2016

LOW PAY COMMISSION

AN COIMISIÚN UM PÁ ÍSEAL

Recommendations for the National Minimum Wage

July 2016

LPC NO. 2 (2016)

Primary aim

To have a minimum wage that provides an incentive to work, is set at a rate that is both fair and sustainable, and helps as many people as possible, without a significant adverse effect on the economy or a significant negative effect on employment.

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Overview

Numerous mechanisms are used to set minimum wages around the world (Dickens (2015). Over its first year in office the Low Pay Commission (LPC) has had time to consider the issues and principles surrounding the concept of a minimum wage, and in this way to decide on the approach that it believes best suits the Irish situation.

A key policy principle put forward by the OECD, following its review of the role of minimum wages after the recent economic crisis, can be summarised as follows: "Use minimum wages as a tool to raise wages at the bottom of the wage ladder, but accompany them with other tax and benefit measures to effectively fight poverty in and out of work" (OECD 2015a). Thus, minimum wages alone are not sufficient as a poverty alleviation strategy. Other policies may be required to deal with items such as exceptional housing and childcare costs.

The Low Pay Commission is of the view that:

1. A National Minimum Wage (NMW) provides the best model for Ireland to establish a 'pay floor' below which no-one should be expected to work

The rate should be simple and straight-forward. In our deliberations we considered the option of regional rates (in particular in the light of what many submissions to the Commission described as the 'three-tier' economy, the current state of the housing market and the wide difference in accommodation costs, whether rental or purchase costs). On balance, however we believe that regional rates would prove unduly complex and could not be targeted sufficiently (e.g. people often live and work in different areas, and have different housing situations).

2. When setting the NMW the LPC should, among a range of factors, take cognisance of the level of the minimum wage relative to median pay.

In order to avoid growth in income inequality and to limit the employment effects of minimum wage changes the value of the minimum wage should take cognisance of the median rate of pay of employees. As noted by Dube (2014) there are a number of reasons for doing this. Firstly, a comparison of the minimum wage to the median wage provides an indication of how binding a given minimum wage is likely to be. Secondly, this comparison provides a benchmark for making comparisons over time and across countries. Thirdly, the median wage may provide a useful reference point when deciding what a reasonable minimum wage should be. Research summarised in last year's LPC report and updated in Chapter Five of this report suggests that minimum wages as currently set in OECD countries have not had large adverse effects on employment. The inter-quartile range of minimum wage bite (minimum wage level relative to median wage of full-time workers) currently stands at 44-57 percent in OECD countries. We have very little evidence on the possible effects of any minimum wages set outside this range.

3. Any changes to the National Minimum Wage must take place on an incremental basis to avoid negative impacts on jobs and on Ireland's competitiveness.

Ireland is just emerging from one of the worst recessions in its history, and while the current economic markers are positive there are a number of risk factors, not least of which is the UK's decision to leave the EU. Ireland's current NMW is already amongst the highest in the EU in absolute terms, and a negative impact on competitiveness could undermine the growth that has been achieved. However, worldwide research shows that moderate adjustments to minimum wages do not have a detrimental impact on jobs and improvements in wages can lead to increased productivity through improved job retention and more productive workers.

4. Decisions in relation to changes to the National Minimum Wage must be made on a clear evidence base.

The Minimum Wage (Low Pay Commission) Act 2015 charges the members of the Commission with making its recommendations based on a set of clearly identified criteria (see following Chapter).

Thus, in making our recommendation for the minimum wage we have had regard to the matters which the Minimum Wage (Low Pay Commission) Act 2015 sets down for consideration, and we have taken account of the following:

- The Irish economy is growing strongly, however the recovery has not reached all regions.
- CSO data shows that both multinationals and non-multi-national enterprise sectors exhibited positive growth in 2014 and exceeded previous peak Gross Value Added values.
- The initial post-2012 recovery was export-driven, whereas domestic consumption and investment are now making a much stronger contribution towards growth.
- There are significant risks to Irish economic performance in the international economic environment. In particular the decision by the United Kingdom to exit from the European Union will have a significant, unquantifiable, impact over the coming months and years. Some regions and sectors are particularly exposed to the volatility of sterling and will be affected disproportionately.
- Employment is growing but unemployment is still too high.
- Prices are stable or marginally lower over the last 12 months and inflation is projected to remain low.
- Growth in average annual hourly earnings in the year to Quarter 1 2016 was 0.7 percent. The increase in earnings was 1.7 percent in the wholesale and retail sector and 0.4 percent in the hospitality sector.
- Data is not yet available to assess the impact of the increase of 50 cent in the minimum wage from 1 January, 2016 in terms of employment or on hours worked.

The report relies on data available in the period up to 1 July, 2016.

Recommendation of the Low Pay Commission

In light of the above we recommend that the rate of the National Minimum Wage for an experienced adult worker be fixed at a rate of €9.25 per hour.

This corresponds to an increase of 1.1 percent in the national minimum wage for an experienced adult worker. With inflation forecast at 0.4 percent for 2016 the proposed increase represents a small increase in the real value of the minimum wage. On foot of our recommendation the minimum wage recommended for 2017 will be in the order of 55.6 percent of the estimated hourly median earnings of full-time workers (NMW of €9.25 compared to an estimated median hourly rate for full-time employees of €16.63).

This recommendation is supported by six of the nine members of the Commission.

The recommendation is not supported by three members of the Commission. Those members have submitted minority statements to the Report, which follow the main body of the Report.

Chapter 1: Introduction

National Minimum Wage (Low Pay Commission) Act 2015

Under the legislation establishing the Low Pay Commission, the National Minimum Wage (Low Pay Commission) Act 2015, the duty of the Commission is determined as being to

> *"… make recommendations to the Minister regarding the national minimum hourly rate of pay that—*
> *(a) is designed to assist as many low paid workers as is reasonably practicable,*
> *(b) is set at a rate that is both fair and sustainable,*
> *(c) where adjustment is appropriate, is adjusted incrementally, and*
> *(d) over time, is progressively increased,*
> *without creating significant adverse consequences for employment or competitiveness."*

Our remit, and the legislation, require that the Commission give consideration to a range of issues in coming to a decision on a recommendation to the Minister for an appropriate rate for the minimum wage. Some of the issues are, essentially, matters of fact, while others necessitate an element of assessment and appraisal, and considered judgement.

The particular issues the Commission is obliged to have regard to in considering its recommendation are —

(a) changes in earnings during the relevant period,
(b) changes in currency exchange rates during the relevant period,
(c) changes in income distribution during the relevant period,
(d) whether during the relevant period—
  (i) unemployment has been increasing or decreasing,
  (ii) employment has been increasing or decreasing, and
  (iii) productivity has been increasing or decreasing,
  both generally and in the sectors most affected by the making of an order,
(e) international comparisons, particularly with Great Britain and Northern Ireland,
(f) the need for job creation, and
(g) the likely effect that any proposed order will have on —
  (i) levels of employment and unemployment,
  (ii) the cost of living, and
  (iii) national competitiveness.

The legislation requires the Commission in making its recommendation to have regard to these factors in the period since the most recent making of a National Minimum Wage Order. The last order in relation to the minimum wage was made on 13 October 2015 and it took effect from 1 January 2016. This review therefore looks particularly at developments since October 2015, insofar as data is available, or at developments in the period between the data used in the making of the recommendations in 2015 and the latest available data (as of 1 July 2016).

The Low Pay Commission

The remit of the Low Pay Commission (LPC) is to recommend levels for the minimum wage rates that will help as many low-paid workers as possible without any significant adverse impact on employment or the economy. The advice the LPC offers the government to achieve this is based on the best available evidence.

The Commission comprises eight members and an independent Chairperson. There are members who have an understanding of the interests of employers, particularly small to medium-sized employers and those operating in traditionally low pay sectors, and who possess a good knowledge and understanding of the particular issues faced by Irish businesses, particularly in relation to labour costs, and competitiveness. There are members who have an understanding of the interests of employees, particularly the impact of living on the minimum wage and the sectors where low pay and minimum wage workers are concentrated. There are also academics who have particular knowledge or expertise in relation to economics, labour market economics, statistics, and employment law, as well as proven competence in analysing and evaluating economic research and statistical analysis.

The term of office of a member of the Commission is three years from the date of appointment (16 July 2015). A person may not be a member of the Commission for more than two consecutive terms of office but is otherwise eligible for re-appointment.

Current Commission Members	
Dr Donal de Buitléir	**Chairperson**, Director of PublicPolicy.ie
Vincent Jennings	Chief Executive Officer, Convenience Stores and Newsagents Association
Patricia King	General Secretary of ICTU
Gerry Light	Assistant General Secretary, Mandate Trade Union
Caroline McEnery	Director, The HR Suite; HR & Business Solutions
Edel McGinley	Director, Migrant Rights Centre Ireland
Mary Mosse	Former Lecturer in Economics, School of Business, Waterford Institute of Technology
Tom Noonan	Former Chief Executive, The Maxol Group, President of IBEC (2008–2010)
Professor Donal O'Neill	Department of Economics, Finance and Accounting, NUI, Maynooth

The Secretariat for the Commission is provided by the Department of Jobs, Enterprise & Innovation (Máire Ní Chuirc, Principal Officer, Secretary to the Commission, and Ashley Long, Clerical Officer).

The Work of the Commission

Meetings

The Commission met on eleven occasions since July 2015 and received a significant number of submissions from various groups and individuals with an interest in NMW issues. The Chairman and members of the Commission also met directly (on two occasions, in Monaghan and Dublin) with a wide range of interests. These included individual workers and businesses, employer and employee representative groups, community and voluntary sector organisations. This enabled the Commission to get as broad an understanding as possible of the issues relating to the minimum wage.

Data

In the course of our work the Commission examined data from a wide range of sources, and reviewed a broad variety of reports, papers and commentary. For statistical purposes we relied principally on data from the CSO, Eurostat, OECD, ESRI, NERI, PRTB, Central Bank of Ireland, ECB, Revenue Commissioners and the National Competitiveness Council.

During our work for last year's report we noted significant gaps in the data which would ideally be available to assist in coming to a recommendation on the level of the minimum wage, and indicated that we would seek to address this issue during the course of our work over the coming years. In this regard, we have put in place a research partnership with the Economic and Social Research Institute (ESRI) and are working with them to develop research projects to address the gaps in the existing data.

The LPC/ESRI partnership is governed by a Steering Committee comprised of two Commissioners and two senior members from the ESRI (see *Appendix 1*). In addition, in the light of the central importance of data to the effective functioning of the LPC, the Central Statistics Office (CSO) has, at the request of the Commission, nominated an independent member to the Steering Committee to assist in relation to technical and data matters.

The CSO has also accepted a proposal from this Steering Committee for the addition of a question to the Quarterly National Household Survey (QNHS) specifically aimed at identifying those on the NMW (and the appropriate sub-minima rates). For the first time, this will provide timely data on the numbers on the NMW, as well as information on those in receipt of sub-minima rates, and the type of sub-minima rates which are applied. This question was asked for the first time in the Quarter 2 QNHS for 2016, and it is hoped that data will be available in time to inform the Commission's report on the sub-minima rates of the NMW, which is due to be submitted to the Minister in October 2016.

This is a major initiative on the part of the Commission and the CSO. As well as providing timely data on the numbers affected by the minimum wage rates, incorporating the minimum wage question into the QNHS will also allow for up to date profiling of minimum wage workers based on characteristics such as age, gender, education and region of residence, using significantly larger samples than currently available in the EU-SILC. Furthermore, it is

expected that the availability of this information on a quarterly basis will provide the basis for evaluation of future changes to the minimum wage in Ireland.

The Commission has also identified some issues surrounding the Irish component of the minimum wage data provided as part of the OECD's international comparison of minimum wage rates. We have opened discussions with the CSO so as to clarify the basis for the construction of these data.

The consultation process and oral hearings

Consultation Process

In December 2015 the Commission invited submissions from the public regarding the National Minimum Wage. The request was advertised on the Department of Jobs, Enterprise & Innovation and Low Pay Commission websites and in the National Press. There was also targeted emailing of both business-interest and employee-interest groups and Government Departments, as well as Universities and Institutes of Technology. A reminder issued in February 2016 on Twitter, email and the Department of Jobs, Enterprise & Innovation's Business Bulletin as the deadline for submissions on the NMW approached. It was noted that all comments, observations and submissions would be published, subject to the Freedom of Information Act 2014. We received 33 submissions regarding the National Minimum Wage (for list of submissions see *Appendix 2*[1]), five of which were from individual trade unions voicing their support of the ICTU Submission. While there was a closing date of the 11th of March 2016 the Commission did accept a number of submissions received after this date.

Stakeholder views

To a certain extent, submissions received this year expressed many of the same arguments put forward by stakeholders in 2015. Two quite distinct views emerged from the consultation process. On the one hand, many submissions argued that given the significant rise last year, the NMW should be allowed to 'settle' and the impact of the change be assessed before any further increase. Others were firmly of the view that the NMW should be increased with the aim of reaching the 'Living Wage' in the short to medium term and as the recovery in the economy is now evident in substantial upward growth in earnings and profits, advances should be made now in improving the situation for those on low pay.

[1] Copies of submissions received are available on the Commission's website at www.lowpaycommission.ie .

Main arguments for No Change	Main arguments for Increase
Brexit/Sterling is a major concern	Pay rises are overdue from recession
Employer PRSI is too high	Precarious working hours
Recovery is uneven nationwide	Increased profits for business
Repercussive pay claims	Childcare costs
Need to maintain competitiveness	Housing costs

Further arguments were put forward regarding the necessity for Government to address low pay issues through its tax policies, and through social policies around the cost and provision of childcare and rental and housing costs.

Oral Hearings

The Commission held oral hearings in Dublin and Monaghan during the year. This process gave interested parties the opportunity to outline their views and experience on the National Minimum Wage to members of the Commission, and allowed members to hear at first hand the experience of both employers and workers. Employees pointed to the difficulty of achieving a reasonable standard of living on the NMW. They referred particularly to the very high childcare and housing costs and argued that a substantial increase in the NMW is required.

The meeting in Monaghan also highlighted the importance of the exchange rate between sterling and the euro as a key issue for businesses in the border region. Cheaper alcohol and VAT rates encourage northward travel. However, a weaker euro encourages those in Northern Ireland to travel southward for their shopping. At the time, the uncertainty regarding a possible Brexit was clearly a pressing concern for Irish businesses in the border region. These meetings also raised the regional concerns regarding a three-speed economic recovery, with the full extent of the recovery not being felt throughout the country as it is in Dublin.

The 2015 Report

The Commission notes the implementation by Government of the recommendations it made in the 2015 report, supported by a majority of the members. In particular, the Commission welcomes the adjustments made to the PRSI system to avoid the PRSI step for employees, by the introduction of a ‘phasing out’ of the step on a graduated basis.

The Commission further notes that while an adjustment was also made in relation to Employers’ PRSI this was not done in a similar manner, so that the ‘step effect’ for employers effectively still remains (the step in this instance is less severe than was that for

employees). This is an issue which was raised by employers both in written submissions and at oral hearings. In this context, it remains as a possible barrier to adjustment to the NMW in future years, and a potential disincentive to employers to offer overtime or additional hours to workers where this might push earnings above the threshold.

Acknowledgements

We wish to acknowledge the contribution of Dr Seamus McGuinness, Mr Bernard Maître, Dr Paul Redmond and Dr Helen Russell of the Economic and Social Research Institute in providing some of the research essential to our work. We are very grateful to Mr Brian Ring and his colleagues in the Central Statistics Office for their cooperation in developing very valuable new data sources. We also wish to thank Mr Tim Butcher, Chief Economist and Deputy Secretary at the UK Low Pay Commission for his advice, which is greatly appreciated. We are grateful also to those who made submissions to the Commission in response to our requests, and to all those – individual employees and employers, as well as representative groups – who took the time to meet the Commissioners in Oral Hearings.

We also wish to thank Maeve White and Ashley Long of the Secretariat for greatly facilitating our work. We are particularly grateful to the Secretary to the Commission, Máire Ní Chuirc, for her hard work and diligence in preparing this report.

Chapter 2: The Minimum Wage in Ireland.

The introduction of the National Minimum Wage

The commitment to introduce a national minimum wage some fifteen years ago was, in essence, a social policy commitment to tackle exclusion, marginalisation and poverty. The Government of the time also recognised that, as a social policy issue, the National Minimum Wage had significant economic implications. Mary Harney, then Tánaiste, indicated in presenting the Bill to the Dáil[2] that her concern was *"to protect those workers who are vulnerable and prone to being exploited, especially women and young people"* while also having regard to the need *"to protect employment and competitiveness"*.

The Commission established to advise on the nature of a statutory minimum wage at the time recommended that the national minimum wage should be measured against the median earnings of all employees, and that the initial rate for the national minimum wage should be set at around two-thirds of median earnings and should take into account employment, overall economic conditions and competitiveness. In the event, the figure of £4.40 set from April 2000 was somewhat below the two-thirds level (at around 59 percent) given the movement in wages between the introduction of the rate and the making of the recommendation.

Since the introduction of the national minimum wage in 2000 the NMW has been adjusted eight times, with eight increases and one reduction. The rate changes are given in **Table 1** below. The adult rate currently stands at €9.15. The increase in January 2016 was the first increase in the rate since July 2007.

Table 1 Changes in Irish Adult Minimum Wage Rate since its Introduction

Date	Irish Minimum Wage
1st April 2000	€5.58 (£4.40)
1st July 2001	€6.00 (£4.70)
1st October 2002	€6.35 (£5.00)
1st February 2004	€7.00
1st May 2005	€7.65
1st January 2007	€8.30
1st July 2007	€8.65
19th January 2011	€7.65
1st July 2011	€8.65
1 January 2016	€9.15

[2] 1 March 2000, Dáil Debates (http://debates.oireachtas.ie/dail/2000/03/01/00022.asp).

The National Minimum Wage is the lowest average hourly rate that can be paid by an employer to an employee. There are a number of exceptions to the requirement to pay NMW. These are set out below.

The Act does not apply to

(a) a person who a close relative of the employer (i.e. the spouse, civil partner, father, mother, grandfather, grandmother, step-father, step-mother, son, daughter, step-son, step-daughter, grandson, grand-daughter, brother, sister, half-brother or half-sister of an employer),
(b) a person taking part in a statutory apprenticeship (e.g. an apprentice printer, plumber, carpenter/joiner, electrician etc), or to
(c) non-commercial activity or work engaged in by prisoners under the supervision of the governor or person in charge of the prison concerned

Sub-Minimum Rates

The legislation provides for three different categories of sub-minimum rates, which are fixed as a percentage of the national hourly rate.

These rates apply to

- those under 18 years of age,
- those over 18 who are in a first job (for up to two years), and
- those over 18 who are undergoing a prescribed course of study or training (known as trainee rates). Maximum periods of training range from 3 months to 3 years, and training must be certified.

Board and lodgings

If an employee receives food (known as board) and/or accommodation (known as lodgings) from an employer, this may be taken into account in the minimum wage calculation. Current maximum rates which may be taken into account are as follows:

- €54.13 for full board and lodgings per week, or €7.73 per day
- €32.14 for full board only per week, or €4.60 per day
- €21.85 for lodgings only per week, or €3.14 per day

See *Appendix 3* for detailed rules regarding the calculation of the minimum wage.

Current rates

The current rates of the National Minimum Wage are set out in **Table 2** below.

Table 2 Current Rates of NMW

		Effective from 1 Jan 2016	% of minimum wage
Adult Rate	Experienced adult worker	€9.15	100 %
Age-based Rates	Aged under 18	€6.41	70 %
	First year from date of first employment aged over 18	€7.32	80 %
	Second year from date of first employment aged over 18	€8.24	90 %
Trainee Rates: Employee aged over 18, in structured training during working hours	1st one third period	€6.86	75 %
	2nd one third period	€7.32	80 %
	3rd one third period	€8.24	90 %

International Comparisons

Comparing minimum wages in Ireland with those in other countries is not without difficulties. Many technical problems arise when making comparisons. The latest available data from the OECD which allows comparisons of the hourly value of the minimum wage across countries are for the year 2015. According to these figures, the value of the minimum wage in Ireland was the seventh highest in the OECD area. Luxembourg had the highest minimum wage, followed by Australia, France, Belgium, the Netherlands and New Zealand.

The minimum wage introduced for the first time in Germany in 2015 was €8.50, 15 cent less than the then Irish rate of €8.65. Rates in Spain and Portugal were substantially lower than in Ireland. Other very low minimum wage countries in Europe include Lithuania, Latvia and Slovakia. In Greece there has been no change to the minimum wage since 2012, when it was cut by 22 percent under the terms of its austerity related measures. The minimum wage in the United Kingdom rose to £6.70 in October 2015. A new higher national living wage of £7.20 for those over 25 years of age, equivalent to €8.60 approximately at current exchange rates (1 July 2016), took effect in the UK in April 2016[3].

In the US the federal minimum wage (FMW) stood at $7.25 (€6.53) in 2015. However, while the FMW sets the floor, States, cities and local municipal authorities have discretion to set higher rates if they wish. As of November 2015, 29 States and the District of Columbia had minimum wages above the FMW. One of the highest profile examples was Seattle, which introduced an $11 (€9.88) an hour minimum wage in April 2015 as a first step towards the objective of $15 an hour by 2020 [UK LPC 2016].

[3] UK LPC (2016) National Minimum Wage: LPC Report, Spring 2016

Having compared the absolute values of minimum wages across countries, a second way of ranking minimum wages is to look at the value of the minimum wage ranked using market exchange rates or purchasing power parities (PPP). The former uses market exchange rates on a particular date, while the latter also tries to take account of different price changes and different consumption baskets in order to improve the accuracy of the comparison. OECD.Stat (2016) provides data for 2015 adjusted for purchasing power parity (PPP) and Ireland again ranked 7th on this basis behind Luxembourg, Australia, France, Belgium, the Netherlands and New Zealand.

