The truth about Irish wages

Ireland is a low-waged economy

Unite the union
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Unite the UNION

Introduction

The popular debate around Irish wages is unfortunately dominated by unsubstantiated assertions and misleading claims. This has led vested interests and many commentators to claim that Irish wages are unsustainably high and that wage increases will undermine our ‘competitiveness’.   We rarely get an evidence-based debate.

That is why Unite is publishing ‘The Truth about Irish Wages’ - to help clarify the debate about the level of wages in a European context. The fact is that Ireland is low-waged economy, and compared to our peer group in Europe Irish wages fall well below average.

Using official data produced by the EU Commission’s Eurostat, we detail the level of wages in the private sector – not only in the economy as a whole, but also in the main economic sectors such as manufacturing, retail, transport, information and communication, business services, etc.

Our analysis draws out the implications of this survey: not only are we a low-waged economy, but workers in the traditional low-paid sectors such as hospitality and retail fall even further behind European averages. The Irish economy suffers from high levels of inequality.   Ireland suffers from a very low ‘social wage’ (employers’ social insurance), and this explains the high cost of public services and low in-work supports for Irish employees. Finally, Irish living standards are well below the EU-15 average.

Ultimately, the issue is not that Irish wages are too high but that wages are not high enough – especially for the low-paid. Irish wages are uncompetitively low. This results in reduced domestic demand which, in turn, reduces business performance. It also reduces tax revenue which depresses the ability of the state to invest in our economic and social infrastructure. Our low wage culture propels the economy into a race-to-the-bottom.

Most of all, it means that the men and women who produce the wealth of this country – workers on the factory line, in the offices and shops, on the building sites – are forced to live on depressed incomes with all that consequences that has for their life-chances.

When we ground the debate in facts a different picture of wages and the economy emerges. Unite believes this is the first step in remedying this situation and to promoting people’s living standards.

Jimmy Kelly

Jimmy Kelly
Ireland Secretary
Unite the Union

Summary

1. Compared to other European countries, Ireland is a low-waged economy. In the market economy (essentially the private sector), Irish employee compensation is 6 percent below the EU-15 average. However, when we look at our peer groups, the situation deteriorates further.

- Compared to Northern and Central European economies (NCEE – these exclude the poorer Mediterranean countries like Portugal and Greece), Ireland falls 18 percent below average
- Compared to other small open economies (small domestic market, high reliance on exports), Irish compensation falls 24 percent below average.

2. This is not because Ireland is 'poor'. Ireland is one of the richest economies in Europe – 16 percent richer than the EU-15 average and on a par with our peer groups.

3. Ireland is a low-waged economy – and the picture is even worse in traditional low-paid sectors. Workers in the Wholesale & Retail and Hospitality sectors would need wage increases of 23 to 25 percent to reach the EU-15 average. Ireland has one of the highest levels of low-paid work in the EU.

4. In the last year, wage growth in the EU-15 was three times the growth in Ireland.

5. Ireland has the second-highest level of wage inequality in the EU-15 (after Portugal). In the last five years, managers and professionals have experienced an 11 percent increase in weekly income – while white and blue-collar workers only received a 1 percent increase.

6. Wages in the indigenous business sector also lag well behind European averages – in pretty much the same proportion as the total market economy.

7. Ireland suffers from a very low *'social wage'* – employers' social insurance. This explains the high cost of public services and low in-work supports for Irish employees. The Social Wage would have to more than double to reach the EU-15 average.

8. But even when the social wage is excluded, Irish wages are still below the European averages – whether expressed on the basis of hourly payment, and even after-tax income.

9. Irish living standards are 15 percent below the EU-15 average and are closer to Greek and Portuguese levels than to most other countries in the EU-15.

10. There are three steps we can take to address this wage deficit:

a) Increase employees' rights in the workplace (right to collective bargaining, rights for part-time workers)

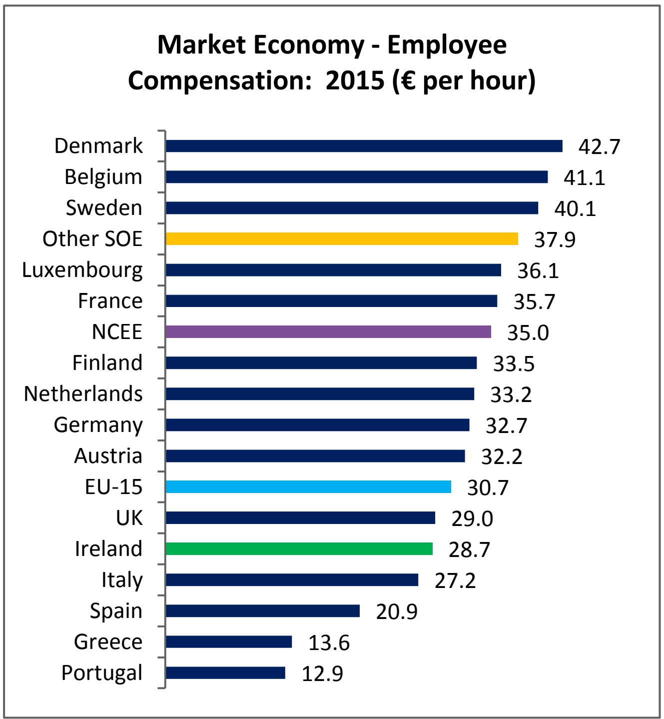
b) Raise the wage floor for the low-paid through extending Joint Labour Committees and raising the Minimum Wage to the Living Wage.

c) Increase the Social Wage to reduce high costs (e.g. GP care and prescription medicine, childcare, rents, public transport).

The Truth About Irish Wages

The Market Economy

The market, or business, economy is essentially the private sector. It excludes agriculture and non-market services (public administration, health, education, recreation & leisure). Irish employee compensation[1] in the market economy ranks 11th in the EU-15. Only the poorer Mediterranean countries have lower compensation levels.



We make two further comparisons. NCEE refers to Northern and Central European economies. This excludes the Mediterranean countries – Portugal, Greece, Spain and Italy.

Other SOE refers to Ireland's peer group – other small open economies. This includes Austria, Belgium, Denmark, Finland and Sweden.[2]

As seen, Irish compensation levels are below all three groupings. Irish compensation is 6 percent, or €2 per hour, below the EU-15 average.

Irish compensation is 18 percent below the average of Northern and Central European economies (NCEE), or €6.30 per hour.

And Irish compensation is 24 percent below the average of other Small Open Economies (Other SOE), or €10.20 per hour.

There can be no question that Irish wages are low by European averages.

[1] Employee compensation includes the direct and 'social' wage, the latter being employers' social insurance. In this data, compensation also includes 'other labour costs' but this makes up only a fraction (approximately two percent). For further information on methodology and comparisons, please see the Notes on Data section at the end of this analysis.

[2] According to the IMF countries with GDP between €100 and €500 billion and exports making up more than 50 percent of GDP are categorised as small open economies. These are countries with small domestic markets and reliant to a very high degree on exports. IMF Ireland Country Report Selected Issues Summer 2012 http://www.imf.org/external/pubs/ft/scr/2012/cr12265.pdf

A High-Income Economy

There are many reasons why wages can be low; in particular, if the economy is low-income. However, this cannot be said for Ireland. In the EU-15, Ireland is a high-income economy.[3]

GDP and GNI Per Capita: 2016 (€ 000)

GDP per Capita		GNI per Capita	
Denmark	48.1	Denmark	49.6
Sweden	46.9	Sweden	48.3
Ireland	46.8	**Other SOE**	**42.8**
Ireland Adjusted	***42.3***	Netherlands	41.7
Other SOE	**42.1**	**Ireland**	**40.9**
Netherlands	41.3	**NCEE**	**40.8**
NCEE	**40.5**	Austria	39.8
Austria	40.0	Germany	38.9
United Kingdom	39.3	United Kingdom	38.5
Finland	38.3	Finland	38.2
Germany	38.1	Belgium	37.9
Belgium	37.4	**EU-15**	**35.2**
EU-15	**35.4**	France	34.0
France	33.3	Italy	27.4
Italy	27.4	Spain	24.2
Spain	24.2	Portugal	17.7
Portugal	17.9	Greece	16.0
Greece	16.0		

When income is measured by GDP per capita[4], Ireland ranks third in the EU-15. Even when account is taken of multi-national accounting practices as per the Irish Fiscal Advisory Council's 'GDP-hybrid' measurement, Ireland still comes in third.

If we examine GNI per capita (Gross National Income –essentially GNP), Ireland still ranks high, even though GNI excludes income that is actually generated in Ireland. Ireland ranks fourth.

It is worth noting that while Ireland – whether measured in GDP or GNI terms – ranks above the average of Northern and Central European economies, Irish employee compensation in the market economy is 18 percent below.

Rising Profitability

Ireland is a high-income economy. How does this impact on the ability of companies to afford wage increases? This, of course, will depend on the particular company and the sector they operate in. The recession and austerity policies severely damaged a number of sectors and companies.

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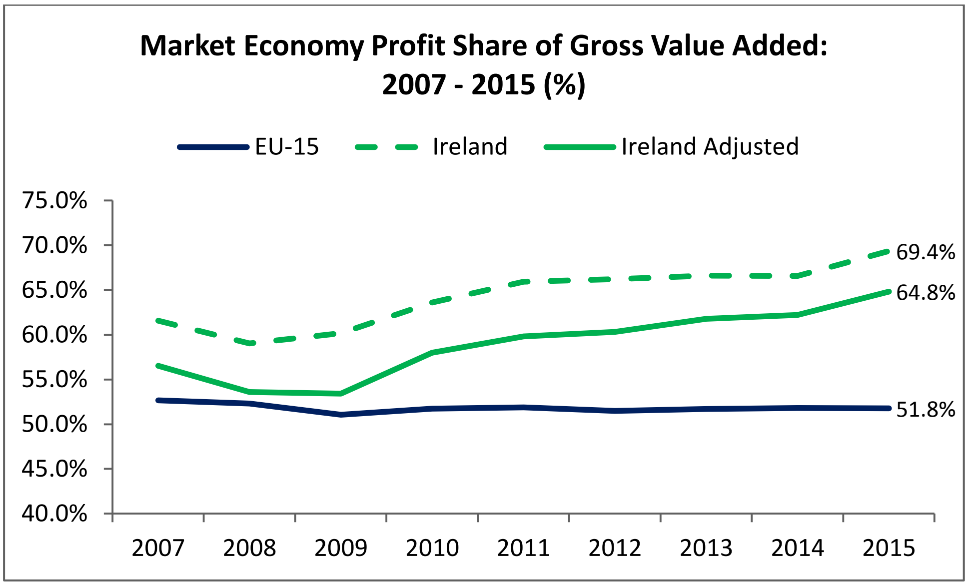
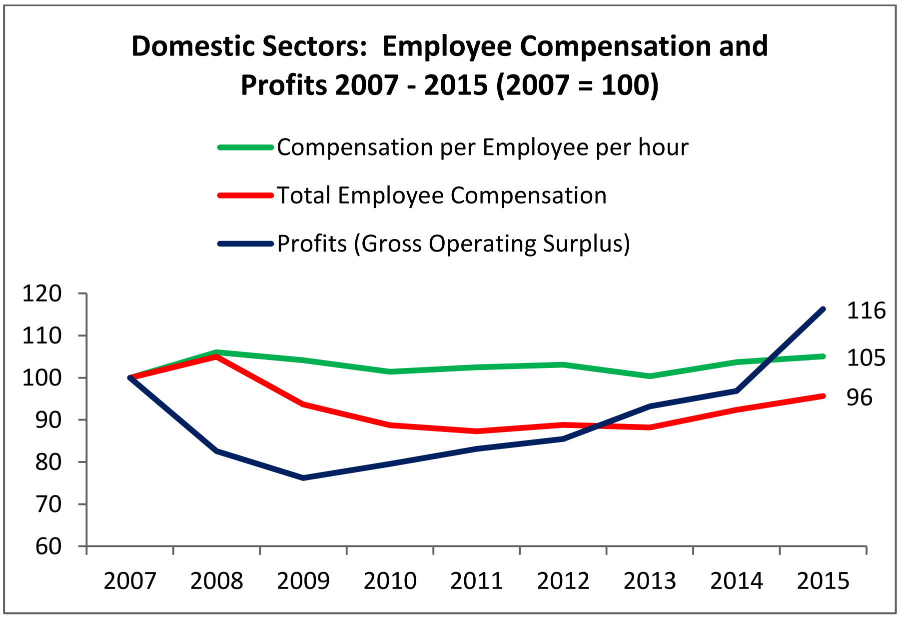
[3] EU Ameco Database http://ec.europa.eu/economy_finance/ameco/user/serie/SelectSerie.cfm
[4] Luxembourg is excluded from the table as its national accounts data is even more compromised than Ireland's due to the activities of multi-national companies. The numbers result in unrealistic and excessive high levels which would distort the mean averages.

