9. Ireland: A successful minimum wage implementation?

Brian Nolan

9.1 INTRODUCTION

Ireland introduced a national minimum wage for the first time in 2000. Prior to that, minimum wage fixing applied only to a number of sectors or occupational minima, which were agreed on a tripartite basis through a mechanism known as Joint Labour Committees. A standardized national minimum wage, applying across all sectors and employees, was considered likely to be more effective in protecting low-paid workers from exploitation, with the United Kingdom providing an influential example, having made a similar transition a few years earlier. Debate about the minimum wage now centres on its level and how that is set, in particular in the context of a severe economic downturn after more than a decade of very rapid economic growth. While the statistical information available to assess its effects is incomplete, there have been several surveys and studies aimed specifically at monitoring the numbers on the minimum wage and its impact. Ireland offers a particularly interesting case study in the context of the EC–ILO project, and this chapter deals with what can be learned from this, focusing on issues that have been identified as salient to the project as a whole. Section 9.2 considers the introduction of the national minimum wage during a time of sustained economic growth and Section 9.3 details the wage setting mechanisms and sectoral coverage. Section 9.4 focuses on the development of minimum wage trends and Section 9.5 considers the effect of the minimum wage on employment, poverty, collective bargaining and mobilities. The case studies in Section 9.6 are the result of in-depth interviews in four key sectors of the economy and detail the effect of the minimum wage on each.

9.2 THE CONTEXT FOR THE MINIMUM WAGE

The Irish national minimum wage was introduced at a time of remarkably strong economic growth and, during the period since its introduction, the macroeconomic environment continued to be particularly benign until
2007–08. At the time of its introduction, the main focus of the minimum wage was on protection of vulnerable employees and helping the “working poor”. Migrant workers were not a particular concern since inward migration was only just gathering pace at the time, although subsequently it was so rapid that, by 2006, 10 per cent of the population were not Irish nationals. Key aspects of the macroeconomic background and labour market trends over the period prior to the introduction of the minimum wage are summarized in Table 9.1.

Table 9.1 Trends in key macroeconomic and labour market variables, Ireland, 1997–2007

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<tbody>
<tr>
<td>GNP growth (%)</td>
<td>10.1</td>
<td>7.7</td>
<td>8.5</td>
<td>12.2</td>
<td>4.0</td>
<td>2.9</td>
<td>5.7</td>
<td>3.7</td>
<td>4.9</td>
<td>6.5</td>
<td>4.4</td>
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<tr>
<td>Inflation (CPI) (%)</td>
<td>1.5</td>
<td>2.4</td>
<td>1.6</td>
<td>5.6</td>
<td>4.9</td>
<td>4.6</td>
<td>3.5</td>
<td>2.2</td>
<td>2.5</td>
<td>4.0</td>
<td>4.9</td>
</tr>
<tr>
<td>Employment growth (%)</td>
<td>3.9</td>
<td>3.9</td>
<td>6.2</td>
<td>4.8</td>
<td>3.1</td>
<td>1.8</td>
<td>1.9</td>
<td>3.0</td>
<td>4.7</td>
<td>4.4</td>
<td>3.7</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>10.3</td>
<td>7.6</td>
<td>5.7</td>
<td>4.3</td>
<td>3.6</td>
<td>4.4</td>
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<td>4.4</td>
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<td>4.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Net migration '000</td>
<td>19.2</td>
<td>17.4</td>
<td>17.3</td>
<td>26</td>
<td>32.8</td>
<td>41.3</td>
<td>30.7</td>
<td>32.0</td>
<td>55.1</td>
<td>71.8</td>
<td>67.3</td>
</tr>
</tbody>
</table>

Source: Central Statistics Office.

9.2.1 The “Celtic Tiger”

Economic growth in Ireland in the second half of the 1990s was among the highest in the OECD, giving rise to the label “Celtic Tiger”. Real GNP growth reached 12 per cent in 2000, the year the national minimum wage was introduced. Following a pause in 2001/02, there has been a resumption of substantial rates of economic growth, though not on the exceptional scale seen in the 1995–2000 period. In 2005 and 2006 growth in real GNP per annum was 5–6.5 per cent, a good deal higher than the growth rate typical of the euro area. However, a significant downturn has occurred since then, with forecast GNP growth in 2008 of little more than 2 per cent – which would be the slowest rate of GNP growth since 1992.

Inflation, as measured by the increase in the consumer price index (CPI), has been high relative to other Eurozone countries since 2000, and has been above 4 per cent more often than not. Ireland’s inflation rate is lower on the harmonized indices of consumer prices (HICP) provided on a uniform basis across EU countries, but, even on this basis, the rate of increase has generally exceeded that of the euro area since 2000.