Minimum wages are also often compared both within and across countries in relative terms, i.e. relative to some measure of average or median wages. This provides some indication of how many workers are likely to be affected by the minimum wage. However, even within a country this ratio can vary substantially depending on how both the numerator (minimum wage) and denominator (average wage) are measured. Using the median, rather than the mean, in the denominator is a better measure of the potential "bite" of minimum wages. It also provides a better basis for international comparisons given large differences across countries in the dispersion of wages and earnings. The latest OECD data suggests that the interquartile range for the bite of the minimum wage relative to the median wage of full-time employees is 44-57 percent.

Compliance with the National Minimum Wage

The Commission continues of the view that the role of the regulatory authorities in enforcing NMW legislation is paramount. It is important that the incorporation of the former National Employment Rights Authority (NERA) into the new Workplace Relations Commission (WRC) should build on NERA's experience in relation to enforcing compliance with the National Minimum Wage, and that the enforcement arm of the new body should continue to have a strong presence and be adequately resourced under the new structure.

NERA carried out almost 5,200 inspections in 2015. Overall, 5.2 percent of inspections showed breaches of the National Minimum Wage legislation (this is a reduction from the 6 percent figure recorded in 2014). Once again, the WRC has cautioned that these figures cannot be considered as indicative of non-compliance with NMW rates generally, as their inspections are primarily (although not exclusively) risk based. Risk factors include the perceived vulnerability of certain groups of workers, the past record of infringements of employers previously inspected, intelligence gathered as a result of complaints by employees and representative bodies.

Examples of typical non-compliance detected include:
- the incorrect application of the NMW structured training rates;
- the incorrect application of rates applicable to experienced adult workers;
- the incorrect application of Board and Lodgings amounts.

Employees also have the option to take a claim directly to the Workplace Relations Commission regarding non-compliance with their statutory rights.

A breakdown of the telephone calls to NERA/WRC shows that in the period between October 2015 and March 2016 (which coincides with the announcement in the budget in October of the increase in Minimum Wage and its introduction in January 2016) three percent of the calls to the WRC related to minimum rates of pay (**Table 3**). In the earlier period (Jan-September 2015) any such calls were recorded under 'other' category (**Table 4**).

Table 3 Breakdown of calls received by the WRC (October 2015 to March 2016)

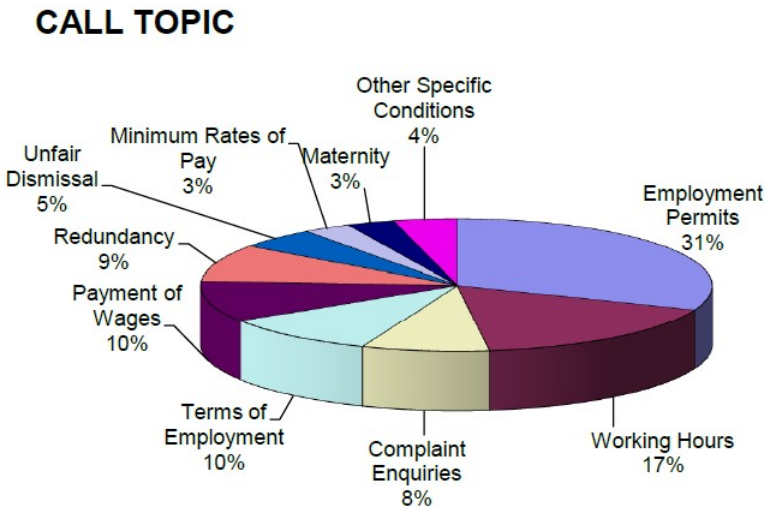
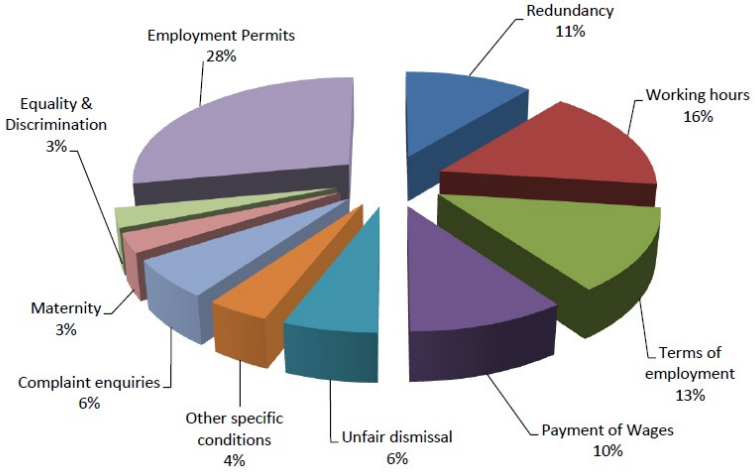


Table 4 Breakdown of calls received by NERA (January to September 2015)



Source: National Employment Rights Authority/WorkPlace Relations Commission

Non compliance

More research is needed to assess the relative importance of measurement error, non-compliance and sub-minima rates in explaining the incidence of below-NMW pay. At present there is no quantification of the numbers that might be expected to be on the sub-minima rates (i.e. trainees, under 18s and over 18s in their first two years of employment) or the numbers who are otherwise exempt (e.g. apprentices and family members).

It remains clear that failure to pursue enforcement of minimum wage legislation not only results in exploitation of vulnerable workers but also undermines the position of compliant employers competing with non-compliant employers who gain competitive advantage through reduced labour costs.

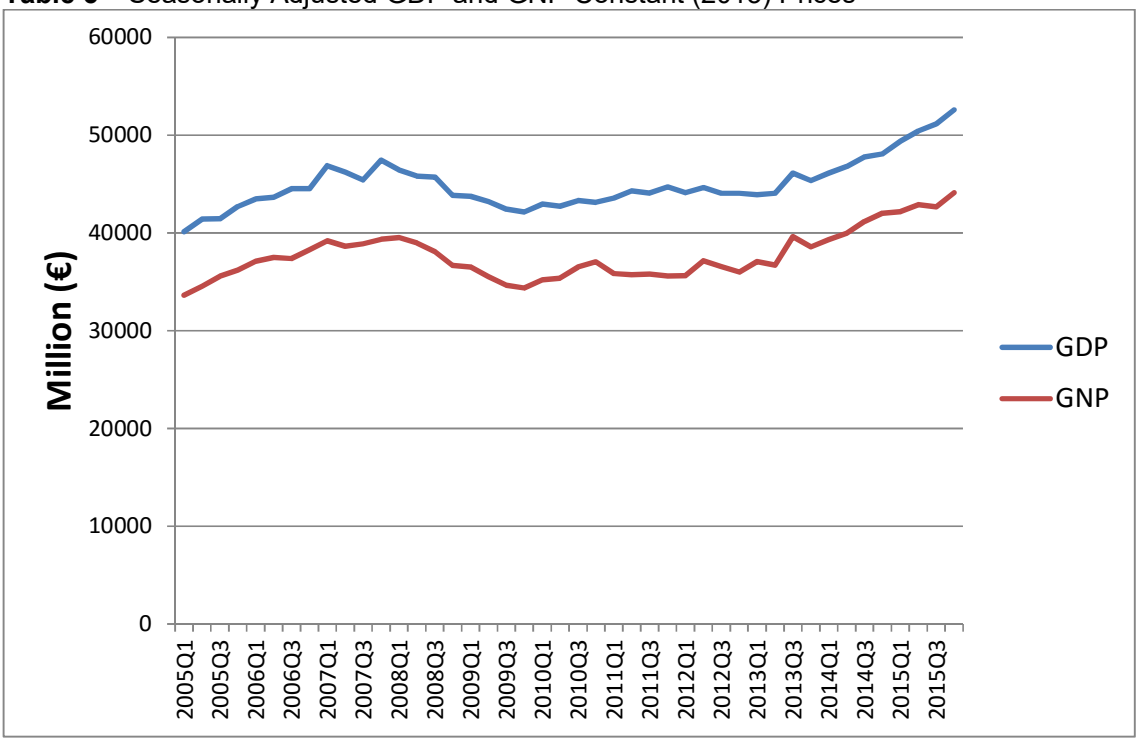
Chapter 3 The Economic Context

In this chapter we review the developments in a range of factors we have considered in making our recommendation on the National Minimum Wage.

An Overview of Irish Economic Performance

In 2015 real GDP in Ireland grew by 7.8 percent, making it the fastest growing economy in the EU.[4] Real GNP grew by 5.7 percent over the same period. The recession which began in 2008 and the subsequent upturn in economic activity since 2013 are seen in **Table 5**. Real GDP and real GNP now lie above their pre-recession peak levels.

Table 5 Seasonally Adjusted GDP and GNP Constant (2013) Prices



Source: CSO: Quarterly National Accounts

Further strong economic growth is predicted for 2016, albeit at a lower rate than experienced last year, with the ESRI, Central Bank of Ireland and the Department of Finance all forecasting growth in real GDP in the range of 4.4 to 5.5 percent (see **Table 6** below). The dynamics of the recovery in economic growth have changed in recent years. The initial post-2012 recovery was export driven, whereas domestic consumption and investment are now making a much stronger contribution towards growth (Duffy et al., 2016). In 2015 investment and personal consumption grew in value by 29.4 and 3.8 percent respectively, with forecasted growth of 25.9 and 4.8 percent in 2016.

[4] Average real GDP growth in the EU in 2015 was 1.9 percent.

Table 6 Real GDP Growth (Actual 2015 and Forecasts 2016 and 2017)

Institution	2015	2016	2017
	percent change		
Central Bank (Quarterly Bulletin, April 2016)	7.8	5.1	4.2
ESRI (Quarterly Economic Commentary, Spring 2016)	7.8	4.8	4.0
Department of Finance SPU forecasts 2016 (April 2016)	7.8	4.9	3.9
Nevin Economic Research Institute (Spring 2016)	7.8	4.4	3.5
IBEC (Spring 2016)	7.8	4.6	3.9

Despite the strong realised and forecast economic growth, there remains some uncertainty regarding external events and their potential effects on the Irish economy. In particular, the decision by the UK to leave the European Union is likely to have an adverse impact on the Irish economy. As one of Ireland's main trading partners, the negative effect on the UK economy as a result of leaving the European Union will have implications for Ireland. Uncertainty in relation to the UK's position has already had an effect on Ireland's economic growth. While it is very difficult to quantify the effect at this stage, preliminary estimates by the ESRI are that it has already reduced the growth rate by 0.2 percent in 2016. In the medium term they estimate that a 1 percent shock to UK output reduces Irish output by nearly 0.3 percent and increases unemployment by 0.2 percent.

Table 7. Personal consumption 2014 and 2015 and Forecasts 2016 and 2017

Institution	2014	2015	2016	2017
		percent change		
Central Bank (Quarterly Bulletin No. 2, April 2016)	2.0	3.5	2.8	2
ESRI (Quarterly Economic Commentary, Spring 2016)	2.0	3.5	3.8	3.5
Department of Finance (Budget Statement , Oct 2015)	2.0	3.5	3.5	*none*
Nevin Economic Research Institute (Spring 2016)	2.0	3.5	3.0	*2.1*
IBEC (Spring 2016)	2.0	3.5	4.1	*3.8*

There are somewhat differing views amongst the commentators with regard to the personal consumption forecasts (**Table 7**), with the ESRI and IBEC predicting that the rate of increase will improve in 2016, with a slight fall back in 2017. The Central Bank and the Nevin Economic Research Institute, on the other hand, while anticipating continuing growth in personal consumption predict a slowing in the growth rate. Figures provided by the Department of Finance in the Budget Statement for 2016 estimated a continuation of the 2015 growth rate into 2016.

Exchequer taxation receipts in 2015 showed very strong year-on-year increases of 10.5 percent, building on the performance in 2014. The first six months of this year have continued the strong growth trends.

The budget deficit remains on a firm downward path; in absolute terms it is forecast at €2.75bn in 2016 and €1.3bn in 2017, down from an estimated €4.4bn in 2015 and €7.5bn in

2014. The target is 0.9 percent of GDP in 2016. (The deficit was as high as 8 percent of GDP as recently as 2012.) The budget for 2016 could be described as 'mildly expansionary' (for the second year in a row) in stark contrast to the severe fiscal tightening experienced throughout the 2008-2014 period as a result of the requirement to introduce €30 billion of austerity measures to bring the budget back into line with EU rules.

Productivity and Competitiveness

The OECD productivity estimates show Ireland's estimated growth for 2016, at 2.4 percent, as the highest of all the OECD countries by a fairly considerable margin.

Estimated productivity in Ireland has grown consistently since 2010, as evident from **Table 8** below, with the exception of a 0.9 percent fall in 2013. Growth was particularly strong in 2014 and 2015, and is predicted to continue to grow in 2016, although at a slower rate.

Table 8 Labour Market Productivity in the Total Economy (% change from previous period)

Country	2010	2011	2012	2013	2014	2015	2016
Ireland	4.6	4.4	0.7	-0.9	3.4	5.1	2.4
United Kingdom	1.3	1.5	0.1	1.0	0.6	0.8	0.5
United States	3.2	0.6	0.6	0.1	0.6	0.3	-0.3
Euro area (15 countries)	2.5	1.3	-0.4	0.4	0.4	0.5	0.4
OECD - Total	2.5	1.3	0.3	0.6	0.6	0.6	0.4

Source: OECD Economic Outlook 99 Database 2016 = forecast

Care must be taken in interpreting this measure of productivity growth which is heavily influenced by the output performance in a limited number of multi-national enterprises in the manufacturing sector. The productivity performance in the services sector would be considerably less.

The Global Competitiveness Report 2015-16 ranked Ireland as the 24th most competitive economy in the world (up one place from our ranking of 25th the previous year). The UK was ranked in 10th position (down one place from last year). Ireland was the 11th most competitive economy in the EU.

The Report indicates that most advanced economies have recovered to their pre-crisis level of competitiveness. It states that access to finance is still the main drag on growth in most of these economies, with the United States representing a positive exception, being close to pre- crisis levels in terms of access to finance. At the other end of the spectrum, however, the Report points to finance in the eurozone being much more difficult to access than it was eight years ago, suggesting this to be one of the most important factors slowing down growth in Europe. It points to significant improvement in the areas of market competition and labour market efficiency thanks to reforms in France, Ireland, Italy, Portugal, and Spain.

Of some 120 factors examined in the survey (under 12 pillars), Ireland ranked in the bottom half of the table in just 6, as follows:

- General government debt (133rd),
- Soundness of banks (126th),
- Ease of access to loans (116th),
- Government budget balance (89th),
- Mobile telephone subscriptions (89th),and
- Effect of taxation on incentives to work (77th).

In terms of the labour market efficiency pillar Ireland ranked in the top 20 in six of the ten categories, including 7th for pay and productivity (up from 28th), and 13th overall. The effect of taxation on incentives to work continued to be our worst performance in this pillar, at 77th, but this was an improvement on last year's ranking of 93rd.

Table 9 Performance of selected advanced economies on selected human capital –related indicators (rank out of 140)

		INDICATORS										
Country/economy	Overall GCI	5.03 Quality of the education system	5.08 Extent of staff training	5.04 Quality of math and science education	12.06 Availability of scientists and engineers	7.07 Reliance on professional management	7.06 Pay and productivity	7.03 Hiring and firing practices	7.01 Cooperation in labor-employer relations	7.02 Flexibility of wage determination	7.08 Country capacity to retain talent	7.09 Country capacity to attract talent
Switzerland	1	1	1	4	23	6	4	2	1	16	1	1
Singapore	2	3	4	1	11	5	3	4	3	6	6	2
United States	3	18	14	44	4	9	8	10	31	19	2	6
Germany	4	10	13	16	15	15	13	107	20	132	13	19
Netherlands	5	8	9	7	22	4	46	89	8	131	11	13
Japan	6	27	6	9	3	18	14	123	5	7	29	78
United Kingdom	10	21	21	46	18	12	21	11	21	15	9	4
France	22	30	28	19	19	29	59	127	116	69	63	42
Ireland	24	9	20	21	9	7	7	19	15	56	19	9
Korea, Rep.	26	66	36	30	40	37	24	115	132	66	25	35
Estonia	30	34	32	14	73	25	10	13	28	1	93	86
Spain	33	85	104	84	16	49	115	121	84	97	94	98
Italy	43	65	132	41	26	119	131	132	127	134	113	115
Greece	81	114	91	61	6	101	103	91	107	115	111	131

Note: Color is coded according to rank: 1–20 21–40 41–60 61–80 81–100 101–120 121–140

Source: Global Competitiveness Report 2016

The National Competitiveness Council's *Costs of Business in Ireland 2016* indicates that the cost base for enterprise has improved across a range of metrics since 2009, (e.g. the cost of starting a business, communications costs and average income taxes). It notes, however, that Ireland remains a relatively high cost location and stresses the need for both enterprise and Government to maintain cost competitiveness as a key economic priority.

The report identifies the cost of labour as the most significant driver of business costs for most firms – particularly for services firms, noting that while labour cost growth has remained

modest in recent quarters, it has grown by more in Ireland (2.1 percent) than on average across the EU-28 (1.9 percent) and euro area (1.2 percent).

The Council's report also highlights the fact that the availability and cost of property is again a significant threat to sustained cost competitiveness, stating that the link between house prices and wage expectations means that developments in the residential property sector have a direct impact on international competitiveness.

The Council argues the need to increase productivity across all sectors and occupations, particularly in the indigenous economy. In their view productivity growth is the preferred mechanism to improve competitiveness in the longer term, as it can support cost competitiveness in tandem with high and increasing income levels.

Labour costs in Ireland have been growing marginally more quickly than in the euro area since 2014 and the wider EU-28 since the latter part of 2015 (see relevant Tables in *Appendix 4*). The Competitiveness Council argues that while demands for wage increases are understandable after a period of economic stagnation and wage cuts, wage growth should not outpace productivity growth if our relative competitive position is not to be negatively affected.

Profits

Data from the CSO, see **Tables 10, 11 and 12** below, show that both Multinationals and non-MNE-dominated sectors exhibited positive growth in 2014 (latest available data) and exceeded previous peak GVA[5] values.

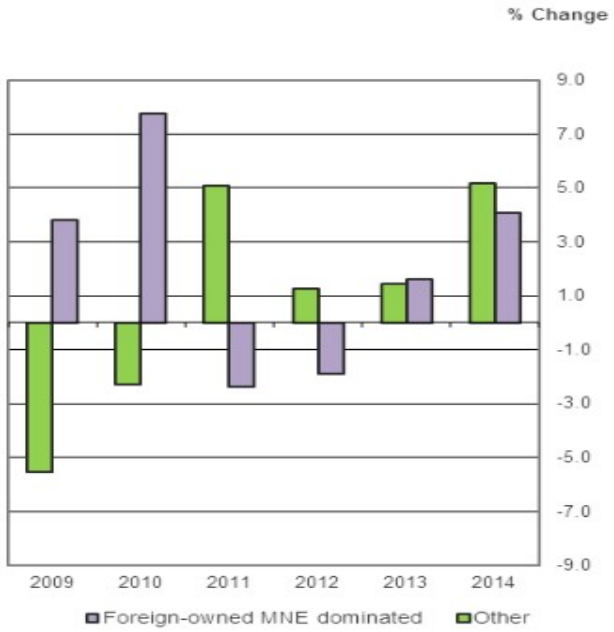
Table 10 GVA at constant (2013) basic prices for sectors dominated by Foreign-owned MNEs[6] and other sectors

	2013	2014	
	Amount €m	**Amount €m**	**% change**
Foreign-owned MNE dominated	41,117	42,785	4.1
Other	122,358	128,710	5.2
Total	163,474	171,495	4.9

Source: CSO

[5] Gross Value Added (GVA) is defined as: the sum of the values of the goods and services (or parts thereof) produced in the country less any intermediate consumption, but without deducting an amount in respect of capital consumption (i.e. depreciation). GVA excludes taxes on production and includes subsidies on production. GVA can be used as an indicator for profit before the effects of tax and depreciation.
[6] MNE = multi-national enterprise

Table 11 GVA at constant (2013) basic prices for sectors dominated by Foreign-owned MNEs and other sectors



Source: CSO

Gross Value Added (GVA) at constant (2013) basic prices for the non-MNE dominated sectors of the economy increased by 5.2 percent between 2013 and 2014 (latest available). The sectors where foreign-owned multinational enterprises are dominant grew by 4.1 percent over the same period, resulting in an overall growth rate of 4.9 percent. Consequently GVA for each of the two sectors exceed their previous peaks which occurred in 2007 for the non-MNE sectors combined and in 2010 for the MNE dominated sectors.

In the larger non-MNE sectors, growth was positive in a number of sectors, including the Wholesale & Retail sector (which includes the sale and repair of motor vehicles) at +6.3 percent.

Table 12 Gross Value Added at Constant Basic Prices (€m) in Selected Sectors (chain linked annually and referenced to year 2013)

NACE REV. 2 Section	Description	2009	2010	2011	2012	2013	2014 [1]	% change 2014/2013
A	Agriculture, forestry and fishing	2,097	2,180	2,509	2,335	2,346	2,845	21.30%
C	Manufacturing	34,064	35,781	36,036	35,223	33,405	35,588	6.50%
F	Construction	6,762	4,993	4,285	4,031	4,416	4,753	7.60%
G	Wholesale and retail trade, repair of motor vehicles and motorcycles	15,646	15,885	15,710	15,622	15,691	16,684	6.30%
H	Transportation and storage	6,691	6,403	6,348	6,432	6,518	6,986	7.20%
I	Accommodation and food services activities	3,985	3,825	3,799	3,652	3,763	3,853	2.40%
K	Financial and insurance activities	21,147	18,293	18,692	17,414	13,267	13,227	-0.30%
QA	Human health activities	9,940	9,930	9,682	9,131	9,167	8,803	-4.00%
QB	Social work activities	2,891	2,967	2,983	2,899	3,001	2,979	-0.70%
R	Arts, entertainment and recreation	3,173	3,077	2,898	2,808	2,728	2,711	-0.60%
	All Sectors	**155,194**	**155,476**	**160,437**	**161,069**	**163,474**	**170,924**	4.60%

Source: CSO

Prices

When considering the minimum wage the Commission is obliged to take account of the cost of living. To do this we use the Harmonised Index of Consumer Prices (HICP[7]) as a measure of inflation because we believe that it more accurately reflects the inflation experience of those on low pay. Harmonised Indices of Consumer Prices (HICPs) are designed for international comparisons of consumer price inflation. HICP is used for example by the European Central Bank for monitoring of inflation in the Economic and Monetary Union and for the assessment of inflation convergence. (In **Table 13** below national consumer price indices are used for the U.S.)

