2015

LOW PAY COMMISSION

AN COIMISIÚN UM PÁ ÍSEAL

Recommendations for the National Minimum Wage

July 2015

LPC NO. 1 (2015)

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Overview

In making our recommendation for the minimum wage we have had regard to the following considerations:

- The Irish economy is recovering though the recovery is somewhat patchy and uneven and it still faces risks particularly in the external environment
- Unemployment remains high but has declined particularly over the past year
- The number of people in employment is increasing
- Competitiveness has improved, partly due to exchange rate movements, and it is important that this trend is maintained
- While inflation has been relatively low, the minimum wage has effectively remained at its current level for the last 8 years
- The available evidence suggests that moderate increases in the minimum wage will not lead to significant loss of jobs
- The effect of a change in the minimum wage on hours worked may be more marked, particularly if the anomalous rate structure in the PRSI system is not tackled
- A moderate increase in the current minimum wage rate without an adjustment in employer PRSI will have a major impact, particularly on small business costs
- It is of critical importance to enterprise development that the design of both the tax and PRSI systems creates the right conditions for job creation, including the incentives (from both employer and employee perspectives) for employees to work additional hours and to increase pay where appropriate.

We recommend that the adult rate of the National Minimum Wage be fixed at a rate of €9.15 per hour.

We do not recommend any change on the relative position of the sub-minimum rates for young people and certain trainees.

For young people these are:

70% of adult rate	Those aged under 18
80% of adult rate	For the first year from date of first employment aged over 18
90% of adult rate	For the second year from date of first employment aged over 18

For those in structured training during working hours these are:

75% of adult rate	1st one third period
80% of adult rate	2nd one third period
90% of adult rate	3rd one third period

We strongly recommend that the anomalies in relation to PRSI and USC set out in Chapter 6, which could adversely affect the position of low paid employees and employers costs, be addressed as a matter of urgency.

These recommendations have the support of six of the nine members of the Commission. It is the opinion of the three members who were selected for their knowledge and understanding of the particular issues faced by Irish businesses that the change of rate should be implemented no sooner than the second quarter of 2016. Those members stated that to implement a revised rate in the first quarter of the year would add additional and unsustainable costs on businesses, particularly in those sectors where low-pay is most prevalent (i.e. retail, restaurants and hospitality), at their worst period of the year (post-Christmas, low retail spending and low-season for the hospitality sector).

The recommendations are not supported by three members of the Commission, being those members selected for their understanding of the interests of employees living on the minimum wage and the sectors where low pay and minimum wage workers are concentrated. These members have set out their reservations in two separate statements.[1]

[1] These statements are available on the Commission's website at www.lowpaycommission.ie.

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."*

The legislation requires the Commission in making a recommendation to the Minister on the National Minimum Wage (NMW) to have regard to a number of factors since the most recent making of a National Minimum Wage Order. The last order in relation to the minimum wage took effect from 1 July 2011.

Our remit, and the legislation, also 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 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 8 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 his or her appointment. 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.

The current Commissioners are:

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, Lecturer in Economics, Programme Director for Postgraduate Research, Department of Accountancy and Economics, Waterford Institute of Technology

Tom Noonan, Chief Executive, 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,

Maeve White, Administrative Officer.

The Work of the Commission

The timeframe afforded to the Commission for the completion of its first report was extremely short, particularly in the light of the fact that the Commission was newly established at the end of February 2015, and the Secretariat was not fully staffed. With its first report due by mid-July, the Commission considered that, given the requirements imposed under Government procurement rules, it would not be possible within this deadline to commission targeted research studies where there are gaps in the data available to it.

Meetings

The Commission met on seven occasions 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 Galway 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.

Here again, however, the short timescale did not allow the Commission to meet with a number of parties who had expressed an interest in meeting directly with the members of the Commission to discuss their concerns relating to the minimum wage and low pay. However, the Commission will address this situation in the coming months.

Acknowledgements

We wish to acknowledge the contribution of Dr Micheál Collins of the Nevin Economic Research Institute (NERI) in providing the Commission with access to work and data prior to publication.

We also are very grateful to Mr David Norgrove, Chairman of the UK Low Pay Commission for his advice and assistance which is greatly appreciated.

We also wish to thank the Secretary to the Commission Máire Ní Chuirc and Maeve White. It would not have been possible to complete this report within the time available without their diligence and hard work.

Chapter 2: 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. Under the legislation we are required to examine changes since the minimum wage was last set, that is 1 July, 2011.

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, ECB and Revenue Commissioners. During our work 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. This is an issue that we will address during the course of our work over the coming three years.

Macro-economic Situation

The Domestic Economy

According to data from the Central Statistics Office (CSO) the Irish economy continues to improve. Gross Domestic Product (GDP) increased in volume terms by 4.8 per cent in 2014 following growth of just 0.2 per cent in 2013. In Gross National Product (GNP) terms, the economy grew by 3.3 per cent in 2013 followed by strong growth of 5.2 per cent in 2014. Exports have been the main driver of growth in the recovery of the economy.

All the indications are that the strong recovery in economic growth experienced last year is continuing in 2015. In its most recent Quarterly Economic Commentary (Summer 2015) the Economic and Social Research Institute (ESRI) forecasts that the Irish economy is likely to achieve significant growth in GDP of 4.4 per cent in 2015 and 3.7 per cent in 2016. GNP is also forecast to grow strongly by 4.2 per cent in 2015 followed by growth of 3.6 per cent in 2016. This growth is increasingly being driven by a recovery in domestic demand as well as exports.

The expected increase in domestic demand is supported by continuing growth in employment and incomes. Sentiment indicators are positive for both consumers and businesses, potentially supporting stronger consumption and investment growth. Tax receipts are growing strongly this year with income tax receipts 6.1 per cent higher for the first six months of 2015 than in the same period of 2014. VAT receipts for the six months to end-June 2015 were up 7.9 per cent on the corresponding period in 2014 reflecting continuing growth in economic activity.

Job creation continued into 2015 with employment growth of 2.2 per cent year-on-year in the first quarter of 2015. More full-time jobs are being created and the number of people reporting

as underemployed has fallen. Compensation of employees rose by 5.5 per cent in 2014 (3.8 per cent per employee). This reflects a rise in full-time employment and higher working hours. Returns for pay related social insurance (PRSI) confirm the positive trends in the Irish labour market.

However, while the labour market is improving unemployment is still a serious problem in the Irish economy. Using CSO data, the seasonally adjusted unemployment rate for June 2015 was 9.7 per cent, down from 11.4 per cent in June 2014 and is now at its lowest rate since January 2009. The number of persons unemployed was 208,100 in June 2015 or a decrease of 35,900 when compared to June 2014. However, youth unemployment remains high with the number of young people (aged 15-24 years) unemployed on a seasonally adjusted basis at 46,700 in June 2015.

While the most recent economic analysis from both the Central Bank of Ireland and the ESRI points to a marked improvement in the performance of the Irish economy they also highlight some issues facing the Irish economy. These include: high unemployment; elevated levels of both private sector debt and public sector debt; a banking system with a large amount of impaired loans and a low level of new lending. The Central Bank suggests that such high debt levels leave the Irish economy and its financial system vulnerable to interest rate shocks.

The International Economy

Trends in international markets during the first quarter of 2015 have been mixed. Economic growth in two of Ireland's main export markets, the U.K and the US, has been weaker than expected. Furthermore, the Central Bank and the ESRI in their most recent economic commentaries point to external economic and macro-financial risks for the Irish economy which are broadly on the downside. Many of the challenges facing the economy which have been identified are legacy issues from the crisis. These include: high unemployment rates, relatively weak euro area growth, uncertainty at this time regarding the situation in Greece, international geopolitical tensions and the effects of the European Central Bank's (ECB) monetary policy.

In summary, there are uncertainties in the external environment arising from the economic situation in Greece, weak growth in our main export markets and also in relation to the relationship between the United Kingdom and the European Union. On the domestic front, while there has been a significant improvement in the public finances, public and private debt levels are still high. While the labour market is improving, long-term unemployment remains a serious problem and SME access to finance remains heavily reliant on bank lending which remains weak. However, the Irish economy grew strongly in real terms in 2014 and is moving close to its long-run potential output growth rate.

Changes in Earnings

The changes in earnings since the first quarter of 2011 are set out in **Table 1**. These data are for all sectors excluding agriculture.

Table 1 Changes in Earnings 2011-2015

Earnings	2011 Q1			2015 Q1			Change %		
	Average Earnings		Averag	Average Earnings		Averag			
Sector	per week	per hour	e Hours	per week	per hour	e Hours			
Industry	808.26	22.10	36.6	851.97	22.56	37.8	0.0	2.1	3.3
Construction	665.27	18.97	35.1	686.61	19.02	36.1	3.2	0.3	2.8
Wholesale & Retail	495.11	16.60	29.8	528.77	17.78	29.7	6.8	7.1	-0.3
Transport & Storage	713.24	19.71	36.2	730.33	20.59	35.5	2.4	4.5	-1.9
Accomodation & Food	302.92	12.37	24.5	308.98	12.28	25.2	2.0	-0.7	2.9
Information & Communication	952.16	26.93	35.4	1097.48	30.51	36.0	15.3	13.3	1.7
Financial, Insurance & Real Esta	1031.49	30.92	33.4	1059.44	31.49	33.6	2.7	1.8	0.6
Professional,S & T	740.88	24.08	30.8	802.98	24.68	32.5	8.4	2.5	5.5
Admin & Support Services	490.84	16.81	29.2	498.94	17.33	28.8	1.7	3.1	-1.4
Public Admin & Defence	889.48	26.30	33.8	931.52	25.69	36.3	4.7	-2.3	7.4
Education	831.49	35.96	23.1	794.46	33.79	23.5	-4.5	-6.0	1.7
Human Health & Social Work	717.64	23.56	30.5	666.37	22.08	30.2	-7.1	-6.3	-1.0
Arts etc	420.31	15.73	26.7	478.12	17.50	27.3	13.8	11.3	2.2
All sectors	686.58	22.22	30.9	696.03	22.23	31.3	1.4	0.0	1.3
Private	610.56	19.76	30.9	634.55	20.41	31.1	3.9	3.3	0.6
Public	893.82	28.90	30.9	904.19	28.19	32.1	1.2	-2.5	3.9
Employees									
Less than 50	519.82	17.53	29.6	545.45	18.25	29.9	4.9	4.1	1.0
50-250	643.39	20.28	31.7	631.39	20.16	31.3	-1.9	-0.6	-1.3
250+	821.41	26.05	31.5	829.31	25.66	32.3	1.0	-1.5	2.5

Source: CSO

Average earnings per hour have increased by 3.3 per cent in the private sector, compared with a decrease of 2.5 per cent in the public sector. Hourly earnings have increased in all sectors except accommodation and food, public administration and defence, education and human health and social work. Wholesale and retail, one of the sectors with the second highest percentage of workers on minimum wage, shows a 7.1 per cent increase in hourly earnings.

The changes in the average hours worked in the various sectors are of a smaller magnitude than the percentage changes in pay, with the largest change being an increase of 7.4 per cent in the hours worked in public administration and defence. The largest increase in the private sector was 5.5 per cent in the Professional, Science and Technology area. Just four sectors show a reduction in the average number of hours worked, the most significant being a 1.9 per cent reduction in transport and storage.

Average hourly earnings increased in small enterprises (employing less than 50 employees) while both medium and large enterprises saw marginal falls in average hourly earnings.

In the context of the agricultural sector (the earnings here are not collected by the CSO but are estimated by Teagasc) **Table 2** shows that while there was a sharp decrease in the average wages for agricultural workers in 2010, by 2013 they had increased to pre-2007 levels.

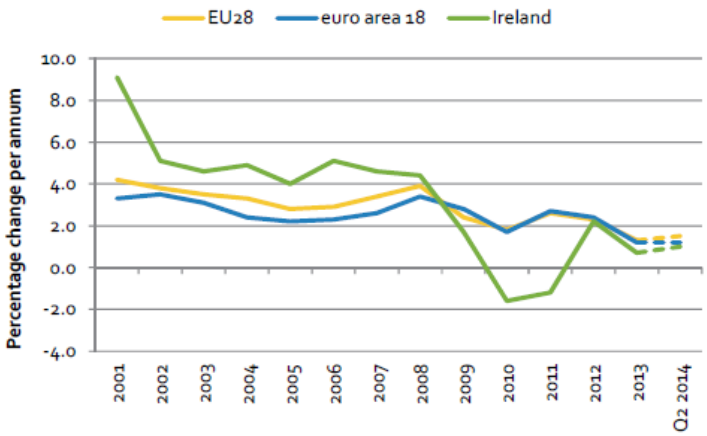
Table 2 Average Hourly Earnings in the Agricultural Sector

Average Hourly Earnings in the Agricultural Sector							
	2007	2008	2009	2010	2011	2012	2013
Annualised Amount per Lab. Unit	€20,440.00	€22,220.00	€17,667.00	€20,783.00	€18,663.00	€20,789.00	€20,089.00
Rate per Hour / 1800 hrs per year	€11.36	€12.34	€9.81	€11.55	€10.37	€11.55	€11.16
3 yr rolling average Annualised Amount	€20,109.00	€20,109.00	€20,223.00	€19,038.00	€20,078.00	€19,847.00	€20,439.00
3 yr rolling average per hour	€11.17	€11.17	€11.24	€10.58	€11.15	€11.03	€11.35
Source: Teagasc							

Labour Costs

Figure 1 gives per annum change in total labour costs in Ireland between 2001 and 2014. Labour costs include wages and salaries, employer-paid statutory plans, and other employee benefits. For comparison the corresponding data for the EU28 and the Euro area data are also given. The data indicate that having fallen in 2010 and 2011 labour costs rose in 2012, and following a slight fall in 2013 are again rising (although growth rates are below the EU and Euro area averages).