Employment growth in recent years has also been remarkably strong, reflecting the pattern of overall economic growth. Having been very high indeed from 1997 to 2000, employment continued to grow from 2001 to 2004, albeit much more slowly, before accelerating to about 4.5 per cent increases in
2005–06. Like the overall economy, this slowed in 2007 and prospects for 2008 are for only a very modest increase. With the numbers employed growing so strongly, unemployment declined very rapidly from the mid-1990s, and by the turn of the century was below 3.6 per cent. The unemployment rate reached its lowest level (3.6 per cent) in 2000, the year in which the national minimum wage was introduced, but has been no higher than 4.5 per cent each year since then, although it may be starting to move upwards in 2008.

9.2.2 Signs of vulnerability

While the aggregate increase in the numbers employed over the past decade has been remarkable, the sectoral distribution of the increase has been rather unbalanced in the most recent years. Of the 150,000 extra jobs created in the two years to mid-2007, 30,000 were in construction, 26,000 were in health and 20,000 were in the wholesale/retail sector. As these sectors can be thought of as non-traded, the concentration of employment increases within them points to an economy experiencing difficulties competing on world markets. This reflects an important shift in the drivers of economic growth compared with the first phase of the Celtic Tiger, pre-2002. In the years 1997–2000, exports grew in volume terms at rates in the range of 15–20 per cent. More recently, however, export growth has been significantly lower. In 2005–07, exports grew at a rate below that for the economy in general. Ireland’s share of world trade has been declining, a pattern that began in 2003. The decline in exports may be partly related to the loss in competitiveness associated with the divergence in inflation rates between Ireland and the rest of the Eurozone already mentioned. Domestic sources of demand have replaced exports as the main driver of growth. The importance of the construction sector in particular became a major concern in terms of the associated vulnerability of the economy to a dip in house prices, which had risen very sharply throughout the past decade. With the US and world economies now experiencing a significant downturn, this fear became a reality in 2008, with a dramatic decline in housebuilding and a sharp increase in unemployment. Policy is now focused on seeking to promote competitiveness in order to cushion the effects of sharply reduced activity in the construction sector.

9.3 THE MINIMUM WAGE PROCESS: SETTING AND COVERAGE

9.3.1 An hourly rate across sectors and occupations

The minimum wage is set in hourly terms and applies to those aged 18 or over, irrespective of sector or occupation – there is no sectoral or occupational
The minimum wage revisited in the enlarged EU
differentiation. The minimum wage applies to hourly wages over a reference period, which may be a week, a fortnight or no longer than a month. The average hourly rate of pay is determined by the employee's gross reckonable pay in the reference period, divided by their working hours in that period, including any overtime. Reckonable pay includes basic pay, shift premia, piece and incentive rates, commissions and bonuses that are productivity-related, a specified value where board and/or lodgings are provided by the employer, and the amount of any service charge distributed to employees through the payroll.¹

Subminima applied
The only differentiation built into the minimum wage structure relates to the characteristics of the employee rather than the job: an "experienced adult worker" must be paid at least the full minimum hourly wage but, for other workers, reduced rates may be paid. For employees aged under 18, those aged over 18 but in their first or second year of employment and those aged over 18 in structured training or study undertaken in normal working hours, subminimum floor levels are specified.

9.3.2 Open approach with no explicit fixing criteria
At the time the national minimum wage was introduced, no explicit policy was stated on how an appropriate level should be determined. The full adult rate was introduced at approximately half median hourly earnings, which is high relative to those in other OECD countries. (The actual nominal level at which it was first introduced in 2000 had been recommended several years earlier by the National Minimum Wage Commission at a time when earnings levels were considerably lower.) The uprating of the level of the national minimum wage since its introduction is at the discretion of the Minister for Enterprise and Employment, and the Minister is obliged to take into account its impact on employment, overall economic conditions, national competitiveness and inflation. This emphasizes Ireland's readiness to adopt an open approach to minimum wage setting. If the national representative organizations for the unions and employers can agree on an increase which they regard as appropriate, then this is formally put to the Minister, who is obliged to consider it. In the absence of such agreement (as in the most recent rounds of increase), the officially-appointed Labour Court, that assists in resolving industrial relations disputes, can hear submissions from each side and then make a recommendation to the Minister about the scale and timing of increases.

