Putting Money Back in Your Pocket

Cost of Living Action Plan

Labour

PUTTING MONEY PACK IN YOUR POCKET

During the time of this government, prices have risen faster than wages and fixed incomes, reducing people's spending power. While inflation has now fallen to 1.1%, families and businesses are struggling with the permanently increased cost of living, and higher bills.

For example, food prices rose by 2% over the last year and Irish energy prices are still among the most expensive in Europe. The government has done little to tackle price gouging. Its core advice has been to shop around, letting those exploiting consumers off the hook. We know there simply isn't enough competition in Ireland, and regulators don't have enough powers to take on unscrupulous businesses.

That is why Labour is proposing a Cost of Living Action Plan. We would take immediate action in Budget 2024 to help those struggling by putting money back in your pocket and propose long term changes in our next manifesto to address the root causes of high prices. We would resource the CCPC by giving it new powers to investigate and fine, give people greater protection, and strengthen the Small Claims Court procedure. Stronger competition and effective regulation are some of the keyways to reduce prices but as a small island, choice for Irish consumers on where to buy goods and services is often far too limited. We need to resource a stronger regulator and use the power of the State to drive change. That's why Labour would appoint a Minister of State for Consumer Affairs with a mandate to improve competition, protect consumers and implement new policies to make a real difference on the cost of living crisis.

Labour's Cost of Living Action Plan would:

1. Protect income tax credits and social welfare with indexed increases.

- In Budget 2024 provide for a minimum 4.5% increase.

2. Introduce a real Living Wage.

- In Budget 2024 provide for a €1 increase in the minimum wage.

3. Reduce Electricity Prices to the European average.

- In Budget 2024 provide for energy credits of at least €300.

4. Give the CCPC stronger powers to investigate price gouging.

- Allow the CCPC to levy larger fines and increase its budget by 10%.

5. Increase the Small Claims Procedure Limit from €2,000 to €8,000.

6. End the penalty on instalment payments like Motor Tax.

7. Make Lower Prices available for all by tackling the loyalty penalty.

8. Ban automatic annual price increases in service contracts.

DETAILED POLICY PROPOSALS

1. Index income tax credits and social welfare payments to at least beat inflation

Inflation reduces the value of your salary or pension while the government benefits from an increased tax take on rising salaries and prices. That means they save on the double as they are not required to automatically increase the value of tax credit or social welfare payments in line with higher living costs.

Other European countries have automatic increases in the value of income tax credits and social welfare payments. Instead in Ireland any changes are announced as new measures at Budget time.

Labour would provide for the automatic increase of income tax credits, and social welfare payments to at a minimum beat inflation. In government we would task an expert group to develop a basket measure of inflation, wage growth, and other variables that would form the basis for future automatic increases.

We would introduce a legally binding commitment that as part of the annual Budget process the proposed increases would be published in July and then confirmed in October. The level of increase would be independently confirmed by the Fiscal Advisory Council.

FOR BUDGET 2025:

Labour is proposing that income tax bands and credits, and social welfare increases be automatically increased to projected wage growth of 4.5%. This minimum increase would cost €1.1bn for income tax credits, and €900m for social welfare rates.

Further increases in social welfare rates will be required in the Budget to account for the loss of purchasing power in recent years and to meet our long-term commitment to a minimum essential standard of living.

2. A Real Living Wage

The national minimum wage is currently €12.70 while the Living Wage for Ireland is calculated at €14.80, a €2.10 difference or €81.90 gap for a 39-hour week. The government's target of 60% of median earnings would make it €13.82 and by 2026 the forecast is for a rate between €14.25 and €14.85.

Ireland has a huge problem with low paid work, and Labour would ensure they receive an adequate income to afford a decent standard of living. 560,000 people in Ireland live in poverty, and 145,000 of those are in employment - the working poor.

While the government has committed to a 'living wage' of 60% of median earnings by 2026, there is ferocious resistance building from low pay sectors with efforts to delay the living wage and auto-enrolment, and halt further increases to statutory sick pay days. There can be no delay to these hard-earned improvements in workers terms and conditions.

Labour has also repeatedly called for the sub-minima age-based rates to be phased out, and the NMW to be extended to those in apprenticeships.

FOR BUDGET 2025:

Labour would increase the National Minimum Wage by €1 an hour in order to bring it closer to reaching the rate of a real living wage. This would bring the NMW to €13.70 just below the 60% target to be achieved in 2026.

3. Reduce Electricity Prices to the European average

If Irish electricity prices fell to the EU average it would save the average household a third of their annual bills and be worth about €500.

As of 1st July, Ireland had the 3rd most expensive household electricity prices in the EU after Germany and Czechia. We've seen some small price reductions recently but it's nowhere near enough.