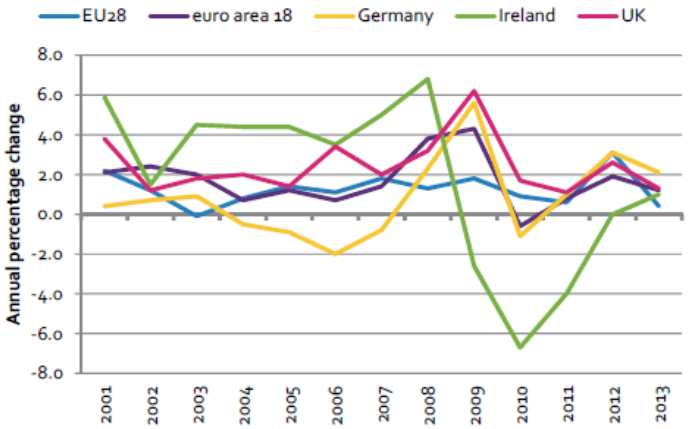
Figure 1 Growth in Total Labour Costs 2001-2014



(Source: Eurostat/National Competitiveness Council's *Costs of Doing Business in Ireland 2015.)*

Figure 2 shows the annual change in nominal unit labour costs (ULC) for 2001 to 2013 for a number of countries. Once again we observe significant reductions in Ireland as against increases across much of the euro area, representing a competitiveness gain for Ireland. The period 2011 to 2013 shows Irish ULC growth converging towards the euro area average in particular, although remaining below the likes of UK and Germany.

Figure 2 Annual Change in Nominal Unit Labour Costs 2001-2013



(Source: Eurostat/National Competitiveness Council's *Costs of Doing Business in Ireland 2015.)*

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, both of which currencies have strengthened considerably against the Euro over the last 6 months. Details on the exchange rates are shown in **Table 3**.

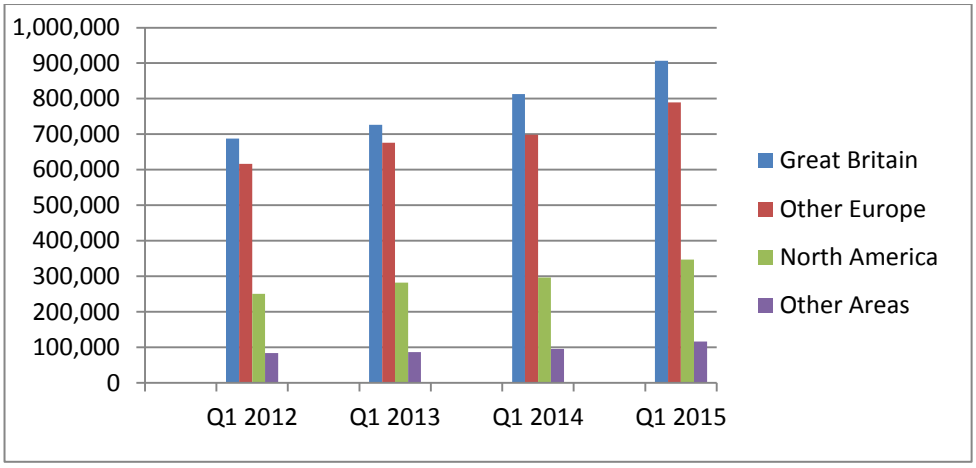
Table 3 Euro/Sterling and Euro/Dollar Exchange Rates[2]

Euro Exchange Rates		
	US $	**GBP £**
01/07/2011	1.4488	0.905
31/12/2014	1.2141	0.7789
Change %	-16%	-14%
01/07/2015	1.11	0.7905
Change %	-23%	-22%

The value of the euro has fallen against both the US dollar and the pound sterling, by 23 per cent and 22 per cent respectively (with a significant proportion of the fall in the first quarter of 2015).

There has already been some positive impact in the tourism/hospitality sector from the current exchange rates, with growth in this area evident across the country. **Figure 3** shows tourist numbers from 2012 to 2015 by source country. In the year to end May, 2015, visitors have increased 17 per cent from the US and 12 per cent from the UK.

Figure 3 Tourist Numbers 2012-2015



Source: CSO June 2015

The volatility in exchange rates results in a vulnerability for firms exposed to cross border and international trade. While recent exchange rate developments are positive from a competitiveness perspective, it should not be assumed that these will continue indefinitely.

[2] https://www.ecb.europa.eu/stats/exchange/eurofxref/html/eurofxref-graph-gbp.en.html
https://www.ecb.europa.eu/stats/exchange/eurofxref/html/eurofxref-graph-usd.en.html

The Republic of Ireland's border with Northern Ireland can present both challenges and opportunities, depending on the status of the euro against sterling at any particular point in time. At the time of writing, south of the Border is benefiting from the weakness of the euro. However, history has shown that this exchange rate relationship is not a constant and one does not have to look back too far in time to remember the huge drain that was experienced by the Irish economy when the British pound was considerably weaker than it is now. This illustrates the danger of assuming that the current exchange rate scenario will continue to benefit the Irish economy indefinitely.

Competitiveness

The Global Competitiveness Report 2014-15 ranked Ireland as the 25th most competitive economy in the world (up from our ranking of 28th the previous year). The UK was ranked in 9th position. Ireland was the 10th most competitive economy in the EU. Among the areas that could lead to an improvement in Ireland's position are improving the Government budget balance (132nd) and reducing Government debt (137th), increasing internet penetration in schools (36th), reducing the effect of tax on work incentives (93rd), increasing the soundness of banks (139th), improving access to loans (117th) and improving Government procurement of advanced technology (62nd). On pay and productivity Ireland was ranked at number 28 but was ranked 93rd for the effect of taxation on incentives to work.

Income Distribution and Income Inequality

The Annual Survey of Income and Living Conditions carried out by the CSO is the main source of information on income distribution. Summary statistics are provided in Table 4.

Table 4 Summary of Income Distribution (EU Survey of Income and Living Conditions)

Table A Summary of main results							
	2008	2009	2010	2011	2012	2013	% change
Income	€	€	€	€	€	€	2013/2011
Nominal Income - Equivalised disposable income per individual							
Median	20,758	20,107	18,591	18,148	17,702	17,551	-3.3
Mean	24,380	23,326	22,138	21,440	20,856	21,106	-1.6
At risk of poverty threshold							
(60% of median income)	12,455	12,064	11,155	10,889	10,621	10,531	-3.3
Real Income[1] - Equivalised disposable income per individual							
Median	20,681	20,107	19,273	18,555	17,702	17,374	-6.4
Mean	24,290	23,326	22,950	21,920	20,856	20,893	-4.7
At risk of poverty threshold							
(60% of median income)	12,409	12,064	11,564	11,133	10,621	10,425	-6.4
Poverty & deprivation rates (%)							
At risk of poverty rate	14.4	14.1	14.7	16	16.5	15.2	-5.0
Deprivation rate[2]	13.7	17.1	22.6	24.5	26.9	30.5	24.5
Consistent poverty rate	4.2	5.5	6.3	6.9	7.7	8.2	18.8
Income equality indicators							
Gini coefficient (%)	30.6	29.3	31.4	31.1	31.2	31.3	0.6
Income quintile share ratio	4.5	4.3	4.8	4.9	5	4.8	-2.0

[3] & [4]

While the pre-tax and transfer distribution of income in Ireland is one of the most unequal in the OECD, our tax and transfer system is one of the most progressive[5]. As a result, the post-tax and transfer distribution of income is around the OECD average.[6]

[3] Deflator base year 2012
[4] Experienced two or more types of enforced deprivation (see Appendix 1 for full definitions).
[5] According to OECD data for 2013 the Irish income tax system is one of the most progressive in the world, as measured by the OECD metric of comparing the ratio of the tax wedge of a single individual at 166 per cent of the average wage with an individual at 66 per cent of the average wage. Using this approach Ireland's progressivity score of 190 per cent was the second highest in the OECD after Israel. (*The Economic and Social Review, Vol. 44, No. 4, Winter, 2013, pp. 511–540)*
[6] http://stats.oecd.org/index.aspx?queryid=66670

Tables 5 and 6 look at the distribution of total income[7] by tax cases[8] (latest available data is 2013).

Table 5 Distribution of Total Income Cases

Distribution of Total Income Cases (Number by Range of Total Income)					
All Persons	**2007**	**2011**	**2013**	**Change 2007 to 2011**	**Change 2011 to 2013**
0 to 17,000	761,367	629,139	671,578	-17.37	6.75
17,000 to 50,000	1,116,141	985,236	1,006,420	-11.73	2.15
50,000 to 100,000	379,779	343,984	368,652	-9.43	7.17
100,000 to 150,000	67,588	58,356	64,231	-13.66	10.07
150,000 to 200,000	18,326	15,753	17,490	-14.04	11.03
200,000 to 275,000	10,172	8,474	9,286	-16.69	9.58
over 275,000	12,075	8,675	9,191	-28.16	5.95
All ranges	2,365,448	2,049,617	2,146,848	-13.35	4.74

Source: Revenue Commissioners

Table 6 shows that those earning less than €17,000 were 31.3 per cent of the total, but earned just 6.9 per cent of the total income in 2013, marginally down on 2007. However the proportion of tax paid by this group was 0.3 per cent. This compares with a figure of 42.9 per cent of tax paid by the top earners (4.6 per cent earning over €100,000), with 22 per cent of the total income for tax purposes.

Table 6 Distribution of Total Income and Tax Paid

Distribution of Total Income and Tax Paid						
All Persons	**2007**			**2013**		
	% of Cases	**% of Income**	**% of Tax**	**% of Cases**	**% of Income**	**% of Tax**
0 to 17,000	32.2	7.10	0.17	31.3	6.88	0.28
17,000 to 50,000	47.2	39.28	19.45	46.9	39.36	19.99
50,000 to 100,000	16.1	29.66	35.06	17.2	31.54	36.84
100,000 to 150,000	2.9	9.27	15.55	3.0	9.66	16.12
150,000 to 200,000	0.8	3.60	6.91	0.8	3.78	7.21
200,000 to 275,000	0.4	2.72	5.45	0.4	2.72	5.66
over 275,000	0.5	8.37	17.42	0.4	6.08	13.89
All ranges	100	100	100	100	100	100

Source: Revenue Commissioners

[7] *"Total" income* is the total income of taxpayers from all sources as estimated in accordance with the provisions of the Income Tax Acts. It is net of such items as capital allowances, allowable interest which is not subject to relief at the standard rate, losses, allowable expenses, retirement annuities and superannuation contributions. For the purposes of the exemption limits, interest allowable for tax purposes is a deduction in computing total income. Declared interest income received by individuals and any income such as distributions (i.e. dividends plus tax credits) received is included. Benefits-in-kind are also included to the extent that they are chargeable to income tax.

[8] The number of cases reflects the number of tax units. A married couple (or civil partners since 2011) who have elected or have been deemed to have elected for joint assessment are counted as one tax unit.

By deduction, those earning between €17,000 and €100,000 (64.1 per cent) paid 56.8 per cent of the total tax deducted.

Since 2007, the number of people earning over €275,000 experienced the largest reduction, followed by those earning less than €17,000. All categories experienced a moderate increase from 2011 to 2012. Those earning between €100,000 and €150,000 experienced the highest increase in numbers, followed by those earning between €200,000 and €275,000.

Employment and Unemployment

- The overall seasonally adjusted unemployment rate has decreased from a peak of 15.2 per cent at the start of 2012 to 9.7 per cent in June 2015. The unemployment rate for males was 10.8 per cent in June 2015, down from 13.0 per cent in June 2014.

- The seasonally adjusted unemployment rate for females in June 2015 was 8.3 per cent, unchanged from May 2015 and down from the 9.3 per cent figure recorded in June 2014.

Table 7 shows the recovery that is underway in the labour market. There has been a 4.76 per cent growth in employment in the first quarter of 2015 compared to the first quarter of 2011. The number of workers in full-time employment increased by 6.26 per cent, while those in part-time employment where the employee does not consider themselves to be under-employed[9] increased by 3.7 per cent. Correspondingly, there was a significant reduction of 9.25 per cent in the number of part-time employees who are deemed to be underemployed.