¹ However, overtime premium, Sunday and public holiday premium and unsocial hours premium are not included in reckonable pay.
9.3.3 Stable minimum wage coverage since introduction

The coverage of the minimum wage can be seen from a succession of surveys of private sector firms commissioned for this purpose by the Department of Enterprise, Trade and Employment and carried out by the Economic and Social Research Institute. Prior to the introduction of the national minimum wage, a study on its likely impact was completed that included a substantial survey of firms, carried out in late 1998/early 1999 (Nolan et al., 1999). Following its introduction in 2000, further surveys aimed at monitoring its impact were carried out in late 2000/early 2001, in late 2002 and in late 2005/early 2006. In each of these surveys, particular sectors were oversampled to ensure adequate numbers from sectors which are particularly important in a minimum wage context, and the sample for analysis was then re-weighted in line with external control totals to give a representative picture of the population. Responses were obtained from over 1,000 private sector firms in each survey. A proportion of the original sample was followed from one survey to the next and the remainder selected afresh, so a longitudinal as well as a cross-sectional perspective could be taken.

The survey carried out in 1998/99 focused in particular on an earnings threshold of IR£4.50 per hour, because the officially-appointed Minimum Wage Commission that had reported in 1998 had envisaged a minimum at about that level (more precisely, at IR£4.40). The survey found that 21 per cent of private sector employees earned less than that figure. The minimum wage was actually introduced at IR£4.40, but not until April 2000. The first of the follow-up surveys, carried out between six and nine months after that, found that only 4.3 per cent were then at or below that earnings level. This reflects the exceptionally rapid rise in the general level of earnings in the Irish economy over the intervening period, which is discussed in detail in the next section.

The follow-up surveys allowed those paid at the level of the national minimum wage to be distinguished from those paid at a level below it – the latter not necessarily reflecting non-compliance, since certain workers can legitimately be paid below the amount specified as the minimum for an experienced adult worker. (No minimum is set for those aged under 18, and a sub-minimum amount may be paid to those in their first two years of employment or receiving training.) In the first follow-up survey, 1.9 per cent of employees were reported as being paid below the full adult minimum wage and a further 2.6 per cent were on that minimum. In the 2002 survey, 1.9 per cent were

2. The results of these surveys are reported in Nolan et al. (1999), Nolan et al. (2002) and O'Neill et al. (2006), Nolan et al. (2003a, b), and Nolan et al. (2006) respectively.
below the threshold and 2.6 per cent were on it, giving a total of 4.5 per cent at or below the full adult threshold. In the most recent survey, in 2005/2006, 2.2 per cent of employees were reported as being paid below the full adult minimum wage and a further 3 per cent were on that minimum, so 5.2 per cent were at or below the full adult minimum. While this was a slight increase in both the percentage at and the percentage below the full adult minimum wage compared with the previous survey, these differences were not statistically significant. So, overall, a very high degree of stability in the proportion of employees at or below the national minimum wage has been seen since its introduction.

9.3.4 Differences in coverage by categories of worker

Grossed up to the implied totals for the population as a whole, the most recent survey suggests that about 30,000 workers in the private sector are below the full adult minimum wage, about 40,500 are on that wage, so a total of about 70,500 workers are earning at or below the full adult minimum. Table 9.2 shows how the percentage at or below the minimum wage varies across some key individual and sectoral characteristics and how this has changed over time, as shown in the different firm surveys. In all cases, part-time employees have been much more likely to be at or below the minimum wage than full-time workers. About 15–17 per cent of part-time workers are at or below the full adult minimum threshold, compared with 2–3 per cent of full-time workers. Because only a small minority of the workforce is working part-time, full-time employees still made up a majority (about 54 per cent) of all those at or below the minimum wage.

Comparing the situation of men and women, in the latest survey 4 per cent of all male employees in the private sector versus 7.5 per cent of women workers were at or below the full adult minimum (this disparity was slightly wider for those below the threshold: 1.6 per cent of men but 3.3 per cent of women). Again, both these rates were slightly higher than in the previous survey. However, with substantially more men than women in the workforce, almost as many men as women were at or below the minimum wage.