However, the Irish corporate sector has recovered from the 2008/09 lows and is experiencing a rapid increase in profits.[5]



We have attempted to adjust for multi-national accounting practices (i.e. importing profits generated in other economies for tax purposes). Even when doing this, profits take up a larger proportion of gross value-added than in the EU-15. This, however, should only be treated as indicative. Nonetheless, it does show an upward trend since 2008 and 2009.

A more satisfactory, if limited, approach would be to examine sectors with less multi-national penetration and, so, less distortion due to accounting practices. The following looks at the combined Wholesale/Retail, Transport and Hospitality sectors. In this group, multi-nationals make up approximately one-third of total value-added; this compares to a 57 percent share in the total market economy and an 86 percent share in the manufacturing sector.



[5] Eurostat Gross value added and income: http://appsso.eurostat.ec.europa.eu/nui/show.do and Employment by Industry Breakdown: http://appsso.eurostat.ec.europa.eu/nui/show.do

Profits in these main domestic sectors have recovered and now exceed their pre-crash high; in 2015, profits were 16 percent higher than in 2007. Their recovery since the 2009 low has been remarkable – an increase of over 50 percent. Employee compensation, however, barely moved. Hourly compensation has increased by just 5 percent over the eight-year period (remaining static since 2008) while total compensation remains below the 2007 level.

The Revenue Commissioners also provide an insight into the rising levels of profits. Staying with the combined domestic sectors - Wholesale/Retail, Transport and Hospitality – Revenue reports that in 2015 corporate tax revenue increased by 38.8 percent. This shows greater profitability on a sector wide basis.[6]

There is no question that corporate profits have returned to the economy, although some companies may still be experiencing difficulties (this happens in even the best of times). The question is, to what extent workers will participate in that recovery through higher wages and living standards?

Ultra-Low Pay in the traditional Low-Paid Sectors

Ireland is a relatively low-paid economy. However, employee compensation in the traditional low-paid sectors – the Food and Accommodation Services Sector (hotels, restaurants and pubs) and the Wholesale and Retail Sector is lower still – falls even further behind European averages.

Wholesale and Retail Sector: Employee Compensation (€ per hour) 2015				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	34.50	30.20	27.7	**22.60**
Wage Increase Needed to Reach Average (€)	11.90	7.60	5.10	
% Increase Needed	*52.7*	*33.7*	*22.6*	
Accommodation and Food Services: Employee Compensation (€ per hour) 2015				
Average (€)	23.9	20.8	19.3	**15.40**
Wage Increase Needed to Reach Average (€)	8.50	5.40	-3.90	
% Increase Needed	*55.1*	*35.2*	*25.3*	

NCEE: Northern and Central European Economies (excluding the Mediterranean economies)
Other SOE: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)

Irish employee compensation is substantially below European averages. To reach the EU-15 average, Irish compensation in these two sectors would have to rise by 23 and 25 percent. To reach the NCEE average, the rise would need to be over a third. And to reach the average of Other SOE

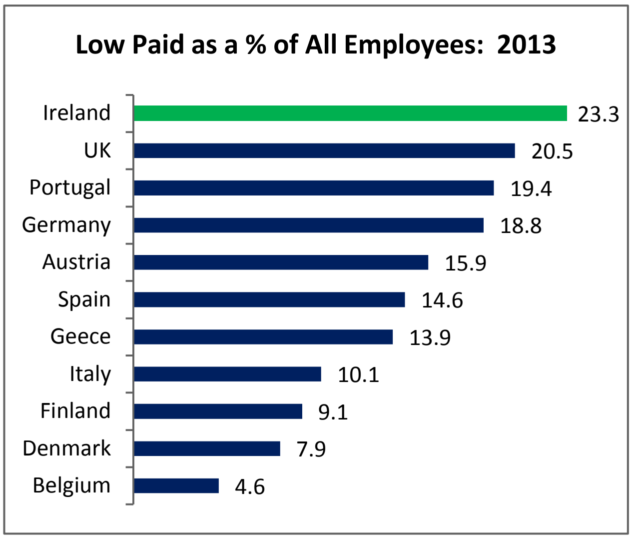
[6] Revenue Commissioners, An Analysis of Corporation Tax Receipts 2014 – 2015: http://www.revenue.ie/en/about/publications/other.html#reports

economies, Irish compensation would have to rise by more than half. The Irish low-paid are ultra-low paid when compared to other European economies.

This should not be surprising. Ireland has the highest proportion of low-paid workers in the EU-15 among the countries reporting.[7]

In 2013, those in low-paid[8] work made up over 23 percent of those in employment – well above the average and in stark contrast to our peer group countries, especially Finland, Denmark and Belgium where the rates of low pay are in single figures.

This is particularly the case for women. Among women, 29 percent are low-paid compared to 19 percent for men. This reflects the high proportion of women working in traditional low-paid sectors which have high levels of part-time work and precarious working hours.



Summary of Main Economic Sectors

The following table shows how far below the three European averages – EU-15, NCEE and Other SOE – Irish compensation is in the main economic sectors.

Irish Compensation: % Above or Below European Averages: 2015			
	EU-15	NCEE	Other SOE
Water & Sewerage	-28.5	-33.7	-39.4
Accommodation & Food Services	-20.2	-26.1	-35.5
Wholesale & Retail	-18.4	-25.2	-34.5
Financial & Insurance	-16.2	-22.3	-24.9
Construction	-5.0	-16.6	-25.4
Professional, Scientific & Technical	-9.4	-18.2	-21.6
Market Economy	***-6.5***	***-18.0***	***-24.3***
Manufacturing	-7.5	-15.5	-23.0
Administrative & Support Services	-6.5	-15.0	-25.7
Transport & Storage	-4.0	-10.5	-16.8
Information & Communication	2.2	-7.2	-13.1
Electricity & Gas	7.1	1.4	-4.1
More than 20% Below Average			
0 to 20% Below Average			
Above Average			

[7] OECD Earnings and Wages: https://data.oecd.org/earnwage/wage-levels.htm Data for Italy and Spain from 2012.
[8] Low Pay is defined as earning less than two-thirds of the median wage – the median wage being that point at which 50 percent earn above and 50 percent earn below.

Irish compensation is over 20 percent below the EU-15 average in two sectors. Only two sectors are above average, despite the fact that Irish national income is 16 percent above the EU-15 average.

There are four sectors where Irish compensation is more than 20% below the NCEE average and only one sector above average. Given that Irish national income marginally exceeds the NCEE average, this is a poor outcome for Irish workers.

When compared to Other SOE, the situation deteriorates considerably. In eight out of the eleven market sectors, Irish compensation is over 20 percent below average. There is no sector where Irish compensation is above the average of Other SOE even though Irish national income is only marginally below the Other SOE average.

Trends in Compensation

It has recently been asserted that wages are rising faster than European averages[9]. However, when we examine the data, we find that Irish compensation is rising at a much slower pace.

Market Economy: Growth in Quarterly Employee Compensation (%) *

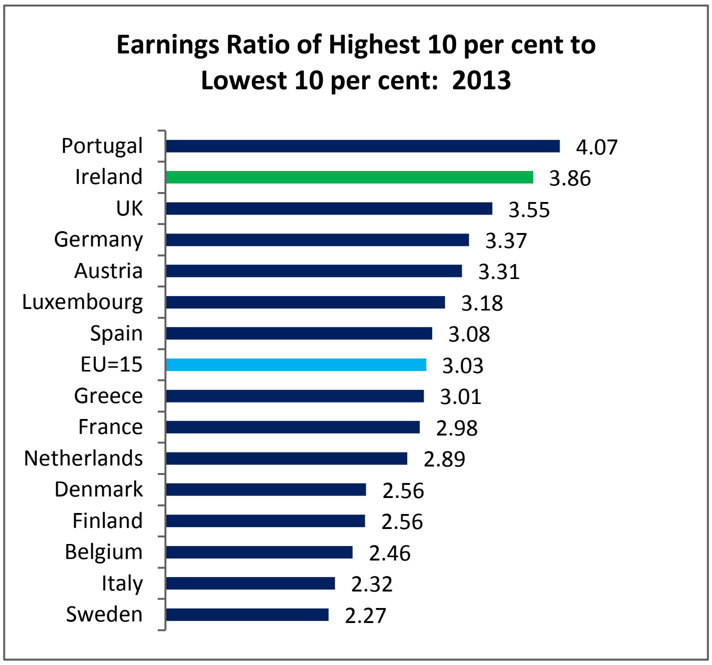
	EU-15 *	Ireland
3 Years: *2012 (Q1) – 2015 (Q4)*	5.9	2.3
1 Year: 2014 (Q4) – 2015 (Q4)	1.5	0.5
½ Year: 2015 (Q2) – 2015 (Q4)	0.5	(-0.3)
* Seasonally Adjusted; Greece excluded - data not available up to 2015 Q4		

Since 2012, Irish employee compensation has increased at less than half the rate of EU-15 countries. The past year told a similar story. In the second half of 2015 Irish compensation actually fell.

[9] The Cost of Doing Business in Ireland 2016, National Competitiveness Council: http://www.competitiveness.ie/Publications/2016/Costs%20of%20Doing%20Business%20in%20Ireland%202016.html

Distribution of Wages

Averages do not tell us how equally wages are distributed among the workforce. A country may have a high average wage, but still have a substantial number of workers on low-pay. Not only is Ireland a low-paid economy, it is highly unequal.[10]



With the exception of Portugal, Ireland has the highest level of inequality as measured by the ratio of the earnings of the top 10 percent of earners to the lowest 10 percent. Again, we are well above the EU-15 average and far exceed countries in our peer group.