The reported price per kilowatt hour in Ireland in July was 36.03 cent versus an EU average of 24.16c per kWH. So Irish families are paying an extra 11.87c per kw/hr or 33% more. These figures come from the Household Energy Price Index, which is published by the Austrian and Hungarian energy regulators, and looks at prices in 33 European capital cities on a monthly basis.

While every household is different, the average annual household bill (based on a usage of about 4200kw) on current prices would be about €1,513, so a 33% reduction would be worth just under €500 of savings (€498.54) if we fell to the EU average.

Prices may fall some more this winter, but any gains will be wiped out when bills will rise by about a further €100 to fund investment in the transmission network, following a recommendation by the CRU. That means Irish energy bills will still be an outlier across Europe, so continued support for households is needed this winter through energy credits funded by a levy on the profits of energy companies.

In the long term, Labour would focus on how we can cut electricity prices down to the EU average, and this would result in savings of a third for households. This must be addressed because right now Irish families and small businesses are shouldering substantially higher costs compared to other EU member states.

- Labour would commission an independent review of electricity costs to determine what is causing such high prices here compared to other EU countries, and outline the steps needed to reduce prices. For example, the network cost in Ireland per kilowatt hour (8.62c) is already 23% above the EU average (6.6c) before any further planned increases.

- This review would also report on how demand from data centres is affecting prices and provide an evidence base for a moratorium on new developments.

- Ireland needs to see the quicker rollout of offshore wind and other renewable energy sources with increased resourcing for the planning system and our ports to ensure delivery is fast tracked. The State must take a stronger role in driving delivery of future renewable energy projects. renewable energy projects.

People need an answer on why our electricity prices are so much higher than the EU average. The current market design is not working, and further network costs will be added to bills this winter.

FOR BUDGET 2025:

Labour is proposing the delivery of two energy credits of €150 each (€300 total) in October and December, with provision for a third in the spring if energy prices don’t fall sufficiently. This would be funded by applying a levy on windfall profits. The cost of the first two credits would be €670 million impacting 2.2 million households. Labour would also claw back the credit from second/non-primary principal residences and begin the long-term work of permanently lowering energy prices to the EU average.

4. Give the CCPC stronger powers to investigate price gouging.

The Competition and Consumer Protection Commission (CCPC) must be given a stronger role to ensure people are not being ripped off. Labour would provide new statutory powers and increased funding, and drive reform with a new Minister of State for Consumer Affairs. Critically, the CCPC needs to be given the power to impose larger fines for serious offences.

Labour has published legislation - the Excessive Pricing Bill - to arm the CCPC with real powers to examine the profits and price setting policies of retailers and take enforcement action where prices are found to be excessive. For example, it is impossible to know if profiteering is underway when many companies don't publish their Irish profits. That's why Labour would require grocery retailers operating in Ireland to publish the profits they make here on a quarterly basis.

Our proposed reforms would allow the CCPC to undertake a deep study and analysis of the costs retailers incur, the profits taken and the prices set by large retailers. The CCPC would be allowed to collect any data they need to complete that analysis and publish the results, bringing a transparency to this market that has been sorely missing for too long. While the CCPC will be required to take into account commercial sensitivities in publishing these studies, its prime consideration should be the welfare of the consumer.

The CCPC must also be empowered to impose larger fines. At present the maximum level of fine that can be imposed ranges from about €500 up to €5,000. This is not a real deterrence for large businesses that are breaking the law, and these arise after being found guilty in court. The CCPC needs to be able to impose much larger fines including as a percentage of a business's turnover. This would send a clear signal that consumers must be treated fairly and would act as a strong deterrent. This will require new legislation.

There are also several areas where the CCPC, working with the government and other public bodies with oversight or regulatory roles, such as the Central Bank, should be mandated to improve competition and investigate the efficiency of markets including banking, insurance, legal services, the used car market, and the process of buying a home.

FOR BUDGET 2025:

Labour is proposing an initial 10% increase in the budget for the CCPC by €1.7 million to allow it to hire up to 25 additional staff members and prepare for new statutory powers Labour would provide to investigate price gouging and issue larger fines.

5. Increase the Small Claims Procedure Limit €2,000 to €8,000.

Labour would increase the small claims procedure limit to €8,000, examine ways to waive or lower the application fee for cases involving a smaller amount, and resource the Courts Service to handle increased cases, collect data and publish reports on the outcome of cases.

The Small Claims Procedure through the District Court has a limit of €2,000 which has remained unchanged since 2006. This service allows members of the public to resolve disputes without a solicitor, and around 2,000 claims are made a year. There is a fee of €25 which isn't refunded if successful so this can act as a barrier for claimants seeking small amounts.

The other alternative is for consumers to take a civil case in the District Court, with a solicitor, up to a value of €15,000. There is also a European Small Claims Procure with a limit of €5,000, so at present Irish consumers have better rights if buying from businesses in other EU countries compared to Irish purchases.