Three age categories of workers were distinguished in the survey: 18 or below, 19–25 and 26 or above. The likelihood of being paid at or below the full adult minimum has been very strongly related to age from the outset. In the latest survey, more than half (54 per cent) of workers aged 18 years or less were paid below the full adult minimum wage threshold and a further 9.6 per cent were paid at the full adult threshold, so that close to two-thirds were at or below the full adult minimum. This contrasted with 13 per cent for those aged 19–25, and only 2 per cent for those aged 26 or more. Compared with the previous survey, the figures for those aged under 18 and those in the 18–25 age
Table 9.2 Percentage of private sector employees at or below full adult minimum wage, Ireland, 2000/2001, 2002 and 2005/06

<table>
<thead>
<tr>
<th></th>
<th>2000/2001 survey</th>
<th>2002 survey</th>
<th>2005/06 survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>4.3</td>
<td>4.5</td>
<td>5.2</td>
</tr>
<tr>
<td>Men</td>
<td>3</td>
<td>3</td>
<td>4.0</td>
</tr>
<tr>
<td>Women</td>
<td>7</td>
<td>7</td>
<td>7.5</td>
</tr>
<tr>
<td>Full-time</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Part-time</td>
<td>17</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>Part-time women</td>
<td>19</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Age 18 or below</td>
<td>50</td>
<td>49</td>
<td>64</td>
</tr>
<tr>
<td>Age 19-25</td>
<td>7</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>Age 26+</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Hotels, bars, restaurants</td>
<td>14</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>Retail</td>
<td>10</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Textiles</td>
<td>3</td>
<td>4</td>
<td>7</td>
</tr>
</tbody>
</table>


This very high probability of being below the full adult minimum for young workers is to be expected, given the way the minimum wage legislation is framed since, as described earlier, there are sub-minimum rates payable for those aged under 18, those in their first or second years of employment and trainees in their first, second or third period of training. This meant that, of the 30,200 workers being paid below the minimum wage at the end of 2005/early 2006, 45 per cent were 18 years or below, 38 per cent were aged 19–25 years and only 17 per cent were aged over 25. Of the 70,500 paid at or below the full adult rate, 22 per cent were 18 years or less, 49 per cent were aged 19–25 years and 29 per cent were aged over 25.

9.3.5 Concentration in a few sectors

Focusing on the pattern across different sectors of employment, employees in the hotels, restaurants, bars and retail sectors were once again particularly likely to be at or below the full adult minimum wage in 2005/06, as they had been in previous surveys. One-quarter of all employees in the hotels, restaurants

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3. The purpose of the firm survey was not to attempt to measure or monitor compliance with the minimum wage, which must be approached via other methods – most importantly the inspection of firms by the official inspectorate.
and bars sector and 12 per cent of those in the retail sector were paid at or below the full adult minimum. The corresponding figure in textile manufacturing was a good deal lower, at about 7 per cent. All three of these sectors saw an increase between 2002 and 2005/06, although the small numbers in the sample in any one sector (even when an over-sampling strategy is followed for these sectors in designing the survey) limits the weight that can be placed on these comparisons. Their high probability of being at or below the minimum wage meant that about 58 per cent of workers at or below the full adult minimum wage in the 2005/06 survey were employed in either the hotels, restaurants and bars or the retail sector, a similar degree of concentration to that shown in the 2002 survey.

For those aged 18 or under in the 2005/2006 survey, the likelihood of being paid below the full adult minimum wage was highest in the hotels, restaurants and bars sector (66 per cent), the wholesale sector (62 per cent), the building and construction sector (59 per cent) and the retail sector (53 per cent). The probability of being below the threshold rose particularly rapidly for part-time young workers, from 48 per cent in 2002 to 70 per cent in 2005/06.

**Higher probability among non-Irish workers**

The 2005 survey also sought information about country of origin, which had not been included in the earlier firm surveys, distinguishing those workers from Ireland, from other EU countries and from outside the EU. In that context, an hourly pay threshold of €8 was employed, to identify those in the region of the minimum wage. The results showed that 8.5 per cent of employees from Ireland, 24 per cent of those from other EU Member States and 14 per cent of those from outside the EU were paid at or below that level. Workers from Ireland still accounted for three-quarters of all those paid at that level, with workers from other EU countries accounting for almost 20 per cent and those from outside the EU for 5 per cent.

### 9.4 THE MINIMUM WAGE AND WAGE TRENDS OVER TIME

#### 9.4.1 Rapid wage growth

In looking at the evolution of the minimum wage in the context of overall national wage trends, this section focuses first on wages and on recent trends in wage growth. Ireland is only now developing a fully comprehensive index of earnings across the entire economy from year to year, so in tracking change at that level retrospectively one has to rely on earnings data from a selection of sectors collected by the Central Statistics Office. (National earnings surveys covering the entire economy, the National Employment Survey, were carried out by the Central Statistics Office in 2003 and 2006, the results of which are
discussed below.) Table 9.3 shows nominal hourly earnings trends in the two sectors for which trend data on earnings on an hourly basis are available, namely industry and construction.