[7] The following item headings in the CPI basket of goods and services are excluded from the HICP basket of goods and services: Mortgage interest, Building materials, Motor tax, motor cycle Motor tax – House insurance – contents (non-service), House insurance – dwelling Motor car insurance (non-service) and union subscriptions

Table 13 HICP - inflation rate

Annual average rate of change (%)						
	2010	**2011**	**2012**	**2013**	**2014**	**2015**
European Union (28 countries)	2.1	3.1	2.6	1.5	0.5	0.0
Euro area (19 countries)	1.6	2.7	2.5	1.3	0.4	0.0
Ireland	-1.6	1.2	1.9	0.5	0.3	0.0
United Kingdom	3.3	4.5	2.8	2.6	1.5	0.0
European Economic Area	2.1	3.1	2.6	1.5	0.6	0.0
United States	2.4	3.8	2.1	1.2	1.3	-0.7

Source: CSO (EEA 18-2004, EEA 28-2006, EEA 30-2013, EEA 31-2014)

It is important to take account of any changes in prices in the Irish economy as they affect not only the international competitiveness of firms but also the purchasing power of worker's wages. Recent data show that changes in the overall price level in the Irish economy, as measured by the EU Harmonised Index of Consumer Prices (HICP), have been muted over the past year. The annual rate of change in the HICP to May 2016 was -0.2 percent.

While the prices of some items, such as energy, continued to negatively impact on the overall price level and exert a drag on inflation, it is worthwhile examining the relative performance of other components that make up the headline rate of inflation. As pointed out by the ESRI (2016) there has been a diverging trend in the evolution of prices in the goods and services components of the index since 2014. Changes in the price of goods have been consistently negative over the period while at the same time there has been consistently strong growth in the services component.

The decrease of 0.2 percent in the overall annual rate of change in the HICP to the end of May 2016, masks a fall of 5.7 percent in transport and a fall in clothing and footwear of 1.2 percent, as compared to an increase in education of 3.8 percent and in restaurants and hotels of 2.2 percent. Prices in the Restaurants & Hotels component rose, mainly due to an increase in the cost of hotel accommodation and higher prices for alcoholic drinks and food consumed in licensed premises, restaurants, cafes etc during the year. These figures highlight the fact that the prices of the goods and the services components of the HICP continued to move in opposite directions into 2016.

Table 14 EU HICP (Base 2015 = 100) by selected Commodity Group and Month[8]

	2015 M08	2015 M09	2015 M10	2015 M11	2015 M12	2016 M01	2016 M02	2016 M03	2016 M04	2016 M05
All-items HICP	100.8	100.3	100	99.7	99.6	98.7	99.1	99.4	99.7	100.2
Food and non-alcoholic beverages	99.7	99.4	100	99.8	99.9	99.9	99.2	99.5	99.2	99.2
Clothing and footwear	97.4	101.5	100.9	101.9	101.5	91.2	96.9	100.1	100	101
Transport services	115.6	103.9	97.6	91.2	92.2	89.1	94.4	96.6	93.4	96.8
Restaurants and hotels	101.6	101.1	100.4	99.9	99.9	99.5	99.9	100.6	101.4	102.2

Rental costs

There is very substantial variation in rental costs across the country, and between urban and rural areas. Nationally, rents peaked in the fourth quarter of 2007 before declining by 25.7 percent to their trough in the first quarter of 2012. By quarter 1, 2016 rents nationally were 9 percent lower than their peak. (Source Private Rental Tenancies Board – **see tables 15 and 16** below).

While the 'peak-to-trough' in the Dublin market was similar to that experienced nationally, a strong recovery in Dublin means that rents are now 0.2 percent higher than their previous peak in quarter 4, 2007. In contrast, the market outside Dublin has experienced more subdued growth and rental levels remain 13.9 percent off their peak levels.

On an annual basis, nationally, rents were 8.6 percent higher than in quarter 1 of 2015 (houses were 7.8 percent higher while apartment rents were 9.8 percent higher). Annual growth in the Dublin market was also strong, up by 8.7 percent.

Table 15 The RTB Rent Index, Quarter on Quarter percent change

		National	National Houses	National Apts	Dublin	Dublin Houses	Dublin Apts	Outside Dublin	Outside Dublin Houses	Outside Dublin Apts
2014	Q1	0.3	0.4	0.2	0.2	0.6	0.5	0.6	0.4	0.5
	Q2	2.9	2.3	3.5	4.8	2.8	5.7	1.6	2.1	0.9
	Q3	2.2	2.8	1.6	2.8	2.9	2.9	1.9	2.8	0.8
	Q4	0.3	-0.9	1.0	1.3	0.4	1.4	-0.3	-1.0	0.4
2015	Q1	1.1	1.7	1.2	0.2	1.3	0.7	1.5	1.6	1.9
	Q2	2.6	2.2	2.7	4.1	3.5	3.7	1.6	1.8	1.2
	Q3	3.7	4.2	3.7	2.6	3.4	2.1	4.5	4.2	5.0
	Q4	1.6	1.5	1.4	1.5	0.7	1.8	1.6	1.9	0.5
2016	Q1	0.5	-0.3	1.8	0.2	0.6	0.4	0.9	-0.5	4.2

[8] Derived variables for HICP. All derived statistics are calculated directly from the published monthly HICP indices and then rounded to one decimal place.

Table16 The RTB Rent Index, Q3 2007=100

		National	National Houses	National Apts	Dublin	Dublin Houses	Dublin Apts	Outside Dublin	Outside Dublin Houses	Outside Dublin Apts
2014	Q1	80.6	77.4	84.2	87.1	86.0	88.3	76.8	74.9	78.8
	Q2	83.0	79.2	87.1	91.3	88.4	93.4	78.0	76.5	79.5
	Q3	84.8	81.5	88.4	93.9	91.0	96.1	79.6	78.6	80.2
	Q4	85.0	80.8	89.3	95.1	91.4	97.4	79.3	77.8	80.5
2015	Q1	85.9	82.1	90.4	95.3	92.6	98.1	80.5	79.1	82.0
	Q2	88.2	83.9	92.8	99.2	95.8	101.7	81.8	80.5	83.0
	Q3	91.4	87.4	96.3	101.8	99.1	103.8	85.5	83.9	87.1
	Q4	92.9	88.7	97.6	103.4	99.7	105.7	86.8	85.5	87.6
2016	Q1	93.3	88.5	99.3	103.6	100.3	106.1	87.6	85.1	91.2

Source: The RTB Rent Index is produced by the ESRI based on anonymised data supplied by the RTB. It is produced using a hedonic regression. Details on the methodology are available from www.rtb.ie and www.esri.ie.

Currency Exchange Rates

Changes in exchange rates have a significant effect on the competitiveness of business, and particularly so where an individual business trades overseas or with Northern Ireland. When a country's currency loses value against the euro, imports from that country into Ireland become cheaper, so the business may have to respond to aggressive pricing from competitors who source from that country. Similarly, if a country's currency gains value against the euro, Irish exports to that country become cheaper.

The European Union is by far our largest trading partner, accounting for about 60 percent of total trade. Within the EU, our main partners are the United Kingdom (16 percent of exports and 34 percent of imports), Germany and France. Other major partners are United States (23 percent of exports and 12 percent of imports) and China.

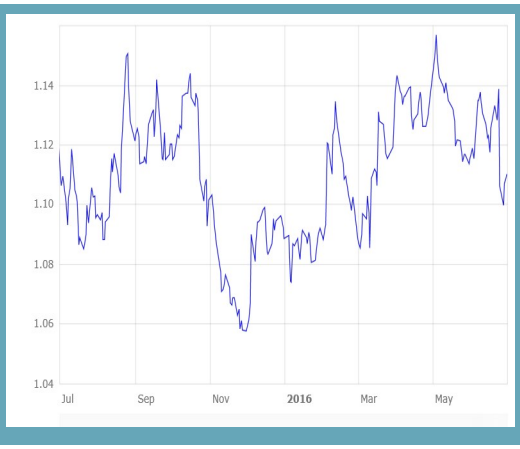
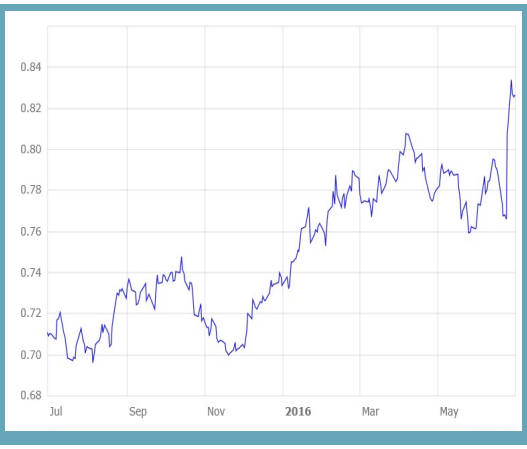
Ireland's heavy reliance on trade means that businesses generally are highly susceptible to currency fluctuations. While our membership of the Eurozone provides a certain level of protection, many businesses are exposed to pound sterling and US dollar fluctuations in particular. The significant weakening in the value of sterling following the Brexit vote has exposed low-margin Irish business exporting to the UK, or competing with UK imports, to significant challenges. At the time of writing there is considerable uncertainty about the level or relative stability of exchange rates into the future.

Details on the exchange rates are shown in **Table 17** and in the graphs showing both currencies over the past 12 months.

Table 17 Euro Exchange Rates

	US $	GBP £
13/10/2015	1.1387	0.7464
1/07/2016	1.1135	0.8383
% change	-2.2 %	+12.3 %

Table 18 Euro-Dollar and Euro-Sterling Exchange Rates – July 2015 to June 2016

€ to the US $ July 2015 to 30 June 2016	€ to the ST £ July 2015 to 30 June 2016
	

Source: European Central Bank Eurosystem (extracted 1 July 2016)

Tourism

Table 19 below shows tourist numbers from 2013 to Q1 2016. The year-on-year growth in Q1 2016 is at 16.6 percent, with increased numbers from all areas bar Australia and New Zealand, which remains steady. In terms of reason for visit, the evidence is that the growth is coming from tourism rather than business visits. The importance of the UK (with 41 percent of the trips originating there in 2015) gives an indication of the exposure of this sector to the sterling exchange rate.

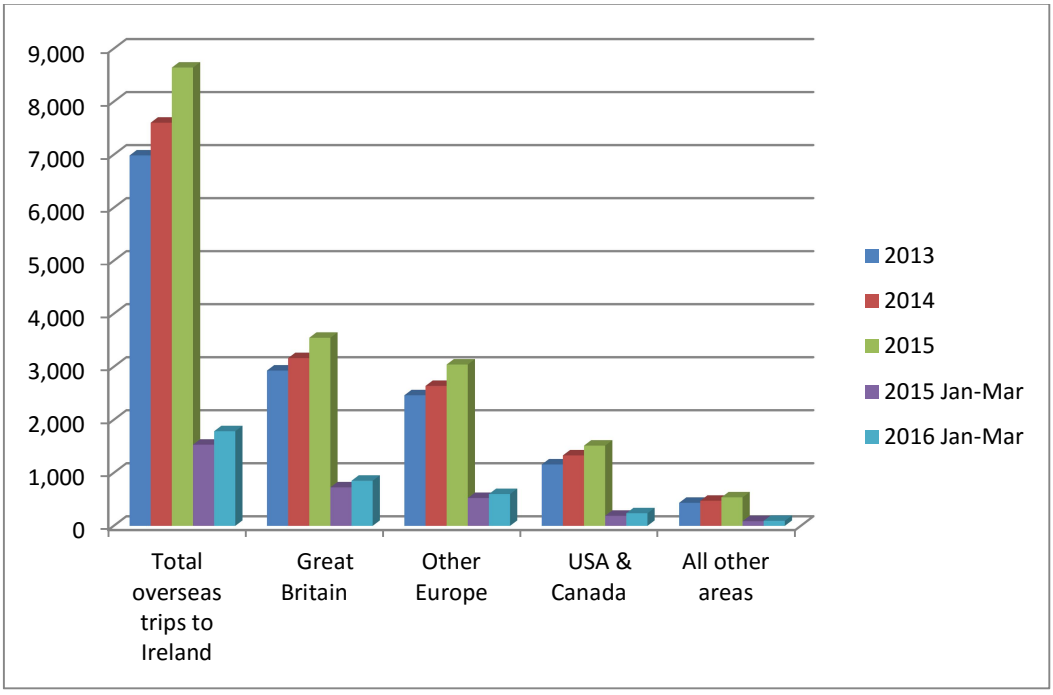
Table 19 Number of overseas trips to Ireland by non-residents classified by mode of travel, type of trip, route of travel, area of residence and reason for journey, 2013 - Quarter 1 2016

'000

Trips	2013	2014	2015	2015 Jan-Mar	2016 Jan-Mar	Y-on-Y change for Q1
Total overseas trips to the Republic of Ireland	**6,986**	**7,604**	**8,643**	**1,531**	**1,785**	**16.6 %**
Trips by area of residence						
Great Britain	2,929	3,164	3,547	726	851	17.2 %
Other Europe	2,463	2,639	3,043	526	600	14.1%
USA & Canada	1,158	1,329	1,514	191	238	24.6 %
Australia & New Zealand	187	190	207	31	31	0.0 %
All other areas	248	284	331	57	64	12.3 %
Trips by reason for journey						
Business	1,242	1,282	1,441	364	364	0.0 %
Visit to Friends/Relatives	2,015	2,209	2,297	488	555	13.7 %
Holiday/Leisure/Recreation	3,059	3,324	4,001	538	691	28.4 %
Other	670	789	904	141	175	24.1 %

Source: CSO

Table 20 Overseas trips to Ireland by non-residents classified by country/area of origin, 2013 - Quarter 1 2016



Source: CSO

Risks to Growth

Most of the available economic information into the first quarter of 2016 suggests that the Irish economy continues to exhibit robust and substantial growth. Tax returns for the first half of the year remain positive and the unemployment rate continues to fall, as job creation continues. However, the economy is faced with the challenge to make economic growth more inclusive by increasing labour market participation while further reducing unemployment, particularly long term unemployment.

The OECD (2015) have argued that Ireland's high structural unemployment and low labour market participation rate results in large groups of households being left without labour income and relying almost exclusively on social transfers to make ends meet. Ireland continues to have a very high share of people who are not in employment, education or training (NEET) compared to other countries. As discussed in the OECD Economic Survey of Ireland 2015, getting people back to work is the best way to spread the gains from the recovery, utilise people's potential talent and efficiently reduce income inequality.

The recently-published draft National Risk Assessment (NRA), which has been opened for public consultation by the Department of the Taoiseach, sets out a list of strategic risks which Ireland faces, both financial and non-financial, identified following collaboration across Government Departments. In particular, amongst the economic risks it identified Brexit (uncertainty over the UK's relationship with the EU) and weakening Global Economic Growth as having greater importance this year:

Economic Risks (abbreviated, extracted from the Draft National Risk Assessment for 2016)

1. Weak Global Economic Growth and Debt Sustainability: Concern over the pace of a potential global slowdown has grown in 2016, in an environment of low commodity prices, reduced capital flows, currency pressures, the Chinese slowdown and rising financial market volatility or a combination of various factors
2. Loss of Competitiveness: As a small regional economy in a single currency zone, Ireland is vulnerable to losses of competitiveness through wage and/or productivity developments that are out of line with those in the euro-area and beyond. Domestic factors including the economic recovery and the continued shortage of housing may drive up wage demands which could erode competitiveness in a low inflation environment.
3. Importance of multinational corporations to Irish economy and risk of unfavourable international tax changes: There is a risk that a sector which is heavily concentrated in Ireland, such as IT or pharma, could suffer a particular shock impacting on its growth potential which could curtail inward investment. There is also a risk that the multinational companies which drive Ireland's export growth (and therefore a large part of Ireland's economy) will re-locate their business elsewhere due to issues over price competitiveness, skills shortages or changes to the tax environment.
4. Vulnerabilities in the banking system: The high level of impaired loans remains a major challenge for the banking system, as well as carrying a wider social and economic cost. Headwinds facing the sector include the low interest rate environment and increased regulatory costs. Market funding remains susceptible to changes in investors' risk appetite and in sentiments towards the banks and the Irish sovereign.
5. Turbulence in the Euro-area: Government debt ratios remain high or continue to increase in many euro-area Member States. Low levels of growth continue to pose a medium-term threat. Any re-emergence of debt sustainability issues in the euro area could have an impact on Ireland's sovereign financing costs, the ability of the Irish Government to raise funds, and the wider stability and sustainability of the eurozone itself.
6. Monetary Policy Uncertainties: Concerns have been expressed in relation to a number of factors, namely:
   (i) the possibility that Quantitative Easing (QE) may lead to an increased risk of asset price bubbles and potential underpricing of risk as investors are having to search for yield.
   (ii) the risk that at interest-rates of close to zero, the ECB's QE programme may not achieve its goal to increase inflation to close to but below 2 percent and additional economic growth in the euro area, especially given the global growth concerns (including China's slowdown); and
   (iii) the uncertainties around the effectiveness of QE and its duration.

From a social viewpoint, the draft NRA highlights the risk of long-term exclusion from employment, and states that unemployment is one of the most significant symptoms of the depth of Ireland's economic recession. Long-term unemployment remains a serious concern, with the risk that cyclical unemployment could become structural in the absence of appropriate targeted labour activation interventions. The assessment states that there is a risk that this group may not share in the employment recovery, and that high levels of long-term unemployment will persist for some time.

In relation to Housing, the draft NRA argues that Ireland's housing market was particularly affected by the economic downturn with prices falling on average by almost a half, albeit from a relatively high base. House completions in 2015 (at 12,666 completions) were not

sufficient to meet demand. This mismatch between housing supply and demand has resulted in price increases.

The chronic under-supply of housing in key urban areas has led to shortage of rental accommodation and consequential increases in rents. The lack of supply of affordable rental accommodation has been linked to rising levels of homelessness. An important side effect is that a lack of housing and associated high prices and rental costs could affect Ireland's competitiveness, its attractiveness for inward investment and for skilled immigrants.

The decision by the UK to leave the EU will have a greater effect on Ireland than any other EU country. The initial effect has been to increase uncertainty. Since 23 June the euro has risen by over 8 percent against the pound sterling. In the absence of other changes this is a major shock to the competitiveness of Irish businesses exporting to the UK or competing with UK imports on the Irish market. Visitors from the UK will find Ireland more expensive and consequently less attractive. The implications of this shock are not fully understood but the likelihood is that at a minimum the growth in the Irish economy will slow with some sectors and regions being particularly affected.

Chapter 4 The Irish Labour Market

The Irish Labour Market

The Irish labour market continues to recover. The unemployment rate fell from 11.3 percent in 2014 to 9.5 percent in 2015. Forecasts for 2016 range from 7.9 percent to 8.7 percent (see **Table 21**). The number of people employed in 2015 increased by 44,500 (see Table 3) bringing total employment to 1,983,300, the highest level in seven years (Duffy et al., 2016).

Table 21 Total Employment Indicators

	Total Employment % change			Unemployment Rate %		
Institution	2015	2016	2017	2015	2016	2017
Central Bank (Quarterly Bulletin, April 2016)	2.5	2.3	1.8	9.4	8.2	7.5
ESRI (Quarterly Economic Commentary, Spring 2016)	2.6	1.9	1.8	9.5	8.7	7.7
Department of Finance SPU forecasts 2016 (April 2016)	2.6	2.6	2.3	9.5	8.4	7.8
Nevin Economic Research Institute	2.6	2.2	1.8	9.4	8.3	7.8
IBEC		2.4	2.2		7.9	6.9

The labour force participation rate in Q4 2015 was 60.1 percent and has shown little change over the last five years, remaining below its peak of 64.1 percent (Q4 2007). The relatively low participation rate and an unemployment rate of 9.5 percent indicate that the labour market remains slack. Likewise the male and female participation rates remain relatively steady at 67.5 percent and 52.8 percent respectively, representing an increase of 0.1 and 0.4 percentage points. As such, inflationary pressure on wages is unlikely to occur in the immediate future. This is borne out by the fact that average hourly earnings fell annually by 0.5 percent to €21.94 in 2015 (Duffy et al., 2016).

Labour market conditions continue to strengthen, building on the consecutive gains in employment over the ten quarters to Q4 2015. Employment growth remains broadly based, with increases in all sectors bar *Financial, insurance and real estate activities* which showed a decline of 4 percent, and a very marginal decline of 0.3 percent in Education. The largest area of growth was *Construction* (at 8.5 percent), with the *Transportation and Storage*, *Accommodation and food services*, *Public administration and defence* and *Other NACE activities* all recording growth of between 4 and 5 percent.

CSO figures for Q1 2016 show a year on year increase of 2.4 percent in employment numbers, while the unemployment rate fell from 9.6 percent in May 2015 to 7.8 percent in May 2016 (**Tables A.1 and A.2** in *Appendix 5*). Reflecting the improved macroeconomic situation, the labour market is expected to continue to recover. The monthly unemployment rate in June 2016 held steady at 7.8 percent.

The overall youth unemployment rate (individuals aged 15-24) decreased from 20.9 percent to 15.1% percent over the year to May 2016, with numbers falling from 39,200 to 28,000, with young males showing a lesser fall in numbers than young females. There was a decline in the number of employed of both sexes in both the 20-24 year old and the 25-34 year old age groups (down 3.1 and 3.4 percent respectively. The number of young males (20-24 year olds) employed rose by 3%.

The greatest growth is in the numbers of young employed persons (15-19 year olds) which has seen growth of 25 percent across both sexes and overall.