The current rules are set by the District Court Rules Committee and the Minister for Justice so agreement would be needed to issue new limits and update the Statutory Instrument.

Additional resources should also be provided to the Courts Service to collect data on the outcomes of cases so that it can publish more detailed reports on the type of claims being made and the results from the procedure. This would increase public knowledge of the system and ensure consumers know how to exercise their rights.

6. End the penalty on instalment payments like Motor Tax.

Many people cannot afford to make large once off payments, and instead use instalments to ease the financial burden. There should be no penalty for those choosing this option. A key offender is Motor Tax where less than half is collected as an annual payment. Removing the additional charge for those who pay their motor tax half yearly or quarterly would cost about €40m but would provide a small but essential benefit to those under the most financial pressure. Labour would carry out an investigation to identify other instalment payment penalties across the public sector, and phase these out.

The CCPC should also investigate the use of instalment fees for private services and calculate the cost burden that extra charges place on households who cannot afford a full upfront payment. The findings of the study should then be used to inform future legislative proposals to limit the practice.

7. Make lower prices available for all by tackling the loyalty penalty.

Too many companies impose a 'loyalty penalty' on their customers, by making lower prices only available to new customers. Labour has published legislation that would greatly improve consumer protections by outlawing the loyalty penalty for existing subscribers of services like insurance, utilities and telecommunications, while also imposing an obligation on service providers to establish a system to handle customer complaints to a regulated standard.

Dual pricing has been previously reported in the insurance sector. It's also standard in many other sectors. Those who are less likely to switch end up paying way more than they should. We want to address this dual pricing issue through a simple change to the law that would ensure existing customers when renewing their policy or subscription cannot be charged a higher fee than a new customer. This would be deemed an unfair commercial practice.

Our bill would outlaw loyalty penalties for services provided to consumers on subscription or rollover. In most consumer relationships, loyalty is rewarded, not penalised. The 'loyalty penalty' is particularly galling, as it punishes those ordinary customers, many of whom are older people and other vulnerable groups who may not keep up to date with every changing market product and various complex offers. That means the longer a customer remains with their service provider, the more they can expect to pay.

We also want to tackle the problems of poor customer service in the telecoms sector. Energy companies under the terms of their licence must set up a complaints handling scheme that satisfies minimum criteria. However mobile and broadband providers are not licensed in the same way. That's why we would impose a general obligation on service providers to set up a system for handling customer complaints to a certain regulated standard or abide by their own procedures and commitments.

In summary, the market cannot be trusted alone to deliver good customer service and fair pricing as it currently allows the exploitation of customers who don't shop around regularly. This puts the onus on the individual to change. We want to restore trust and ensure people don't feel ripped off. Companies shouldn't be allowed to discriminate against existing customers by offering cheaper rates that are only available to new customers. In government Labour would seek to implement the provisions of our Consumer Protection (Loyalty Penalty and Customer Complaints) Bill.

8. Ban automatic annual price increases in service contracts.

Telecom providers in Ireland have introduced new pricing models in their contracts that provide for automatic annual price increases by 3 per cent, plus the rate of inflation for broadband and mobile phone services.

Labour would ban the inclusion of automatic increases in these types of service contracts. There is no provision for someone to leave their service provider contract when this happens as such increases are provided for in the legal agreement, but the specific amount isn't detailed, so it is not a breach of the terms.

In the UK the OFCOM regulator has already banned phone, broadband and pay TV providers from putting inflation or percentage linked price rise terms into new contracts. ComReg here has advised the Department of Communications about the issue, but nothing has been done yet to stop it.

People entering a contract should be explicitly told what future price increases they will face. Stealth price increases like these allow companies to extract increased amounts from consumers who are locked into contracts.

Conclusion

These policy proposals outline measures the Labour Party would implement to tackle the cost of living crisis and put more money back in people's pockets. In the weeks ahead, Budget 2025 must be used to relieve the immediate burden on families and working people and we would ensure incomes rise at a minimum in line with inflation, deliver a real Living wage, eliminate the instalment penalty on motor tax, and continue to protect households from higher energy prices.

Looking to the longer term however, we would seek to address the root causes of higher prices in Ireland while ensuring people have an effective way to get compensated through the Small Claims Court and have a strong regulator on their side. We would develop a much stronger Competition and Consumer Protection Commission that has the legal powers and resources to investigate price gouging and enforce stronger competition, while banning the loyalty penalty and automatic in-contract price increases.

That's why appointing a Minister for State for Consumer Affairs is essential to deliver these ambitious legislative proposals to improve competition and protect Irish people from being ripped off by unscrupulous businesses.




Labour

2 Whitefriars, Aungier Street, Dublin 2, Ireland. D02 A008
Tel: +353 1 6784700 Email: info@labour.ie
www.labour.ie