Table 7 Persons Aged 15 Years and Over (Thousand) by Principal Economic Status

At work (both sexes)	2011Q1	2015Q1	Difference
In employment	1,841.80	1,929.50	4.76%
In employment full-time	1,401.80	1,489.60	6.26%
In employment part-time	440.0	439.9	-0.02%
In employment part-time - not underemployed	313.5	325.1	3.70%
In employment part-time - underemployed	126.5	114.8	-9.25%

While there have been obvious and welcome gains, there is clearly a need to continue to increase employment in Ireland.

[9] The calculation of part-time underemployment is based on ILO and Eurostat recommendations and uses the following criteria to derive underemployment: 1. Working part-time; 2. Willing to work additional hours; 3. Available to work additional hours

Productivity

At a national level, labour productivity, measured as GDP per worker, will rise if GDP increases faster than employment.

Table 8 puts the Irish productivity performance in an international context. In 2013 Irish labour productivity decreased by 2.1 per cent compared to an increase of 0.7 per cent in the euro area.

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

	Average 1987-1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Australia	1.6	3.5	2.0	0.7	1.4	1.8	1.0	2.0	-0.1	0.1	1.6	-0.3	0.9	0.2	0.8	2.4	1.3	2.0	1.3	1.3
Austria	2.2	2.4	1.9	2.7	0.7	1.6	0.1	1.9	1.1	1.8	1.7	-0.5	-2.9	0.9	1.4	-0.3	-0.5	-0.6	0.6	0.6
Belgium	1.9	0.3	2.3	1.5	-0.5	1.8	1.0	2.4	0.5	1.5	1.3	-0.8	-2.4	1.8	0.2	-0.2	0.5	0.6	0.7	0.8
Canada	1.1	1.6	2.4	2.6	0.5	0.4	-0.4	1.4	1.9	0.9	-0.4	-0.5	-1.2	2.0	1.4	0.8	0.7	1.6	1.3	1.3
Chile	4.7	2.0	0.8	3.4	2.1	0.8	-0.1	4.1	2.3	4.0	2.4	0.3	-0.4	-2.0	0.6	3.5	2.0	0.6	2.8	2.8
Czech Republic	..	1.5	3.5	5.5	3.3	0.9	4.4	5.0	4.5	5.6	3.4	0.4	-2.9	3.2	2.3	-1.1	-1.1	2.1	2.1	2.1
Denmark	2.0	0.8	2.2	3.0	-0.1	0.4	1.3	3.2	1.0	1.6	-1.4	-1.8	-2.2	4.0	1.4	-0.5	-0.3	-0.1	0.8	1.0
Estonia	..	8.9	4.3	11.6	5.3	4.8	6.0	6.5	7.3	5.0	7.1	-5.6	-5.0	7.9	1.7	2.9	0.4	1.9	1.9	3.1
Finland	3.1	3.5	1.9	3.4	1.1	0.6	1.9	3.3	1.2	2.2	3.0	-1.5	-6.0	3.7	1.3	-2.3	0.3	0.3	1.1	1.2
France	1.7	1.8	0.9	1.5	0.5	0.7	0.8	2.4	0.9	1.5	0.9	-0.4	-1.7	1.8	1.4	0.3	0.6	0.4	0.6	0.8
Germany	2.0	0.5	0.2	0.9	2.1	0.5	0.4	0.4	0.9	3.1	1.6	-0.5	-5.7	3.6	2.3	-0.5	-0.4	0.8	0.9	1.6
Greece	1.5	-0.3	2.6	2.8	3.5	0.9	5.3	2.4	-1.8	3.8	1.9	-1.6	-3.8	-2.8	-3.4	1.9	0.1	0.6	0.8	0.9
Hungary	..	2.6	0.5	3.2	3.9	4.6	3.8	5.8	4.6	3.5	-0.2	2.7	-4.2	0.0	1.5	-1.5	1.1	0.3	1.7	1.6
Iceland	1.3	2.2	0.5	2.7	2.0	1.9	2.6	8.7	2.6	-0.8	5.0	0.2	1.1	-2.6	2.1	0.1	0.0	0.8	0.8	0.6
Ireland	3.9	0.1	3.5	4.8	2.1	4.2	1.1	1.2	0.8	0.8	0.5	-2.1	1.6	3.9	4.6	0.3	-2.1	2.7	1.6	1.9
Israel	..	0.6	0.2	5.3	-1.4	-0.6	0.2	2.8	0.6	2.3	1.8	0.4	-0.6	2.7	1.1	-1.0	0.5	-0.3	1.0	0.9
Italy	1.8	0.6	0.5	1.7	-0.2	-1.4	-1.3	1.0	0.4	0.0	0.2	-1.3	-3.9	2.4	0.3	-2.1	0.0	0.0	0.1	0.8
Japan	1.9	-1.4	0.6	2.5	0.9	1.6	1.9	2.2	0.9	1.2	1.6	-0.8	-4.1	4.9	-0.3	1.8	0.9	-0.2	1.0	1.4
Korea	5.2	0.3	8.8	4.3	2.5	4.6	3.1	2.8	2.6	3.8	4.2	2.2	1.0	5.1	1.9	0.5	1.4	1.5	2.1	2.7
Luxembourg	2.0	1.9	3.3	2.7	-3.5	0.4	-0.6	2.5	1.3	1.0	1.9	-4.1	-6.3	3.3	-0.3	-2.5	0.0	0.9	-0.1	0.2
Mexico	..	2.0	1.5	2.7	-0.6	-2.1	0.6	0.5	2.6	1.5	1.4	-1.1	-3.4	-2.8	3.4	-0.7	0.7	1.7	1.6	1.9
Netherlands	1.1	1.8	1.6	2.6	-0.2	-0.7	0.9	2.8	1.7	1.7	1.2	0.4	-2.5	1.7	0.9	-1.2	0.6	1.2	0.9	0.7
New Zealand	2.1	-1.6	1.6	4.2	-0.5	1.8	1.6	1.1	-1.6	0.0	2.3	-3.0	1.8	0.5	-0.2	2.8	-0.3	0.0	1.0	1.2
Norway	2.8	0.0	1.1	2.7	1.6	1.1	2.2	3.5	1.3	-1.1	-1.4	-3.1	-1.2	1.0	-0.3	0.7	-0.6	0.4	1.0	1.4
Poland	..	3.7	8.7	6.2	3.6	4.5	4.8	3.9	1.3	2.9	2.7	0.1	2.3	3.2	4.2	1.6	1.7	1.9	2.6	3.2
Portugal	2.1	1.9	2.5	1.7	0.1	0.2	-0.3	1.9	1.1	1.0	2.5	-0.3	-0.4	3.5	-0.3	1.0	1.5	-1.0	0.4	0.9
Slovak Republic	..	4.5	2.4	3.2	2.7	4.6	4.3	5.5	4.8	6.1	8.4	2.2	-3.4	6.4	0.9	1.6	2.2	1.5	2.2	2.9
Slovenia	..	3.4	3.7	2.6	2.4	2.3	3.1	4.0	4.5	4.0	3.5	0.7	-6.1	3.5	2.3	-1.8	0.5	2.3	1.7	1.7
Spain	1.3	-0.2	-0.1	0.2	0.7	0.4	0.0	-0.4	-0.4	0.2	0.7	1.2	3.1	2.3	1.3	2.2	1.8	0.3	0.4	0.5
Sweden	2.3	2.4	2.1	2.4	-0.4	2.0	3.1	4.6	2.5	3.2	1.2	-1.6	-2.8	4.7	0.6	-0.7	0.5	0.6	1.1	1.7
Switzerland	0.7	1.6	0.9	2.9	-0.2	-0.6	0.4	2.6	2.3	1.9	1.5	-0.1	-2.6	2.4	-0.6	-0.4	0.6	0.1	0.2	1.2
Turkey	2.3	0.4	-4.5	9.0	-5.7	6.5	6.1	7.3	6.1	5.1	3.2	-1.1	-5.1	3.0	2.5	-1.0	1.2	-1.5	1.7	1.9
United Kingdom	1.7	2.5	1.7	2.6	1.8	1.6	3.3	1.3	1.7	2.0	1.7	-1.2	-2.8	1.7	1.1	-0.4	0.6	0.7	1.3	1.4
United States	1.3	2.1	2.6	2.4	1.1	3.0	2.8	2.7	1.7	0.9	0.9	0.4	1.5	3.2	0.6	0.7	0.8	0.5	1.5	1.9
Euro area	1.8	1.0	0.8	1.5	1.0	0.3	0.4	1.3	0.7	1.7	1.3	-0.4	-2.7	2.5	1.2	-0.2	0.3	0.5	0.7	1.1
Total OECD	1.9	1.3	1.8	2.7	0.8	1.7	1.9	2.3	1.6	1.7	1.4	-0.2	-1.4	2.5	1.2	0.4	0.7	0.6	1.3	1.6

Note: Labour productivity measured as GDP per person employed.
Source: OECD Economic Outlook 96 database.

Table 9 shows productivity levels in Ireland increasing from 2008 through to 2011, with a marginal decline in 2012 ahead of a more substantial drop in 2013. This has reversed in 2014 bringing us again close to the 2011 level.

Table 9 Productivity in Ireland 2007-2014[10]

Productivity in Ireland over the period 2007 to 2014							
	2008	2009	2010	2011	2012	2013	2014
Number in Employment	2,084	1,921	1,857	1,848	1,849	1,910	1,939
GDP (€ '000)	180,593	169,088	168,622	173,297	172,755	173,054	181,333
Productivity	86.68	88.00	90.79	93.79	93.44	90.61	93.52

Source: CSO National Income - Annual Data

The downturn in the economic cycle has affected Ireland's productivity trends in a number of guises.

Firstly, structural changes in the labour force – or the economic cycle more generally – can have an effect on measured productivity levels. This is particularly relevant for understanding the apparent improvement in Ireland's productivity since 2008. From 2007 to 2011 the total hours worked in the Irish economy fell by nearly 17 percent, while output declined by 9 percent, thereby realising a productivity gain.

Secondly, at a sectoral level, the fall in employment (and thus hours worked) in the labour intensive and relatively low productivity construction sector will have affected the aggregate productivity figures, particularly over the 2008-2010 period when significant hours worked in construction were shed. Previously the sector accounted for 16 percent of total hours worked in the economy; this had fallen to about 6 percent by 2011.

Prices

We use the Harmonised Index of Consumer Prices (HICP[11]) as a measure of inflation because we believe that it more accurately reflects the inflation experience of those on low pay. The increase in prices to May, 2015 from July 2011 was 3.3 per cent (110.0 v 106.5) and 4.1 per cent from July 2007 (110.0 v 105.7).

[10] Note: GDP at constant market prices chain-linked annually and referenced to 2012

[11] 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

Chapter 3: The Likely Effect of a Change in the Minimum Wage

In this Chapter as we are required to do by the National Minimum Wage (Low Pay Commission) Act, 2015, we discuss the evidence on the likely effects of the Minimum Wage on the levels of employment and unemployment, the cost of living and national competitiveness. While it is not possible to be definitive, we conclude, based on the literature review, that the effect of a moderate incremental adjustment in the National Minimum Wage is unlikely to be significantly adverse.

International Evidence on the Labour Market Effects of Minimum Wage

Brown et al. (1982) provide a summary of the early research on the economic effect of minimum wages. Their survey of empirical work on minimum wages focuses heavily on US research and summarised the prevailing view of the time. These results suggested a ten percent increase in the minimum wage reduced teenage employment by 1-3 percent. The effect on adults while negative was smaller in absolute terms. However, since this original survey there has been a large body of new research some of which challenges the conventional findings. Neumark and Wascher (2007) date the origins of the new minimum wage research to November 1991, when the ILR-Cornell Institute for Labor Market Policies and Princeton University hosted the "New Minimum Wage Research Conference," during which a series of new studies on the economics effects of minimum wages were presented. The most notable of these was a series of studies by Card and Krueger (1994, 1997). Contrary to the textbook model of the minimum wage, they find no evidence that increases in the state minimum wage in New Jersey reduced employment at fast-food restaurants in the state. This original analysis was the subject of a number of replication studies and an often heated debate (e.g. Neumark and Wascher, 2000 and Card and Krueger, 2000). These conflicting views are still evident in the most recent US research on minimum wage which focuses on the impact of minimum wage on employment growth rather than employment levels (Schmitt 2014, Meer and West (2015)) and also in discussions of recent proposals to increase the US federal minimum wage (O'Neill 2014)).

One must be careful in extrapolating the findings of research from the US to other countries; in absolute terms, the US minimum wage is among the lowest of any of the developed countries. However, large differences in the absolute level of the minimum wage may not necessarily translate into similar differences in the extent to which the minimum wage is binding. Work by the Bureau of Labor Statistics (BLS (2014)) reported that 4.3% of all hourly paid workers in the US were paid at or below the federal minimum wage in 2013. This is similar to the proportion of workers affected by the minimum wage in New Zealand and Australia, despite the fact that the minimum wage rate is much higher in these countries (OECD 2015).