The skewered distribution of wage income can be seen in the CSO's tracking of average weekly income for three categories: (a) managers and professionals; (b) office, sales and services workers; and(c) production, craft, transport and other manual workers. Between 2010 and 2015 the CSO estimates the following increases in average weekly income.[11]

Growth in Weekly Income: 2010 – 2015 (3rd Quarter)

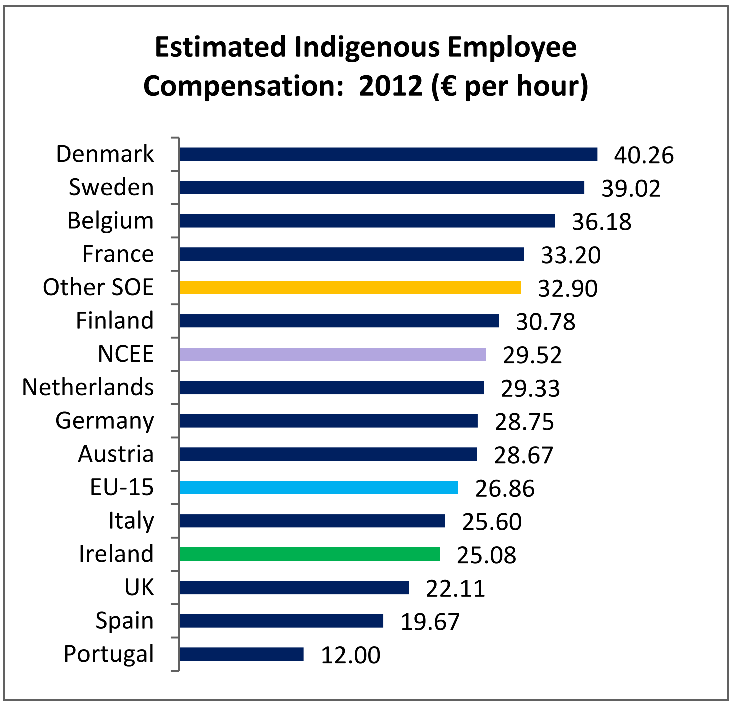
	Nominal Amount (€)	Percentage
Managers & Professionals	130	11.3
Office, sales and services workers	6	1.4
Production, craft, transport and other manual workers	2	0.3

This points to a potential growth in wage inequality.[12]

[10] OECD Decile Ratios of Gross Earnings: http://stats.oecd.org/viewhtml.aspx?datasetcode=DEC_I&lang=en#
[11] CSO Estimates of Average Earnings by Economic Sector NACE Rev 2, Type of Employee and Quarter: http://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?maintable=EHQ13&PLanguage=0
[12] We must acknowledge the 'compositional effect' in these types of measurements. It may not be that all managers and professionals experienced, on average, an 11 percent increase during this period. Newly employed people in this sector may have entered at higher wages, thus driving the average higher. However, this does show the widening gap of these three principal occupational sectors.

The Indigenous Sector

Separating out the indigenous sector from the total economy is not a straightforward exercise. Eurostat measures 'personnel costs' in the foreign-owned and indigenous sector.[13] However, their data includes 'unpaid employees' (e.g. family members who work for no wage) and does not factor in working hours. We have attempted to account for this.



The accompanying table shows compensation levels well below total compensation in the market economy (which includes foreign-owned firms). The differences may be accounted for by different working hour patterns (especially between paid and unpaid employees), higher pay in the foreign-owned sector, and the fact that this dataset does not include the high-paid financial sector and that it only goes up to 2012. Therefore, the nominal value of the wages should be treated cautiously. However, we are only concerned here with the comparisons between countries.

In isolating employee compensation in the indigenous sector, we find a pattern similar to total compensation in the market economy (foreign-owned and indigenous); namely, that Irish employee falls below the European averages.

- Irish compensation is 6 percent below the EU-15 indigenous average; this is the same as in the total market economy (indigenous and foreign-owned combined).
- Irish compensation is 19 percent below the indigenous average of Northern and Central European economies; this compares to 18 percent below in the total market economy.
- Irish compensation is 28 percent below the indigenous average of Other Small Open Economies (Other SOE); this compares to 24 percent below in the total market economy.

The pattern is the same – indigenous employee compensation is low by European comparison. However, if this is the case, then why does Irish indigenous compensation make up such a high level of gross value-added (GVA)? One answer may be found by looking at a specific sector – Information and Communication.

(a) The Indigenous Information and Communication Sector

In this sector, employee compensation takes up a very high proportion of gross value-added (GVA).[14]

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[13] Eurostat Foreign control of enterprises by economic activity and a selection of controlling countries: http://appsso.eurostat.ec.europa.eu/nui/show.do

[14] For a discussion of gross value-added, see below in the section: Labour is Not a Cost

Indigenous IC Sector: Employee Compensation as a % of Gross Value-Added (2012)			
Other SOE	NCEE	EU-15	Ireland
64.3	58.1	56.7	79.9

Irish levels are high relative to the other European averages. This could lead some to conclude that Irish 'wages' are high. But this is not the case.

Indigenous IC Sector: Employee Compensation (€ per hour) 2012				
	Other SOE	NCEE	EU-15	Ireland
Average (€)	32.06	29.29	27.78	**27.41**
% Difference	*(-14.5)*	*(-6.4)*	*(-1.3)*	

Indigenous IC compensation is lower than the European averages. So if Irish compensation is low but their proportion of gross value-added is high, what is the real issue?

Indigenous IC Sector: Gross Value-Added per Employed (€ per hour) 2012				
	Other SOE	NCEE	EU-15	Ireland
Average (€)	82.09	82.43	80.56	**58.48**

Value-added generation is weak by European comparison. While the European averages range between €80,500 and €82,400 value-added generated per employed, in Ireland it is much lower - more than 25 percent less. The data does not allow more detailed examination of the sub-sectors (most of these are labelled by the Irish authorities as '*confidential*').[15] However, the explanation could lie in indigenous Irish firms located in less value-added sections of IC, high costs (telecommunications, rent, etc.) or managerial deficits.

Whatever the reason, the problem does not lay in high levels of compensation. If commentators point out that, at least in the IC sector, Irish compensation makes up a high level of gross value-added, they are not asking the right question;. The right question should be: what is wrong with Irish indigenous business?

Social Wage, Direct Wage, Net Income and Living Standards

It has been argued that Irish compensation is low by virtue of the fact that employers' social insurance in other EU countries is much higher than here. That is true and this tells its own story.

(a) Social Wage

Employers' social insurance – or the social wage – is that part of the employees' compensation that is paid, not to the worker, but to a social insurance fund or comparable fund. Out of this fund, workers' can access a number of benefits. For instance, in other EU countries, health services are financed by social insurance payments and this allows workers free or below-cost access to GP care, hospital services, and prescription medicine. In addition, the social wage provides workers with

[15] This can happen when the number of companies in a sector is so small that it could identify the actual companies.

strong income supports: pay-related unemployment benefits, pay-related sickness benefits, pay-related maternity benefits, pay-related old age pensions, etc. In Ireland we don't have these benefits – and that is because of a low social wage.

Ireland's social wage makes up only 18 percent of the direct wage paid to employees. Only Luxembourg has a lower percentage. Most other countries have a far higher social wage.[16] This provides these workers with much higher living standards as they can access collective services (such as health) and obtain income supports unavailable to Irish workers.

This explains Ireland's weak social state – the lack of affordable childcare, low levels of in-work benefits, a three-tier health system[17], and low levels of family supports. This is not only expressed in cash terms but in in-kind supports (elderly care in the community, community supports for those with disabilities).

(b) Direct Wage

If we focus on direct wages (the wage that employees actually receive), we need to use purchasing power parities (PPP). These parities allow us to remove currency movements and align living costs with the wage. For instance, a worker in one country may receive a lower wage per hour than a worker in another country; however, if living costs are lower (food, health, energy, etc.) then the worker's wage may have a higher purchasing power. PPPs allow us to view wages on a level playing pitch.

When PPPs are applied, Ireland remains a low-wage economy. This is because of high living costs here.

[16] Denmark is excluded as it does not have a social insurance system.
[17] The three tiers are (a) private insurance holders; (b) medical card holders; and (c) those not entitled to a medical card and without private insurance. For many in this last category, private insurance would be unaffordable.

Market Economy - Nominal and Real (PPP) Direct Wage per hour: 2014			
Nominal Wage (€)		**Real Wage (PPP)**	
Denmark	37.00	Belgium	27.98
Luxembourg	31.10	Denmark	27.94
Belgium	28.50	Luxembourg	27.47
Other SOE	**28.50**	Germany	26.18
Sweden	27.10	**Other SOE**	**25.04**
NCEE	**27.10**	**NCEE**	**24.21**
Finland	26.30	Netherlands	24.10
Netherlands	25.60	France	23.78
Germany	25.50	Austria	23.40
UK	24.40	Sweden	23.20
France	24.30	Finland	22.69
Ireland	**24.30**	**EU-15**	**22.01**
Austria	23.60	**Ireland**	**20.95**
EU-15	**23.50**	Italy	20.32
Italy	19.60	UK	18.63
Spain	15.40	Spain	17.69
Greece	10.30	Portugal	12.92
Portugal	10.10	Greece	12.87

Nominal Irish direct wages in the market economy are 80 cents above the EU-15 average, though still in the bottom half of the table, lagging considerably behind their peer groups. When PPPs are applied, Ireland falls down the table and behind all the European averages.

A good example of this (and of the effect of the social wage) is the relationship between Irish and French wages. Nominally, Irish and French hourly wages in the market economy are the same – at €24.30.

However, when PPPs are applied, French workers receive a higher wage – at €23.70 (PPP) as opposed to Ireland's €20.95 (PPP), or 13 percent higher.

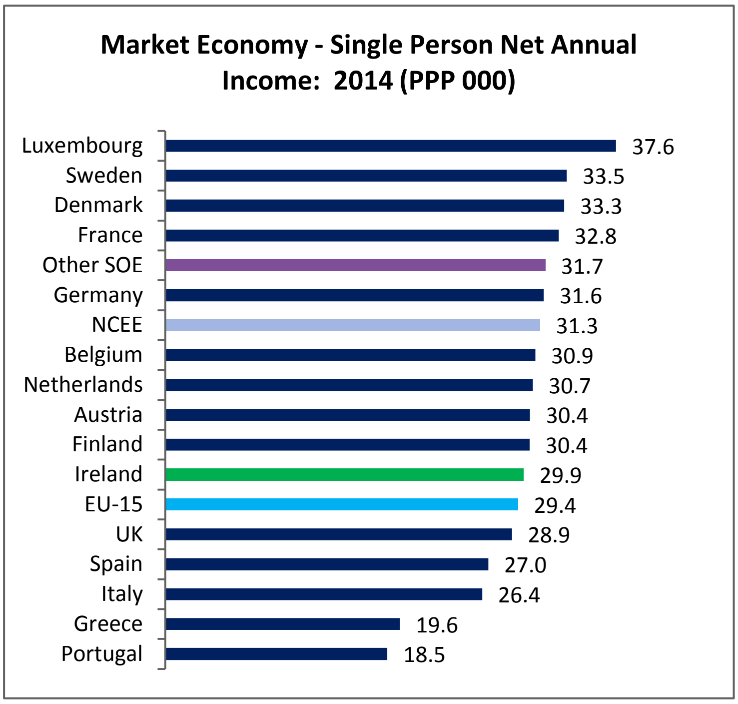
But in addition to this, French workers receive a higher social wage. French workers receive an hourly social wage of €11.30 compared to an Irish social wage of €4.40. RTE's Claire Byrne Show in January 2015 showed the impact of this social wage, when comparing the living standards of a French family with that of an Irish family. The programme found that:

- For the French family, a GP visit cost €7 and hospital waiting times were measured in days and in some extreme cases, weeks.
- The French family were entitled to free, full-time childcare
- And if the one of the members of the French family became unemployed, they would receive an unemployment benefit equal to 80 percent of their wage for over a year.