Associated with this gain in employment there has been a corresponding reduction in the unemployment rate. **Table A.2** (see *Appendix 5*) shows the seasonally adjusted unemployment figures, again for the period between 2010 and 2016 (May, latest available, as reference month). The figures here show a very significant decline in unemployment, and particularly so for those under 24 (which is considerably ahead of the fall for 25-74 year olds). The fall is greater for females than for males in both age groups.

Table A.3 (see *Appendix 5*) shows the continuation of the recovery that was underway in the labour market last year. The number in part-time employment who declare as under-employed has again declined quite significantly, although the numbers remain above the 2010 level for males, despite having dropped below for females and overall.

Table A.4 (see *Appendix 5*) shows the principal economic status of those over 15 by nationality (NUTS2 and NUTS3). Non-Irish nationals show double the rate of employment increase as Irish nationals (8.6 percent versus 4.3 percent), and show a marginally higher reduction in unemployment levels (23.1 percent versus 13.8 percent). Non-EU nationals show also a strong performance in employment, up by 20.7 percent, and a decline in unemployment (although this figure is provisional).

A Regional Perspective

It is worthwhile examining changes in employment, unemployment and labour participation rates at a national level and also to analyse their impact across the regions in the country. Strong growth in employment levels and a sharp decrease in unemployment in recent years was seen earlier from the analysis of the data at a national level. However, the national figures mask the uneven performance in both the employment and unemployment experience across the regions.

The number of people employed in each of the eight regions in Quarter 1 2016 is shown in **Table 22 below**[9], set against both their previous lowest point during the downturn and their previous high points.

[9] Source: PublicPolicy.ie, An Uneven Recovery? Employment Variations By Region (updated by LPC)

After Dublin, the Midlands has experienced the greatest increase in employment in percentage terms from a low point of 101,700 (in Q3 2011) to 117,400 as of Q1 2016. Employment in the region is up by 15.4 percent or 15,700. However, employment in the Midlands is still 8.1 percent below its peak of 127,700 in Q3 2007.

Table 22 Employment by Region

Region	Low Point	High Point	Q1 2016	% Change from Low Point	% Change from High Point
Dublin	514,500	640,500	611,700	18.9 %	-4.5 %
South West	264,600	317,400	285,400	7.9 %	-10.1 %
Mid-East	216,700	255,600	231,400	6.8 %	-9.5 %
South East	181,300	227,000	204,400	12.7 %	-10.0 %
West	177,000	207,400	176,600	-0.2 %	-14.9 %
Border	171,500	221,900	195,700	14.1 %	-11.8 %
Mid-West	144,500	175,000	153,900	6.5 %	-12.1 %
Midlands	101,700	127,700	117,400	15.4 %	-8.1 %

Employment in the West, however, remains furthest from its previous highpoint (at minus 14.9 percent) and in fact is the only region to show a decline, albeit a marginal one of -0.2 percent, in Quarter 1 2016 from its previous lowpoint (in Q2 2008 at 207,400).

Employment overall is still below peak levels. The Dublin region is the closest (-4.5 percent) to a return to the peak employment it experienced in Q3 2007, followed by the Midlands (-8.1 percent) and the Mid-East (-9.5 percent). All other regions remain at 10 percent or more from their peak employment levels. However, while output in real terms, as measured by both GDP and GNP, now lies above its pre-recession peak level, employment levels still have not caught up across the economy.

Unemployment has varied significantly across the different regions since the economic downturn**. Table 23** highlights the fact that the South East region experienced the highest unemployment rate in the country at 20.1 percent between the period of 2011 and 2013. Dublin's unemployment rate peaked at 13.4 percent.

Table 23 Unemployment by Region – Peak

Region	Peak Rate (%)	Q1 2016 (%)	Change from Peak (PP)
Dublin	13.4	6.9	6.5
South West	14.3	7.7	6.6
Mid-East	14.5	5.9	8.6
South East	20.1	12.5	7.6
West	17.2	10.2	7.0
Border	17.8	8.6	9.2
Mid-West	17.1	7.9	9.2
Midlands	19.6	11.6	8.0

PP = percentage points

Source: PublicPolicy.ie, An Uneven Recovery? Employment Variations By Region (updated by LPC)

Some areas have seen their unemployment rate fall faster than others. **Table 23** shows that the Border region (Donegal, Leitrim, Sligo, Cavan, Monaghan and Louth) and Mid-West region (Clare, Limerick and North Tipperary) have seen the unemployment rate fall the most in percentage terms (9.2 pp) from its peak relative to the other six regions of the country. It is evident that while Dublin now has the lowest unemployment rate of 6.9 percent unemployment remains stubbornly high in some of the regions. **Table 23** shows that the unemployment experienced in many of the regions was more severe and prolonged than in the Dublin region.

These figures serve to highlight a tightening in labour market conditions in Dublin and the Mid-East while a higher degree of labour market slack remains within the regions.

Changes in Earnings

The changes in earnings since the first quarter of 2015 are set out in **Table 24**. These data are for all sectors excluding agriculture.

Table 24 Changes in earnings since Q1 2015

NACE Principal Activity		Average Weekly Earnings			Average Hourly Earnings			Average Hours		
		2015 Q1	2016 Q1*		2015 Q1	2016 Q1*		2015 Q1 hours	2016 Q1* hours	
		€	€	%	€	€	%	€	€	%
B-E	Industry	856.42	873.94	2	22.67	22.82	0.7	37.8	38.3	1.3
F	Construction	696.96	693.24	-0.5	19.2	19.3	0.5	36.3	35.9	-1.1
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	530.43	537.58	1.3	17.83	17.78	-0.3	29.7	30.2	1.7
H	Transportation and storage	731.49	719.39	-1.7	20.25	20.21	-0.2	36.1	35.6	-1.4
I	Accommodation and food services	313.4	312.15	-0.4	12.27	12.48	1.7	25.5	25	-2
J	Information and communication	1,101.41	1,150.67	4.5	30.56	31.91	4.4	36	36.1	0.3
K-L	Financial, insurance and real estate	1,086.33	1,161.75	6.9	31.96	32.84	2.8	34	35.4	4.1
M	Professional, scientific and technical activities	803.57	849.23	5.7	24.66	25.26	2.4	32.6	33.6	3.1
N	Administrative and support services	507.91	522.6	2.9	17.19	17.9	4.1	29.6	29.2	-1.4
O	Public administration and defence[2]	930.55	894.88	-3.8	25.66	25.33	-1.3	36.3	35.3	-2.8
P	Education	796.7	786.56	-1.3	33.76	33.87	0.3	23.6	23.2	-1.7
Q	Human health and social work	669.48	673.87	0.7	22.05	22.01	-0.2	30.4	30.6	0.7
R-S	Arts, entertainment, recreation and other service activities	469.05	474.66	1.2	17.33	17.28	-0.3	27.1	27.5	1.5
Total[2]		**700.63**	**707.99**	**1.1**	**22.25**	**22.4**	**0.7**	**31.5**	**31.6**	**0.3**
Public/Private Sector										
Private sector		639.73	654.11	2.2	20.45	20.75	1.5	31.3	31.5	0.6
Public sector[2]		906.57	895.58	-1.2	28.19	28.08	-0.4	32.2	31.9	-0.9
Size of Enterprise										
Less than 50 employees		546.44	551.98	1	18.19	18.3	0.6	30	30.2	0.7
50-250 employees		643.15	662.11	2.9	20.34	20.74	2	31.6	31.9	0.9
Greater than 250 employees[2]		835.28	842.48	0.9	25.71	25.89	0.7	32.5	32.5	-

Source: CSO – EHECs figures for Q1 2016 are provisional and are subject to change)

Annual average earnings per hour to Q1 2016 have increased by 1.5 percent in the private sector, compared with a decrease of 0.4 percent in the public sector. Hourly earnings decreased in wholesale and retail trade, transportation and storage, public administration

and defence, human health and social work and arts, entertainment and recreation. The fastest growth in earnings was experienced in the information and communication sector, at 4.4 percent. Hourly earnings in the low pay sectors of wholesale and retail trade fell by 0.3 percent and accommodation and food services rose by 1.7 percent.

Average hours worked in the wholesale and retail trade sector rose by 1.7 percent but fell by 2 percent in the accommodation and food services sector, as compared to a slight increase of 0.3 percent in hours worked across all sectors combined.

Average hourly earnings increased in small enterprises (employing less than 50 employees) and large enterprises by 0.6 percent and 0.7 percent respectively while medium enterprises rose by 2 percent.

In the context of the agricultural sector **Table 25** shows a sharp decrease in the average annualised wages for agricultural workers in 2009, from their 2008 highpoint. In 2014 however, earnings fell back 7 percent, reducing the average hourly rate to €10.38, from €11.16 in 2013. The hourly rate remains above the level of the national minimum wage. (These earnings data are not collected by the CSO but are estimated by Teagasc.)

Table 25 Average Hourly Earnings in the Agricultural Sector

	2008	2009	2010	2011	2012	2013	2014
Annualised Amount per Lab. Unit	€22,220	€17,667	€20,783	€18,663	€20,789	€20,089	€18,689
Rate per Hour - 1800 hours per year	€12.34	€9.81	€11.55	€10.37	€11.55	€11.16	€10.38
3 year rolling average Annualised Amount	€20,109	€20,223	€19,038	€20,078	€19,847	€20,439	€19,856
3 year rolling average per hour	€11.17	€11.24	€10.58	€11.15	€11.03	€11.35	€11.03

Source: Teagasc

Wage settlements and developments in Ireland in 2015

In terms of wage setting, evidence is coming through of wage settlements in the wider economy in 2015 and into 2016. According to Industrial Relations News (IRN) data[10], which analysed 137 pay agreements in 2015, there was an increase in pay settlements in 2015 as a response to the ongoing improvement of the economy. IRN notes that a benchmark of 2 percent had emerged once local bargaining had recommenced in 2011, but states that this is now an average rather than a uniform figure. The average increase was 2 percent per annum in 2015 but there was a range of lower deals at 1 percent with more prosperous firms offering up to 3 percent. The lower deals were mainly from firms and sectors that have seen pay freezes since the beginning of the recession in 2008. Of the 137 deals analysed, 50 were at 2 percent, with 51 below and 33 above this rate.

[10] IRN 01 7/01/16

Income Distribution and Income Inequality

The annual Survey of Income and Living Conditions (SILC) carried out by the CSO is the main source of information on income distribution. Summary statistics are provided in **Table 26** (latest available data is 2014).

Table 26 Survey of Income and Living Conditions 2014

	2009	2010	2011	2012	2013	2014	% change
Income	€	€	€	€	€	€	
Nominal Income – Equivalised disposable income per individual							
Median	20,107	18,591	18,148	17,702	17,551	18,210	3.75%
Mean	23,326	22,138	21,440	20,856	21,106	21,718	2.90%
At risk of poverty threshold*	12,064	11,155	10,889	10,621	10,531	10,926	3.75%
Real Income 1 –Equivalised disposable income per individual							
Median	20,107	19,273	18,555	17,702	17,374	17,977	3.47%
Mean	23,326	22,950	21,920	20,856	20,893	21,440	2.62%
At risk of poverty threshold	12,064	11,564	11,133	10,621	10,425	10,786	3.46%
Poverty & deprivation rates (%)							
At risk of poverty threshold	14.1	14.7	16	16.5	15.2	16.3	7.24%
Deprivation Rate	17.1	22.6	24.5	26.9	30.5	29	-4.92%
Deprivation rate for those at risk of poverty	38.8	42.9	43.2	46.8	53.9	49.3	-8.53%
Consistent poverty	5.5	6.3	6.9	7.7	8.2	8	-2.44%
Income equality indicators							
Gini coefficient (%)	29.3	31.4	31.1	31.2	31.3	31.8	1.60%
Income quintile share ratio	4.3	4.8	4.9	5	4.8	5	4.17%

*AROP threshold = 60% of median income
Source: CSO

Pre-tax and transfer distribution of income in Ireland is one of the most unequal in the OECD. Our tax and transfer system, on the other hand, is progressive, resulting in a distribution of income post-tax and transfers at around the OECD average.

Wage distribution

The household income distribution reflects income from a variety of sources. Of more direct relevance for the minimum wage is the distribution of individual wage inequality. A number of recent studies have examined wage inequality during the boom and bust period in Ireland. Voitchovsky et al. (2012) examined wage inequality in the period from 1994 to 2007, while Holton and O'Neill (2016) examined wage inequality from 2004 to 2013. Both these studies used reported individual wages provided in the EU-SILC data. Logue and Callan (2016) examine the sensitivity of these findings to assumptions regarding missing data using the ESRI Switch Database.

The results from these studies are summarised in **Table 27**. Despite minor differences across the studies a number of robust findings emerge. Wage inequality declined substantially from the level of the mid-1990s to the early 2000's before rising during the Celtic Tiger period. The Recession however saw a reduction in wage inequality which counterbalanced the increase observed during the boom period. There is some evidence that inequality may be increasing again during the recovery but both Holton and O'Neill (2016) and Logue and Callan (2016) caution against drawing strong inferences from only one available year of recovery.

Table 27 Hourly Earnings, Ratio of 90th percentile to 10th percentile, 1994-2013)[11]

	Voitchovsky et al. (2012	Holton and O'Neill (2016)	Logue and Callan
1994	4.77		
1995	4.54		
1996	4.62		
1997	4.64		
1998	4.16		
1999	4.21		
2000	3.56		
2001	3.62		
2003	3.67		
2004	3.65	3.64	
2005	3.67	3.78	3.84
2006	3.92	4.05	
2007	4	4.04	
2008		3.92	3.9
2009		3.91	
2010		3.71	3.76
2011		3.71	
2012		3.72	
2013		3.85	3.81

Sources: 'Voitchovsky et al. (2012)' 'Holton and O'Neill (2016)' and Logue and Callan (2016), all based on SILC for corresponding years.

[11] ESRI, Budget Perspectives 2017, Paper 3, titled Low Pay, Minimum Wages and Household Incomes: Evidence for Ireland (C. Logue and T. Callan, June 2016) and Holton, N. and D. O'Neill (2016) , "The Changing Nature of Irish Wage Inequality from Boom to Bust," forthcoming *Economic and Social Review*, available at https://ideas.repec.org/p/may/mayecw/n264-15.pdf.html

Work and Poverty

The more work a household does, the less is the household's risk of poverty. Ireland has the highest levels of very low work intensity households in the EU. The figures in the table below demonstrate that the households with least work are 27 times more likely to be at risk of poverty than those with most work.

Table 28 At Risk of Poverty Rates by Household Work Intensity Ireland 2014

Work Intensity	% of Households
Very High	1.8
High	4.1
Medium	7.1
Low	21.7
Very Low	49

Source: Eurostat

In the ESRI paper 'Transitions into and out of Household Joblessness (September 2015)[12], the authors found that the odds of employment entry for someone living in a jobless household was only 0.59 times that of someone living in a working household.

[12] https://www.esri.ie/publications/transitions-into-and-out-of-household-joblessness-2004-to-2014-an-analysis-of-the-central-statistics-office-cso-quarterly-national-household-survey-qnhs/

Chapter 5 The Likely Effect of a Change in the Minimum Wage

In last year's report we included a comprehensive chapter reviewing the evidence on the likely effects of the Minimum Wage on the levels of employment and unemployment, the cost of living and national competitiveness. This concluded that based on the literature review, the effect of a moderate incremental adjustment in the National Minimum Wage is unlikely to be significantly adverse.

In this chapter we very briefly review the research carried out since last year's report. The details of these new studies are provided in *Appendix 6*, however our summary of these latest studies suggest that their results do little to change the key message given in last year's report.

Once again the impact of the minimum wage on employment in recent studies is small and in many cases zero (Dube et al. 2016, Liu et al. 2016, Baek and Park 2016, Dolton et al 2015, Hirsch et al. 2015). Although Dickens et al. (2015) find no effect of the minimum wage on the employment of full-time workers in the UK they do find some negative employment effects for part-time females. In keeping with the evidence cited in last year's report the latest research also finds a limited effect of minimum wages on prices. Werner and Sell (2015) find no minimum wage induced price effects for West Germany and statistically significant but economically very small effects in East Germany. Using U.S data from 1993-2014 Basker and Kahn (2016) find that McDonald's burger prices increase by about 0.9 percent for every 10 percent increase in the effective minimum wage.

A number of the more recent studies have examined the impact of the minimum wage on inequality focusing on both household income and individual wage inequality. MaCurdy (2015) argues that minimum wage increases are an inefficient means of boosting the incomes of poor families in the US, with approximately ¼ of the after tax earnings increase going to families in the top 40 percent of the income distribution. Logue and Callan (2016) reach a similar conclusion for Ireland by analysing the effect of the 50 cent increase in the minimum wage introduced on January 1st 2016. They find that few low paid workers are located in households with incomes below 60 percent of median equivalised income. Their results, summarised in **Table 29**, say that in 2013 about one in eight of low wage workers was in the poorest one-fifth of households, ranked by income per adult equivalent.

Table 29 Distribution of Low Wage Workers across Household Income Distribution, Selected Years, 2005-2013

		% of Low Wage workers in each quintile				
Year ↓	**Quintile →**	**Lowest income**	**2**	**3**	**4**	**Highest income**
2005		13	21	30	26	10
2008		17	17	32	25	9
2010		11	16	34	26	12
2013		12	23	29	28	8

Source: Authors' estimates, based on SILC for corresponding years.
Notes: Quintiles are defined based on the sample of all households, ranked by disposable income per adult equivalent.

As a result, the benefits of increases in the minimum wage tended to accrue to households located in the middle of the income distribution. This is consistent with Collins (2015) who noted that only 8.2 percent of minimum wage workers lived in poor families.

These and earlier studies reinforce the view that the minimum wage by itself is at best a blunt instrument for tackling poverty. However, minimum wages have a number of objectives. When introducing the Minimum Wage Bill to the Dail in 2000, Mary Harney, then Tanaiste, indicated that her concern was "to protect those workers who were vulnerable and prone to being exploited" (LPC 2015). The failure of the minimum wage to significantly reduce poverty does not mean it does not provide an effective wage floor for low paid workers. Recent work by Holton and O'Neill (2015) shows that in fact the Irish minimum wage was an effective tool in protecting the wages of the least skilled workers, especially during the Great Recession, when forces leading to wage reductions for many workers were particularly strong. These findings are consistent with recent international work by Autor et al. (2016) who find a role for minimum wages in reducing wage inequality in the US, by Garnero et al. (2016), who find that wage inequality is lower in countries with statutory minimum wages, and also with the recent work of Collins and Holton (2016) who find that minimum wage increases in Ireland can raise the hourly earnings for many of the lowest paid employees and in doing so reduce the wage inequality.

Chapter 6: Low Pay in Ireland

In last year's report we reported the findings of Collins (2015) who used EU-SILC data from 2013 to profile minimum wage workers. For this year's report the ESRI, under the LPC/ESRI Research Partnership, updated this work using the latest data available (EU-SILC 2014). The detailed analysis is provided below.

The results are consistent with those based on the 2013 data, in that women and younger workers are over represented among those earning the minimum wage. It also remains the case that approximately half of minimum wage workers report having a third level education. Additionally, it appears that non-Irish nationals are over-represented among minimum wage employees. In 2014 13.9 percent of all employees were non-Irish nationals whereas 26 percent of all minimum wage employees were non-Irish nationals. However the Commission would caution against making strong inferences about changes in the profiles between 2013 and 2014 using these data. The sample sizes available for detailed analysis of minimum wage workers using the EUSILC are small. The margin of error associated with the estimates presented in the ESRI analysis is relatively large. Consequently the differences between years are unlikely to be statistically significant.

A Note on the National Minimum Wage

(Bertrand Maître, Seamus McGuinness, Paul Redmond, ESRI)

Main Findings

- Collins (2015) estimates that 9.1 percent of employees in 2013 had earnings equal to or below the minimum wage of €8.65 per hour. We update these figures using 2014 SILC data and estimate that 8.34 percent of employees in 2014 were on or below the minimum wage.
- When the new minimum wage of €9.15 per hour is applied to the 2014 wage distribution, our estimates indicate that 11.56 percent of employees have earnings equal to or less than this wage rate.
- There is a high concentration of minimum wage employment among younger and less well educated workers. In 2014 75.4 percent of minimum wage workers were aged less than 40 and 34.2 percent of minimum wage workers were educated up to higher secondary school level. Despite making up just 13.9 percent of total employees, non-Irish nationals accounted for 26 percent of minimum wage workers in 2014.
- There is a high concentration of minimum wage employment in the accommodation & food and wholesale & retail trade sectors. In 2014 these two sectors were responsible for employing 48.6 percent of minimum wage workers.

Introduction

We examine the distribution of hourly earnings in Ireland in 2013 and 2014 in the context of decisions taken around the National Minimum Wage (NMW). In addition to analysing the distribution of workers based on the NMW of €8.65 during 2013 and 2014, we also show how the situation would have looked had the current minimum wage of €9.15 per hour been in place during those periods. We identify the percentage of the total workforce in receipt of the NMW and characterize the distribution based on various characteristics such as age, gender, nationality and education, using 2014 SILC data, on some key statistics produced in Collins (2015).

The National Minimum Wage in Ireland

A change in the national minimum wage became effective in Ireland on the 1st of January 2016. The new minimum wage for an experienced adult worker increased from €8.65 to €9.15 per hour. There were also increases in sub-minimum rates which are shown in Table 1 below. The previous national minimum wage of €8.65 had been in place from the 1st of July 2007.[13]

Table 1: National Minimum Wage – Hourly Rates of Pay

Category	2011-2015 Rate	New Rate	% of National Minimum Wage
Experienced Adult Worker	€8.65	€9.15	100 %
Aged under 18	€6.06	€6.41	70 %
First year from date of first employment (aged over 18)	€6.92	€7.32	80 %
Second year from date of first employment (aged over 18)	€7.79	€8.24	90 %
Employees aged over 18 in structured training			
1st one third period	€6.49	€6.86	75 %
2nd one third period	€6.92	€7.32	80 %
3rd one third period	€7.79	€8.24	90 %

Data

The data used to analysze the distribution of earnings in Ireland comes from the Survey of Income and Living Conditions (SILC) micro data. The purpose of SILC is to collect information on income and living conditions by carrying out household interviews on a continuous weekly basis throughout the year.