Table 9.3 Trends in hourly earnings in industry and construction sectors, Ireland, 1997–2007 (% increase)

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>2.84</td>
<td>5.19</td>
<td>5.46</td>
<td>6.07</td>
<td>10.32</td>
<td>7.82</td>
<td>5.44</td>
<td>4.86</td>
<td>2.85</td>
<td>4.09</td>
<td>4.9</td>
</tr>
<tr>
<td>Construction</td>
<td>–</td>
<td>8.94</td>
<td>7.69</td>
<td>12.57</td>
<td>11.34</td>
<td>10.49</td>
<td>5.23</td>
<td>4.51</td>
<td>7.13</td>
<td>2.10</td>
<td>6.1</td>
</tr>
</tbody>
</table>

Source: Central Statistics Office.

Clearly, the annual increase in hourly earnings in these two major sectors has varied considerably over the period, from as low as 2 per cent to a high of 13 per cent; the average increase in nominal earnings over the ten years from 1997 was about 5 per cent for industry and 7.75 per cent for construction – very substantial increases relative to elsewhere, reflecting the pace of economic growth and general tightness of the labour market, as well as the scale of both infrastructural construction and residential house-building. The average rate of increase in consumer prices was under 4 per cent, so real wages were increasing significantly.

Table 9.4 shows trends in weekly earnings in the broader range of sectors for which that information has been collected. In industry and construction, trends in weekly earnings closely followed trends in hourly earnings. Weekly

Table 9.4 Trends in weekly earnings by sector, Ireland, 1997–2007 (% increase)

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>4.03</td>
<td>4.81</td>
<td>6.12</td>
<td>7.76</td>
<td>9.11</td>
<td>5.54</td>
<td>6.44</td>
<td>5.00</td>
<td>3.84</td>
<td>3.13</td>
<td>4.9</td>
</tr>
<tr>
<td>Construction</td>
<td>–</td>
<td>5.54</td>
<td>8.44</td>
<td>12.47</td>
<td>8.52</td>
<td>9.88</td>
<td>4.17</td>
<td>4.81</td>
<td>7.17</td>
<td>1.68</td>
<td>5.9</td>
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<tr>
<td>Distribution and business services</td>
<td>–</td>
<td>–</td>
<td>5.39</td>
<td>8.32</td>
<td>8.00</td>
<td>3.33</td>
<td>4.59</td>
<td>5.08</td>
<td>4.08</td>
<td>5.79</td>
<td>4.7</td>
</tr>
<tr>
<td>Banking and insurance</td>
<td>2.83</td>
<td>3.73</td>
<td>3.55</td>
<td>6.19</td>
<td>10.92</td>
<td>4.38</td>
<td>1.64</td>
<td>5.64</td>
<td>5.16</td>
<td>6.92</td>
<td>7.4</td>
</tr>
<tr>
<td>Public sector (excluding health)</td>
<td>4.91</td>
<td>4.77</td>
<td>4.18</td>
<td>5.74</td>
<td>9.85</td>
<td>4.84</td>
<td>4.34</td>
<td>8.47</td>
<td>5.91</td>
<td>4.48</td>
<td>3.0</td>
</tr>
<tr>
<td>Sub-sectors</td>
<td>–</td>
<td>–</td>
<td>3.90</td>
<td>7.68</td>
<td>5.84</td>
<td>4.61</td>
<td>2.57</td>
<td>4.61</td>
<td>6.24</td>
<td>5.68</td>
<td>3.0</td>
</tr>
<tr>
<td>Wholesale</td>
<td>–</td>
<td>–</td>
<td>6.80</td>
<td>13.83</td>
<td>11.23</td>
<td>8.14</td>
<td>5.97</td>
<td>2.93</td>
<td>3.35</td>
<td>6.76</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Source: Central Statistics Office.
earnings growth was also strong in the other sectors for which data are available, including the public sector. One can also home in on certain sub-sectors where low-wage employment is particularly prevalent, and the table shows that weekly earnings in the wholesale and retail trades also increased substantially over the period, with average annual increases of the order of 5 per cent in nominal earnings being typical.