This is just one example of the impact of living costs and the social wage.

(c) Net Income

Some might claim that net (or after-tax) income should be the comparator due to Ireland's low tax regime. This, of course, ignores the net benefit of taxation to European households where healthcare is free and childcare affordable. Nonetheless, even when we look at net income, Irish earnings are still below most other EU-15 countries.



Calculated using the OECD Benefit and Wages tax benefit calculator[18], these estimates only include personal tax credits/allowances and do not factor in secondary reliefs (health, mortgage, rent, shift-pay, etc.). Therefore, this is only based on headline rather than effective tax rates. Still, it shows after-tax Ireland remains a low-income economy relative to our peer groups. And, as stated above, it doesn't account for the benefits households receive from the social wage.

(d) Living Standards

The interaction of the direct wage, the social wage and total employee compensation – along with public spending on services - is intended to raise 'living standards'. We can get a sense of how Irish living standards compare with other European countries through Eurostat's Actual Individual Consumption. [19] Unlike private consumption (i.e. consumer spending), actual individual consumption

> *'. . . encompasses consumer goods and services purchased directly by households, as well as services provided by non-profit institutions and the government for individual consumption (e.g., health and education services).'*[20]

It therefore measures consumption not only of goods and services, but public services provided by the government. As Eurostat states:

> *'Although GDP per capita is an important and widely used indicator of countries' level of economic welfare, (actual individual) consumption per capita may be more useful for comparing the relative welfare of consumers across various countries.'*

So how does Ireland compare?

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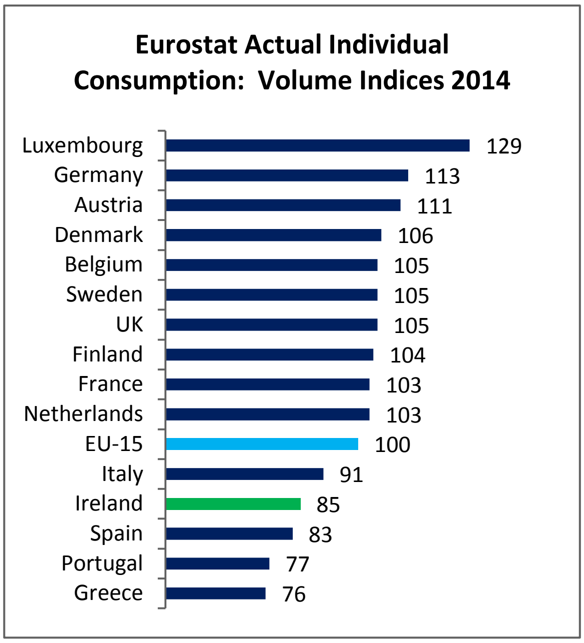
[18] OECD Benefits and Wages: Tax-Benefit calculator: http://www.oecd.org/els/soc/benefitsandwagestax-benefitcalculator.htm
[19] Eurostat Purchasing power parities (PPPs), price level indices and real expenditures: http://appsso.eurostat.ec.europa.eu/nui/show.do
[20] Eurostat Statistics Explained: http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Actual_individual_consumption_%28AIC%29

While this should only be treated as a proxy for living standards or the 'relative welfare' of employees, the table is nonetheless instructive. Irish living standards are 15 percent below EU-15 averages and well behind other peer group countries.

It is also worth noting that Irish living standards rank below Italian levels. In fact, Irish living standards are closer to much poorer countries like Greece and Portugal than to the EU-15 average and the majority of other countries.

Direct wages play only a part in all this – though a significant part. The social wage, which funds a high level of public services and income support, is also a significant factor along with taxation levels that allow for a high level of public services – something that does not exist in Ireland. It is this that drives living standards, not merely the cash in hand.



Labour is not a Cost

Though the data presented in this paper is usually described by national agencies as 'labour costs' Unite rejects this label. Labour is not a cost. This label is a fundamental misreading of how the business sector and the wider economy produces value and distributes it.

Gross Value Added (GVA) is, put simply, turnover minus costs. These costs can be rent, transport, maintenance, purchases of goods and services, etc. What is crucial is that labour does not feature as a cost. Labour enters into the picture at same time and on an equal basis (equal at least on paper) as profits – when it comes to distributing the GVA. In the EU Commission's KLEMS database these are correctly referred to as '*capital compensation*', or profits; and '*labour compensation*', or wages.

Capital Compensation: out of this are paid the costs of capital (borrowing), taxes and investments. The remainder is retained by the firm or distributed as dividends.

Labour Compensation: out of this are paid personal taxes (income tax, PRSI, levies, contributions to pension funds). The remainder goes into the workers' pocket.

The point here is that the creation of value in the market economy, or GVA, is a nominally collaborative effort by capital and labour. It is only after the value is created that compensation for capital and labour is distributed.

This is, of course, a stylised picture. In the real world the relationship between capital, labour, price and performance is more complex. If owners want higher profits they can increase price (which is what happens under monopolistic conditions) and take the extra revenue; or they can squeeze wages. An increase in labour compensation does not necessarily mean an increase in prices. It can be absorbed through higher productivity or reduced profits. When a company buys in goods and services, these inputs have implicitly embedded the share-out of their value produced in their firms. The situation is dynamic and depends on a number of factors – even external factors (e.g. in a recession when consumer and business spending falls).

At root, though, is that in our economy it is capital that dominates how value is produced and how it is distributed. We can see why the term 'labour cost' is used frequently. It suits capital to portray people's wages and living standards as a cost, and profits as an unmitigated good.

The Way Ahead

While it is beyond the scope of this survey to outline detailed proposals to overcome the compensation deficit experienced by Irish workers, below are a few observations that emerge from the data.

First, we need to strengthen labour rights to provide workers with greater bargaining power – something that even the IMF has recently called for. Two reforms would go a long way to improve the situation:

i. The right to collective bargaining: Ireland is the only EU country that denies workers the right to collective bargaining. The issue is very simple: where workers choose to bargain with their employers through the agency of their choice, that choice should be vindicated by law.

ii. Increase rights for part-time workers: precarious work drives down wages and living standards. The next government should transpose the EU Directive on Part-time Workers into law; in particular, the right of part-time workers to take extra hours in the workplace when they become available.

Second, we need to raise the wage floor for the low-paid. Traditional low-paid sectors in Ireland are some of the lowest paid in our peer group. Granting the right to collective bargaining and strengthening the rights of part-time workers will go some way towards addressing that. In addition, we need to deepen and extend the operation of Joint Labour Committees to all low-paid sectors, occupational groupings and sectors with high levels of enterprise fragmentation (small workplaces). The goal should be to raise the National Minimum Wage to the level of the Living Wage.

Third, we need to raise the social wage, or employers' PRSI, in order to provide a greater range of in-work income supports and access to free or low-cost public services. In the market economy, the gap between compensation in Ireland and other Northern and Central European economies is made up approximately of one-third direct wage and two-thirds social wage. A higher social wage would increase resources for free community health care (e.g. GP care) and subsidised prescription medicine along with income supports – especially family supports. In addition, by directing more expenditure through the social wage, the Exchequer would have more resources to invest in affordable childcare, affordable rental accommodation for low-average income workers, lower public transport fares, etc.

Workers' rights, strategies for the low-paid and the social wage – these three areas hold the key to closing the compensation gap for Irish workers.

Notes on the Data

The data refers to employee compensation though in the datasets they are referred to as 'labour costs'. This includes employee compensation and other labour costs on an hourly basis.

- **Employee Compensation**: this comprises 'direct' wages (the wage paid directly to the employee) and the 'social' wage (the wage that is paid into a social insurance fund or comparable fund). The latter is largely expressed as employers' social insurance, though it can include a payroll tax. Combined this makes up about 98 percent of the hourly payment.

- **Labour costs**: this comprises recruitment, hiring costs, re-training, uniforms, etc. This makes up approximately 2 percent of the hourly payment.

We have used the term 'employee compensation' throughout this report.

Data for the main NACE or economic sectors dates from 2015 with some exceptions (these are referenced in the Appendix tables). Data for the sub-sectors dates from 2012, adjusted by the Labour Cost Index for the relevant sector.

There are three benchmarks:

- The EU-15
- Northern and Central European economies (NCEE): this excludes the poorer Mediterranean countries.
- Other Small Open Economies: this refers to our peer group – economies with a similar structure as Ireland's: small domestic market and a reliance on exports. There are five countries in this grouping: Austria, Belgium, Denmark, Finland and Sweden.

We do not use the EU average as a whole (EU-28). It is not realistic to compare ourselves to the New Member States. These countries do not have a long-term experience of market-based economies (all, with the exception of Cyprus and Malta, were formerly command economies). Romania and Bulgaria have hourly employee compensation of €5 and less, while the Baltic countries average less than €8.40. Comparing Ireland, or any other EU-15 country to New Member States, does not tell us how well paid these countries are; it tells us how poor are the economies of New Member States.[21]

This report covers the market, or business, economy. This is essentially the private sector. It excludes agriculture and non-market services (public administration, health, education, recreation & leisure).

All averages are mean-averages as there is no weighting for the 2015 data.

[21] GDP per capita for EU-15 countries is over €33,000; the average for New Members States is well less than half that – at €13,500. Source: EU Ameco Database http://ec.europa.eu/economy_finance/ameco/user/serie/SelectSerie.cfm

Appendix

The following sections reproduce the data on employee compensation from Eurostat in each of the main economic sectors:

*Market Economy * Wholesale & Retail * Manufacturing * Accommodation & Food Services * Professional, Scientific & Technical Activities * Administrative & Support Services * Construction * Financial & Insurance Activities * Transport & Storage * Information & Communication * Water & Sewerage Services * Electricity and Gas*

We also include three sub-sectors: Retail, Food Manufacturing, and Services to Building & Landscape Activities.

The data for the main sectors come from Eurostat's *Labour Cost Levels*[1]. The data for the sub-sectors come from Eurostat's *Labour cost, wages and salaries, direct remuneration.*[2] As this data is from 2012, it has been updated to 2014 with the Eurostat Labour Cost Index[3].

The economic sectors are ranked in order of their size (i.e. the number of employees). The Wholesale & Retail Sector is the largest sector while Electricity & Gas is the smallest.