The income reference period is the 12 months immediately prior to the date of the interview. As such, the income reference period for 2014 spans from January 2013 to December 2014. Participation in the survey is voluntary for the selected survey respondents. The overall

[13] There was a temporary reduction in this rate to €7.65 per hour from February to July 2011.

response rate in 2014 was 54 percent and the sample size was 5,486 households and 14,078 individuals. The 2014 results were published 11 months after the end of the reference period and 10 months after the end of the data collection period.

The SILC data provides information on gross monthly earnings of employees in their main job and the number of hours usually worked. Using this data, the average hourly wage rates for employees are estimated.

Distribution of Hourly Earnings

Table 3a shows the distribution of hourly earnings in Ireland based on 11 earnings categories. At the lower end of the distribution we see that 14 percent of employees in Ireland in 2014 earned less than €10 per hour while at the higher end 9.8 percent of employees earned more than €35 per hour. Mean hourly earnings increased from €20.65 in 2013 to €20.91 in 2014 and median earnings decreased from €16.76 in 2013 to €16.43 in 2014.

Individuals earning *less* than the national minimum wage of €8.65 per hour accounted for 5.3 percent of the sample in 2013 and 5.1 percent in 2014. There are several potential reasons as to why over five percent of workers earn less than the national minimum wage. These workers may be earning sub-minimum rates due to youth or participation in structured training programmes. It may also be the case that some employers are illegally paying workers below the minimum wage. It is also important to note that hourly earnings are calculated based on usual hours worked and usual gross monthly pay and, as such, there may be some imprecision in the estimates.

There is some evidence to suggest that illegal payment of sub-minimum wages occurs in Ireland and that migrant workers are particularly susceptible. The Migrant Rights Centre Ireland (MRCI) provides support and advocacy for migrant workers in Ireland and carries out research into employment conditions for migrant workers. According to MRCI (2015) exploitation and non-compliance with Irish employment law are prevalent among employers of migrant workers. The problem is concentrated in sectors such as hotel, catering, retail and wholesale. Between November 2014 and March 2015, 104 migrant workers were surveyed and 44 percent of respondents indicated that they earned less than the national minimum wage of €8.65 per hour (MRCI, 2015). More research is needed to assess the relative importance of measurement error, non-compliance and sub-minima rates in explaining the incidence of below NMW pay.

In Table 3b we show how the new minimum wage of €9.15 per hour would have impacted the earnings distribution had it been in place in 2013 and 2014. Approximately 9 percent of workers were earning less than €9.15 per hour in 2013 and 2014. This shift in the incidence is quite substantial increasing by 3.8 percentage points based on the 2013 data and 3.6 percentage points using 2014 SILC.

Table 3a: Distribution of Hourly Earnings, Ireland 2013 & 2014 (% employees)

		2013 ESRI SILC Analysis	2014 ESRI SILC Analysis
minimum	8.64	5.3	5.1
€8.65	9.99	8.1	8.9
€10.00	11.44	11.3	11.5
€11.45	12.19	4.6	4.3
€12.20	14.99	12.7	13.9
€15.00	19.99	19.6	18.8
€20.00	24.99	14.0	12.5
€25.00	29.99	8.6	8.9
€30.00	34.99	5.5	6.3
€35.00	39.99	3.2	3.5
€40.00		7.0	6.3
		100.0	100.0
Mean	20.63	20.65	20.91
Median	16.62	16.76	16.43

Table 3 b : Distribution of Hourly Earnings, Ireland 2013 & 2014 (% employees)

		2013 ESRI SILC Analysis	2014 ESRI SILC Analysis
minimum	9.14	9.1	8.7
€9.15	9.99	4.3	5.3
€10.00	11.44	11.3	11.5
€11.45	12.19	4.6	4.3
€12.20	14.99	12.7	13.9
€15.00	19.99	19.6	18.8
€20.00	24.99	14.0	12.5
€25.00	29.99	8.6	8.9
€30.00	34.99	5.5	6.3
€35.00	39.99	3.2	3.5
€40.00		7.0	6.3
Total		100.0	100

Tables 4a and 4b collapses the data distribution further to show the distribution of hourly earnings based on four earnings categories. In Table 4a we use the actual minimum wage of €8.65 as the lower earnings category. This tells us that in 2014 5.1 percent of employees earned less than €8.65 per hour. Table 4b shows that 8.7 percent of employees earned less than €9.15 per hour in 2014.

Table 4a: Distribution of Hourly Earnings by Selected Pay Thresholds, Ireland 2013 & 2014 (% employees)

	2013 ESRI SILC Analysis		2014 ESRI SILC Analysis	
	% above	% below	% above	% below
Below 8.65	94.7	5.3	94.9	5.1
Below 10	86.6	13.4	86	14
Below 11.45	75.3	24.7	74.5	25.5
Below 12.20	70.7	29.3	70.2	29.8

Table 4 b: Distribution of Hourly Earnings by Selected Pay Thresholds, Ireland 2013 & 2014 (% employees)

	2013 ESRI SILC Analysis		2014 ESRI SILC Analysis	
	% above	% below	% above	% below
Below 9.15	90.9	9.1	91.3	8.7
Below 10	86.6	13.4	86	14
Below 11.45	75.3	24.7	74.5	25.5
Below 12.20	70.7	29.3	70.2	29.8

As in Collins (2015), our analysis also examines the percentage of employees earning below the living wage of €11.45 and the low pay threshold of €12.20. The living wage of €11.45 was first established by the Living Wage Technical Group in 2014.[14] It is defined as an hourly wage which should provide employees sufficient income to achieve an acceptable minimum standard of living. In 2014 25.5 percent of employees were earning below the living wage of €11.45 per hour. The low pay threshold of €12.20 was established by Eurostat in their Structure of Earnings Survey (2010) and was calculated as 66 percent of national median hourly earnings.[15] As such, workers earning less than €12.20 are considered to be low paid workers. In 2014, 29.8 percent of employees had hourly earnings below €12.20 per hour.

Hourly earnings, while not reported directly in the SILC data, are estimated using data on usual hours worked and usual gross monthly pay. Collins (2015) suggests that given the calculations involved in estimating hourly earnings, it is likely that individuals whose estimated earnings are *near* the minimum wage are in fact *on* the minimum wage. As such Collins (2015) identifies minimum wage earners as individuals whose hourly earnings are +/- 5 percent from the €8.65 threshold and based on this definition estimates that 5.6 percent of

[14] The living wage has since been revised to €11.50. For more information on the living wage and the Living Wage Technical Group see http://www.livingwage.ie/

[15] For information on the Structure of Earnings Survey visit http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Structure_of_earnings_survey_(SES)

employees in 2013 were *on* the minimum wage. The +/- 5 percent cut-off captures all employees earning between €8.22 and €9.08 per hour.

Using the same +/- 5 percent definition as Collins (2015), we update the figures for 2014 (Table 5a) and find that 5.04 percent of employees were on the minimum wage (i.e. earning between €8.22 and €9.08 per hour). In Table 5b we carry out the same exercise but use the new minimum wage of €9.15 per hour. We apply the same +/- 5 percent cut-off which in this case captures workers earning between €8.69 and €9.61 per hour. The number of workers in this category was 5.86 percent in 2013 and 5.97 percent in 2014.

Tables 5a and 5b also show the percentage of employees who were *on or below* the minimum wage. In 2014 8.34 percent of employees had earnings equal to or less than the minimum wage of €8.65 and 11.56 percent of employees had earnings equal to or less than the new minimum wage of €9.15. Therefore, with respect to the distribution of earnings in 2014, the amount of employees earning equal to or less than the NMW of €9.15 +/- 5 percent was over three percentage points higher than the incidence for €8.65 +/- 5 percent.

Table 5a: Distribution of Hourly Earnings, Ireland 2013 & 2014 (employees)

		2013 ESRI SILC Analysis			
From	To	No. Of employees	Mean hourly earnings	% of employees	Cumulative % of employees
minimum	8.21	43309	7.17	3.29 %	3.29 %
€8.22 €	9.08	74091	8.72	5.63 %	8.93 %
€9.09+		1197553	21.87	91.07 %	100.00 %
Overall		1314953		100.00 %	

		2014 ESRI SILC Analysis			
From	To	No. Of employees	Mean hourly earnings	% of employees	Cumulative % of employees
minimum	8.21	44690	7.16	3.30 %	3.30 %
€8.22 €	9.08	68307	8.73	5.04 %	8.34 %
€9.09+		1241909	22.08	91.66 %	100.00 %
Overall		1354907		100.00 %	

Table 5b: Distribution of Hourly Earnings, Ireland 2013 & 2014 (employees)

		2013 ESRI SILC Analysis			
From	To	No. Of employees	Mean hourly earnings	% of employees	Cumulative % of employees
minimum	€8.68	77626	7.76	5.90 %	5.90 %
€8.69	€9.61	77072	9.12	5.86 %	11.76 %
€9.62+		1159497	22.29	88.18 %	99.94 %
Overall		1314195		99.94 %	

		2014 ESRI SILC Analysis			
From	To	No. Of employees	Mean hourly earnings	% of employees	Cumulative % of employees
minimum	€8.68	75802	7.72	5.59 %	5.59 %
€8.69	€9.61	80872	9.13	5.97 %	11.56 %
€9.62+		1196956	22.56	88.34 %	99.91 %
Overall		1353630		99.91 %	

A Profile of Minimum Wage Workers

In Table 6a, we examine the distribution of minimum wage employment across various worker characteristics including gender, nationality, age and sector of employment. Collins (2015) provides details of the characteristics of minimum wage workers in 2013. We update the figures for 2014. To ensure comparability and consistency between our analysis and Collins (2015), we also replicate Collins' 2013 analysis. In addition to the characteristics examined by Collins (2015) we analyse the incidence of minimum wage based on nationality (Irish versus non-Irish). It should be borne in mind that while proportions of minimum wage workers belonging to a particular category (age, gender, nationality etc) may be high, less than 6 percent of workers actually earned below the minimum wage in 2014.

There was an increase in the percentage of minimum wage workers who were female between 2013 and 2014. In 2013 63.9 percent of minimum wage workers were female whereas in 2014 this increased to 74.2 percent.[16]

In 2014, just over one quarter of minimum wage workers were non-Irish nationals. This group makes up 13.9 per cent of the total workforce which indicates that non-Irish nationals are over-represented among minimum wage workers.

The distribution of minimum wage employment is concentrated among younger workers. In 2013 70.7 percent of minimum wage workers were aged less than 40 and this figure increased to 75.4 percent in 2014. Within the under 40's age category there was some redistribution of minimum wage with 18-29 year olds accounting for 39.4 percent of minimum wage employees in 2013 versus 52.5 percent in 2014.

[16] Caution should be applied when interpreting these figures given the relatively small sample sizes on which the distribution is based.

The distribution of minimum wage workers by highest completed level of education is shown in Table 6a. A large percentage of minimum wage workers have relatively low levels of education. In 2013 31 percent of minimum wage workers were educated up to higher secondary school level. The corresponding figure for 2014 was 34.2 percent. These individuals make up approximately 23 percent of the total workforce and are, therefore, over-represented in the minimum wage category. In 2013 16 percent of minimum wage workers were educated to third level degree or higher. This increased to 20.9 percent in 2014, however, the prevalence of this group as a percentage of the total workforce also increased over this period from 33.4 percent in 2013 to 37.3 percent in 2014.

Table 6a also reveals that there is a concentration of minimum wage workers within certain sectors. In 2013 43.1 percent of minimum wage employees were employed in either the accommodation and food sector or the wholesale and retail trade sector. In 2014 these two sectors were responsible for employing 48.6 percent of minimum wage workers. The accommodation and food sector is notable, as in 2014, this sector alone accounted for almost one quarter of minimum wage employment, yet it only accounts for 7.4 percent of total employment.

Table 6b gives a breakdown of the incidence of minimum wage by occupation, hours worked and employment status. In 2013 20.7 percent of minimum wage employees worked in sales and in 2014 this increased to 26.8 percent. This perhaps is not surprising and reflects the finding from the sectoral analysis in Table 6a which showed a high concentration of minimum wage workers in the retail and wholesale sector.

Table 6a: The Incidence of Employees on the Minimum Wage, 2013 & 2014 (%)				
	2013 ESRI		2014 ESRI	
	% all employees	% employees on the mw	% all employees	% employees on the mw
All employees	100	100	100	100
Gender				
Male	47.4	36.1	47.4	25.8
Female	52.6	63.9	52.6	74.2
Nationality				
Irish	84.8	69.5	86.1	74
Non Irish	15.2	30.5	13.9	26
Age Group				
18-29	17.5	39.4	18.7	52.5
30-39	33	31.3	31.4	22.9
40-49	24.8	15.9	25.8	12.8
50-59	19		18.4	
60+	5.7		5.6	
Highest Completed Education				
Primary or below	4.4		4.5	
Lower secondary	10		9.6	
Higher secondary	23.8	31	22.2	34.2
Post leaving cert	12.3	22.9	14	17.2
Third level non degree	16		12.5	
Third level degree or above	33.4	16	37.3	20.9
NACE Sector				
Agri, forestry/ fishing	1.2		1.4	
Industry	13.4	13.2	13.8	
Wholesale and retail trade	14.5	21.2	14	25.4
Accommodation and food	7.5	21.9	7.4	23.2
Admin & support services	2.5		3.3	
Health & social work	14.9	13.5	14.3	
Pub Adm, Defence, Educ	17.5		17.7	
Others	28.4	19.3	28.1	20.4

The number of hours worked by minimum wage employees is typically quite low. In 2014 31.3 percent of minimum wage employees worked between 1 and 19 hours per week compared to just 11.9 percent of total employees. Only 38.7 percent of minimum wage employees worked more than 35 hours per week compared to 66 percent of all employees. The majority of minimum wage employees work part-time. In 2014 51.3 percent of minimum wage employees worked part-time compared to just 25.8 percent of all employees. The percentage of minimum wage workers holding temporary contracts is also relatively high. In 2014 21.8 percent of minimum wage employees held temporary contracts compared to 9.7 percent of all employees[17].

Summary

Collins (2015) estimates that approximately nine percent of employees in 2013 had earnings equal to, or below, the minimum wage of €8.65 per hour. We update these figures using 2014 SILC data and estimate that 8.34 percent of employees in 2014 were on or below the minimum wage. When the new minimum wage of €9.15 per hour is applied to the 2014 wage distribution, then our estimates indicate that 11.56 percent of employees have earnings equal to or less than this rate. Therefore our estimates indicate that the introduction of the new minimum wage (of €9.15 per hour) will increase the percentage of workers impacted by the legislation by approximately 3 percentage points. The impact of the rise in the minimum wage on the composition of workers covered by the legislation has yet to be established.

With regard to the characteristics of minimum wage workers, our analysis indicates that there is a high concentration of minimum wage employment among younger and less well educated workers. It also appears that non-Irish nationals are over-represented among minimum wage employees. In 2014 13.9 percent of all employees were non-Irish nationals whereas 26 percent of all minimum wage employees were non-Irish nationals.

Minimum wage employment tends to be concentrated in the wholesale & retail and food & accommodation sectors. These two sectors alone accounted for 48.6 percent of minimum wage employment in 2014. On average, minimum wage workers also tend to work less hours, engage in more part-time work and are more likely to hold temporary employment contracts compared to non-minimum wage workers.

[17] Tables 6a and 6b are not replicated for the €9.15 rate as such analysis may lead to inaccurate conclusions regarding changes in the composition of individuals earning below the NMW following the introduction of the new rate.

Table 6b: The Incidence of Employees on the Minimum Wage, 2013 & 2014 (%)				
	2013 ESRI		2014 ESRI	
	% all employees	% employees on the mw	% all employees	% employees on the mw
All employees	100	100	100	100
Occupation				
Manager and admin	6.8		6.6	
Professional	21.1		21	
Associate Prof. & technical	12.8		13.2	
Clerical and secretarial	13.4		13.4	
Craft and related	9.5		8.6	
Personal/ protective services	7.8	14.3	8.3	14
Sales	8.9	20.7	9.3	26.8
Plant/machine operatives	7.4		6	
Others	12.3	39.5	13.6	37.2
Sector of employment				
Public	28.7		27.9	
Private	68.8	90.5	69.9	90.3
Other	2.6		2.2	
Hours Worked per week				
1-19hrs	12.8	33.1	11.9	31.3
20-34.9hrs	23.7	29.8	22.1	30
35hrs+	63.5	37.1	66	38.7
Work status				
Full-time	73.3	42.3	74.2	48.7
Part-time	26.7	57.7	25.8	51.3
Contract Type				
Permanent	90.4	73	90.3	78.2
Temporary	9.6	27	9.7	21.8
Urban/rural location				
Urban	66.6	63.8	69.3	72
Rural	33.4	36.2	30.7	28

References

Collins, M. (2015). "A Profile of Those on the Minimum Wage". NERI Working Paper Series Number 27. Dublin: Nevin Economic Research Institute.

Migrant Rights Centre Ireland (2015). *All Work and Low Pay: The Experience of Migrants Working in Ireland.* Dublin: Migrant Rights Centre Ireland.

Central Statistics Office (2015). *Survey of Income and Living Conditions (SILC), 2014 Results*. Dublin: Central Statistics Office.

Chapter 7 Conclusions and Recommendation

Conclusions

The Commission has considered the evidence as set out in the previous chapters of this Report, as it is required to do in accordance with its governing legislation, and the submissions both oral and written made to it by interested parties, representative groups and individuals. In reaching its recommendation it has taken particular account of the following:

- Output per head is now higher than before the recession but total employment is still well below its peak, and unemployment remains high.
- The uncertainties which have arisen following the decision by the United Kingdom to exit from the EU are unlikely to resolve in the short to medium term. Some regions and sectors are particularly exposed to the volatility of sterling and will be affected disproportionately.
- Inflation is forecast to be 0.4 percent in 2016.[18] The recommended change in the National Minimum Wages will result in an increase in its purchasing power.
- The initial post-2012 recovery was export-driven, whereas domestic consumption and investment are now making a much stronger contribution towards growth.
- Both multinationals and non-multi-national enterprise sectors exhibited positive growth in 2014 and exceeded previous peak Gross Value Added values.
- Data is not yet available to assess the impact of the increase of 50 cent in the minimum wage from 1 January, 2016 in terms of employment or on hours worked.

Recommendation

In light of its conclusions as outlined above the Commission recommends the following:

> The rate of the National Minimum Wage for an experienced adult worker be fixed at a rate of €9.25 per hour.

This corresponds to an increase of 1.1 percent in the national minimum wage for an experienced adult worker.

On foot of our recommendation the minimum wage recommended for 2017 will be in the order of 55.6 percent of the estimated hourly median earnings of full-time workers (NMW of €9.25 compared to an estimated median hourly rate for full-time employees in 2016 of €16.63 (see *Appendix* 7).

The impact of this recommendation on the current rates of NMW, if accepted by the Minister and approved by Government, is set out in the **Table 30** below.

[18] Summer Economic Statement, 2016 (Department of Finance

Table 30 Current and Proposed National Minimum Wage Rates

		Effective from 1 Jan 2016	Effective from 1 Jan 2017	Proportion of adult rate
Adult Rate	Experienced adult worker	€9.15	€9.25	(100 %)
Age-based Rates	Aged under 18	€6.41	€6.48	(70 %)
	First year from date of first employment aged over 18	€7.32	€7.40	(80 %)
	Second year from date of first employment aged over 18	€8.24	€8.33	(90 %)
Trainee Rates*	1st one third period	€6.86	€6.94	(75 %)
	2nd one third period	€7.32	€7.40	(80 %)
	3rd one third period	€8.24	€8.33	(90 %)

* Employee aged over 18, in structured training during working hours

The Commission is scheduled to report to the Minister in a separate report later this year on its views in relation to the sub-minima rates of the National Minimum Wage.

This recommendation is supported by six of the nine Commission members.

The recommendation is not supported by three members of the Commission, and these members have set out their reservations in separate statements, which follow.

Minority Statements

Minority Report to the Low Pay Commission

Edel McGinley, July 2016

The Role of the Low Pay Commission

The current role of the Low Pay Commission (LPC), as stated, is to advise on setting the rate of the National Minimum Wage (NMW), taking into account a number of factors – changes in earnings, employment, unemployment, exchange rates, productivity and competitiveness.

Economic Context

Ireland is outperforming in terms of economic growth and was leading across the EU in 2015 with real GDP at 7.8 % and GNP growing by 5.7 %. There are strong economic forecasts for 2016 ranging from 4.4 % to 5.1 % and forecasts ranging from 3.5 % to 4.2 % for 2017. Domestic consumption is making a significant contribution to these growth figures. This is significant particularly in terms of consumer confidence signalling a more robust economy. In 2016 the Government projects consumer spending to increase by 3.9 % with 2.7 % projected in 2017, levelling out to 1.6 % in 2021[19]. This growth rate therefore presents a key opportunity to increase the NMW above average annual levels than in later years to take account of the stabilisation of consumer spending.

Failure to increase the NMW in this context - to take account of the strong economic forecasts and trends in consumer spending - is a lost opportunity which could have been utilised to make a significant change for low waged workers. It is important to note that when economies bounce back from recession there are a number of years where economic growth accelerates. We are currently in this acceleration phase. Therefore it is important that wages are frontloaded in this phase so that they can keep pace with a growing economy, inflation, consumer spending and take account of increasing profits - particularly in the sectors where low wage workers are employed.

Brexit

It is challenging to predict with any certainty the impact that Brexit will have on the Irish economy. While we have seen significant shocks to the markets and a devaluing of the pound, there has also been a levelling off and rebalancing in the markets, although the pound still remains weak. What is known is that Brexit will play a central part in economic forecasts for many years to come

There has been some commentary that the uncertainty of Brexit means that wage increases should be put on hold. However, some commentators have suggested that Ireland could actually benefit in terms of foreign direct investment and employment in particular sectors.