### 9.4.2 Similar growth in minimum wage

This section focuses on the evolution of the level of the minimum wage itself. Table 9.5 presents the changes in the hourly minimum wage for an experienced adult since its introduction at the equivalent of €5.58 (IR£4.40) in April 2000. (There were corresponding increases in the sub-minimum rates in each case.) We see that the minimum wage has generally been adjusted upwards every 14–15 months, with some fairly sharp increases, the largest being 10 per cent. By mid-2007, the national minimum wage had reached €8.65, the level at which it currently stands. The table also shows the rate of increase from one

<table>
<thead>
<tr>
<th>Minimum wage in force from:</th>
<th>Level (€)</th>
<th>Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 April 2000</td>
<td>5.59</td>
<td>–</td>
</tr>
<tr>
<td>1 July 2001</td>
<td>6.00</td>
<td>7.4</td>
</tr>
<tr>
<td>1 October 2002</td>
<td>6.35</td>
<td>5.8</td>
</tr>
<tr>
<td>1 February 2004</td>
<td>7.00</td>
<td>10.2</td>
</tr>
<tr>
<td>1 May 2005</td>
<td>7.65</td>
<td>9.3</td>
</tr>
<tr>
<td>1 January 2007</td>
<td>8.30</td>
<td>8.5</td>
</tr>
<tr>
<td>1 July 2007</td>
<td>8.65</td>
<td>4.2</td>
</tr>
</tbody>
</table>

**Annual average**

<table>
<thead>
<tr>
<th>Year</th>
<th>Level (€)</th>
<th>Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>5.59(^a)</td>
<td>–</td>
</tr>
<tr>
<td>2001</td>
<td>5.79</td>
<td>3.7</td>
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<tr>
<td>2002</td>
<td>6.09</td>
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<td>2003</td>
<td>6.35</td>
<td>4.3</td>
</tr>
<tr>
<td>2004</td>
<td>6.95</td>
<td>9.4</td>
</tr>
<tr>
<td>2005</td>
<td>7.43</td>
<td>7.0</td>
</tr>
<tr>
<td>2006</td>
<td>7.65</td>
<td>2.9</td>
</tr>
<tr>
<td>2007</td>
<td>8.48</td>
<td>10.8</td>
</tr>
<tr>
<td>2008</td>
<td>8.65</td>
<td>2.0</td>
</tr>
</tbody>
</table>

*Note:* \(^a\) This is calculated as if the minimum wage had operated throughout 2000.

*Source:* Department of Enterprise, Trade and Employment.
year to the next in the average level of the minimum wage over the year. The year-on-year increases in the average level have, of course, been smoother but have still varied from over 9 per cent in 2004 down to less than 3 per cent in 2006. The increase in the annual average from 2005 to 2006 was so low because the rate itself was not adjusted for the unusually long period of 20 months between May 2005 and the start of 2007. The increase on 1 January 2007 was then followed by a further increase from 1 July 2007, giving an overall increase on that occasion of over 12 per cent within only six months.

During the period 2000–08 the national minimum wage had risen in nominal terms by 55 per cent. Compared with the trends in the sector-specific series on average earnings discussed earlier, projected to 2008, the minimum wage appears to have risen at about the same pace as average earnings in industry, more rapidly than distribution and less rapidly than construction or the public service. Average hourly earnings in industry are available on an annual basis, as we have seen, and Figure 9.1 shows that the minimum wage has been in the range 49–54 per cent of that average since its introduction, lagging behind in the earlier years but catching up more recently to about the percentage it represented at the outset. Consumer prices rose by about 35 per cent from 2000, so, as Figure 9.2 shows, the level of the minimum wage in real terms has risen substantially, by about 15 per cent, over that relatively short period.

![Figure 9.1 Minimum wage as a percentage of average earnings, Ireland, 2000–07](image)

Source: Department of Enterprise, Trade and Employment and Central Statistics Office.
The level of the minimum wage compared to median or average earnings across the whole economy can be seen only for the selected dates for which the overall distribution of earnings has been captured by surveys (the median is about 80 per cent of the level of the average). The micro-data from the Living in Ireland Survey, carried out from 1994 to 2001, suggest that the minimum wage around the time of introduction in 2000–01 represented about 53 per cent of median hourly earnings across all employees in the economy (including both public and private sectors, and both full-time and part-time employees). The National Employment Survey carried out by the Central Statistics Office (CSO) in 2003 and 2006 is now the most important new source of information on this issue, designed to supply integrated information on earnings provided by employers, together with individual data collected directly from a sub-sample of employees. The 2003 survey showed that, in March 2003, average earnings of employees across all sectors of the economy were €16.41 per hour, while median hourly earnings were €13.08 per hour. The minimum wage prevailing at the time, which was €6.35, thus represented 49 per cent of median earnings. This lower figure could actually reflect differences between this survey and the Living in Ireland survey, rather than the

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4. This replaces the previous Structure of Earnings Survey, carried out periodically by the CSO, which did not cover the public sector. The only sector not covered by the National Employment Survey is agriculture, forestry and fishing.
minimum wage lagging far behind median earnings in those years. The 2006 National Employment survey showed that, in March 2006, average earnings of employees across all sectors of the economy were €19.47 per hour, while median hourly earnings were €15.39 per hour. The minimum wage was then €7.65, which represents 50 per cent of median earnings.