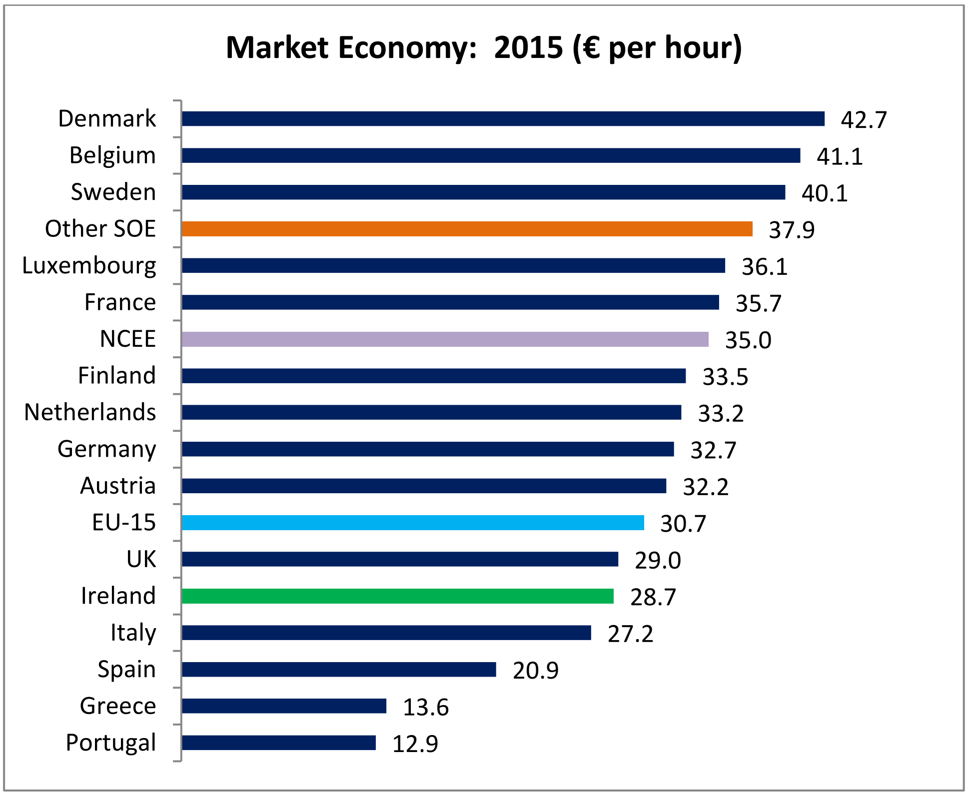
[1] http://appsso.eurostat.ec.europa.eu/nui/show.do
[2] http://appsso.eurostat.ec.europa.eu/nui/show.do
[3] http://appsso.eurostat.ec.europa.eu/nui/show.do

The Market Economy

Essentially the private sector, comprising the industrial and services sectors; it excludes agriculture and non-market services (e.g. public administration, health, education and recreation/arts). 1.2 million people are employed in the market economy.

Total Market Economy: Employee Compensation (€ per hour) 2015				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	37.90	35.00	30.70	**28.70**
Irish Compensation Relation to Euro averages (%)	*(-24.3)*	*(-18.0)*	*(-6.5)*	
NCEE: Northern and Central European Economies (excluding the Mediterranean economies) **Other SOE**: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)				

Irish compensation is 6 percent below the EU-15 average. This falls to 18 and 24 percent below the Northern and Central European and other small open economies' average respectively. We are well behind our peer groups.



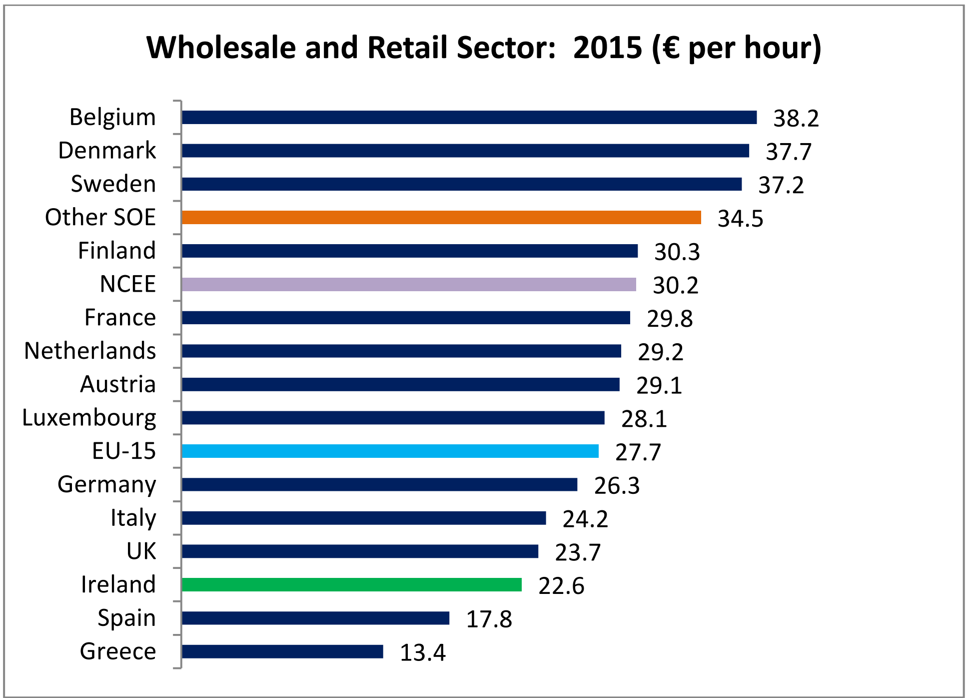
* Greece data is from 2014.

Wholesale and Retail Sector

The Wholesale and Retail sector employs the largest number of people in the market economy – nearly 240,000. The Retail sector makes up 70 percent of this sector.

Wholesale and Retail Sector: Employee Compensation (€ per hour) 2015				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	34.50	30.20	27.70	**22.60**
Irish Compensation Relation to Euro averages (%)	*(-34.5)*	*(-25.2)*	*(-18.4)*	
NCEE: Northern and Central European Economies (excluding the Mediterranean economies) **Other SOE**: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)				

Irish compensation is very low by European averages. It falls 18 percent behind the EU-15 average while falling 25 and 34 percent below the Northern and Central European and other small open economies' average respectively. Ireland ranks a lowly 12th out of the 14 EU countries reporting, ahead of only Spain and Greece.



* No data for Portugal

Wholesale & Retail Sub-sector

Retail Sector

The Retail sector employs approximately 160,000.

Retail Sector: Employee Compensation (€ per hour) 2014				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	28.48	24.94	22.17	**18.47**
Irish Compensation Relation to Euro averages (%)	*(-35.1)*	*(26.0)*	*(16.7)*	
NCEE: Northern and Central European Economies (excluding the Mediterranean economies) **Other SOE**: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)				

In the retail sector, Ireland is ultra-low paid. Irish compensation is 17 percent below the EU-15. They are 26 percent below the average of Northern and Central European economies and 35 percent below the average other small open economies. Ireland ranks 12th in the EU-15.

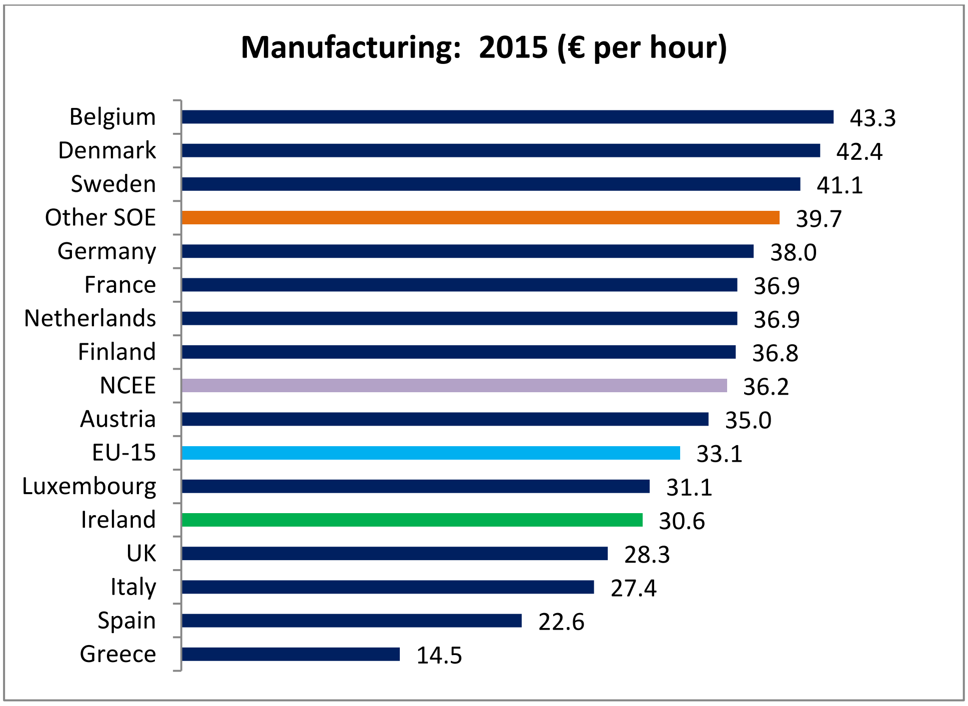
This data comes from a separate dataset - Labour cost, wages and salaries and direct remuneration. Data is based on 2012 and updated with the Labour Cost Index.

Manufacturing Sector

Manufacturing is the second largest sector in the market economy employing approximately 200,000 people.

Manufacturing Sector: Employee Compensation (€ per hour) 2015				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	39.70	36.20	33.10	**30.60**
Irish Compensation Relation to Euro averages (%)	*(-23.0)*	*(-15.5)*	*(-7.5)*	
NCEE: Northern and Central European Economies (excluding the Mediterranean economies) **Other SOE**: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)				

Ireland is low by European averages. It is below the EU-15 average – by 7 percent. Again, we see that Ireland is well behind the averages of other small open economies and Northern and Central European Economies – by 23 and 15 percent respectively.



* Data for Greece and Netherlands from 2014. There is no data for Portugal.

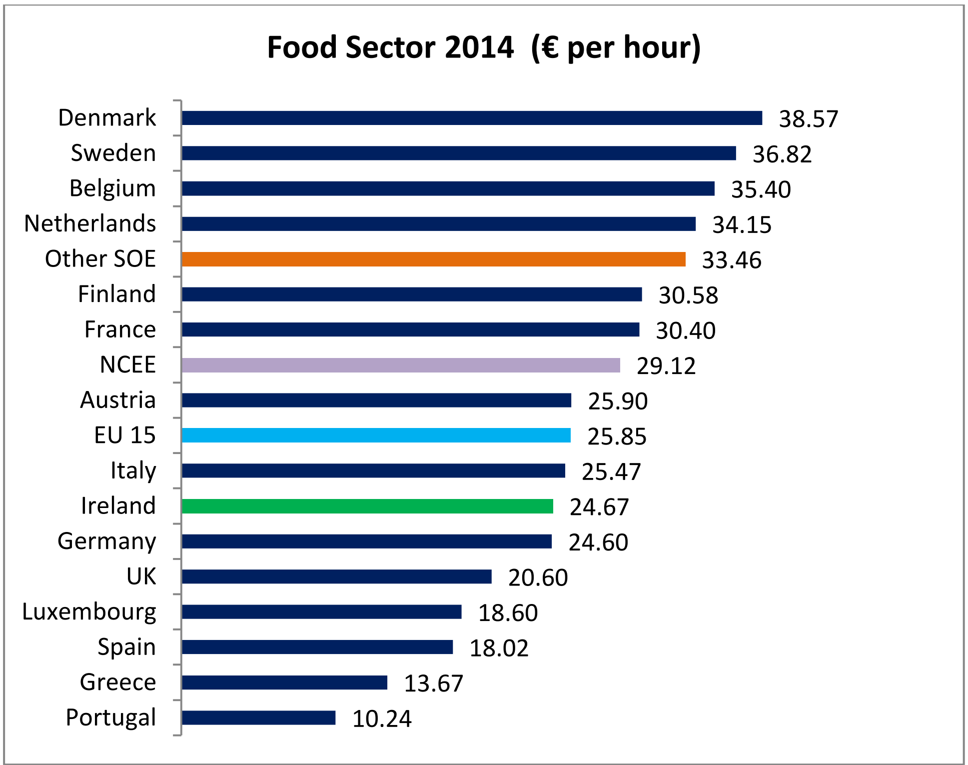
Manufacturing Sub-Sector

Food Sector

The Food sector is the largest indigenous Manufacturing sector.