[19] Stability Programme Update April 2016 http://www.finance.gov.ie/sites/default/files/SPU_FINAL_post_Oireachtas_0.pdf

We have no data available to help us understand the potential medium and longer term impact. Indeed the timeline for the exit of the UK from the EU could be up to 2020. Economic and social policies along the setting of wages should not set Ireland up for economic stagnation given the likely long and complex negotiations which will need to take place.

It is therefore important that any attempt to link a recommendation of 10 cents to the potential fall-out of Brexit be based on concrete projected impact on the economy and, in particular, the sectors where minimum wage workers are concentrated. For instance, the Government has projected that Brexit could 'ultimately' cost the economy up to €3 billion between 2018 and 2019[20]. This amounts to 0.5 % of GDP, leaving Ireland with one of the strongest growth rates in the EU. To use 'Brexit' as a rationale to limit minimum wage increases without any evidence or empirically-testable projections is highly unsatisfactory and not fact-based.

If anything, the LPC should view a significant increase in the minimum wage as a means to limit the potential damage arising from the UK's eventual withdrawal from the EU. If there is a concern that Brexit will limit consumer spending, then raising the minimum wage significantly is a rational response as minimum wage workers spend almost all their income. This can therefore, be seen, as strengthening consumer spending. If, however, the LPC views Brexit as having a deflationary effect, then limiting a minimum wage increase may only end up fuelling this deflationary impact. The LPC has been overly cautious and not relied on data in its approach to considering the impact of Brexit in making its decision to recommend a 10 cent increase.

Inequality

The conflation between individual earnings - how we measure low pay - and household income - how we measure poverty should not be confused. A recent report by the ERSI highlighted that minimum wage policies are not expected to have a major impact on household poverty. Workers with low hourly pay are often found in households with incomes at or even above the average[21]. This finding is not a justification for a paltry increase in NMW as it doesn't address the situation of the minimum wage workers right to earn a wage that s/he can live off in single households or a household where they are the sole breadwinner. More comprehensive work is needed in this area to actually understand the relationship between poverty and low wages.

[20] Irish Independent: Noonan finally admits: We can't predict Brexit hit on Ireland; Tuesday 12 July 2016 http://www.independent.ie/irish-news/politics/noonan-finally-admits-we-cant-predict-brexit-hit-on-ireland-34848108.html

[21] ESRI Low Pay, Minimum Wages and Household Incomes: Evidence for Ireland, Budget Perspectives Caitríona Logue, Tim Callan June 15, 2016

Limiting the Increase

The minimum wage was increased by 50 cent in 2016 as recommended by a majority of members of the LPC. Two minority reports in 2015 concluded that the increase did not go far enough given that there was no increase for over 8 years. For the second year, the LPC has limited the rate of increase for minimum wage workers. In coming to this decision, members of the Commission arguably failed to adequately take into account that the rate in 2015 did not go far enough, that GDP forecasts are very strong for 2016/2017 and even in 2018 and 2019, when the Government anticipates an impact from Brexit, Irish growth will still exceed EU averages. While there are variances in regional unemployment, the rate is significantly decreasing reaching 7.8% in June 2016.

The Commission also did not take into account firm affordability. Eurostat data shows that in 2014 profitability in the Accommodation and Food Services sector exceeded its 2007 pre-crash high by 40 %, showing remarkable profit growth[22]. Since 2014, CSO data shows that real (after-inflation) value-added in this sector has increased by 20 % up to the first quarter of 2016[23]. This is twice the rate of the general services sector. However, since 2008 to 2016 wages in this sector has fallen marginally, whether measured as wage per hour or average weekly earnings[24].

There is a similar, albeit less dramatic, trend in the wholesale/retail sector. The decline from 2007 lasted until 2011 but was not as deep as in other sectors. While aggregate wages have not returned to 2007 levels, profits per hour are 11 % higher[25]. In the last three years up to 2014, profits – both aggregate and profits per hour – have increased by 25 %[26]. Since 2014, real value-added has increased by 16 %; again, well above the general services average.

It is clear that sector performance shows a high level of affordability in relation to a significant increase in the minimum wage.

Wages and Earnings

Irish employee compensation falls below the EU-15 average, ranking 10th among the countries. When compared to our peer group – other small open economies[27] – Irish employee compensation falls 18 % below average. In the traditional low-paid sectors Irish employee compensation falls even further behind EU averages. For example, Irish employee compensation in the hospitality sector falls 20 % behind the EU-15 average and 35 % the average of other small open economies[28]. The growth in average weekly earnings has been predominantly driven by growth in private sector wages, with the average private sector

[22] Eurostat http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_10_a64&lang=en and Eurostat http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_10_a64_e&lang=en
[23] CSO http://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?maintable=MSQ01&PLanguage=0
[24] CSO http://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?maintable=EHQ03&PLanguage=0
[25] CSO http://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?maintable=EHQ03&PLanguage=0
[26] CSO http://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?maintable=MSQ01&PLanguage=0
[27] According to the IMF countries with GDP between €100 and €500 billion and exports making up more than 50 percent of GDP are categorised as small open economies. These are countries with small domestic markets and reliant to a very high degree on exports. IMF Ireland Country Report Selected Issues Summer 2012 http://www.imf.org/external/pubs/ft/scr/2012/cr12265.pdf
[28] Unite the Union, 'The Truth About Irish Wages' https://unitetheunionireland.files.wordpress.com/2016/06/turth-about-irish-wages-2016-upload-010616.pdf

wage increasing by 2.2% in the year ending Q1 2016[29]. In some industries up to 3 % rises were seen across the private sector. A rise in the NMW at the very least needs to keep pace with these changes.

Failure to Link the NMW

Eurostat estimate that one in five, 20.7% of workers in Ireland are concentrated in low-paid work. Low pay is classified as earning less than two-thirds of national median hourly earnings. A disappointing aspect of LPC report is the fact that the NMW has not been linked to median wages. The long-term goal of the commission should be to eliminate low pay in Ireland. In this context the NMW should rise over time to keep pace with median wages at the low pay threshold (66% of the median wages). This is of vital importance for the work of the Commission going forward if it is serious about making significant and deliberate strides to eliminating low pay in Ireland. As stated in 2015, an inadequate increase in pay at the lower end does not tackle the incidence of low pay in Ireland, and does a disservice to the testimonies and concerns of minimum wage workers.

Rate of Increase

A 10 cent or 1.1% increase in the NMW is absolutely inadequate. In 2015, I recommended that the NMW be increased to €9.65 a €1.00 increase. Taking into account this recommendation and increases in wages across a range of sectors, projected inflation and a significant increase in profits – particularly in the hospitably and retail sectors - that have occurred, the rate of pay should be at an increase of 3.7% or 35 cent on top of the increase which should have occurred in 2015 of €9.65. This would bring the NMW in 2016 to €10.00 – an 85 cent increase.

It is important to note that the 10 cents proposed increase will actually result in a real pay cut. The Government and Central Bank project inflation to be 1.7 % in 2017[30], while the ESRI project inflation to be 2.2 %[31]. The proposed increase of 10 cents in the NMW represents an increase of 1.1 %. Both the Government and the ESRI projected average wage increases per employee to be 2.5 %. The proposed NMW increase is less than half that.

Moving Forward

There has been growing consensus to introduce a living wage in Ireland. The Commission should be concerned with setting down markers to move towards this Living Wage (€11.50 in 2015) threshold over a period of time. Assuming two % increase in inflation each year in the living wage; this would imply a Living Wage of €12.70 in 2021, which would mean an average increase of 71 cents per year. In addition, the Nevin Economic Research Institute

[29] Holt N, *Trends in Wage Growth in The Republic of Ireland,* NERI June 2016 http://www.nerinstitute.net/download/pdf/neri_inbrief_no35__trends_in_wage_growth.pdf
[30] Central Bank http://www.centralbank.ie/publications/Pages/QB22016.aspx
[31] ESRI http://www.esri.ie/pubs/QEC2016SPR.pdf

estimates the low-pay threshold (66 % of the median wage) to be €12.50 by 2020[32]. Were the NMW to increase to that level, it would imply an increase of 87 cents in 2017.

Affordability

A common objection that many companies make is that they cannot afford to pay. It would appear however that no applications have been reported. If so, it suggests that firms were able to pay. Furthermore, the CSO reports that in the first quarter of 2016 – three months into the newly implemented NMW increase of 50 cents – there was little movement in the hourly wage in the two main low-paid sectors[33]. In the Accommodation and Food Services sector hourly pay increased by only 15 cents in the year to 2016 first quarter. This is not out of the ordinary – there was a 14 cent increase 2014 first quarter. Similarly, in the Wholesale and Retail sector there was a 21 cents increase in 2016; in 2013 there was a 31 cents increase. From this the 50 cents increase in the NMW does not appear to have affected overall wage increases that much – which may account for the lack of applications to postpone the NMW.

Conclusion

The Programme for Partnership Government indicated that the NMW should move to a rate of €10.50 over five years. Given the current favourable economic conditions and those projected for 2017, it is difficult to accept such an exceptionally low rate of increase. At this pace, it will take 16 years to reach a rate of €10.50. In this context, the rate of 1.1% being put forward is wholly inadequate and ill-judged.

The data in facts supports the frontloading of large increases to the NMW over the next few years when the economy is growing and while consumer spending is high. This is the best approach to increasing the NMW and to bring it up to two thirds of the median wage. Indeed such rises, given concerns with Brexit, would increase consumer spending in 2017 as low wage workers would have access to more disposable income.

For a second year running, I find myself unable to endorse the recommended increase of the LPC increase. A 10 cent increase is completely inadequate and does not respond to the needs of workers on the minimum wage. I am recommending an increase in the NMW for the reasons outlined to a rate of €10.00 per hour in 2017.

[32] NERI http://www.nerinstitute.net/download/pdf/modelling_lowpay_increase_neri_wp36.pdf
[33] CSO http://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?maintable=EHQ03&PLanguage=0

Minority Report of Two Low Pay Commissioners (Patricia King and Gerry Light) to the Chairman of the Low Pay Commission - Dr. Donal de Buitléir.

July, 2016

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We are attaching this Minority Report to the substantive report of the Low Pay Commission to be put before the Minister for Employment and Business.

We strongly disagree with the recommendation as set out in the substantive report of the Low Pay Commission with particular reference to the recommendation to increase the hourly rate of the National Minimum Wage by 10c. (2017)

We do so for the following reasons:

ICTU Position:

From the outset the ICTU position in relation to a proposed increase to the National Minimum Wage hourly rate, as set out in our submission to the Low Pay Commission, is clear and unambiguous. ICTU has proposed that over the course of the Commission's term of office, the NMW should be increased to €11.50 per hour to reflect a 'Living Wage' rate. In line with this approach we advocated that the recommended increase in 2017 should be no less than 85c per hour, raising the NMW to €10.00 per hour.

Average Wage Increases 2015/16:

The recommended increase of 10cent per hour represents a 1.09% increase for the lowest paid workers in the economy. As submitted, in the year to September 2015, earnings overall in the economy have risen by 3% approximately, while earnings in the private sector have risen by 4%. The main report, based on a narrow dataset, references a 2% average which we do not accept. The recommended increase, therefore, falls well below the general recovery in average wages over the past two years. The proposed increase will further expand the earnings gap between those workers on the lowest rates of pay in Ireland and those who are better off. The matter is exacerbated even further when cognisance is taken of the levels of underemployment prevalent in those sectors where the National Minimum Wage is the predominant wage rate. As such the proposed increase has the precise opposite effect to the outcome which Congress has outlined as its objective.

Adequacy:

Several submissions, both verbal and written, were made to the Commission by groups and individuals which outlined in substantive terms the inadequacy of the current hourly rate. It was, in our view, established beyond doubt by the Commission that the current rate of €9.15 per hour falls far short of what the Vincentian Partnership describes as the 'average gross salary required to allow a worker to afford a socially acceptable minimum standard of living across Ireland'. In evaluating the Minimum Essential Standards of Living, the Living Wage Technical Group demonstrated that a 'Living Wage' for a single person, including rent, should be €11.50 per hour to meet those basic requirements. Importantly this hourly rate is based on the presumption of a 39 hour working week whilst the reality for many thousands of low paid workers is that they are involuntarily employed on part time hours. The proposed increase of 10c per hour is, in our view, wholly inadequate.

Median earnings and the minimum wage:

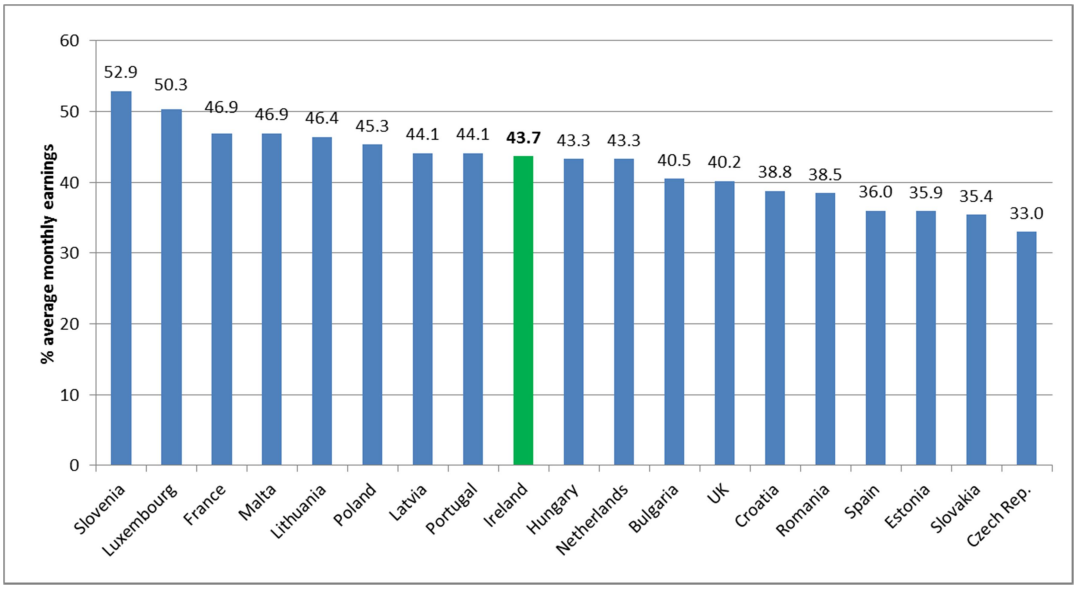
An NERI study *(Collins, 2015)* found that median earnings in 2013 equalled €16.62 per hour. Updating this figure to 2016, using CSO earnings growth figures and projected increases (the NERI projects average hourly earnings to increase by 2.1% during 2017; Central Bank project an increase of 2.5% in compensation per employee), gives a median earnings figure

in 2017 that will be approximately €16.97 using the NERI projection. A minimum wage rate of €9.25 in 2016 will represent 54.5% of median earnings; a figure that is considerably less than the aforementioned ICTU target.

Minimum Wage compared to other countries:

Ireland's minimum wage sits mid-table among those European countries where there is a statutory wage floor. Across these countries, the minimum wage ranges from 33% of average monthly earnings in the Czech Republic, to 43.7% in Ireland, to 52.9% in Slovenia. The evidence does not suggest that Ireland's minimum wage is high in a European context.

Chart: Comparisons of Monthly Minimum Wage as a % of Average Monthly Earnings



Notes: Data is from Eurostat (indicator earn_mw_avgr2) for the business economy. Data is 2014 except for France and Netherlands where it is for 2013.

Reduction in Working Hours:

During the course of the Commission's work in the last year, several submissions - both verbal and written - clearly outlined the fact that employers, on quite a widespread basis, had decreased the number of hours available to workers (2016). We believe that the commission paid insufficient attention to this important fact.

Repercussive Claims:

As advocated at the Low Pay Commission, we believe that Section 43 of the *National Minimum Wage Act 2000* deals adequately and substantively with this matter. While the issue of repercussive wage implications was raised during the course of the Commission's work there was little, if any, evidence supplied to suggest a wage pattern development in this regard. The main report also accepts that there was no evidence that the revised rate (2016) had any significant impact on employment.

Exchequer Costs and Social Transfers:

Low pay reduces tax revenue and increases social protection costs.

Lower wage floors cost the Exchequer in terms of reduced income tax/USC and PRSI but also in terms of lower VAT and Excise receipts arising from the lower level of disposable income in the economy.

NERI research (Collins and Turnbull, 2013) suggests that between 14% and 18% (about a sixth) of the gross income of households in the 2nd the 4th decile goes towards indirect taxation. Thus, one can expect a cost to the Exchequer of somewhere between €200 and €300 less indirect taxes per worker arising from the lower (€9.25) minimum wage relative to an alternative minimum wage rate of €10.00.

Lower wage floors also mean additional costs to the Exchequer such as increased Family Income Support (FIS) payments, rent allowance and medical cards. Therefore the insufficient increase in the minimum wage will mean that taxpayers will continue to effectively subsidise the employers of very low paid workers and we will continue to skew economic activity in favour of low pay employers and sectors.

Finally, we note that the hospitality sector is a huge beneficiary of a major social transfer in the form of the preferential reduced 9% VAT rate. The cost of this was estimated at €350 million per year in Budget 2014 and is likely to be much higher this year. This sector employs significant numbers of minimum wage workers. Ironically, the representatives of this sector are constantly the most vocal opponents to any proposed increase in the minimum rate.

Overall, and given the absence of evidence that a higher minimum wage would lead to net job losses in the economy, a larger and more appropriate increase in the minimum wage would actually improve Ireland's public finances.

Inability to Pay:

As advocated regularly at the Low Pay Commission, we believe that Section 41 of the *National Minimum Wage Act 2000* deals adequately with this matter. It is worth noting that no claims, in this regard, have ever been submitted by employers. In these circumstances it is, in our view, insupportable for Commissioners to assert that this provision is deficient in dealing with such claims when it has never been tested over a 16 year period. Concerns relating to publication of a company's business details are, in our view, erroneous considering the indisputable reputation of the Labour Court over a long number of years dealing with such exigencies.

Profits:

There continues to be strong evidence in the economy that business turnover and profit levels are increasing. Exchequer returns point towards higher corporate taxation income, including from the domestic sectors of the economy, while VAT receipts suggest further increases in business turnover. Alongside this, CSO data indicates that employment continues to grow in the sectors where low pay is most prominent – industry (+3,700 jobs in the year to end-March 2016), Accommodation and Food (+10,100 jobs in the year to end-March 2016), Wholesale and Retail (+2,000 jobs in the year to end-March 2016), Administration and Support Services (+6,100 jobs in the year to end-March 2016), and Human Health and Social Work (+2,200 jobs in the year to end-March 2016). CSO data also

points towards strong growth in tourism and greater activity throughout the domestic economy.

While it is clear that the recession, and the accompanying period of austerity, undermined profits in most sectors of the economy, the evidence now suggests that these continue to recover.

Brexit:

The decision of the UK electorate to vote in favour of leaving the European Union has brought about a great deal of uncertainty regarding the future growth prospects for the UK and broader European economies, including Ireland. Understandably, policy makers need to be cautious in this context but in our view, there is a strong imperative to shift the emphasis in current social and economic policy. Brexit is not an argument, to keep pay low, in fact increasing workers spending power would underpin the domestic economy. Following the referendum result, assessments of the economic outlook for Ireland, from the NERI, the ESRI and Department of Finance among others, have pointed towards a slowdown in future growth prospects rather than their elimination. Similarly, these assessments continue to point towards further recovery in the domestic economy and continued growth in earnings.

Trade Union Representation Concerns – Low Pay Commission:

As serving commissioners, we have shared with fellow commissioners, not for the first time, our very strong concerns that the predominance of the wage competitiveness argument over the actual socio-economic effect on low pay on workers. A more balanced approach is required. We have also advocated that positive economic outputs would result from a more balanced approach, particularly in the domestic economy, and that should such an approach be adopted. Given all the available evidence including unprecedented economic growth statistics and undeniable increased profits in virtually all sectors, we are not satisfied that parity of esteem was applied to these conflicting interests in this exercise. Consequently, once again, workers interests are relegated to a Minority Report. Persistence with this approach would, in our view, be a serious challenge for the future work of the Commission.

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Appendices

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Appendix 1

Low Pay Commission/Economic and Social Research Institute Research Partnership Steering Committee

Steering Group	
Chair	Mary Mosse (LPC)
Members	Seamus McGuinness (ESRI)
	Donal O'Neill (LPC)
	Brian Ring (CSO)
	Helen Russell (ESRI)

Appendix 2

List of submissions received

No.	Name
1	Individual – Employer of personal assistant
2	Retail Excellence Ireland
3	Eason
4	Pharmacist in Tipperary
5	Skechers
6	TASC
7	Vintners Federation of Ireland
8	Retail Employer
9	Mothercare Ireland
10	Communications Workers Union
11	Unite the Union
12	Small Firms Association
13	Nursing Homes Ireland
14	Social Justice Ireland
15	RGDATA
16	South Dublin Chamber
17	Irish Small and Medium Enterprises Association
18	Licensed Vintners Association
19	IBEC
20	Irish Congress of Trade Unions
21	Citizens Information Board
22	Construction Industry Federation
23	Irish Hotels Federation
24	Retail Ireland
25	Chambers Ireland
26	Fianna Fáil
27	Migrant Rights Centre Ireland
28	National Union of Journalists
29	IMPACT Trade Union
30	BWG Foods
31	Mandate Union
32	Restaurants Association of Ireland
33	Department of Health

Calculation of Minimum Wage

Under Section 20 of the National Minimum Wage Act 2000 the basic method of calculation for pay is to divide the gross pay by the total number of hours worked.

There are a number of items that are not to be included in the minimum wage calculation, such as overtime premium, call-out premium, service pay, unsocial hours premium, tips which are placed in a central fund managed by the employer, premiums for working public holidays, Saturdays or Sundays, allowances for special or additional duties, on-call or standby allowances, certain payments in relation to absences from work, for example, sick pay, holiday pay or pay during health and safety leave, payment connected with leaving the employment including retirement, contributions paid by the employer into any occupational pension scheme, redundancy payments, payment in kind or benefit in kind, other than board and/or lodgings, and compensation for injury or loss of tools.