Given these concerns it is important to consider research from other countries. Since 1990 there has been a substantial body of research on the economic effects of the minimum wage in the U.K. The early work in the UK focussed on the system of Wages Councils. The U.K Wages Council originated from the Trade boards established in 1909. The Councils set wage standards for some (typically low wage) sectors of the economy, such as catering and retailing. By the early 1960s there were 60 councils, covering 3.5million workers. These Wages Councils were reformed in 1986 and subsequently abolished in 1993 (Dickens et al 1993). Research on the impact of Wages Council has looked at their effects on employment levels, both while in operation and subsequent to their abolition. Neither approach has found significant evidence of a link between minimum wages and employment. Machin and Manning (1994) and Dickens, Machin and Manning (1999) reported small, positive employment effects using data from the mid-1970s to early 1990s, while Dickens and Manning (1995) reported no rise in employment in the Wages Council industries (relative to non-Wages Council industries) after their abolition 1993.

More recent research has looked directly at the impact of the National Minimum Wage which was introduced in the UK in 1999. Stewart (2004) used individual panel data to examine the employment effects of the introduction of the national minimum wage in 1999, and its subsequent upratings in 2000 and 2001. He compared employment outcomes of individuals affected by the upratings with those higher up the wage distribution and found no adverse employment effects of the introduction or uprating of the minimum wage in Britain for any of the demographic groups considered. Dolton, Rosazza Bondibene and Wadsworth (2012) exploited regional variation in the bite[12] of the minimum wage across the UK over time to identify the impact of the minimum wage on inequality and employment. They found that the increased bite in the minimum wage is associated with lower inequality, but that the effects on employment were broadly neutral. The absence of negative employment effects is also evident in more recent work using time-series analysis of industries (Dickens and Dolton (2011)).

In addition to studies that have focused on employment at national or regional levels there have also been a number of case studies that have examined the impact of minimum wages in specific low wage sectors such as residential care homes (Machin, Manning and Rahman (2003), Draca, Machin and Van Reenen (2011) and Georgiadis (2013)). The findings based on this approach are consistent with the alternative approaches discussed above, finding only moderate employment effects, though Draca, Machin and Van Reenen (2011) report reductions in the profitability of care homes as a result of increases in the minimum wage.

While the evidence for adverse effects on employment levels is relatively weak there seems to be more evidence of adverse effects with regards to hours. Stewart and Swaffield (2004), Dickens, Riley and Wilkinson (2009 and 2012), Bryan, Salvatori and Taylor (2012), and Gregg and Papps (2014) all report reductions in hours as a result of the UK minimum wage, particularly among young workers, though neither Connolly and Gregory (2002) or Bryan, Salvatori and Taylor (2013) find strong hours effects.

[12] The bite is the proportion of median earnings represented by the minimum wage

In summarising this body of work the UK Low Pay Commission[13] concludes that that the UK National Minimum Wage has led to higher than average wage increases for the lowest paid, with little evidence of adverse effects on employment or the economy. Firms appear to have responded by : adjusting pay structures; reducing non-wage costs; making small reductions in hours; increasing productivity; increasing some prices; and some squeezing of profits (although insufficient to lead to an increase in business failure). Schmitt (2013) discusses these channels in more detail.

Research on the impact of minimum wages on employment for countries other than the U.S. and the U.K. is not as vast. Dolado et al. (1996) provide an early overview of studies of the effect of minimum wages on employment in several OECD countries. In their analysis the minimum wage is generally found to affect employment negatively, although the magnitude of the effect varies from country to country with the largest effect being found for younger workers (see also OECD 2006).

There have been a number of recent attempts to summarise this body of work. Neumark and Wascher (2007) carried out a qualitative review of the new international research on minimum wages and conclude "[that] in our view, the preponderance of the evidence points to dis-employment effects". However, their overview was largely subjective and in a number of cases relied on personal judgment when assessing the relative merits of particular studies. Doucouliagos and Stanley (2009) take a more formal statistical meta-analysis approach to look at over 60 studies published between 1972 and 2007 focusing on the impact of the minimum wage on teenage employment in the U.S. They conclude that the weight of evidence suggests "an insignificant employment effect (both practically and statistically) from minimum wage raises". Belman and Wolfson (2014) conducted a similar meta-analysis of US research looking at the impact of minimum wages on employment more generally, using studies published since 2000. They concluded that the effects are statistically detectible but small, even when restricting attention to the effect on either youth or the food and drink sector. The largest reliable meta-estimates of employment elasticities was about -0.07. The same general conclusion was reached by De Linde Leonard, Doucouliagos and Stanley (2013) looking at 16 UK studies, although they acknowledge the possibility of adverse employment effects in some sectors, particularly the residential home care industry. These formal summaries are also consistent with the conclusions reached by bodies such as the OECD. In a recent report (OECD 2015) they state that "empirical studies show that moderate MW increases have typically not caused significant job losses overall and there is some evidence that it may raise worker productivity instead. But employment of disadvantaged groups, such as young people, can suffer….Job losses are more likely when MW are high to start with, and when labour markets are already weak, e.g. after economic downturns.".

[13] National Minimum Wage, Low Pay Commission Report, 2015

Irish Evidence on the Labour Market Effects of Minimum Wage

Evidence on the impact of the Irish minimum wage on employment and other labour market outcomes is relatively scarce. O'Neill et al. (2006) evaluated the impact of the introduction of the minimum wage in 2000 on employment. To do so they analysed data for 1,064 establishments surveyed in the last quarter of 1998, approximately 12-14 months prior to the introduction of the legislation. These firms, along with additional firms were re-interviewed in the last quarter of 2000, approximately 8 months after the minimum wage was enforced. The panel survey contained detailed information on the employment structures and work practices of firms, as well as subjective questions relating to the company's attitude towards minimum wage laws. Comparing outcome changes of firms affected by the legislation with those not affected provided an estimate of the impact of the introduction of the minimum wage. Their analysis suggests that the minimum wage legislation had little effect on the probability of firms closing down. Furthermore, employment growth among firms with low-wage workers prior to the legislation was no different from that of firms not affected by the law. However, when they adjusted their analysis to account for wage growth during this boom era they found evidence of a small negative employment effect for the small number of firms most severely affected by the legislation. Nolan et al. (2003, 2005) carried out further follow up surveys of these firms to assess the on-going impact of the minimum wage, and confirmed the findings of the original survey.

O'Neill (2004) discusses the characteristics of low wage firms and low wage workers in more detail as well using the original survey to consider the impact of the introduction of the minimum wage on outcomes other than employment. Firms were asked to state the effect of the legislation on a range of outcomes. Very few firms felt that the introduction of the minimum wage changed their operations in terms of the way work is organised, working hours, price increases, profit levels, the use of technology or other machinery or on spending on training. Few firms felt the minimum wage had any effect on worker morale, though among the minority who said there was some effect, most felt morale had improved, productivity had increased and industrial relations had improved. O'Neill (2004) also carried out a time-series analysis using employment data from the QNHS to examine the impact of the minimum wage by sector, focusing on the Retail sector and the Hotel Restaurant and Bar sector. The analysis uses time variation in the employment growth rate in the most affected sectors along with time variation in the minimum wage (in particular the minimum wage increase in July 2001) to identify the minimum wage affect. He found no evidence of a negative minimum wage effect; none of the minimum wage coefficients (current or lagged) were significant either individually or combined.

Hurley (2008) uses data from the National Employment Surveys from 2006 and 2007 to examine the employment effect of the rise in the Irish minimum wage from €7.65 to €8.65 over the course of 2007. She uses an approach similar to that adopted by Stewart (2004) for the UK. Her results provide a somewhat mixed picture but seem to imply overall that the 2007 NMW up ratings did not have a negative employment effect and may have increased hours

worked, especially for part-time workers. These individual based effects are reinforced when the analysis is repeated across employment sectors using the sectors most affected by the minimum wage to identify the effect. The absence of an effect with this approach is consistent with the results of O'Neill (2004). The only evidence of a negative employment effect occurs when regional variation in the minimum wage bite is used to identify effects. However, even in this specification the estimated negative effects are statistically insignificant.

When considering the impact of minimum wages on employment in Ireland it is important to emphasise that all these evaluations were carried out during a period of significant economic growth. Extrapolating these results to other periods may not be straightforward.

Finally Bargain et al. (2011) examine the impact of the minimum wage on the gender wage gap, comparing Ireland and the U.K. Since, as they note, women are disproportionately in low paid work, one would expect that they would benefit more from minimum wage policies. They apply statistical measures of discrimination to estimate the gender wage gap before and after the introduction of the NMW. Their analysis reveals differences between the UK and Ireland. While the NMW had almost no effect on the gender wage gap in the UK, it had a noticeably larger effect in Ireland. In Ireland, following the introduction of the national minimum wage of IR£4.40, there was approximately a 10 percentage point reduction in the difference between a woman's probability of being low-paid (below IR£5.00) compared to a man's probability.

Conclusion

While it is not possible to be definitive, based on our reading of the Irish and international evidence we conclude that moderate increases in the National Minimum Wage are unlikely to have a significantly adverse effect on employment (once they do not impact on employers' PRSI costs), though the position is less clear in relation to hours worked.

Effect on the Cost of Living

One channel by which firms may mitigate the impact of minimum wages on profits is by raising prices. While there has been a large body of work on the impact of minimum wage increases on employment, less is known about the impact on prices. Lemos (2008) summarises and critically evaluates the limited available evidence of the impact of minimum wages on prices. Despite the different approaches, summarised in the study, most studies she examined found that a 10% increase in the U.S. minimum wage raised overall prices by no more than 0.4%, although larger effects were found for specific items such as food. The relatively small effects of minimum wages on overall prices are consistent with more recent research that examines the pass through of labour costs to inflation. Peneva and Rudd (2015) use time series techniques to look at the pass through of labour costs to inflation using US data. Consistent with the summary of the minimum wage work by Lemos (2008), they find little evidence of changes in labour costs having a material effect on general price inflation.

In the Irish context the ESRI HERMES economic model[14] shows that a 1 per cent rise in wages leads to a rise of 0.2 per cent in the Consumer Price Index. Clearly an increase in the Minimum Wage which directly affects about 5 per cent of employees would have a fraction of this effect.

Much depends on how far up the income distribution this may occur ('spillover' effect). In their work on the introduction of NMW in Ireland O'Neill et al. (2006) asked firms "When the minimum wage was introduced did you have to increase the hourly rates of higher grade staff to maintain pay differentials?" Only 18% of all firms answered yes to this question, though the proportion was higher (30%) for firms who had minimum wage workers.

The international evidence on spillovers is somewhat mixed. Tuelings (2003) and Neumark Schweitzer and Wascher (2004) report large spillover effects for the United States. Neumark, Schweitzer and Wascher (2004) report that increases in the minimum wage could affect workers previously earning 30% above the minimum, with a 1% increase in the minimum wage leading to a .36% increase in the wages of these workers. Autor et al. (2015) also find some evidence that the effects of minimum wage in the US extends to wage percentiles where the minimum is nominally non-binding. However, given the data available they cannot reject the hypothesis that their estimated spillover effects are due to reporting errors. Neither Dickens and Manning (2004a, b) nor Stewart (2012) find any evidence of spillover effects from the introduction of the national minimum wage in the UK, while Stewart (2012) found significant effects only up to the 7th percentile of the wage distribution; specifically the introduction of the minimum wage in 1999 at £3.60 caused workers previously earning £3.84 to receive 1 penny more than they would have had the minimum wage not been introduced. Finally a recent US Congressional Budget Office "costing" of proposed increases to the US minimum wage (CBO 2014), assumes that spillover effects would probably extend up to workers earning an amount that was 50 percent larger than the proposed increase. The example provided for California for instance suggests that a state with a minimum wage of $10, considering raising the minimum wage to $10.10, might expect to see wages rise for workers earning up to $10.15 an hour. Of course larger increases will extend further up the distribution.

Conclusion

While one cannot be certain, our best judgement is that the impact of a moderate increase in the National Minimum Wage is unlikely to have a substantial effect on the cost of living, either directly or through spillovers.

[14] The Hermes-13 Macroeconomic Model of the Irish Economy, Bergin et al, ESRI Working Paper No 460, July, 2013.

Effect on Competitiveness

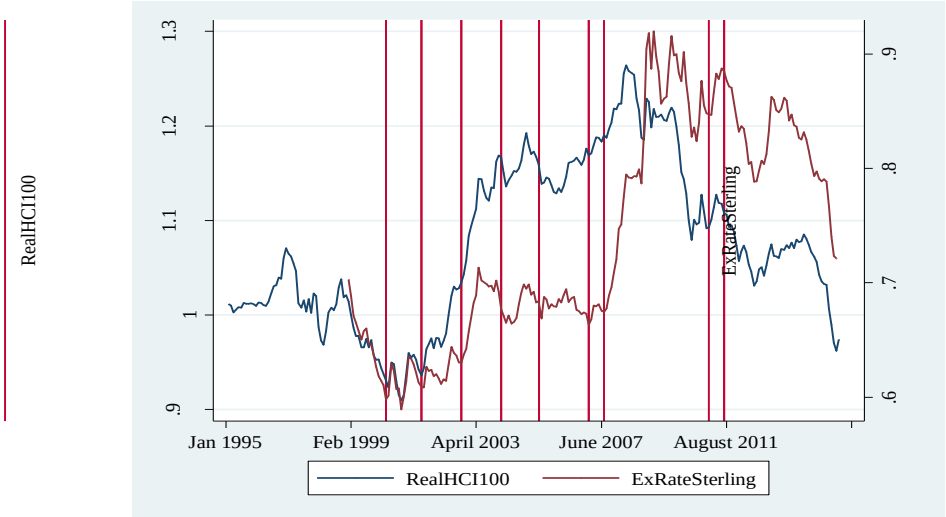
The National Minimum Wage is most prevalent in sectors such as hotels and restaurants, wholesale and retail, construction and other services. On the domestic front, the impact of an increase in the minimum wage without an appropriate adjustment in employer PRSI will disproportionately damage small employers relative to their larger competitors.