Food Sector: Employee Compensation (€ per hour) 2014				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	33.46	29.12	25.85	**24.67**
Irish Compensation Relation to Euro averages (%)	*(-26.3)*	*(-15.3)*	*(-4.6)*	
NCEE: Northern and Central European Economies (excluding the Mediterranean economies) **Other SOE**: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)				

Throughout Europe, food sector compensation is lower than average manufacturing compensation. Irish compensation in this sector is 5 percent below the EU-15 average; 15 percent below the average of Northern and Central European economies and 26 percent below the average of other small open economies.



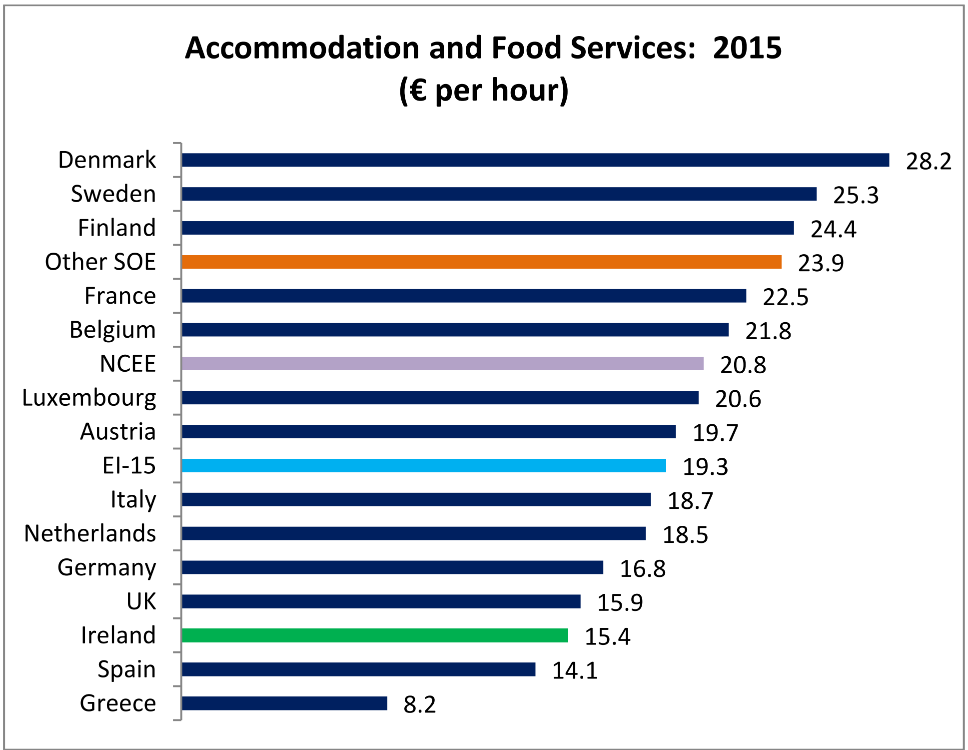
This data comes from a separate dataset - Labour cost, wages and salaries and direct remuneration. Data is based on 2012 and updated with the Labour Cost Index.

Accommodation and Food Services

The Accommodation and Food Services sector – hotels, restaurants and pubs - employs over 120,000 and is the third largest sector in the market economy.

Accommodation and Food Services Sector: Employee Compensation (€ per hour) 2015				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	23.90	20.80	19.30	**15.40**
Irish Compensation Relation to Euro averages (%)	*(-35.5)*	*(-26.1)*	*(-20.2)*	
NCEE: Northern and Central European Economies (excluding the Mediterranean economies) **Other SOE**: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)				

Ireland is very low by European averages. Irish Compensation falls 20 percent below the EU-15 average; in the Northern and Central European Economies and the other small open economies, compensation is 26 and 36 percent below average. Ireland ranks 12th out of the 14 countries reporting.



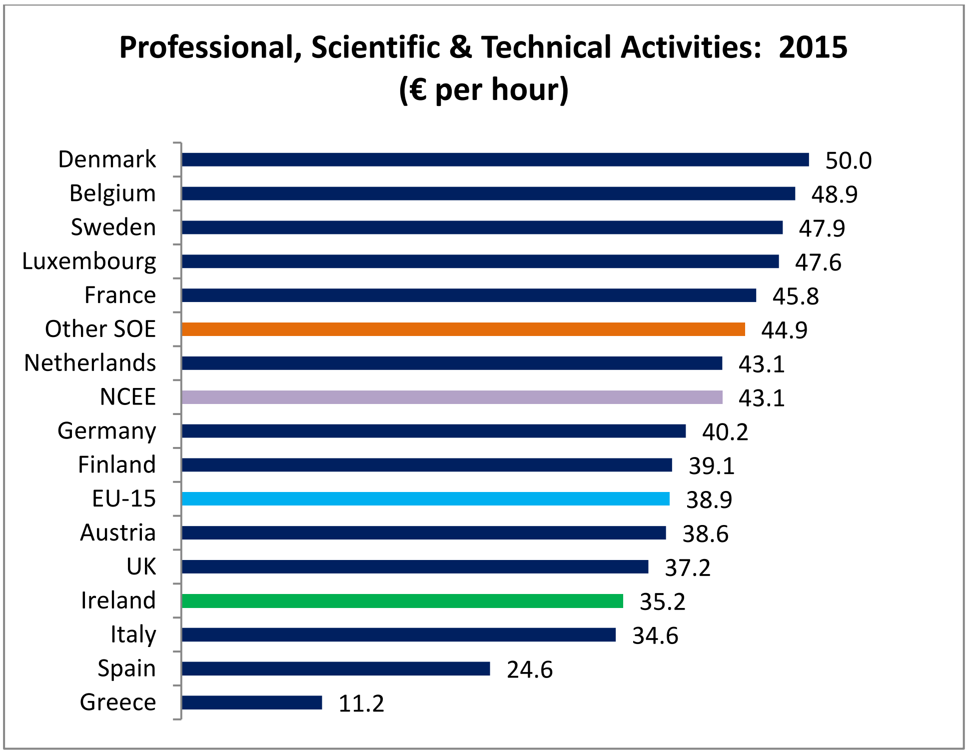
* Greece and Netherlands data from 2014. There is no data for Portugal.

Professional, Scientific and Technical Activities

This sector includes a variety of business services – legal, accounting, architects, research, advertising, veterinarians, etc. - and employs over 85,000.

Professional, Scientific & Technical Activities: Employee Compensation (€ per hour) 2015				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	44.90	43.10	38.90	**35.20**
Irish Compensation Relation to Euro averages (%)	*(-21.6)*	*(-18.2)*	*(-9.4)*	
NCEE: Northern and Central European Economies (excluding the Mediterranean economies) **Other SOE**: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)				

Ireland is low by European averages. Irish compensation falls 9 percent behind the EU-15 average. This falls to 22 percent below the average of other small open economies while falling 18 percent below the average Northern and Central European economies. Ireland ranks 11th out of the 14 countries reporting, ahead of Italy, Spain, and Greece.



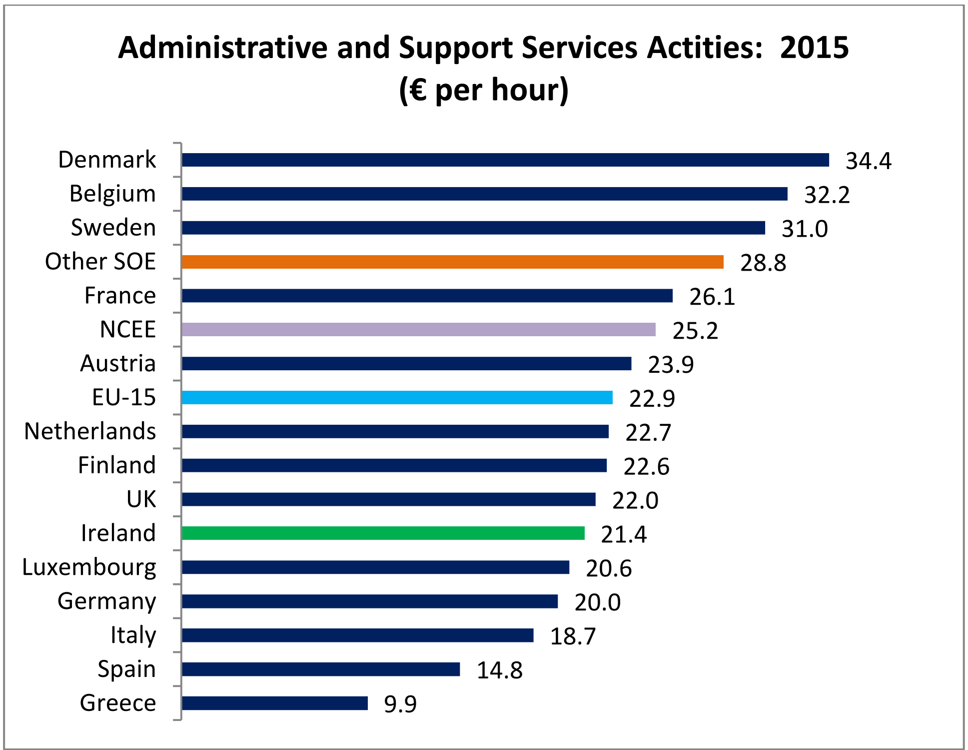
* Greece and Netherlands data from 2014. There is no data for Portugal.

Administrative and Support Services Sector

This sector includes a variety of services – aircraft and other leasing, travel and employment agencies, security and cleaning services, etc. - and employs nearly 60,000

Administrative and Support Services Sector: Employee Compensation (€ per hour) 2015				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	28.80	25.20	22.90	**21.40**
Irish Compensation Relation to Euro averages (%)	*(-25.7)*	*(-15.0)*	*(-6.5)*	
NCEE: Northern and Central European Economies (excluding the Mediterranean economies) **Other SOE**: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)				

Ireland is low by European averages. Irish compensation falls 26 percent below the average of other small open economies and 15 percent below the average of Northern and Central European economies. Irish compensation is 6 percent below the EU-15 average. Ireland ranks 9th out of the 14 countries reporting. However, see the sub-sector on the next page.