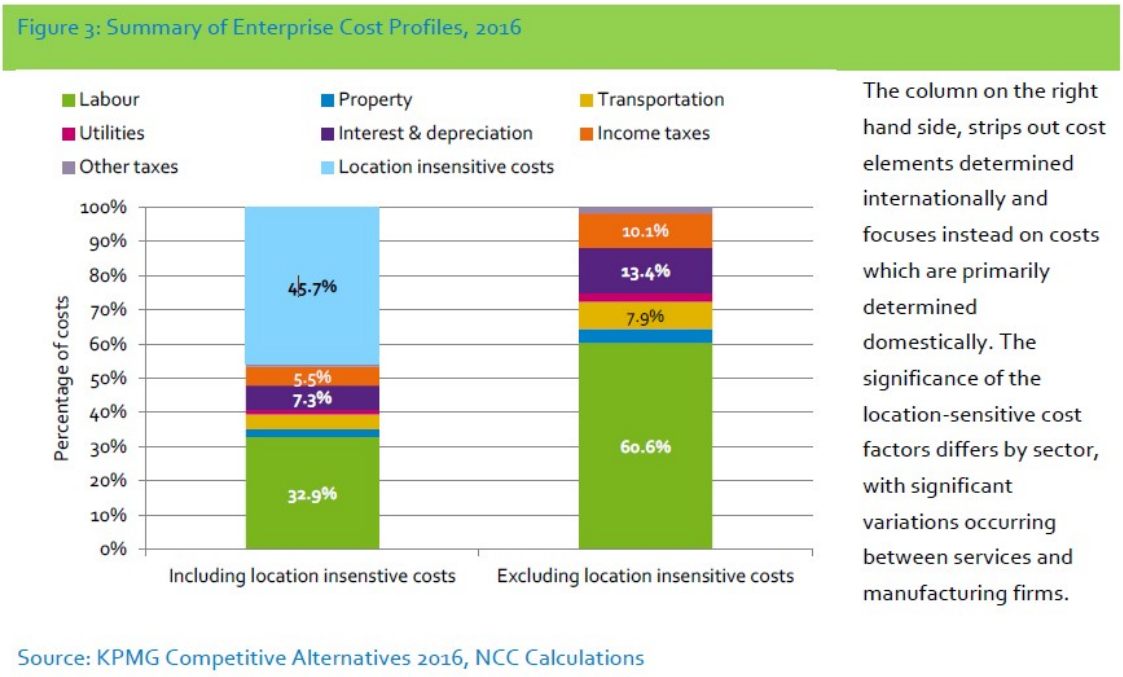
For the purposes of the national minimum wage the gross wage includes the basic salary and any shift premium, bonus or service charge. If one receives food (known as board) and/or accommodation (known as lodgings) from an employer, this is taken into account in the minimum wage calculation.

An individual's working hours are whichever is the greater: the hours set out in any document such as a contract of employment, collective agreement or statement of terms of employment provided under the Terms of Employment (Information) Act 1994, or the actual hours worked or available for work and paid. "Working hours" include: overtime, travel time where this is part of the job, time spent on training authorised by the employer and during normal working hours.

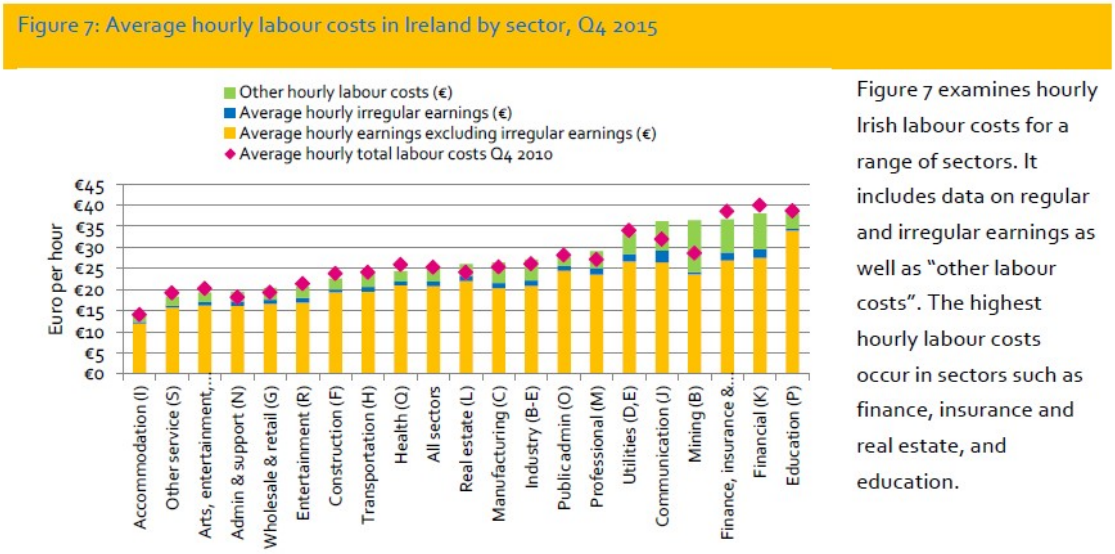
"Working hours" does not include: time spent on standby other than at the workplace, time on leave, lay-off, strike or after payment in lieu of notice, time spent travelling to or from work. The employer selects the period, known as the pay reference period, from which the average hourly pay will be calculated. This might be, for example, on a weekly or fortnightly basis, but cannot be for a period longer than a month.

Labour Costs (relevant tables extracted from the report of the National Competitiveness Council, 2016)

Figure 3: Summary of Enterprise Cost Profiles, 2016

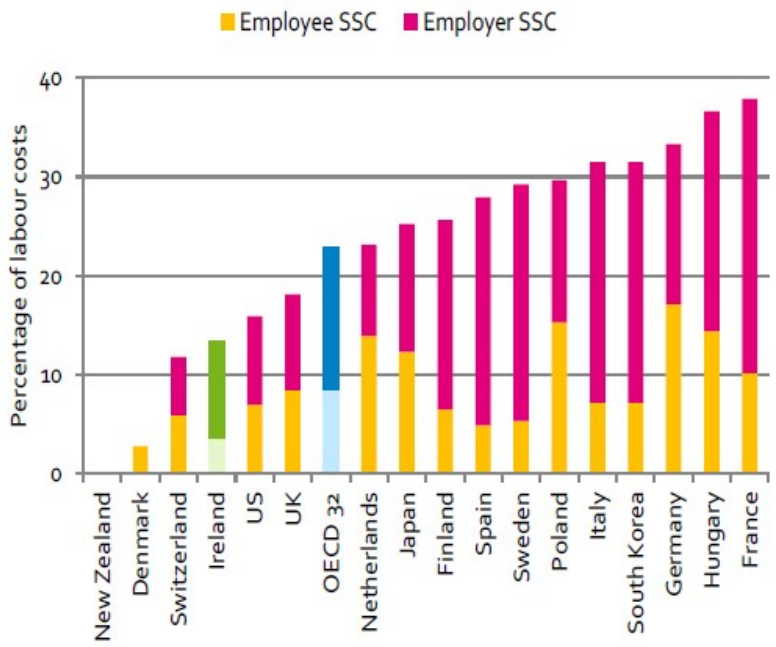


Source: KPMG Competitive Alternatives 2016, NCC Calculations



Source: CSO, Earnings, Hours and Employment Costs Survey

Figure 14: Employer and employee social security contributions (SSC), 2014



Ireland has the 8th lowest rate of social security contributions in the OECD. Employers' contributions are the 10th lowest, and employee contributions are the 5th lowest. In many countries, there is either a cap on employer social security costs or a reduced rate above a certain income threshold; in Ireland, a flat rate is charged on the full salary: as salaries increase, Ireland's competitive position is quickly eroded.

Source: OECD, Taxing Wages 2014

Figure 52: Irish price levels relative to the euro area 19 (including indirect taxes), 2014

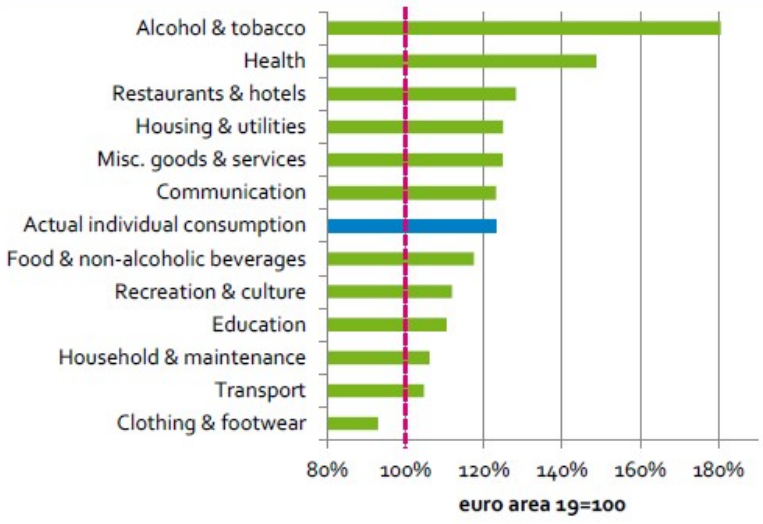
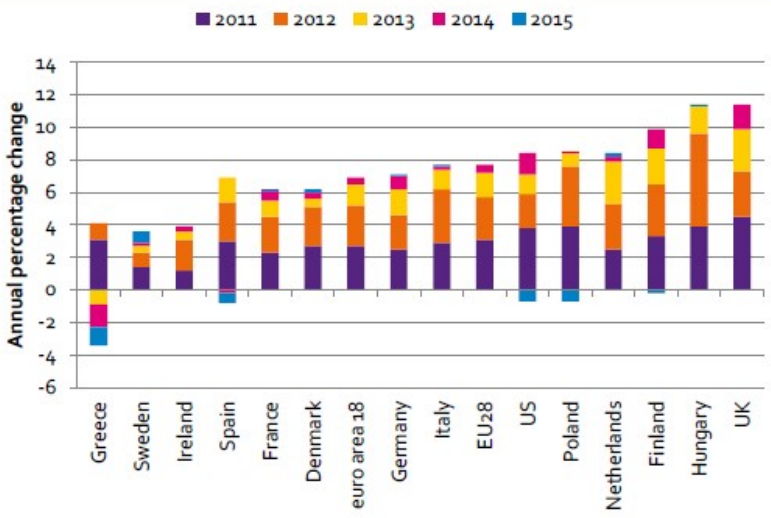


Figure 52 compares relative prices for a range of goods and services in Ireland with the average euro area price. Irish prices are above the euro area average for 11 out of 12 categories of goods and services (clothing and footwear being the exception). The wide differential in alcohol and tobacco prices is primarily a consequence of taxation policy.

Source: Eurostat

Figure 55: Harmonised index of consumer prices[39]: annual percentage change, 2011-2015



During the course of the recession, Irish inflation (in some years Irish prices actually declined) was consistently amongst the lowest in Europe, resulting in a narrowing price differential. Inflation remains muted. As Europe struggles to return to growth, inflation across the euro area fell to 0.4% in 2014 and to 0% in 2015.

Source: Eurostat, DJEI Calculations

Appendix 5

Background Labour Market Statistics[34]

Table A.1

Persons aged 15 years and over classified by ILO economic status, sex, age group and quarter - Employed persons ('000)								
	Q1 10	**Q1 11**	**Q1 12**	**Q1 13**	**Q1 14**	**Q1 15**	**Q1 16**	**% change 2016/2015**
15-19	16.4	12.2	12.7	11.8	13.7	13.0	16.3	25.4%
20-24	75.9	67.8	56.9	60.0	59.4	62.0	60.1	-3.1%
Total 15-24 (Youths)	***92.4***	***80.0***	***69.6***	***71.8***	***73.1***	***75.0***	***76.3***	**1.7%**
25-34	275.7	256.5	253.2	247.3	246.1	241.4	233.3	-3.4%
35-44	266.2	268.6	269.8	276.1	284.0	296.3	299.0	0.9%
45-54	214.5	214.8	216.6	222.9	234.5	240.2	251.2	4.6%
55-59	79.0	79.5	77.0	81.5	86.3	90.2	94.7	5.0%
60-64	53.9	52.2	52.0	55.3	59.0	62.5	67.0	7.2%
65+	32.2	33.0	34.0	36.7	41.3	43.8	46.8	6.8%
Total males	**1,014.**	**984.5**	**972.1**	**991.6**	**1,024.3**	**1,049.4**	**1,068.**	**1.8%**
15-19	14.5	15.4	13.1	12.8	11.8	12.1	15.1	24.8%
20-24	88.9	76.3	69.0	63.1	55.3	53.6	55.2	3.0%
Total 15-24 (Youths)	*103.4*	*91.8*	*82.1*	*75.9*	*67.1*	*65.7*	*70.3*	7.0%
25-34	274.5	263.2	258.4	252.5	247.5	241.8	233.2	-3.6%
35-44	212.7	209.4	220.3	226.5	240.7	247.3	257.9	4.3%
45-54	182.0	182.4	179.0	185.3	186.6	195.8	204.8	4.6%
55-59	60.1	64.9	65.8	64.7	68.3	70.2	79.2	12.8%
60-64	32.1	32.9	33.3	36.2	38.3	42.5	44.5	4.7%
65+	13.1	12.7	14.0	13.0	15.5	16.8	18.2	8.3%
Total females	**877.9**	**857.3**	**852.9**	**854.0**	**864.0**	**880.1**	**908.1**	**3.2%**
15-19	30.9	27.7	25.9	24.7	25.5	25.1	31.4	25.1%
20-24	164.8	144.1	125.8	123.1	114.7	115.6	115.3	-0.3%
Total 15-24 (Youths)	***195.8***	***171.8***	***151.7***	***147.7***	***140.2***	***140.7***	***146.7***	**4.3%**
25-34	550.2	519.7	511.6	499.8	493.5	483.3	466.6	-3.5%
35-44	478.9	478.0	490.1	502.5	524.7	543.6	556.9	2.4%
45-54	396.5	397.2	395.6	408.1	421.1	436.0	456.0	4.6%
55-59	139.2	144.4	142.8	146.2	154.7	160.4	173.9	8.4%
60-64	86.0	85.0	85.3	91.5	97.3	105.0	111.5	6.2%
65+	45.3	45.7	48.0	49.7	56.7	60.6	65.0	7.3%
Total persons	**1,891.9**	**1,841.8**	**1,825.0**	**1,845.6**	**1,888.2**	**1,929.5**	**1,976.5**	**2.4%**

[34] Central Statistics Office (CS0) is the Source for tables A.1 to A.5 in *Appendix 5*.

Table A.2

Seasonally Adjusted Monthly Unemployment by Sex and Age Group									
		2010 M05	2011 M05	2012 M05	2013 M05	2014 M05	2015 M05	2016 M05	Y-on-Y % change
Both sexes									
15 - 24 years	Number	71.8	66.9	70	60.7	49.2	39.2	28	-28.6%
	Rate %	26.6	28	30.9	27.9	25.2	20.9	15.1	-27.8%
15 - 74 years	Number	301.4	310.8	314.7	296.9	249.5	208	169.6	-18.5%
	Rate %	13.8	14.3	14.7	13.8	11.6	9.6	7.8	-18.8%
25 - 74 years	Number	229.6	243.8	244.7	236.2	200.3	168.7	141.6	-16.1%
	Rate %	12	12.7	12.8	12.2	10.3	8.6	7.2	-16.3%
Male									
15 - 24 years	Number	45.8	41.9	43.7	35.7	28.5	23.8	18.1	-23.9%
	Rate %	32.9	34.3	37.4	31.5	27.1	23.3	18.3	-21.5%
15 - 74 years	Number	204.3	209.6	211.3	186.8	158.9	129.2	108.9	-15.7%
	Rate %	16.8	17.5	17.8	15.7	13.4	10.9	9.2	-15.6%
25 - 74 years	Number	158.5	167.7	167.6	151.1	130.4	105.4	90.9	-13.8%
	Rate %	14.7	15.6	15.7	14.1	12.1	9.7	8.4	-13.4%
Female									
15 - 24 years	Number	26	25	26.3	25	20.7	15.5	9.9	-36.1%
	Rate %	19.9	21.5	24	24	23	18	11.4	-36.7%
15 - 74 years	Number	97.1	101.1	103.4	110.1	90.5	78.8	60.6	-23.1%
	Rate %	10	10.4	10.8	11.3	9.4	8.1	6.2	-23.5%
25 - 74 years	Number	71.1	76.1	77.1	85.1	69.8	63.3	50.7	-19.9%
	Rate %	8.4	8.9	9.1	9.8	8	7.2	5.7	-20.8%

Table A.3

Persons aged 15 years and over (Thousand) by Principal Economic Status (At Work)								
	2010Q1	2011Q1	2012Q1	2013Q1	2014Q1	2015Q1	2016Q1	Y-onY % Change
Both sexes								
In employment	1,819.90	1,763.50	1,753.00	1,764.90	1,813.10	1,852.70	1,899.50	2.5%
In employment full-time	1,456.40	1,383.00	1,381.60	1,376.50	1,422.60	1,471.00	1,502.90	2.2%
In employment part-time	363.5	380.5	371.4	388.4	390.5	381.7	396.6	3.9%
In employment part-time - not underemployed	265.3	265	240.9	246	259.1	273.9	302.9	10.6%
In employment part-time - underemployed	98.2	115.5	130.5	142.4	131.4	107.9	93.7	-13.2%
Male								
In employment	979	946.7	941.3	952.8	987.8	1,013.50	1,031.40	1.8%
In employment full-time	887.9	848.2	835.7	837.9	871.1	902.6	916.7	1.6%
In employment part-time	91	98.5	105.7	114.9	116.7	110.9	114.8	3.5%
In employment part-time - not underemployed	49.2	52.1	48.5	55.6	58.7	61.5	71.2	15.8%
In employment part-time - underemployed	41.8	46.3	57.1	59.3	58	49.4	43.6	-11.7%
Female								
In employment	840.9	816.8	811.7	812.1	825.3	839.3	868	3.4%
In employment full-time	568.5	534.8	545.9	538.6	551.5	568.4	586.2	3.1%
In employment part-time	272.5	282	265.7	273.5	273.8	270.8	281.8	4.1%
In employment part-time - not underemployed	216.1	212.8	192.3	190.4	200.4	212.3	231.7	9.1%
In employment part-time - underemployed	56.4	69.2	73.4	83.1	73.4	58.5	50.1	-14.4%

Table A.4

Persons aged 15 years and over classified by NUTS2 and NUTS3 regions and ILO Economic Status ('000)									
		Q1 10	Q1 11	Q1 12	Q1 13	Q1 14	Q1 15	Q1 16	% change on 2015
Irish	Employed	1,610.0	1,573.0	1,558.9	1,580.0	1,609.7	1,649.2	1,672.0	1.4%
	Unemployed	231.2	249.1	261.7	233.3	207.2	170.8	147.2	-13.8%
	In labour force	1,841.1	1,822.1	1,820.7	1,813.3	1,816.9	1,820.0	1,819.2	0.0%
	Not in labour force	1,275.1	1,299.4	1,302.0	1,309.8	1,298.3	1,296.8	1,306.4	0.7%
	Total persons	3,116.2	3,121.5	3,122.7	3,123.1	3,115.3	3,116.8	3,125.6	0.3%
Non-Irish nationals	Employed	281.9	268.8	266.1	265.6	278.5	280.3	304.5	8.6%
	Unemployed	53.0	58.6	60.2	58.7	50.9	42.0	32.3	-23.1%
	In labour force	334.9	327.4	326.3	324.2	329.4	322.3	336.8	4.5%
	Not in labour force	147.9	150.2	144.8	147.2	151.9	168.1	163.8	-2.6%
	Total persons	482.8	477.6	471.1	471.4	481.2	490.4	500.5	2.1%
UK	Employed	50.6	48.8	43.9	45.5	49.5	48.9	54.5	11.5%
	Unemployed	9.9	12.0	13.7	11.8	10.8	9.3	[6.3]	:
	In labour force	60.5	60.8	57.6	57.3	60.3	58.2	60.7	4.3%
	Not in labour force	42.4	42.7	45.4	45.7	44.7	47.1	47.7	1.3%
	Total persons	102.9	103.4	103.0	102.9	105.1	105.4	108.5	2.9%
EU15 excl. Irl. and UK	Employed	32.2	29.4	28.0	28.0	25.1	18.4	17.3	-6.0%
	Unemployed	*	*	*	*	[2.4]	*	*	:
	In labour force	34.5	32.8	31.0	30.0	27.5	19.9	18.0	-9.5%
	Not in labour force	12.7	12.8	11.7	10.5	9.1	7.3	5.5	-24.7%
	Total persons	47.2	45.5	42.7	40.4	36.6	27.2	23.5	-13.6%
EU15 to EU28 States*	Employed	130.8	121.7	125.3	122.6	128.5	132.4	135.4	2.3%
	Unemployed	28.2	31.2	28.2	30.4	23.9	17.8	15.2	-14.6%
	In labour force	159.0	152.8	153.5	153.0	152.4	150.2	150.6	0.3%
	Not in labour force	41.6	41.3	36.2	34.8	36.0	43.0	39.0	-9.3%
	Total persons	200.6	194.1	189.7	187.7	188.4	193.3	189.6	-1.9%
Other	Employed	68.3	69.0	68.9	69.5	75.4	80.7	97.4	20.7%
	Unemployed	12.6	12.0	15.3	14.5	13.8	13.3	[10.1]	:
	In labour force	80.9	81.0	84.2	84.0	89.1	94.0	107.5	14.4%
	Not in labour force	51.2	53.5	51.5	56.3	62.0	70.6	71.4	1.1%
	Total persons	132.1	134.5	135.6	140.3	151.1	164.6	178.9	8.7%
All persons	Employed	1,891.9	1,841.8	1,825.0	1,845.6	1,888.2	1,929.5	1,976.5	2.4%
	Unemployed	284.1	307.6	321.9	292.0	258.1	212.8	179.5	-15.6%
	In labour force	2,176.0	2,149.4	2,146.9	2,137.5	2,146.3	2,142.4	2,156.0	0.6%
	Not in labour force	1,423.1	1,449.6	1,446.9	1,457.0	1,450.2	1,464.9	1,470.2	0.4%
	Total persons	3,599.1	3,599.1	3,593.8	3,594.5	3,596.5	3,607.3	3,626.1	0.5%