From a competitiveness perspective, exporting sectors (other than tourism) such as food and beverages, pharmaceuticals, medical devices, ICT and financial services are not generally impacted directly by the national minimum wage given relatively high average salaries in these sectors. The National Minimum Wage may, however, affect the broader costs of doing business as exporters source goods and services in the local economy.

The ESRI Hermes model indicates that the deterioration in competitiveness brought about by a 1 per cent increase in wages would have a marginal effect on GNP over the following 5 years. This suggests that the impact on international competitiveness of a moderate increase in the minimum wage would not be significant.

To examine the likely impact of minimum wage changes on competitiveness we also examine how the Harmonised Competitiveness Index in Ireland changed following previous increases in the minimum wage. **Figure 4**, provides the real HCI for Ireland from 1995-2011. The vertical lines correspond to the introduction and subsequent adjustment of the national minimum wage. It is difficult to detect any noticeable link between minimum wage adjustment and competitiveness. In addition to the HCI, the graph also includes the euro/sterling exchange rate. The impact of exchange rates movements on competitiveness is clearly evident in these data. Overall it is likely that competitiveness is driven by factors such as overall costs and exchange rate movements more than incremental adjustments in the minimum wage.

Figure 4 Irish harmonised competitiveness index, euro/sterling exchange rate and minimum wage adjustments



Chapter 4: Low Pay in Ireland

In this Chapter we review the introduction of minimum wage in Ireland, examine the question of who is on 'Low Pay' in Ireland and establish the number of people in Ireland who fall into the category. We also look at compliance with the National Minimum Wage legislation.

Introduction of Minimum Wage in Ireland.

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[15] 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 per cent) 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 seven increases and one reduction. The rate changes are given in **Table 10** below. The adult rate currently stands at €8.65, which is the same as the rate in place on 1 January 2007.

Table 10: 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

[15] 1 March 2000, Dáil Debates (http://debates.oireachtas.ie/dail/2000/03/01/00022.asp).

Sub-Minimum Rates

There are sub-minimum rates for teenagers (70% of adult minimum wage) and adults in their first year of employment (80% full adult wage) or their second year of employment (90% of full adult rate). The National Minimum Wage Act also provides sub-minimum rates which apply to employees who are over 18 and undergoing a course of structured training or directed study that is authorised or approved of by the employer. Since 1 July 2011 the trainee rates provided by the Act are as follows First one-third of training course €6.49 per hour (75% of national minimum wage rate), Second one-third of training course €6.92 per hour (80% of national minimum wage rate), Final one third of the training course €7.79 per hour (90% of national minimum wage rate). The Act provides certain criteria which the training course must meet if the trainee rates are to apply. For example, the training or study must be for the purposes of improving the work performance of the employee; the employee's participation on the training or study must be directed or approved by the employer; at least 10% of the training must occur away from the employee's ordinary operational duties; there must be an assessment and certification procedure or written confirmation on the completion of the training course.

Exceptions

There are some exceptions to those entitled to receive the national minimum wage. The legislation does not apply to a person employed by a close relative (for example, a spouse, civil partner or parent) nor does it apply to those in statutory apprenticeships. If an employer cannot afford to pay the national minimum wage due to financial difficulty, the Labour Court may exempt an employer from paying the minimum wage rate for between three months and one year. Only one such exemption can be allowed. The employer must apply to the Labour Court for the exemption with the consent of a majority of the employees, who must also agree to be bound by the Labour Court decision. The employer must demonstrate that he/she is unable to pay the national minimum wage and that, if compelled to do so, would have to lay-off employees or terminate their employment. An exemption may only be sought from paying the full rate of the national minimum wage, not for cases covered by the reduced rate, for example, employees who are under 18 years of age.

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.

The Data

There is comparatively little published data regarding the low-paid in Ireland, and even the number of people who might fall into that category is subject to varying estimates. In general the Central Statistics Office (CSO) publishes data on average earnings across a range of sectors, rather than data on median earnings, so that the profile of those on minimum wage and low pay is not readily available. The CSO data for the number of workers on the minimum wage is in **Table 11.**

Table 11 Number and Proportion of Adults Affected by the National Minimum Wage.

Number of employees on or below the National Minimum Wage, in firms with 3 or more employees, in NACE sectors B to S, from Q1 2008 to Q4 2014								
	Q108	**Q208**	**Q308**	**Q408**	**Q109**	**Q209**	**Q309**	**Q409**
Total NMW	75,000	70,900	64,200	52,000	47,400	47,800	51,300	48,800
Total Employees	1,767,300	1,775,900	1,735,300	1,713,100	1,630,100	1,608,000	1,589,900	1,563,700
NMW as % of Total	***4.2***	***4.0***	***3.7***	***3.0***	***2.9***	***3.0***	***3.2***	***3.1***
	Q110	**Q210**	**Q310**	**Q410**	**Q111**	**Q211**	**Q311**	**Q411**
Total NMW	51,800	59,300	60,200	59,800	34,700	39,600	51,600	58,300
Total Employees	1,551,600	1,550,400	1,544,900	1,524,000	1,504,900	1,522,600	1,516,400	1,523,200
NMW as % of Total	***3.3***	***3.8***	***3.9***	***3.9***	***2.3***	***2.6***	***3.4***	***3.8***
	Q112	**Q212**	**Q312**	**Q412**	**Q113**	**Q213**	**Q313**	**Q413**
Total NMW	52,200	57,700	60,700	70,200	61,200	68,500	69,800	65,000
Total Employees	1,496,100	1,493,700	1,529,700	1,525,100	1,507,100	1,527,900	1,551,500	1,547,300
NMW as % of Total	***3.5***	***3.9***	***4.0***	***4.6***	***4.1***	***4.5***	***4.5***	***4.2***
	Q114	**Q214**	**Q314**	**Q414**				
Total NMW	68,100	73,200	71,500	70,400				
Total Employees	1,533,800	1,549,400	1,571,500	1,583,400				
NMW as % of Total	***4.4***	***4.7***	***4.5***	***4.4***				

Source: CSO

The most up-to-date data at a micro level available is that published by the Nevin Economic Research Institute in their Quarterly Economic Observer (QEO) (Spring 2015), which draws on micro-data from the latest CSO Survey (2013) on Income and Living Conditions (SILC). Chapter 4 of the QEO looks at the earnings distribution and low pay in the Republic of Ireland (and identifies some of the problems and issues around the frequency and comparability of data, including differing measures of those at work and a person's principal economic status).

Table 12, reproduced from the QEO, provides a distribution of hourly earnings in Ireland by selected pay thresholds.

Table 12 Distribution of Hourly Earnings by Selected Pay Thresholds

Distribution of Hourly Earnings by Selected Pay thresholds				
(Number and % of employees earning above/below the quoted rates)				
Threshold	**% above**	**No. above**	**% below**	**No. below**
Below €8.65	94.40%	1,270,053	5.50%	73,997
Below €10.00	86.20%	1,159,730	13.80%	185,665
Below €11.45	74.30%	999,628	25.60%	344,421
Below €12.20	69.70%	937,740	30.30%	407,655

Note: The overall data represents a total of 1,345,395 employees, with mean hourly earnings of €20.63.

The above thresholds represent the national minimum wage (€8.65), the low pay threshold of 2/3 of the median wage (€11.45) and the low pay threshold established by Eurostat in their most recent Structure of Earnings Survey, based on 2010 data, (€12.20). The data show that some 74,000 workers are earning below minimum wage.

Most recently, Collins (2015) further examines the issue of low pay in relation to those on the National Minimum Wage, and the Commission is grateful to Dr Michéal Collins for making some of the data from that paper available to the Commission in advance of its publication.

Collins (2015) focuses more specifically on those on the minimum wage. In doing so he considers those who are within +/- 5 per cent of the minimum wage, as he contends that reporting errors in survey data such as the EU-SILC make it likely that those who are found to have earnings near to the minimum wage rate are in fact on this rate. Using small bands around the minimum wage therefore provides a more robust insight into the proportion and composition of employees who are on the minimum wage.

Table 13 Workers Affected by National Minimum Wage 2013

From	To	No. of employees	Mean hourly earnings	% of employees	Cumulative % of employees
minimum	€8.21	46,730	€7.18	3.5%	3.5%
€8.22	€9.08	75,715	€8.72	5.6%	9.1%
€9.09+		1,220,000	€21.88	90.9%	**100.0%**
Overall		**1,342,446**		**100.0%**	

On this basis, Collins (2015) estimates that almost 47,000 people are earning below the full minimum wage[16], but a further 76,000 are, effectively, on the minimum wage. In percentage terms these two figures account for just over 9 per cent of employees.

With respect to the incidence[17] of the minimum wage in the various sectors, and the gender divide, Collins' analysis is consistent with previous profiles of minimum wage workers in Ireland (Nolan 1997), in that women and younger workers are over-represented among those earning the minimum wage specifically -

- two-thirds of employees on minimum wage are female (this despite women being just over half of the workforce)
- 39 per cent of those on minimum wage are under 30 years of age, and 70 per cent are under 40 years of age

[16] This may arise through apprenticeships, training, under age rates, exemptions etc. and need not imply non-compliance with the legislation

[17] There is no migrant-specific data provided.

Table 14 Distribution of Minimum Wage Workers by Gender and Age

	% all employees	% employees on the MW
All employees	100	100
Gender		
Male	47.5	35.3
Female	52.5	64.7
	100	
Age Group		
18-29	17.4	39.1
30-39	32.6	31.2
40-49	24.8	15.6
50-59	19.4	-
60+	5.7	-
	99.9	

- the two sectors where minimum wage is most common are accommodation and food (22.3%) and wholesale and retail trade (20.3%)
- despite having just 7.5 per cent of employees the accommodation and food sector has over one-fifth of those on minimum wage.

Table 15 Distribution of Minimum Wage Workers by Industry

	% all employees	% employees on the MW
NACE Sector		
Agri, forestry/ fishing	1.2	-
Industry	16.1	15
Wholesale and retail trade	14.3	20.3
Accommodation and food	7.5	22.3
Admin & support services	2.8	-
Health & social work	15.6	14.8
Pub Adm, Defence, Educ	17.4	-
Others	25.2	15.9
	100.1	

Somewhat surprising is the relatively high percentage of people with post-leaving certificate qualifications (and higher) who are on minimum wage – at 38.7 per cent of all those on the minimum wage.

Table 16 Distribution of Minimum Wage Workers by Education

	% all employees	% employees the MW
Highest Completed Education		
Primary or below	4.5	-
Lower secondary	10.4	-
Higher secondary	23.3	29.4
Post leaving cert	12.3	22.5
Third level non degree	15.5	-
Third level degree or above	32.3	16.2

Collins (2015) also provides some data on the incidence of low pay based on hours worked and work status. Here again, the findings are by and large unsurprising, with those in part-time work and in temporary contracts considerably more likely to be on minimum wage. What may be somewhat unexpected here is that the urban/rural divide is possibly less pronounced than many might expect, with only a relatively small differential evident in terms of those on minimum wage.