The National Employment Survey also shows the extent to which mean and median earnings vary substantially from one sector to another, as well as between full-time and part-time employees, men and women and different age groups. Whereas, in 2006, the minimum wage represented 52 per cent of median earnings in manufacturing, it represented 70 per cent of median earnings in the “other services” sector, 64 per cent of median earnings in the wholesale and retail trades and 77 per cent of median earnings in the hotels and restaurants sector. If one focuses on specific categories within these sectors, the minimum wage represented 73 per cent of the median earnings of part-time employees in hotels and restaurants or the wholesale and retail trades. Across all sectors, it represented 75 per cent of the median earnings of employees aged between 15 and 24.

9.5 THE EFFECTS OF THE MINIMUM WAGE

The effects of the minimum wage on key outcomes, such as the numbers in employment, the extent of low pay and poverty, job “quality” and broader economic performance, are central to assessing its effectiveness. While the available evidence does not always allow these effects to be investigated in as much depth as one would like, some tentative conclusions can be reached, as discussed in this section.

9.5.1 Minimum wage effects on employment

As already noted, the most direct empirical evidence on the number of workers earning close to the national minimum wage, and of the effects of the minimum wage on employment and other aspects of the labour market, comes from a succession of surveys of private sector firms commissioned for this purpose. The results from these surveys, as described in detail above, suggest that, overall, there has been a very high degree of stability in the proportion of employees at or below the national minimum wage since its introduction. At the same time, aggregate numbers in employment rose very rapidly indeed – by over one-quarter from 2000 to 2007. This includes sectors where low-paid employment is common, such as services. Unemployment remained very low throughout, at about 4 per cent. While employment has fallen and unemployment risen in 2008, this is largely a result of the ending of an unsustainable
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construction boom, rather than associated with low-paid sectors where minimum wage working is relatively common. So, the introduction of a relatively high minimum wage in Ireland does not seem to have brought any negative effects on employment to date, thanks to strong economic growth. This does not, of course, mean that it could not have such an impact in a different macroeconomic context, and the recent downturn has once again focused attention on wage competitiveness and on the appropriate level for the minimum wage as one element.

9.5.2 Minimum wage effects on low pay and poverty

A key feature of the minimum wage is its potential impact on poverty. The extent of in-work poverty can be measured in different ways, but the most common approach now in use — notably at EU level — is to look at the percentage of working individuals living in households in which income falls below 60 per cent of median (equivalized) income in the country in question.5 This is an explicitly relative measure of poverty, which takes the country in which the person lives as the appropriate frame of reference and assumes that household income, adjusted for size and composition, is the relevant indicator for all the members of the household. An analysis by Bardone and Guio (2005), carried out for Eurostat using the last wave of the European Community Household Panel Survey (ECHP) in 2001, showed that in the Irish case 7 per cent of adults in work (including both employees and self-employed) lived in households below the 60 per cent of median income threshold.6 More recent figures now available from EU–SILC relating to 2004 and 2005 show a very similar level of poverty risk for those in work, about the average for the EU countries covered.

The more relevant group in the context of the minimum wage is that of employees rather than all those in work, but the most recent poverty risk figures produced by Eurostat distinguishing employees from the self-employed are from the ECHP and relate to the period 1995–2001. Over that period, the percentage of Irish employees in households below the 60 per cent of median relative income poverty threshold rose from 2 per cent to 6 per cent, reflecting the very rapid increase in average incomes during the peak years of the Celtic

5. They might be labelled as “working and at-risk-of-poverty” rather than “working poor”, since all those below the income threshold are described as “at-risk-of-poverty” in recognition of the fact that low income on its own is not a reliable measure of poverty.

6. An annual income measure is employed, and the employment status of individuals is measured on the basis of their “most frequent activity status” in the year; to be counted as working, individuals must have reported their status as being in work for more than half the months of the year.
Tiger boom. National figures produced from the EU–SILC survey for 2004 show 5.3 per cent of Irish employees in households below the 60 per cent threshold at that point, but the comparison is not exact (because “employee” in that case refers to those in that position at the time of the survey rather than during the previous year). However, these figures do not suggest that there was a dramatic change — either increase or decline — in the extent of in-work poverty on the introduction of the national minimum wage or subsequently.