Note: Persons whose nationality is not stated are included with Irish nationals

*** EU28 as of Q3 2013 and this should be borne in mind when comparing year on year changes**

Table A.5

Persons aged 15 years and over classified by ILO economic status, sex, age group and quarter - Labour Force ('000)								
	Q1 10	**Q1 11**	**Q1 12**	**Q1 13**	**Q1 14**	**Q1 15**	**Q1 16**	**% change 2016/2015**
15-19	24.7	20.9	21.3	18.7	19.6	19.6	20.9	6.6%
20-24	112.7	100.1	88.7	85.1	81.9	80.1	75.0	-6.4%
Total 15-24 (Youths)	*137.5*	*121.0*	*110.0*	*103.8*	*101.5*	*99.7*	*96.0*	-3.7%
25-34	339.7	326.7	319.7	301.9	292.3	277.4	266.9	-3.8%
35-44	311.5	316.0	318.7	320.6	322.9	326.2	326.1	0.0%
45-54	246.3	248.6	254.7	257.7	265.2	266.4	272.8	2.4%
55-59	87.1	90.5	90.5	95.0	97.1	101.6	104.4	2.8%
60-64	60.3	58.4	58.7	62.1	67.2	69.4	72.2	4.0%
65+	32.9	33.7	34.8	37.3	41.7	44.4	47.7	7.4%
Total males	**1,215.3**	**1,194.9**	**1,187.2**	**1,178.4**	**1,187.8**	**1,185.1**	**1,185.9**	0.1%
15-19	19.6	22.0	19.6	19.4	17.2	15.9	18.9	18.9%
20-24	105.9	93.6	86.1	78.3	69.0	63.7	61.6	-3.3%
Total 15-24 (Youths)	*125.5*	*115.6*	*105.7*	*97.8*	*86.2*	*79.6*	*80.5*	1.1%
25-34	300.2	295.7	293.3	283.2	274.0	265.6	251.5	-5.3%
35-44	230.9	231.8	246.8	250.9	263.3	264.3	273.5	3.5%
45-54	192.6	195.5	193.9	203.0	204.1	211.6	216.8	2.5%
55-59	64.3	68.5	69.7	71.0	74.1	73.4	83.0	13.1%
60-64	33.8	34.4	35.9	39.8	41.0	45.3	46.4	2.4%
65+	13.3	13.0	14.4	13.5	15.8	17.3	18.4	6.4%
Total females	**960.7**	**954.6**	**959.7**	**959.1**	**958.6**	**957.2**	**970.0**	1.3%
15-19	44.3	43.0	40.9	38.1	36.8	35.5	39.8	12.1%
20-24	218.7	193.6	174.8	163.5	150.9	143.8	136.7	-4.9%
Total 15-24 (Youths)	*263.0*	*236.6*	*215.7*	*201.5*	*187.7*	*179.3*	*176.5*	-1.6%
25-34	640.0	622.4	613.1	585.1	566.3	543.0	518.4	-4.5%
35-44	542.5	547.7	565.5	571.5	586.1	590.5	599.6	1.5%
45-54	438.9	444.1	448.6	460.7	469.3	478.0	489.5	2.4%
55-59	151.4	159.0	160.3	166.0	171.1	175.1	187.4	7.0%
60-64	94.1	92.9	94.6	101.8	108.2	114.7	118.6	3.4%
65+	46.1	46.7	49.2	50.8	57.5	61.8	66.0	6.8%
Total persons	**2,176.0**	**2,149.4**	**2,146.9**	**2,137.5**	**2,146.3**	**2,142.4**	**2,156.0**	0.6%

Note: This table is not specifically referenced in the Report but is presented for information.

Table A.6

Labour Force Aggregates Q409 to Q415, Seasonally Adjusted					
Quarter	Labour Force	Employment	Unemployed	U Rate	LF PR
	(000)	(000)	(000)	%	%
Q409	2205.1	1922.7	290.1	13.2	61.3
Q110	2192.0	1905.0	286.7	13.1	61.0
Q210	2195.0	1890.1	298.9	13.7	60.8
Q310	2179.8	1876.6	302.7	13.9	60.6
Q410	2173.5	1856.8	323.9	14.9	60.4
Q111	2164.6	1854.3	311.1	14.4	60.3
Q211	2174.8	1858.9	310.6	14.4	60.3
Q311	2157.4	1837.7	319.7	14.9	60.0
Q411	2166.7	1844.3	326.5	15.1	60.3
Q112	2162.0	1837.6	325.1	15.1	60.2
Q212	2155.3	1835.8	315.8	14.7	59.9
Q312	2149.5	1833.5	316.1	14.7	59.8
Q412	2148.6	1843.2	306.6	14.3	59.8
Q113	2152.9	1858.8	294.1	13.7	60.0
Q213	2167.4	1871.6	294.7	13.7	60.3
Q313	2164.0	1890.4	275.3	12.8	60.3
Q413	2168.8	1902.3.	264.3	12.2	60.3
Q114	2162.0	1903.0	260.8	12.1	60.2
Q214	2152.9	1904.2	248.3	11.6	59.8
Q314	2154.4	1916.5	239.0	11.1	60.0
Q414	2158.2	1931.3	223.2	10.4	59.9
Q115	2158.0	1945.5	214.2	10.0	59.9
Q215	2166.8	1961.5	206.6	9.6	60.0
Q315	2167.4	1971.1	197.7	9.2	60.0
Q415	2176.4	1975.8	196.0	9.1	60.1

Source: ESRI
U-Rate: Unemployment Rate. LF PR: Labour Force Participation Rate

Note: This table is not specifically referenced in the Report but is presented for information.

Table A.7

Labour Market Productivity

Labour Market Productivity in the Total Economy (percentage change from previous period)										
Country	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Australia	1.4	-0.4	1.1	0.3	0.8	2.4	1.1	1.9	0.6	0.7
Austria	1.6	-0.7	-3.1	1.0	1.4	-0.3	-0.2	-0.4	0.1	-0.1
Belgium	1.7	-1.0	-2.1	2.0	0.4	-0.2	0.4	0.9	0.5	0.3
Canada	-0.2	-0.4	-1.4	1.6	1.6	0.5	0.8	1.8	0.3	1.0
Chile	2.4	0.4	-0.5	-1.9	0.6	3.6	1.9	0.3	0.6	0.7
Czech Republic	3.4	0.4	-2.9	3.2	2.3	-1.2	-0.9	1.4	3.0	1.8
Denmark	-1.4	-1.8	-2.2	4.0	1.2	0.5	-0.4	0.4	0.1	-0.2
Estonia	7.1	-4.8	-4.6	7.2	1.0	3.4	0.5	2.1	-1.6	2.2
Finland	3.0	-1.5	-6.0	3.7	1.3	-2.3	0.0	0.2	0.9	1.1
France	0.9	-0.3	-1.8	1.8	1.3	-0.1	0.6	0.2	0.9	1.0
Germany	1.6	-0.5	-5.7	3.6	2.3	-0.5	-0.2	0.7	0.7	0.0
Greece	1.8	-1.5	-3.8	-3.0	-2.5	-1.1	0.5	0.6	-2.2	-2.2
Hungary	0.4	2.6	-4.1	1.0	1.7	-1.9	1.1	-1.1	0.1	-0.5
Iceland	4.8	0.7	1.5	-3.3	1.7	0.1	1.3	-0.6	0.5	2.0
Ireland	1.1	-1.6	2.4	4.6	4.4	0.7	-0.9	3.4	5.1	2.4
Israel	1.9	-0.4	-0.8	2.3	2.0	-1.1	0.6	-0.2	0.2	0.4
Italy	0.1	-1.3	-3.9	2.3	0.4	-2.2	0.0	-0.3	0.1	0.4
Japan	1.6	-0.8	-4.1	5.0	-0.3	2.1	0.7	-0.6	0.2	0.2
Korea	4.2	2.2	1.0	5.1	1.9	0.5	1.3	1.2	1.3	1.4
Luxembourg	3.8	-5.4	-6.4	3.8	-0.4	-3.2	2.5	1.5	2.3	1.5
Mexico	1.4	-1.1	-3.4	-2.9	3.4	-0.7	1.0	2.6	0.3	0.7
Netherlands	0.7	0.1	-3.0	2.0	0.8	-0.9	0.5	1.2	1.1	0.7
New Zealand	2.8	-2.7	2.4	0.8	0.6	3.3	-1.1	-0.3	1.3	0.9
Norway	-1.1	-2.8	-1.2	1.1	-0.5	0.7	-0.1	1.1	1.1	0.5
Poland	2.6	0.1	2.3	3.2	4.4	1.4	1.3	1.5	2.2	1.7
Portugal	2.5	-0.2	-0.3	3.4	0.1	0.1	1.8	-0.5	0.1	1.5
Slovak Republic	8.6	2.4	-3.6	6.7	1.0	1.5	2.2	1.1	1.6	1.4
Slovenia	3.5	0.7	-6.2	3.5	2.3	-1.8	0.3	2.4	1.4	1.0
Spain	0.5	0.9	2.9	1.8	1.7	1.5	1.3	0.4	0.3	-0.1
Sweden	1.2	-1.6	-2.8	4.7	0.6	-0.7	0.3	1.0	2.3	1.7
Switzerland	1.5	-0.2	-2.6	2.5	-0.4	-0.4	0.4	0.1	-0.7	0.4
Turkey	3.2	-1.1	-5.1	3.0	2.5	-1.0	1.3	-2.0	1.1	0.9
United Kingdom	1.7	-1.3	-2.6	1.3	1.5	0.1	1.0	0.6	0.8	0.5
United States	0.9	0.4	1.5	3.2	0.6	0.6	0.1	0.6	0.3	-0.3
Euro area (15 countries)	1.2	-0.4	-2.7	2.5	1.3	-0.4	0.4	0.4	0.5	0.4
OECD - Total	1.4	-0.2	-1.4	2.5	1.3	0.3	0.6	0.6	0.6	0.4

Source: OECD Economic Outlook 99 Database

Note: This table is not specifically referenced in the Report but is presented for information.

Literature Review

Study	Journal	Title	Country	Observation Period	Outcomes Analysed	Results
Liu, Hyclak and Regmi (2016)	LABOUR	Impact of the Minimum Wage on Youth Labour Markets	US	2000-2009	Employment, earnings, worker reallocation flows and job reallocation flows.	A ten % increase in the minimum wage leads to a 1.7 % reduction in employment and a 2 % increase in earnings for 14-18 year olds. Insignifcant effects for19-21 and 22-24 year olds. A ten % increase in the minimum wage also leads to 1.5 % (approx) reduction in worker turnover for all ages. The effect on job reallocation is negative but not statistically signifcant in most cases.
Baek and Park (2016)	Economics Letters	Minimum wage introduction and employment: Evidence from South Korea	South Korea	1983-1990	Employment	The introduction of the minimum wage had no effect on plant level employment. It increased the average pay of workers in low paid firms.
MaCurdy, Thomas (2015)	Journal of Political Economy	How Effective is the Minimum Wage at Supporting the Poor	US	1996-1997	Incomes of poor families	Minimum wage increases are inefficient for boosting the incomes of poor families. 27.6 % of the after-tax earnings increase goes to families in the top 40% of the income distribution. The minimum wage costs as a share of taxable annual expenditures monotonically fall with families' income. The costs imposed by the minimum wage are paid in a way that is more regressive than a sales tax.
Dolton, Bondibene and Stops (2015)	Labour Eonomics	Identifying the employment effect of invoking and changing the minimum wage: A spatial analysis of the UK	UK	1997-2010	Employment	Overall the authors conclude that there is no discernable employment effects of either the introduction of the MW or its yearly uprating.
Hirsch, Kaufman and Zelenska (2015)	Industrial Relations	Minimum Wage Channels of Adjustment	US (Georgia and Alabama)	2007-2009	Employment and prices	Statistically insignificant employment effects from an increase in the minimum wage. An important channel of adjustment is through an increase in prices.
Hallward-Driemeier, Rijkers and Waxman (2015)	The Review of Income and Wealth	Can minimum wages close the gender wage gap? Evidence from Indonesia	Indonesia	1995-2006	Gender wage gap	Heterogenous effects. An increase in the minimum wage is associated with a reduction in the gender pay gap for better educated women who work in firms at the lower end of the firm-level average wage distribution. However it is associated with an increase in the gender wage gap for poorly educated women who work in firms at the upper end of the firm-level average wage distribution.

Study	Journal	Title	Country	Observation Period	Outcomes Analysed	Results
Werner, Thomas and Friedrich L. Sell (2015)	LABOUR	Price Effects of the Minimum Wage: A Survey Data Analysis for the German Construction Sector	Germany	1991-2007	Price	No minimum wage induced price effects for West Germany. In East Germany the effects are statistically significant but very small. The introduction of the minimum wage increases the probability of a price increase by 2 %.
Basker and Khan (2016)	Journal of Labor Research	Does the Minimum Wage Bite into Fast-Food Prices	US	1993-2014	Price	Elasticity of 9 % for burgers. Elasticities for pizza and chicken is not statistically significant.
Kapelyuk (2015)	Economics of Transition	The effect of minimum wage on poverty	Russia	2006-2011	Incidence of poverty	A ten % increase in the minimum wage leads to a 0.7 % (approx) reduction in the probability of being poor and a 0.4 % (approx) reduction in the probability of transitioning into poverty.
Martin and Termos (2015)	Economics Letters	Does a high minimum wage spur low-skilled emigration	US	2005-2010	Migration	A one dollar real difference in two locations' minimum wage is associated with 3.1 % more low-skilled migration per year to the area with the lower minimum wage.
Cadena (2014)	Journal of Urban Economics	Recent immigrants as labor market arbitrageurs: Evidence from the minimum wage	US	1994-2007	Local supply of low-skilled labour	Low-skilled immigrants move towards areas with a stagnant minimum wage. A 10 % increase in a state's minimum wage leads to an 8 % (approx) decrease in the number of recently arrived immigrants. The authors suggest this provides behaviour-based evidence of negative employment effects of increasing minimum wages, the idea being that the probability of not being able to find employment outweighs the benefit of higher earnings in states that increase the minimum wage. As such immigrants avoid these states.
Del Carpio, Nguyen, Pabon and Choon Wang (2015)	IZA Journal of Labor & Developm ent	Do minimum wages affect employment? Evidence from the manufacturing sector in Indonesia	Indonesia	1993-2006	Employment and wages	A ten % increase in the minimum wage is associated with a 0.4 % (approx) decline in the number of employed production workers and a 0.6 % (approx) decline in the number of employed non-production workers. A ten % increase in the minimum wage is associated with 1 % (approx) increase in the average wage of production workers and a 0.6 % (approx) increase in the average wage of non-production workers.
Logue and Callan (2016)	ESRI Budget Persepctiv es 2017, Paper 3	Low Pay, Minimum Wages and Household Incomes: Evidence for Ireland	Ireland	2005-2013	Household incomes	Few low-paid individuals are in households with incomes below 60 % of median equivalised income. Increases in the minimum wage result in increases in disposable income which are mainly in the upper half of the income distribution.

Study	Journal	Title	Country	Observation Period	Outcomes Analysed	Results
Autor, Manning, and Smith (2016)	American Economic Journal: Applied Economics	The Contribution of the Minimum Wage to US Wage Inequality over Three Decades: A Reassessment	US	1979-2012	Wage Inequality	The minimum wage reduces inequality in the lower tail of the wage distribution, though by substantially less than previous estimates, indicate that during the full sample period of 1979–2012, the declining minimum wage made 24In Dube, Guiliano, and Leonard's (2015) study of the impact of wage increases on employment and quit behavior at a large retail firm, the authors note that this firm implemented sizable wage spillovers as a matter of corporate policy—with minimum wage increases automatically leading to raises among workers earning as much as 15 % above the new minimum. Vol. 8 No. 1 autor et al.: REASSESSING minimum wage IMPACTS ON inequality 89 a meaningful contribution to female inequality, a modest contribution to pooled gender inequality, and a negligible contribution to male lower tail inequality.
Holton and O'Neill (2016)	Economic and Social Review (forthcoming)	"The Changing Nature of Irish Wage Inequality from Boom to Bust"	Ireland	2004-2013	Wage Inequality	Wage Inequality fell substantially during the Great Recession. Irish minimum wage was an effective tool in protecting the wages of least skilled workers, especially during the Great Recession, when forces leading to wage reductions for many workers were particularly strong.
Dube, Lester and Reich (2016)	Journal of Labour Economics	Minimum Wage Shocks, Employment Flows, and Labor Market Frictions	US	1990-2010	Employment turnover and stock.	We find that minimum wages have a sizeable negative effect on employment flows but not on stocks. Separations and accessions fall among affected workers, especially those with low tenure.
Collins and Holton (2016)	NERI WP 2016/36	Modelling the Impact of an Increase in Low Pay in the Republic of Ireland	Ireland		Inequality	This paper finds that the modelled increase would raise the hourly earnings for almost one-third of the lowest paid employees and reduce the level of inequity in the wage distribution.
Mitsis (2015)	Journal of Labor Research	Effects of Minimum Wages on Total Employment: Evidence from Cyprus	Cyprus	1960-2011	Employment	Increases in the minimum wage have a negative effect on total employment (both the covered and uncovered occupations).

Estimated 'Bite' – Minimum Wage as a percentage of Median Earnings

	Median Hourly Earnings €	Low Pay Threshold (66%)	NMW €	Bite (%)
Eurostat				
2010 (Structure of Earnings)	18.48	12.20	€8.65	46.8%
ESRI				
2013 (SILC)	16.76	11.06	€8.65	51.6%
2014 (SILC)	16.43	10.84	€8.65	52.6%
NERI				
2013 (SILC)	16.62	10.96	€8.65	52.0%
2014 (SILC)	16.23	10.71	€8.65	53.3%
LPC Estimates for 2015 and 2016*				
2015 (ESRI 2014 + 0.5%)	16.51	10.90	€8.65	52.4%
2016 (2015 Est + 0.7%)	16.63	10.98	€9.15	55.0%

* Estimates assume increase in median in line with increase in average hourly earnings for all sectors (CSO: +0.5% in 2015 and + 0.7% in 2016)

Rate in 2017 of €9.25 as a percentage of the 2016 estimated median would be 55.6%.

Appendix 8

EU Survey of Income and Living Conditions (SILC) - Definitions

The **equivalised disposable income** is the total income of a household, after tax and other deductions, that is available for spending or saving, divided by the number of household members converted into equivalent adults; household members are equivalised or made equivalent by weighting each according to their age, using the so-called modified OECD equivalence scale.

The equivalised disposable income is calculated in three steps:

- all monetary incomes received from any source by each member of a household are added up; these include income from work, investment and social benefits, plus any other household income; taxes and social contributions that have been paid, are deducted from this sum;

- in order to reflect differences in a household's size and composition, the total (net) household income is divided by the number of 'equivalent adults', using a standard (equivalence) scale: the modified OECD scale; this scale gives a weight to all members of the household (and then adds these up to arrive at the **equivalised household size**):

    - 1.0 to the first adult;
    - 0.5 to the second and each subsequent person aged 14 and over;
    - 0.3 to each child aged under 14.
    - finally, the resulting figure is called the equivalised disposable income and is attributed equally to each member of the household.

For poverty indicators, the equivalised disposable income is calculated from the total disposable income of each household divided by the equivalised household size. The income reference period is a fixed 12-month period (such as the previous calendar or tax year) for all countries except UK for which the income reference period is the current year and Ireland (IE) for which the survey is continuous and income is collected for the last twelve months.

The **at-risk-of-poverty rate** is the share of people with an equivalised disposable income (after social transfers) below the **at-risk-of-poverty threshold**, which is set at 60 % of the national median equivalised disposable income after social transfers.

This indicator does not measure wealth or poverty, but low income in comparison to other residents in that country, which does not necessarily imply a low standard of living.

The **at-risk-of-poverty rate before social transfers** is calculated as the share of people having an equivalised disposable income before social transfers that is below the at-risk-of-poverty threshold calculated after social transfers. Pensions, such as old-age and survivors' (widows' and widowers') benefits, are counted as income (before social transfers) and not as social transfers. This indicator examines the hypothetical non-existence of social transfers.

The **persistent at-risk-of-poverty rate** shows the %age of the population living in households where the equivalised disposable income was below the at-risk-of-poverty threshold for the current year and at least two out of the preceding three years. Its calculation requires a longitudinal instrument, through which the individuals are followed over four years.

Material deprivation refers to a state of economic strain, defined as the enforced inability (rather than the *choice* not to do so) to pay unexpected expenses, afford a one-week annual holiday away from home, a meal involving meat, chicken or fish every second day, the adequate heating of a dwelling, durable goods like a washing machine, colour television, telephone or car, being confronted with payment arrears (mortgage or rent, utility bills, hire purchase instalments or other loan payments).

The **material deprivation rate** is an indicator in EU-SILC that expresses the inability to afford some items considered by most people to be desirable or even necessary to lead an adequate life. The indicator distinguishes between individuals who cannot afford a certain good or service, and those who do not have this good or service for another reason, e.g. because they do not want or do not need it.

The indicator measures the %age of the population that cannot afford at least three of the following nine items:

1. to pay their rent, mortgage or utility bills;
2. to keep their home adequately warm;
3. to face unexpected expenses;
4. to eat meat or proteins regularly;
5. to go on holiday;
6. a television set;
7. a washing machine;
8. a car;
9. a telephone.

Severe material deprivation rate is defined as the enforced inability to pay for at least four of the above-mentioned items.

An individual is considered to be in consistent poverty if they are both at risk of poverty and experiencing deprivation.

Appendix 9

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