Table 17 Distribution of Minimum Wage Workers by Hours of Work and Urban/Rural Location

The Incidence of Employees on the Minimum Wage, 2013 (%)

	% all employees	% employees on the MW
All employees	100	100
Hours Worked per week		
1-19hrs	13.6	32.5
20-34.9hrs	24	30
35hrs+	62.5	37.5
	100.1	*100*
Work status		
Full-time	72.1	42.6
Part-time	27.9	57.4
	100	*100*
Contract Type		
Permanent	91	82.6
Temporary	9	17.4
	100	*100*
Urban/rural location		
Urban	66.4	63.7
Rural	33.6	36.3
	100	*100*

International Comparisons

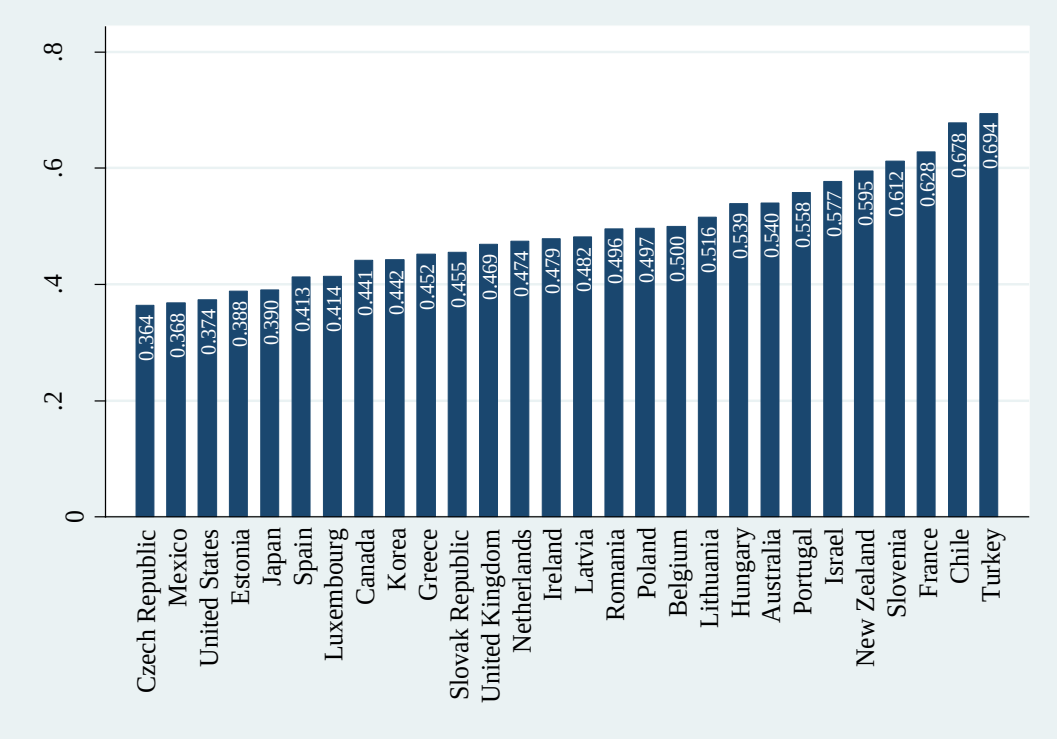
In absolute terms the value of the minimum wage in Ireland is relatively high. Among countries in the euro zone only Luxembourg, France, Belgium and the Netherlands have higher national minimum wages than Ireland. The minimum wage in Germany is €8.51, 14 cent less than the Irish rate, while rates in Spain and Portugal are lower than Ireland. Very low minimum wage countries include Lithuania, Latvia and Slovakia. The current minimum wage in the United Kingdom is £6.50, and is set to rise to £6.70 later this year. At current exchange rates these translate to €9.14 and €9.42. Furthermore in the most recent budget the UK Chancellor announced a new higher minimum wage of £7.20 (€10.12) for those over 25 years of age, to take effect from April 2016. The federal minimum wage rate in the United States is $7.25 (€6.53) but comparisons based on this are difficult since many States (29 as of 1st January 2015) have State minimum wages in excess of the federal rate. These range from $7.50 (€6.76) in Arkansas, Maine and New Mexico to $9.47 (€8.54) in Washington State. Within States specific cities can enact even higher rates. On April 1st 2015 Seattle's minimum wage ordinance set its minimum wage at $11 (€9.91).

Comparisons across countries such as these are potentially problematic due to exchange rate movements and differences in the cost of living across countries. To overcome these differences minimum wages are often converted to common purchasing power standards. OECD (2015) compares minimum wages across countries before and after the crisis. Once adjustments for purchasing power are taken into account Ireland ranks 7th out of 27 countries in 2013, behind Australia, Luxembourg, Belgium, France, the Netherlands and Germany.

As well as comparing the real values of the minimum wage across countries it is also possible to compare the bite of the minimum wage relative to other wages in a country. There are a number of ways of doing this. One popular approach is to represent the minimum wage relative to the median wage in the economy.[18] The latest data for which comparable measures of this bite are available to the Commission is 2013. For this year the OECD reports the value of the minimum wage relative to the median wage of full-time workers. The results for 2013 are given in **Figure 5**. Among European countries Belgium, Portugal and France had the highest bites at 0.5, 0.56 and 0.63 respectively. The bite in Ireland was 0.48. This is substantially lower than the bite when the minimum wage was introduced in Ireland. At 0.48 the bite was comparable to the United Kingdom (0.47). The 2013 bite in the United Kingdom was based on a minimum wage of £6.23 (a weighted average of the two rates in operation in 2013). Since 2013 the minimum wage in the United Kingdom has been increased to £6.50 and the government has accepted the recommendations of the UK Low Pay Commission to increase this further to £6.70 in October 2015. Using the 2013 median wage this would imply a 2015 bite for the United Kingdom of 0.505. This compares to a bite of 0.41 in the United Kingdom in 2000, a year after its introduction (see also UK Low Pay Commission 2015 for evidence of the rising bite of the minimum wage in the United Kingdom).

[18] Care should be taken in making international comparisons in that countries with a high proportion of low-paid jobs will have a relatively low median wage.

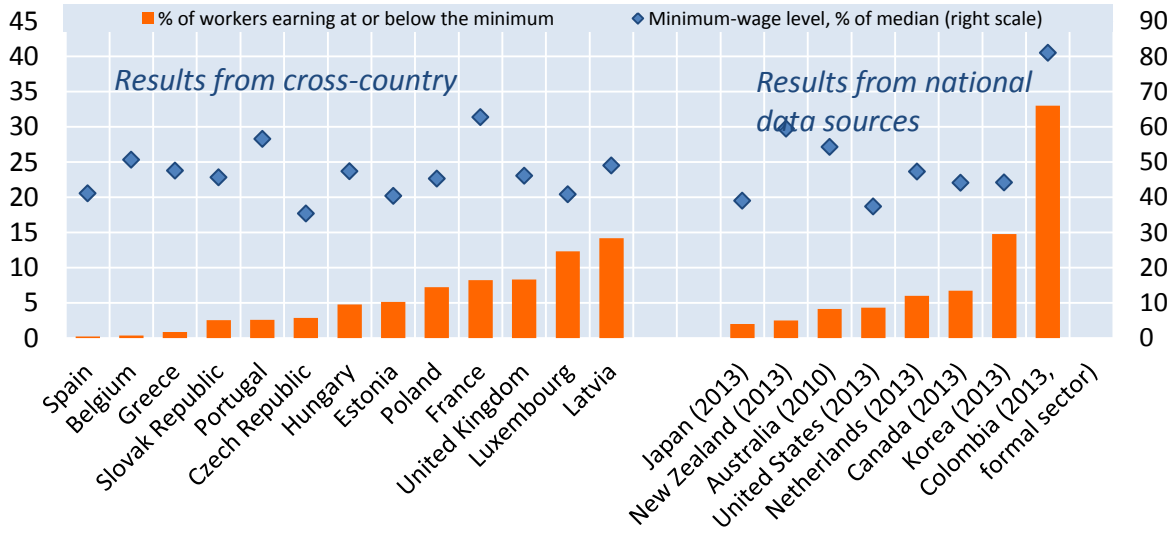
Figure 5 Bite of the Minimum Wage in Certain OECD Countries



Source: OECD **https://stats.oecd.org/Index.aspx?DataSetCode=RMW#**

It is also possible to measure the bite of the minimum wage in terms of the proportion of the workforce paid at or below the minimum wage (OECD 2015). **Figure 6** reports these figures for a range of countries. Between 3 and 10 per cent of the workforce is typically covered by the minimum wage across the countries analysed, though this figure reaches as high as 14.2 per cent in Latvia and 14.7 per cent in Korea. Unfortunately the OECD report does not provide the data for Ireland. However, the information provided by the CSO and discussed earlier in this section, indicated that approximately 3 per cent of the Irish workforce were covered by the minimum wage during 2010. In keeping with the earlier measure of bite, this would place Ireland in the middle of the range of countries in terms of the minimum wage bite. (The average proportion of workers affected by national minimum wages for the countries presented below is 6.8 per cent.)

Figure 6 Bite of Minimum Wage (Proportion of Workers Affected and Minimum Wage as a Percentage of Median)



Conclusion

The data suggests that about 9 per cent of employees earn up to €9 per hour. They are more likely to be young, female and working part-time. They are disproportionately employed in the wholesale and retail trade and in the hospitality sector. In absolute terms, the minimum wage in Ireland is relatively high. The strength of the Irish minimum wage is reduced somewhat when expressed in purchasing power standards, though it still remains relatively high. However, when the minimum wage is expressed relative to other wages in the economy (either as a proportion of the median or in terms of the percentage of workers affected by the minimum wage) we find that the minimum wage in Ireland falls in the middle of the range of countries for which data are available. The provision of public services is relevant in this discussion on wages. Some countries (for example France) provide universal child and health care which can be an issue even for dual-income households. Such provision is not a feature of the Irish redistributive system and so like-for-like comparisons are not possible.

Compliance with National Minimum Wage

The Commission met the National Employment Rights Authority (NERA) to learn of their experience in relation to enforcing compliance with the National Minimum Wage. NERA carried out almost 5,600 inspections in 2014. The results of these inspections are reported in **Table 18**. Overall, 6 per cent of inspections showed breaches of the National Minimum Wage legislation. This may not fully reflect the degree of non-compliance insofar as lack of records (82 % of the breaches uncovered) may 'hide' non-compliance.

Table 18 Compliance with Employment Legislation

• Sector	Cases	No in Breach	Incidence of Breach	NMW	Other Pay	Records	PYP	Other TCOE	E Permit	No of Employees	Unpaid Wages €
AGRICULTURE	45	26	58%	4	0	24	0	0	0	1,349	17,965
CONSTRUCTION	91	45	49%	6	0	45	0	1	0	1,610	4,576
CONTRACT CLEANING	22	12	55%	0	0	10	0	0	1	6,726	108
DOMESTIC WORKER	26	6	23%	0	0	6	0	0	0	30	0
ELECTRICAL	7	3	43%	1	0	3	0	0	0	121	0
FOOD & DRINK	996	599	60%	58	0	497	1	0	165	12,051	289,747
HAIR AND BEAUTY	128	78	61%	18	0	74	0	0	5	685	18,413
HEALTH NURSING AND CHILDCARE	88	30	34%	2	0	29	0	0	2	1,722	32,250
HOTEL	104	47	45%	13	0	41	1	0	9	6,270	143,223
MANUFACTURING	69	24	35%	1	0	23	0	0	1	6,623	3,885
OTHER	309	132	43%	22	0	125	0	0	13	16,609	78,162
PROFESSIONAL SERVICES	97	31	32%	2	0	30	0	0	1	14,913	39,295
SECURITY	18	6	33%	2	0	3	0	0	2	708	302
TRANSPORT	80	43	54%	9	0	42	0	0	1	2,245	44,858
WHOLESALE AND RETAIL	445	261	59%	47	0	241	1	0	19	10,806	188,630
TOTALS	2,525	1,343	53%	185	0	1,193	3	1	219	82,468	861,416
UNANNOUNCED VISITS	3,066	1,054	34%	154	0	784	22	0	381	0	0
GRAND TOTAL	5,591	2,397	43%	339 (6%)	0	1,977	25	1	600	82,468	861,416

Source: National Employment Rights Authority

NERA sees particular challenges in a number of areas, including unpaid interns/trial periods, domestic workers/au pairs, training rates, undocumented workers, 'Phoenix' employers, forced labour/human trafficking and work permits. Some of these are problems which may be exacerbated by language barriers, poor record keeping or inexperienced employers. Others, however, fall more squarely into the area of active exploitation of workers whether through control by employer (food/accommodation), undocumented and invisible work, or long hours of work.

The Commission is very much of the opinion that compliance with the National Minimum Wage must be adequately regulated, resourced, and enforced. Failure to do so 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 5: Submissions

On the 15th of March 2015, the Commission published a request for submissions from all interested parties to help inform its first recommendation to Government. It was noted that all comments, observations and submissions would be subject to the Freedom of Information Act 2014. While a closing date of the 13th of April 2015 was provided, submissions received after that date were accepted by the Commission. To date, the Commission has received 49 submissions from individuals, trade unions/workers' representatives, businesses/ representatives, Social Representatives, Government Departments and political parties.

There were a number of recurring themes from both employee and employer representatives. One that was generally agreed upon was the effect of the current PRSI and tax structure on an increase in wages or hours, albeit from different perspectives. There is an anomaly that the entire labour cost to the employer does not translate to a pro-rata benefit for the employee. In some cases, a low-paid worker would actually be worse off if they worked any additional hours even before added costs such as child-care were taken into account. It was also suggested that rather than raising the minimum wage, it would be more beneficial to both employers and low paid workers to reform the taxation and social welfare systems to increase take home pay.

The introduction of further charges such as property tax, rising rents, USC and water charges was referred to as a basis for an increase the National Minimum Wage in several submissions. These payments, coupled with an increase in the cost of living, are causing problems for those on low pay. A number of submissions cited the "living wage" as a target for which the Low Pay Commission should be aiming in order to combat income inequality so that every worker can have a minimum essential standard of living.

Current research[19] indicates that, at present, a living wage for a single person (without children) would be €11.50 per hour (July 2015), assuming a 39 hour week. Regardless of whether the concept of a living wage as such is accepted or not, many submissions and people who met with the Commission argued that the minimum wage at its current level is not adequate for day-to-day living costs.