* Greece and Netherlands data from 2014. There is no data for Portugal.

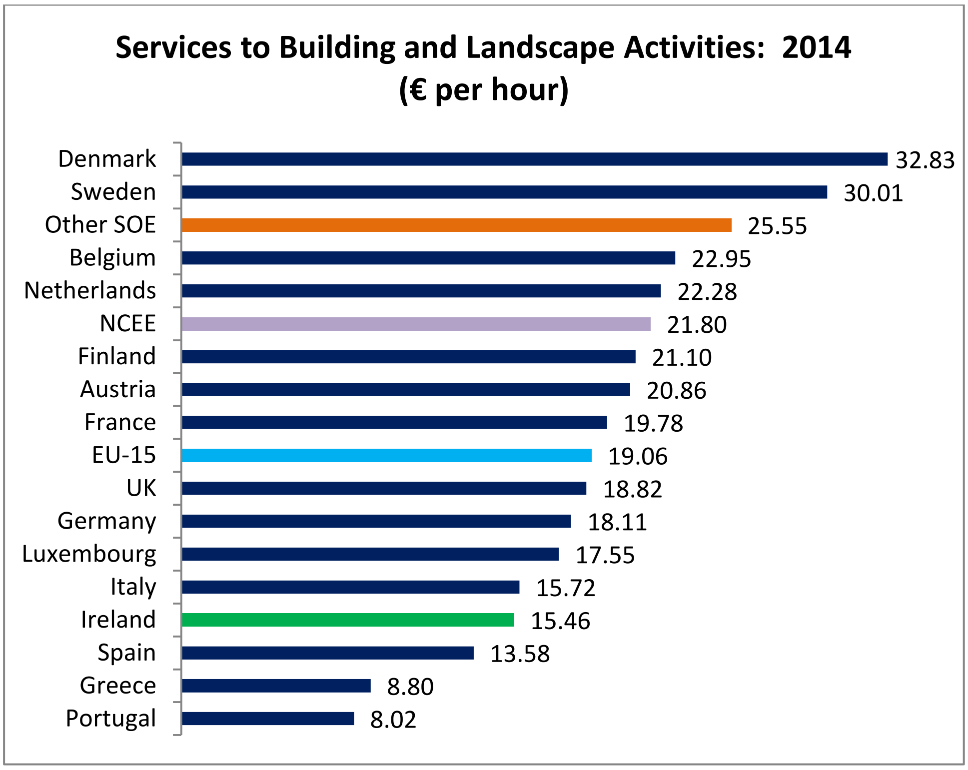
Administrative and Support Services Sub-Sector

Services to Building and Landscape Activities

The Administrative and Support Services sector includes a range of employment from the high-end aircraft leasing sector to the low-paid cleaning sector. Therefore, the sector's overall average may mislead. This sub-sector examines the compensation paid to cleaning and landscape workers, along with security and other services. There are 40,000 employed in this sector.

Building and Landscape Services Sector: Employee Compensation (€ per hour) 2014				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	25.55	21.80	19.06	**15.46**
Irish Compensation Relation to Euro averages (%)	*(-39.5)*	*(-29.1)*	*(-18.9)*	
NCEE: Northern and Central European Economies (excluding the Mediterranean economies) **Other SOE**: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)				

Ireland is ultra-low by European averages. Irish compensation is nearly 40 percent below the average of other small open economies and nearly 30 percent below the average of Northern and Central European Economies. It is 19 percent below the EU-15, average. Ireland ranks 12th out of the EU-15, ahead of Spain, Greece and Portugal.



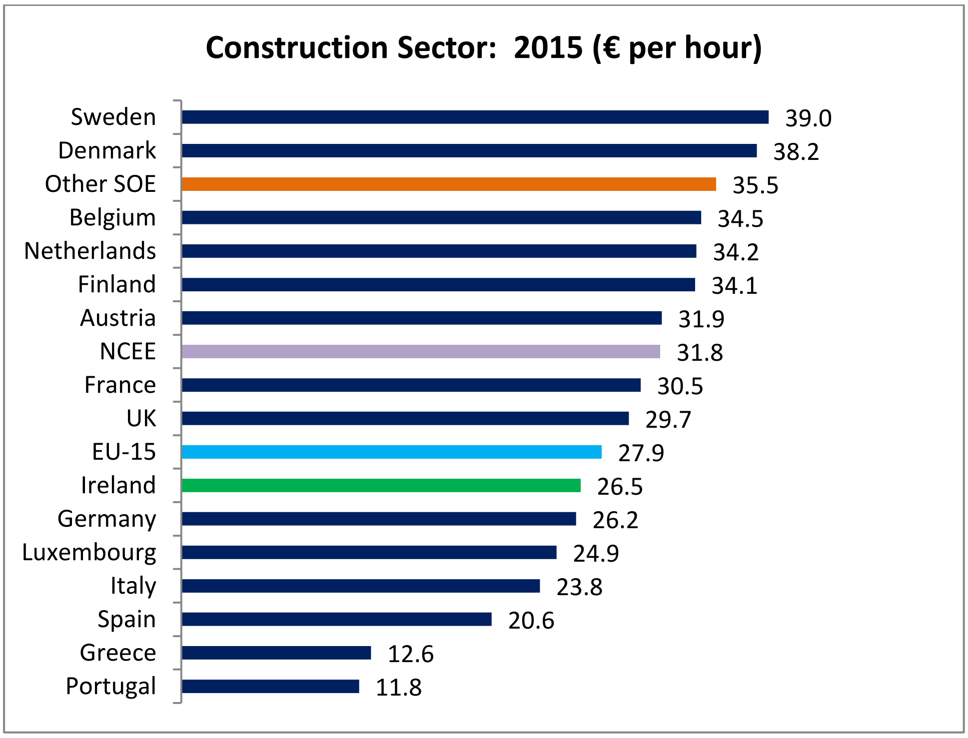
This data comes from a separate dataset - Labour cost, wages and salaries and direct remuneration. Data is based on 2012 and updated with the Labour Cost Index.

Construction

This sector employs over 75,000 and is currently the fastest growing sector in terms of job creation.

Construction: Employee Compensation (€ per hour) 2015				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	35.50	31.80	27.90	**26.50**
Irish Compensation Relation to Euro averages (%)	*(-25.4)*	*(-16.6)*	*(-5.0)*	
NCEE: Northern and Central European Economies (excluding the Mediterranean economies) **Other SOE**: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)				

This is a relatively low-waged sector. Irish compensation is 5 percent below the EU-15 average; and 25 and 17 percent below the average of other small open economies Northern and Central European Economies respectively. Ireland ranks 9th in the EU-15.



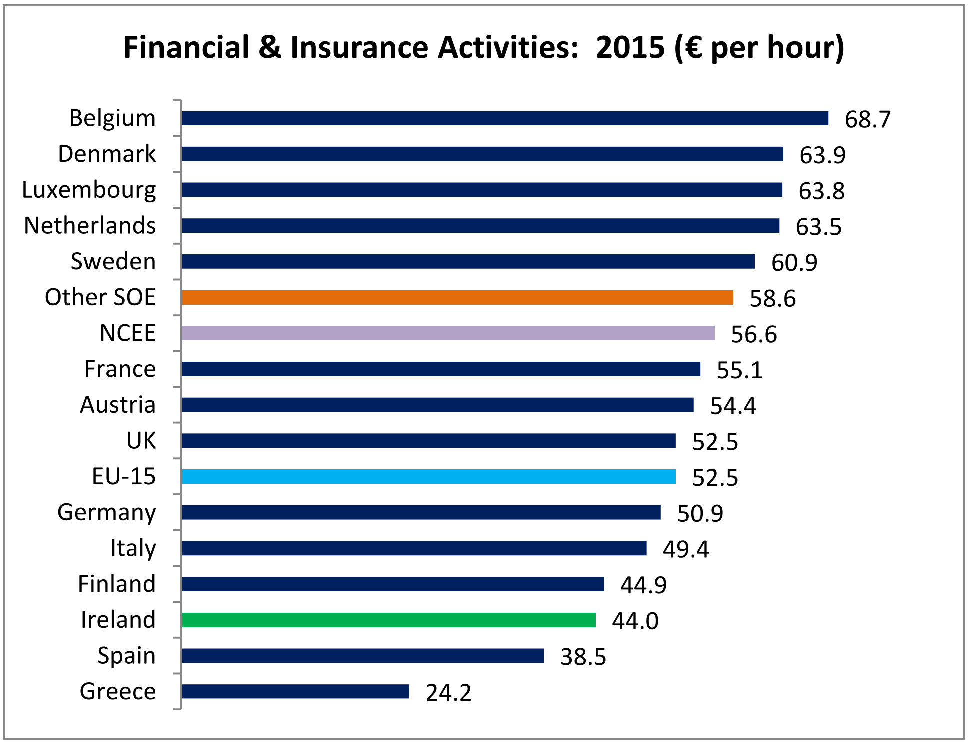
* Greece and Netherlands data from 2014.

Financial and Insurance Activities

This sector includes banking, insurance, pension and other financial activities and employs over 80,000.

Financial and Insurance Sector: Employee Compensation (€ per hour) 2015				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	58.60	56.60	52.50	**44.00**
Irish Compensation Relation to Euro averages (%)	*(-24.9)*	*(-22.3)*	*(-16.2)*	
NCEE: Northern and Central European Economies (excluding the Mediterranean economies) **Other SOE**: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)				

This is very much a low-waged sector relative to European averages. Compared to the EU-15, Irish compensation is 16 percent below average. Compared to other small open economies and Northern and Central European Economies Irish compensation is 25 and 22 pecent below average respectively. Ireland ranks 12th in the 14 countries reporting – ahead of Spain and Greece.



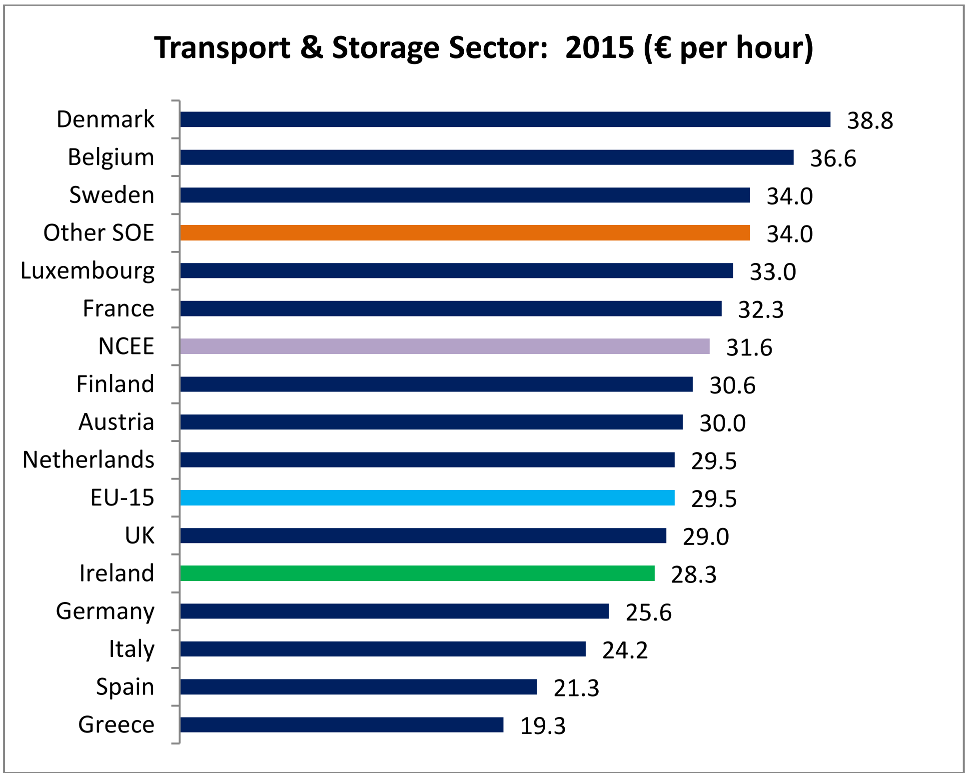
* Greece and Netherlands data from 2014. There is no data for Portugal.

