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Chambers Ireland Submission on the appropriateness of the current sub-minima rates of the National Minimum Wage with regard to their impact on youth unemployment rates and participation in education

When considering the utility of a sub-minima rate for specific categories of workers, for example those defined as youth or trainees, it is imperative that a balance is struck between ensuring the best outcomes for these employees, ensuring that they are not exploited, and preserving the competitiveness of their employers.

Youth

We believe that the continuation of a sub-minima wage rate for youth employees is appropriate and that the current specified rates should be maintained.

Although the overall national unemployment rate has reduced to 8.8% (December 2015), Ireland's youth unemployment rate (ages 18 – 24) is at 19.2%. This level of youth unemployment poses significant challenges for Ireland's future economic development as we will have a cohort of the workforce with several years less experience within the labour market. An appropriately reduced minimum wage rate will help incentivise employers to take on younger employees that may not have as much experience as other jobseekers. As they progress within the workforce, Ireland's youth unemployment rate will come down, and we develop an experienced workforce with the necessary skills to drive economic growth in the future.

Very often, the employment undertaken by a youth worker at the sub-minima rate is the first step on their career journey rather than being a long term position in itself. The entry level position allows a youth worker to develop experience within a role or industry sector that may not otherwise be open to them were they competing on a par level in terms of payroll costs with more experienced jobseekers. The current sub-minima rates support the entry into the labour market of those that are under eighteen years old who wish to work without being exploitative. Evidence would suggest that the sooner young people enter the labour market, the less likely they are to rely on state social welfare supports in the future. Recognising that there will always be a segment of the youth population that wishes to enter the labour market, an appropriate sub-minima rate supports their entry into suitable employment which will ultimately lead to a transition to a more long term career.

One of the key challenges with any statutory minimum wage rate for youth workers is the avoidance of incentivising premature school leaving. Notwithstanding the EU targets for educational attainment Ireland must adhere to, Ireland's successful economic future is contingent on developing a knowledge economy. If the national minimum wage rate was applied to those under eighteen there is a risk that disproportionate numbers will abandon second level education attracted by the short term benefit of wage earnings. By prematurely ending their education, they are undermining their long term career prospects and ultimately weakening Ireland's human capital resources. An example from recent history of how this negative outcome can manifest itself arose when the very high rates established via the construction REA enticed vast numbers of students into the industry during a bubble period. We believe that the current sub-minima rates will guard against students prematurely finishing their education and consequently should be retained.

It should be noted that maintaining a sub-minima rate for a specific category of the workforce defined as youth is common across developed economies. Within the OECD for example countries such as Australia, France, Germany, Israel, Luxembourg, Netherlands and the United Kingdom all maintain a sub-minima rate for youth employees.

Trainees

We fully support the maintenance of the sub-minima rates for trainees. If a new employee requires a period of training in order to be brought up to full productivity, this naturally incurs a cost to the employer in terms of both lost productivity and the cost of providing the training itself.

In addition, the sub-minima wage at which trainees can be employed will encourage employers to consider hiring those who may not as yet have acquired the necessary skills or required certification to perform the role. This will undoubtedly assist those without any previous training or skills securing a position which leads to recognised certification and industry accepted skills. In the current economic context this is particularly relevant for addressing youth unemployment and indeed long term unemployment.