Inability to meet the day-to-day living costs was a recurring theme for those on low pay. The cost of childcare, rent and medical expenses in particular were cited. A single person earning over €276 net per week is ineligible for the GP Visit card. Rent Supplement is not payable if a person is working more than 30 hours per week (regardless of pay rates).

It was also suggested that to reward 'loyalty' there should be a time limit on the length of time an individual worker would remain on the National Minimum Wage.

[19] The Living Wage Technical Group has established a methodology for calculating the living wage in Ireland. The members of the group are the Vincentian Partnership for Social Justice (VPSJ), the Nevin Economic Research Institute (NERI), Social Justice Ireland, SIPTU, TASC and Unite. See www.thelivingwage.ie

There was also mention of a "three-speed recovery" within Ireland, which many believe must be taken into account by the Low Pay Commission. There is a strong contention among employers that current evidence of the recovery has mainly been in Dublin and, to a lesser extent, the other cities in Ireland. Rural Ireland is still struggling. The point was also made that the cost of living in Dublin is much higher than in the rest of the country so the National Minimum Wage goes further in rural areas, reducing the need for an increase. It was suggested that there be a tiered National Minimum Wage to account for this regional difference.

One fifth of all employees on the minimum wage are working in the hospitality sector and employers cited labour costs as making up 70% of overall costs in the sector. Another point which was emphasised was the fact that profit made in the peak of the tourist season had to be used to subsidise losses incurred in the slowest trading period of the year, from January to March. Representatives of small retailers also strongly supported this contention by highlighting the pattern that has emerged in recent years whereby consumer spending slows down to a very significant extent in the first quarter, as shoppers strive to recover from the pre-Christmas spending spree.

The potential "knock-on effect" of an increase was also brought up by both employees and employers, if however from opposite view points. Employers state that the knock-on effect of an increase to the National Minimum Wage would not be sustainable for many businesses in the current economic climate. However, employees and their representatives believe that there should be relative increases for those on hourly pay to ensure that increases are fairly distributed. In low pay sectors such as retail and hospitality, labour costs account for a large proportion of total costs, 70% in some cases. Many employers assert that this could lead to job losses as they are unable to absorb any further costs. It should be noted, however, that Section 43 of the Minimum Wage Act, 2000[20] is intended to act as a barrier to employees claiming an entitlement to a repercussive increase in wages arising out of an increase in the National Minimum Wage.

There were also conflicting opinions on whether social equality and income distribution is the responsibility of Government or employers. Some employers believe that social responsibility does not overlap with employers' economic fair pay – employers can only pay what they can afford based on the profits generated by the business. They argue that the government should subsidise child-care, rents, etc. rather than expect the employer to pay for increases in the cost of living. Others argue that employees should receive fair pay and that the onus should not be on Government to ensure that this happens through social transfers, social welfare and subsidies.

[20] Section 43 of the Act sets out a number of situations in which various wage- setting mechanisms are precluded from setting or recommending in favour of or endorsing a claim or a part of a claim for the improvement in the pay of an employee who has access to any of its services if in the view of the body concerned *"the claim or part of the claim is based on the restoration of a pay differential between the employee and another employee who has secured or is to secure an increase in pay as the result of the passing of this Act"*. (See Appendix 2)

While business generally supports the National Minimum Wage and agrees that it should be reviewed, the majority believe that the overall economy has not recovered sufficiently to warrant an increase at present. It was argued that the cost of living is currently at 2008 levels and therefore an increase is both unnecessary and unsustainable for businesses to implement. There is also a belief that there is no effective mechanism for employers who are unable to pay the National Minimum Wage. (Section 41 of the National Minimum Wage Act, 2000 outlines the procedures for employers who are in this situation but it has not been utilised since its introduction).

Submissions from the non-business side, on the other hand, generally indicated that the economy had turned a corner – retail sales were up, tourism numbers were improving, exports had increased and competitiveness and productivity have improved. These submissions were strongly of the view that the economy was improving at a sufficient pace to warrant an increase in the level of minimum wage, which many felt is overdue as there has been no increase for over 7 years, and particularly in the light of all of the additional costs which have been imposed in recent years.

The list of parties who made submissions to the Commission (which have been numbered for ease of reference) is at Appendix 3. The submissions are available on the website of the Commission at www.lowpaycommission.ie.

Chapter 6: The PRSI Step Effect

In this Chapter we analyse the implications of an anomaly in the PRSI system. This issue became apparent at an early stage of the Commission's discussions. It was also raised in a number of submissions to the Commission, and in the course of the additional consultation process.

PRSI Step Effect

Current Position

- Employee PRSI is applied at the following rates:
  - 0% on earnings up to €352 per week
  - 4% on entire earnings where earnings exceed €352 per week.
- Employer PRSI is applied at:
  - 8.5% on earnings up to €356 per week[21]
  - 10.75% on entire earnings where earnings exceed €356 per week.

As the higher rates apply to all earnings, this produces step-effects. For example, at the point of change in the PRSI rates a €0.01 cent per week raise impacts as follows:

- where an employee is earning a gross wage of €352.00 per week and receives an additional €0.01 per week to bring their gross weekly wage to €352.01, this triggers a weekly employee PRSI contribution/liability of €14.08, leaving the employee €14.07 worse off than before the increase.

Similarly from an employer perspective:

- a €0.01 increase in gross wages for an employee earning a gross wage of €356.00 brings the gross wage to €356.01 and triggers an additional €8.01 employer PRSI contribution/liability (on top of the €30.26 already being paid), for the increase of €0.01 to the employee's gross wage.

Looking at the implication for an increase in minimum wage, we see very significant impacts on both employees and employers if an increase were to come into effect at, or in excess of, the €352/€356 PRSI change triggers.

Consider **Table 19**[22], which examines the impact of various changes to the minimum wage on a single adult working a standard 39-hour week.

[21] This rate was halved from 8.5% to 4.25% with effect from the beginning of July 2011, as part of the Jobs Initiative to meet a Programme for Government commitment. It remained in place until the end of 2013 before being restored to the 8.5% rate from January 2014

[22] For further tables see Appendix 4.

Table 19 PRSI Effect on a Single Adult Working 39 Hours Per Week

Single Adult Working 39 Hours per week									
NMW	Weekly Salary	Annual Salary	PRSI	Tax	USC	Annual Net pay	Employer Cost	Employee Gain	Extra ER Cost
8.65	337.35	17,542.20	-	208.44	373.74	16,960.02	19,033.29		
9.02	351.78	18,292.56	-	358.51	425.08	17,508.97	19,847.43	548.95	814.14
9.10	354.90	18,454.80	738.19	390.96	436.44	16,889.21	20,023.46	- 70.81	990.17
9.15	356.85	18,556.20	742.25	411.24	443.53	16,959.18	20,550.99	- 0.85	1,517.70
9.55	372.45	19,367.40	774.70	573.48	500.32	17,518.91	21,449.40	558.88	2,416.11

An increase of €0.37 in the hourly NMW, to bring the rate to €9.02, would generate a net gain to the employee of €548.95 annually. The cost to the employer would be €814.14.

An increase of €0.45 (to bring the rate to €9.10) on the other hand would result in the employee being worse off to the amount of -€70.81, while the cost to the employer would be €990.17.

Such a scenario would effectively see 107% of the cost of the increase to the employer go directly to the Exchequer.

Simply to bring the employee back to a break-even position (i.e. less than €1 down over the course of a year) taking into account the additional PRSI costs, would mean bringing the rate to €9.15. The cost of this essentially fruitless exercise would be in excess of €1500 to an employer.

To ensure that the employee got the benefit of the same net increase they would receive at an NMW of €9.02, the rate would have to move to €9.55 an increase of 90c, or an increase of over 10%. The cost to the employer in this instance would be €2,416, over 4 times the value of the benefit to the employee.

Given the absurdities demonstrated by the examples above, it is clear that any recommended increase in the NMW must be accompanied by an appropriate adjustment to the PRSI system, to ensure that the entire burden of any adjustment should not fall solely, and unreasonably, on the employer.

A similar, though far less significant (given the lower rates) issue arises for the employee in the case of USC, where there is a step effect when annual income passes €12,012. At that level no USC is due. However, the amount payable on an income of €12,013 is €180.53. This affects employees on the current minimum wage working an average throughout the year of about 27 hours per week.

A moderate increase in the current minimum wage rate without an appropriate adjustment in employer PRSI would have a major impact, particularly on small business costs. These step-effects apply at a critical part of the income distribution and need to be addressed as a matter

of urgency. They have the potential to reduce the incentive to work, reduce the number of hours worked, or indeed inhibit employers from raising the level of pay.

It is of critical importance to enterprise development, and to an employer's ability to generate employment, that the design of the tax system creates the right conditions for job creation, including the incentives (from both an employer and employee perspective) for employees to work additional hours and to increase pay where appropriate.

The OECD Employment Outlook for 2015[23] suggests that minimum wages can help underpin the income of low-paid workers but this is conditional on two important factors. First, they should not be set too high, otherwise they can lead to job loss and a loss of income for low-paid workers. Second, there needs to be co-ordination with tax benefit policies in order to ensure that increases in the minimum wage translate into higher take-home pay while limiting the rise in labour costs for employers.

"Minimum wages must be closely co-ordinated with tax-benefit policies to be more effective in underpinning incomes of low-paid workers".

The Commission notes the commitment given by the Tánaiste in her speech to the Irish Congress of Trade Unions on 8 July, 2015 that *"Any potential anomaly in the PRSI system arising from the Commission's recommendations will be addressed at the appropriate time in the Budget."*.

[23] http://www.keepeek.com/Digital-Asset-Management/oecd/employment/oecd-employment-outlook-2015_empl_outlook-2015-en#page15

Appendices

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Appendix 1

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 percentage 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 percentage 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 2

Sections 41 and 43 of National Minimum Wage Act, 2000

Inability to pay 41.—(1) The Labour Court may, in accordance with this section, exempt an employer from the obligation to pay an employee or number of employees entitlements otherwise payable to them in accordance with section 14 , not being entitlements to which section 14 (b), 15 or 16 apply.

(2) An exemption under subsection (1) shall be for a period not exceeding one year and not less than 3 months, and while it remains in force the employer accordingly need not so comply.

(3) The Labour Court shall not exempt an employer under subsection (1) if the employer has previously ever been granted an exemption under that subsection.

(4) An employer or employer's representative with the employer's consent may, in the manner and form approved by the Labour Court, apply to the Labour Court for an exemption under subsection (1).

(5) On receiving an application under subsection (4) the Labour Court shall convene a hearing of parties to the application and shall give its decision on the application in writing to the parties.

(6) Before granting an exemption under subsection (1), the Labour Court must be satisfied that—

(a) where the employer employs more than one employee-

(i) the employer has entered into an agreement with the majority of the employees or the representative of the majority of the employees, or

(ii) there is a collective agreement covering the majority of the employees in respect of whom the exemption is sought,

whereby the employees or their representative consent to—

(I) the employer making the application, and

(II) abide by any decision on the application that the Labour Court may make,

(b) where the employer makes an application in respect of a single employee, the employer has entered into an agreement with the employee or the representative of the employee whereby the employee or his or her representative consents to the employer making the application and to abide by any decision on the application that the Labour Court may make,

and that, in either case, the employer cannot pay an entitlement under section 14 to an employee to whom the agreement relates due to the employer not having the ability to pay or being unlikely to be able to pay, to the extent that, if the employer were compelled to pay—

(i) the employee would be likely to be laid-off employment with the employer, or
(ii) the employee's employment would be likely to be terminated.

(7) A decision of the Labour Court to exempt an employer under subsection (1) shall specify

(a) the name and employment positions occupied by employees to whom the exemption applies;
(b) the duration of the exemption; and
(c) the average hourly rate of pay to be paid to the employee or employees during the period of the exemption, and the employee or employees shall be entitled to be paid at not less than that rate accordingly.

(8) Where during the period of an exemption under this section a new employee replaces an employee to whom the exemption relates, the employer may pay the new employee the hourly rate of pay specified by the Labour Court in respect of the former employee and shall, as soon as practicable, notify the Labour Court in writing of the employment of the new employee.

(9) The Labour Court shall establish its own procedures for the hearing of applications, and in relation to incidental matters to be dealt with, under this section.

(10) The Labour Court shall maintain a register of all decisions under this section and shall make the register available for examination by members of the public at such place and reasonable times as it thinks fit.

(11) No appeal shall lie from a decision of the Labour Court under this section except to the High Court on a question of law.

(12) For the purposes of calculating an employee's entitlement to a redundancy payment under the Redundancy Payments Acts, 1967 to 1991, any exemption under this section shall be ignored and the calculation made as if the employee had been paid the national minimum hourly rate of pay to which he or she was otherwise entitled under this Act, for the period of the exemption.

(13) A payment in lieu of notice to an employee in accordance with the Minimum Notice and Terms of Employment Acts, 1973 to 1991, shall not have regard to any exemption under this section and the payment in lieu of notice shall be made to the employee as if the employee had been paid the national minimum hourly rate of pay to which he or she was otherwise entitled under this Act, for the period of the exemption.