Transportation and Storage Sector

This sector includes air, land and sea transport along with warehousing. It employs approximately 70,000.

Transportation and Storage Sector: Employee Compensation (€ per hour) 2015				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	34.00	31.60	29.50	**28.30**
Irish Compensation Relation to Euro averages (%)	*(-16.8)*	*(-10.5)*	*(-4.0)*	
NCEE: Northern and Central European Economies (excluding the Mediterranean economies) **Other SOE**: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)				

Ireland is below average by European standards. Compared to other small open economies Irish compensation is 17 percent below average; compared to Northern and Central European Economies it is 10 percent below average. Irish compensation is 4 percent below the EU-15 average. Ireland ranks 10th of the 14 countries reporting.



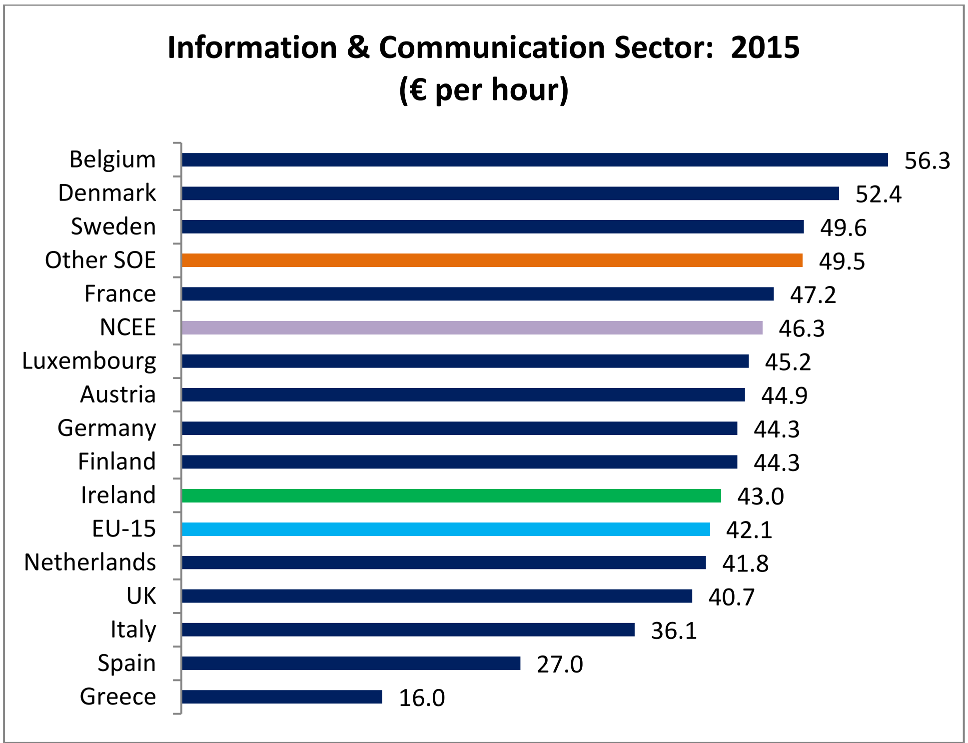
* Greece and Netherlands data from 2014. There is no data for Portugal.

Information & Communication Sector

This sector includes computer programming and consulting, publishing, telecommunications and sound recording. It employs over 70,000.

Information & Communication Sector: Employee Compensation (€ per hour) 2015				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	49.50	46.30	42.10	**43.00**
Irish Compensation Relation to Euro averages (%)	*(-13.1)*	*(-7.2)*	*2.2*	
NCEE: Northern and Central European Economies (excluding the Mediterranean economies) **Other SOE**: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)				

The Information & Communication sector is one of only two sectors where Irish compensation is higher than the EU-15 average. This is unsurprising given the role multi-nationals play in this sector. Even so, the majority of EU-15 countries have higher compensation. Turning to our peer groups, however, Irish compensation is 13 percent below the average of other small open economies and 7 percent below the Northern and Central European Economies average. Ireland ranks 9th of the 14 countries reporting.



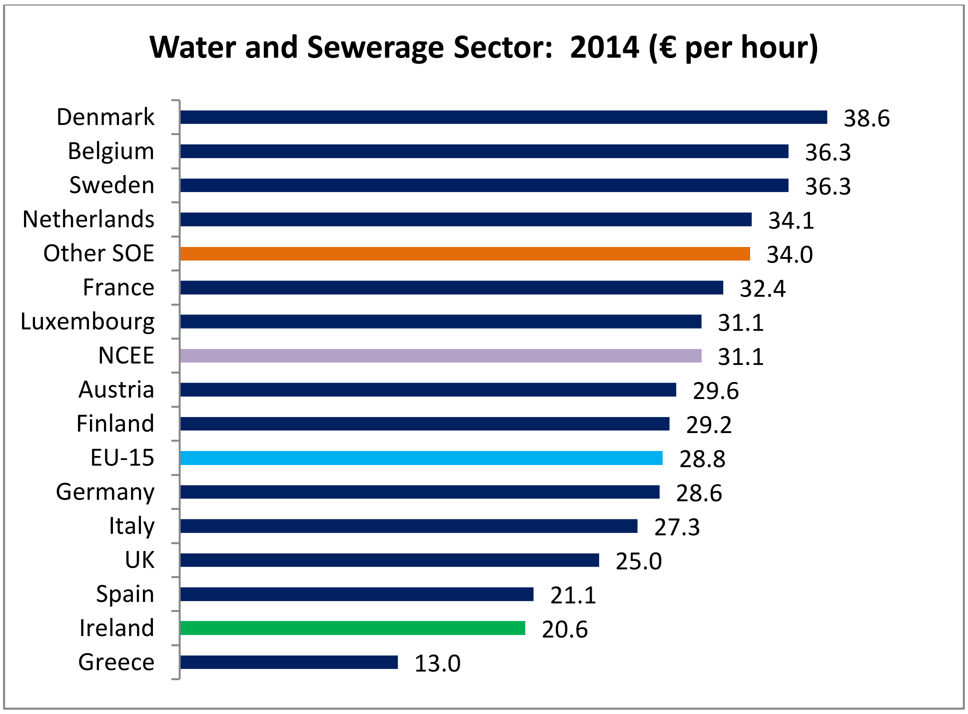
* Greece and Netherlands data from 2014. There is no data for Portugal.

Water supply, Sewerage, & Waste Sector

This sector includes water, sewerage networks, waste management and materials recovery. It employs 10,000 people.

Water and Sewerage: Employee Compensation (€ per hour) 2014				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	34.00	31.10	28.80	**20.60**
Irish Compensation Relation to Euro averages (%)	*(-39.4)*	*(-33.7)*	*(-28.5)*	
NCEE: Northern and Central European Economies (excluding the Mediterranean economies) **Other SOE**: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)				

Relative to European averages, this the lowest for Irish compensation. It is 39 percent below the average of other small economies; 34 percent below the average of Northern and Central European economies and 28 percent below the average of the EU-15. Ireland ranks 13th in the 14 countries reporting. The data for this sector comes from 2014 as a number of countries do not yet report data for 2015.



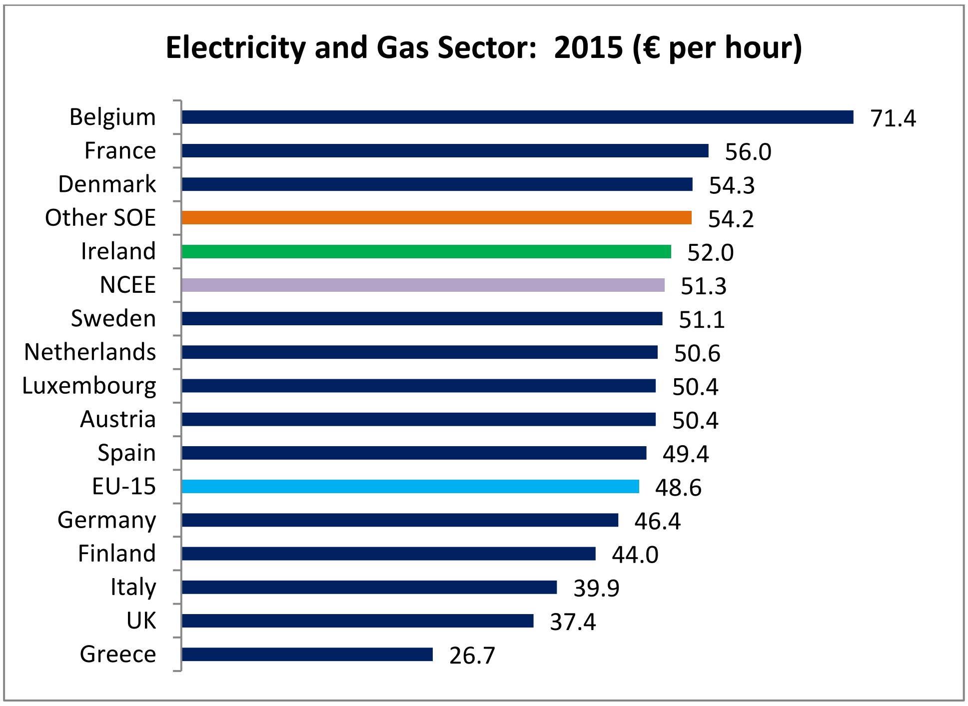
* Portugal data not available.

Electricity and Gas Sector

This sector includes electricity and gas employment. It employs approximately 9,000.

Electricity and Gas Sector: Employee Compensation (€ per hour) 2015				
	Other SOE	**NCEE**	**EU-15**	**Ireland**
Average (€)	54.20	51.30	48.60	**52.00**
Irish Compensation Relation to Euro averages (%)	*(-4.1)*	*1.4*	*7.1*	
NCEE: Northern and Central European Economies (excluding the Mediterranean economies) **Other SOE**: Other Small Open Economies (Austria, Belgium, Denmark, Finland and Sweden)				

This is the other sector where Irish compensation is higher than the EU-15 average – 7 percent higher. Irish compensation is marginally ahead of the average of Northern and Central European economies and slightly less, 4 percent less, than the average of other small open economies. Ireland ranks 4th in the 14 countries reporting but is bunched closely with five other countries.



* Greece and Netherlands data from 2014. No data for Portugal.

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