objective by appealing to those in power to make the necessary changes. But if they refused, what then? For Leo, you had to wait for your reward in heaven! John XXIII, another strong supporter of the need for social justice, was an optimist - for him, all you had to do was to point out to those in power what needed to be done and of course they would do it. He never seemed to ask the question, what if they refused? Paul VI was a political realist - his encyclicals show his growing concern that, despite the evidence for change, no changes were being made by those who had the power to make them. Yet he saw no alternative except violence and he was so opposed to violence that he believed that only very exceptional situations justified that course of action. So he too could not provide an answer to that question.

### JOHN PAUL'S CONTRIBUTION

John Paul II in his encyclical, *On Human Work*, saw the answer to lie in solidarity, solidarity of the poor and with the poor. It is through solidarity that the poor have strength and can demand change; they have every right to insist on change; and so it is the Church's duty and mission to promote that solidarity, to be part of it, and to ensure that it is successful. John Paul has in mind of course the

example of the Trade Unions. Improvements in the living conditions of workers and their conditions of work did not come about through a change of heart on the part of employers but through the struggle, often confrontational, of the Trade Unions. In this encyclical, he once again confirms the central importance of solidarity as the process through which change will come about. "The solidarity which we propose is the path to peace and at the same time to development" (No. 39). This solidarity enables the poor to confront the "structures of sin" which maintain the exploitation and oppression and often annihilation to which they are subjected. The two structures of sin to which he returns again and again are 'the all-consuming desire for profit' and the thirst for power' which he sees as indissolubly united. These two structures of sin reveal a form of idolatry, of money, ideology, class or technology. There can be no compromise with these sinful structures, created and maintained by those in power. The courage to confront them, as Jesus did, is demanded by the Gospel. Solidarity of the poor is the condition which makes this confrontation meaningful. ■

## WHAT'S IN A NUMBER?

Since January the unemployment rate, which was then 19.4% has been steadily dropping. At the last count (29 April 1988) there were 241,669 persons (18.6%) on the live register. The unemployment figures are one indicator of the performance of the Government and so their interpretation is a politically sensitive, and contested, issue. It is important to examine what exactly changes in the live register show.

It is possible to reduce registered unemployment other than by increasing employment.

1. *EMIGRATION* - running at around 30,000 p.a. - certainly brings down the unemployment level.
2. An increase of the numbers on *STATE SCHEMES* (e.g. Social employment scheme, FAS courses) reduces unemployment.
3. A change in the rules governing eligibility to sign on - e.g. the plan to re-classify older people on the live register as 'pre-retired' - can reduce the official unemployment rate.

According to the latest Quarterly Economic Commentary of the ESRI (April 1988) total *employment* fell by 14,000 in 1987 and is forecast to fall by a further 13,000 in 1988. Unusually, this was accompanied by a decrease in unemployment. One would normally expect unemployment to increase as employment decreases. The ESRI comment: "this reflects a renewed reduction in the size of the labour force. To some extent this was probably due to the effects of the job-search scheme in removing from the register some claimants who were not genuinely in the labour force. Most of the reduction, however, was more probably due to an accelerated rate of net emigration". In a word: the reduction in unemployment from 19.4% in January to 18.6% in April - far from reflecting an increase in jobs, - is a measure of lack of success; it is for the most part a measure of emigration.