(14) A payment from the Social Insurance Fund in accordance with section 6(2)(a)(i) of the Protection of Employees (Employers' Insolvency) Acts, 1984 to 1991, shall not have regard to any exemption under this section and any such payment shall be made to the employee as if

the employee had been paid the national minimum hourly rate of pay to which he or she was otherwise entitled under this Act, for the period of the exemption.

Repercussive claims. 43.
(1) The Labour Relations Commission or the Labour Court shall not recommend in favour of or endorse a claim or a part of a claim for the improvement in the pay of an employee who has access to any of its services if in the view of the Labour Relations Commission or the Labour Court, as the case may be, the claim or part of the claim is based on the restoration of a pay differential between the employee and another employee who has secured or is to secure an increase in pay as the result of the passing of this Act.

(2) The Labour Court shall not by Employment Regulation Order give effect to a proposal which could be submitted to it by a Joint Labour Committee under section 42 of the Industrial Relations Act, 1946 , or section 48 of the Industrial Relations Act, 1990 , if, in the view of the Labour Court, the proposal is based on or partly on the restoration of a pay differential between an employee and another employee who has secured or is to secure an increase in pay as the result of the passing of this Act.

(3) The Labour Court shall not register an employment agreement under section 27 of the Industrial Relations Act, 1946 , or vary such an agreement under section 28 of that Act if, in the view of the Labour Court, the agreement or variation, or part of the agreement or variation, is based on or partly on the restoration of a pay differential between an employee and another employee who has secured or is to secure an increase in pay as the result of the passing of this Act.

(4) No conciliation or arbitration scheme in the public sector shall recommend in favour or endorse a claim or a part of a claim for the improvement in the pay of an employee who is subject to the scheme if the claim or part of the claim is based on the restoration of a pay differential between the employee and another employee who has secured or is to secure an increase in pay as the result of the passing of this Act.

Appendix 3

Submissions received (available at www.lowpaycommission.ie)

No.	Name
1	Nuala Finnegan, St Abban's Community Association Co Ltd
2	Larry Dunne, Wexford
3	Aisling McLoughlin
4	Katie Baynes
5	John B Dillon
6	Stephanie Dempsey, Galway
7	Bernie Ryan
8	European Anti-Poverty Network (Paul Ginnell)
9	Peter Hanley
10	Thomas A Kelly, Tipperary
11	Madeline Bennett
12	Social Justice Ireland
13	Vincentian Partnership for Social Justice
14	GMB (UK)
15	Fiona Callan, Sarah Mc Nerney and Sinead Mc Cormick
16	Peter Lucey
17	Meat Industry Ireland
18	Unite (the Union)
19	ICTU
20	Commercial Mushroom Producers (CMP)
21	Department of Finance
22	Freight Transport Association (FTA Ireland)
23	Think-tank for Action on Social Change (TASC)
24	Mairead Darnell (Mace Store, Donegal)
25	Retail Ireland
26	Green Party and the Young Greens
27	Restaurants Association of Ireland
28	Irish Small and Medium Enterprises Association (ISME)

No.	Name
29	Citizens Information Board
30	Licensed Vintners Association
31	Union of Students in Ireland (USI)
32	Department of Public Expenditure and Reform
33	Nevin Economic Research Institute (NERI)
34	Chambers Ireland
35	Fianna Fáil
36	Small Firms Association (SFA)
37	Retail Excellence Ireland (REI)
38	RGDATA
39	Migrant Rights Centre Ireland (MRCI)
40	National Youth Council of Ireland (NYCI)
41	Irish Business and Employers Confederation (IBEC)
42	BWG Foods (hold franchise rights for Mace, Spar, Eurospar and XL in Ireland)
43	Early Childhood Ireland
44	Triode Newhill Management Services Limited (TNMS)
45	National Women's Council of Ireland (NWCI)
46	Stephen Downey
47	Shane Mulkeen, Mulmuf Ltd
48	John Murphy
49	Irish Hotels Federation

Low Pay Commission Submissions received (49).

INDIVIDUALS (16)	**UNION/WORKERS (5)**	**BUSINESS AND EMPLOYER (16)**
(1) Nuala Finnegan, St Abban's Community Association Co Ltd (2) Larry Dunne, Wexford (3) Aisling McLoughlin (4) Katie Baynes (5) John B Dillon (6) Stephanie Dempsey, Galway (7) Bernie Ryan (9) Peter Hanley (10) Thomas A Kelly, Tipperary (11) Madeline Bennett (15) Fiona Callan, Sarah Mc Nerney and Sinead Mc Cormick (16) Peter Lucey (24) Mairead Darnell (Mace Store, Donegal) (46) Stephen Downey (47) Shane Mulkeen, Mulmuf Ltd (48) John Murphy	(14) GMB (UK) (18) Unite (the Union) (19) ICTU (31) Union of Students in Ireland (USI) (33) Nevin Economic Research Institute (NERI)	(17) Meat Industry Ireland (20) Commercial Mushroom Producers (CMP) (22) Freight Transport Association (FTA Ireland) (25) Retail Ireland (27) Restaurants Association of Ireland (28) Irish Small and Medium Enterprises Association (ISME) (30) Licensed Vintners Association (34) Chambers Ireland (36) Small Firms Association (SFA) (37) Retail Excellence Ireland (REI) (38) RGDATA (41) Irish Business and Employers Confederation (IBEC) (42) BWG Foods (franchise rights for Mace, Spar, Eurospar and XL) (43) Early Childhood Ireland (44) Triode Newhill Management Services Limited (TNMS) (49) Irish Hotels Federation
SOCIAL REPRESENTATIVE (7)	**GOVERNMENT (3)**	**POLITICAL (2)**
(8) European Anti-Poverty Network (Paul Ginnell) (12) Social Justice Ireland (13) Vincentian Partnership for Social Justice (23) Think-tank for Action on Social Change (TASC) (39) Migrant Rights Centre Ireland (MRCI) (40) National Youth Council of Ireland (NYCI) (45) National Women's Council of Ireland (NWCI)	(21) Department of Finance (29) Citizens Information Board (32) Department of Public Expenditure and Reform	(26) Green Party and the Young Greens (35) Fianna Fáil

Appendix 4

PRSI Tables

Effect of PRSI, Income Tax and USC at varying pay rates.

USC 1.5% on first €12,012; 3.5% on next €5,564 & 7% >€17,576::::PRSI: 4% on everything once exceed $18,304.

	MW	Annual salary	PRSI	Income Tax	USC	NET Annual	Net annual Gain	Total employer Cost
Single no Children 40 hours a week	8.65	17,992.00	-	298.00	404.00	17,290.00		19,521.32
	8.70	18,096.00	-	319.00	411.00	17,366.00	76.00	19,634.16
	8.80	18,304.00	-	361.00	426.00	17,517.00	227.00	19,859.84
	8.81	18,324.80	733.00	365.00	427.00	16,799.80	- 490.20	19,882.41
	9.00	18,720.00	749.00	444.00	455.00	17,072.00	- 218.00	20,732.40
	9.08	18,886.40	755.00	477.00	467.00	17,187.40	- 102.60	20,916.69
	9.16	19,052.80	762.00	511.00	478.00	17,301.80	11.80	21,100.98
	9.20	19,136.00	765.00	527.00	484.00	17,360.00	70.00	21,193.12
	9.35	19,448.00	778.00	590.00	506.00	17,574.00	284.00	21,538.66
	9.65	20,072.00	803.00	714.00	550.00	18,005.00	715.00	22,229.74

	MW	Annual salary	PRSI	Income Tax	USC	NET Annual	Net annual Gain	Total employer Cost
Married (sole earner) no children 40 hours a week	8.65	17,992.00	-	-	404.00	17,588.00		19,521.32
	8.70	18,096.00	-	-	411.00	17,685.00	97.00	19,634.16
	8.80	18,304.00	-	-	426.00	17,878.00	290.00	19,859.84
	8.81	18,324.80	733.00	-	427.00	17,164.80	- 423.20	19,882.41
	9.00	18,720.00	749.00	-	455.00	17,516.00	- 72.00	20,732.40
	9.08	18,886.40	755.00	-	467.00	17,664.40	76.40	20,916.69
	9.16	19,052.80	762.00	-	478.00	17,812.80	224.80	21,100.98
	9.20	19,136.00	765.00	-	484.00	17,887.00	299.00	21,193.12
	9.35	19,448.00	778.00	-	506.00	18,164.00	576.00	21,538.66
	9.65	20,072.00	803.00	-	550.00	18,719.00	1,131.00	22,229.74

	MW	Annual salary	PRSI	Income Tax	USC	NET Annual	Net annual Gain	Total employer Cost	FIS	Total	Net Gain
Married (sole earner) 2 children 40 hours a week	8.65	17,992.00	-	-	404.00	17,588.00		338.23	8,229.60	25,817.60	
	8.70	18,096.00	-	-	411.00	17,685.00	38.80	340.10	8,171.40	25,856.40	38.80
	8.80	18,304.00	-	-	426.00	17,878.00	116.00	343.81	8,055.60	25,933.60	116.00
	8.81	18,324.80	733.00	-	427.00	17,164.80	- 169.28	330.09	8,483.52	25,648.32	- 169.28
	9.00	18,720.00	749.00	-	455.00	17,516.00	- 28.80	336.85	8,272.80	25,788.80	- 28.80
	9.08	18,886.40	755.00	-	467.00	17,664.40	30.56	339.70	8,183.76	25,848.16	30.56
	9.16	19,052.80	762.00	-	478.00	17,812.80	89.92	342.55	8,094.72	25,907.52	89.92
	9.20	19,136.00	765.00	-	484.00	17,887.00	119.60	343.98	8,050.20	25,937.20	119.60
	9.35	19,448.00	778.00	-	506.00	18,164.00	230.40	349.31	7,884.00	26,048.00	230.40
	9.65	20,072.00	803.00	-	550.00	18,719.00	452.40	359.98	7,551.00	26,270.00	452.40

	MW	Annual salary	PRSI	Income Tax	USC	NET Annual	Net annual Gain	Total employer Cost
Single no Children 30 hours a week	8.65	13,494.00	-	-	232.00	13,262.00		
	8.70	13,572.00	-	-	235.00	13,337.00	75.00	
	8.80	13,728.00	-	-	240.00	13,488.00	226.00	
	8.81	13,743.60	-	-	241.00	13,502.60	240.60	
	9.00	14,040.00	-	-	251.00	13,789.00	527.00	
	9.08	14,164.80	-	-	255.00	13,909.80	647.80	
	9.16	14,289.60	-	-	260.00	14,029.60	767.60	
	9.20	14,352.00	-	-	262.00	14,090.00	828.00	
	9.35	14,586.00	-	-	270.00	14,316.00	1,054.00	
	9.65	15,054.00	-	-	286.00	14,768.00	1,506.00	

	MW	Annual salary	PRSI	Income Tax	USC	NET Annual	Net annual Gain	Total employer Cost
Married (sole earner) no children 30 hours a week	8.65	13,494.00	-	-	232.00	13,262.00		
	8.70	13,572.00	-	-	235.00	13,337.00	75.00	
	8.80	13,728.00	-	-	240.00	13,488.00	226.00	
	8.81	13,743.60	-	-	241.00	13,502.60	240.60	
	9.00	14,040.00	-	-	251.00	13,789.00	527.00	
	9.08	14,164.80	-	-	255.00	13,909.80	647.80	
	9.16	14,289.60	-	-	260.00	14,029.60	767.60	
	9.20	14,352.00	-	-	262.00	14,090.00	828.00	
	9.35	14,586.00	-	-	270.00	14,316.00	1,054.00	
	9.65	15,054.00	-	-	286.00	14,768.00	1,506.00	

	MW	Annual salary	PRSI	Income Tax	USC	NET Annual	Net annual Gain	Total employer Cost	FIS	Total	Net Gain
Married (sole earner) 2 children 30 hours a week	8.65	13,494.00	-	-	232.00	13,262.00		255.04	10,825.20	24,087.20	
	8.70	13,572.00	-	-	235.00	13,337.00	30.00	256.48	10,780.20	24,117.20	30.00
	8.80	13,728.00	-	-	240.00	13,488.00	90.40	259.38	10,689.60	24,177.60	90.40
	8.81	13,743.60	-	-	241.00	13,502.60	96.24	259.67	10,680.84	24,183.44	96.24
	9.00	14,040.00	-	-	251.00	13,789.00	210.80	265.17	10,509.00	24,298.00	210.80
	9.08	14,164.80	-	-	255.00	13,909.80	259.12	267.50	10,436.52	24,346.32	259.12
	9.16	14,289.60	-	-	260.00	14,029.60	307.04	269.80	10,364.64	24,394.24	307.04
	9.20	14,352.00	-	-	262.00	14,090.00	331.20	270.96	10,328.40	24,418.40	331.20
	9.35	14,586.00	-	-	270.00	14,316.00	421.60	275.31	10,192.80	24,508.80	421.60
	9.65	15,054.00	-	-	286.00	14,768.00	602.40	284.00	9,921.60	24,689.60	602.40

Source: Professor O'Neill, NUI Maynooth

Appendix 5

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