Analysis of employees in households below the relative income thresholds reveals the complex nature of the relationship between low pay and household poverty. Most low-paid employees are not poor or “at risk of poverty”. Survey data for 2005 show that over one-fifth of Irish employees had weekly gross earnings below two-thirds of median earnings — a widely-used measure of low pay. Of these low-paid individuals, only 13 per cent were in households at risk of poverty. On the other hand, 60 per cent of working poor employees are themselves low paid. This asymmetric relationship is consistent with earlier Irish studies (for example, Nolan, 1998), and with the pattern found in other Western European countries; for example, Nolan and Marx (2000) note that, for full-time employees across the ECHP generally, about 60 per cent of the low paid are in the top 60 per cent of the income distribution.

This reflects the fact that employees, whether low paid or not, are not principally found in households in poverty or towards the bottom of the income distribution. Such households generally do not contain an employee but, where they do, that employee is usually low paid. The features that distinguish the low paid who are in households at risk of poverty relate to the household context. About 9 per cent of working poor employees are in households of one adult with a child or children, while 63 per cent are in households with two or more adults and children — only 2 per cent live alone. The other key feature is the number of persons in the household with an income. What is distinctive about the households of the working poor is how few of their working-age adult members are actually in work. If we look at all employees, on average there are 2.7 persons in the household of working age, of whom 2.1 are in work and 1.7 are in full-time work. If we look at working poor employees, on the other hand, there are almost as many working-age adults — 2.5 per household — on average, but only 1.4 are in work and only 0.8 in full-time work. The risk of poverty is relatively high for employees in households in which only one adult is in work, whether there are children or not, but the risk is very low indeed where two or more are at work, except in households of three or more adults with children.

7. The fact that the household survey base for the available figures was a panel survey (ECHP) subject to attrition up to 2001, and then changed from 2003 with the switch to EU–SILC, also complicates the assessment of underlying trends in in-work poverty.
9.5.3 Minimum wage effects on wage disparities

The impact of the minimum wage on the shape of the earnings distribution in Ireland has not been studied in depth to date. Overall earnings dispersion appears to have narrowed between 1997 and 2001 (see McGuinness et al., 2008), but the extent to which this situation reflected changes towards the bottom, and the likely contribution to this of the introduction of the national minimum wage, is not clear. Trends in overall earnings dispersion and the impact of minimum wage uprating since its introduction also merit in-depth investigation, and this must be a priority for future research. However, the stability of the numbers on the minimum wage shown by enterprise surveys, together with the fact that the level of the minimum wage since introduction has increased broadly in line with median earnings, would suggest that this impact has not been pronounced.

9.5.4 Minimum wage effects on collective bargaining

The minimum wage could also potentially have a significant effect on collective bargaining arrangements and outcomes but, in the Irish case, this interaction operates in a context of high-level social partnership arrangements, which have been an important aspect of the institutional landscape over the past two decades. From 1987, when the Irish economy was widely perceived to be in crisis, the social partners have succeeded in negotiating a succession of multi-year national wage agreements. These have been embedded within a broader set of socio-economic programmes agreed between the government, employers, unions, farm organizations and, more recently, representatives of the community and voluntary sector. These programmes have set out objectives and specific plans for different aspects of government activity and provide a context in which the government for some years underpinned what were seen as moderate agreements on the scale of pay increases by reductions in direct taxation, made possible by the increased revenues generated by economic growth.

This prominent role for social partnership provided the context for the initial introduction of the minimum wage and also influences the way in which the level of the national minimum wage is uprated. Decisions about when the national minimum wage should be increased and by how much are entirely at the discretion of the relevant minister, as already noted. However, if the national representative organizations for the unions and employers can agree on an increase which they regard as appropriate, then this is formally put to the Minister, who is obliged to consider it. This proved feasible the first time an increase in the national minimum wage was being considered, in the course of a renegotiation of the overall partnership programme; the increase put forward jointly by the unions and employers was accepted and implemented.
Most recently, as already mentioned, in the absence of such an agreement between unions and employers, the officially-appointed Labour Court, which assists in resolving industrial relations disputes, has heard submissions from each side and then made a recommendation to the Minister about the scale and timing of increases, and these have been accepted and implemented. With the sharp downturn in the economy in 2008, it is noteworthy that a representative body for small firms has called for a reduction in the level of the minimum wage in the face of increasing unemployment.

The absence of clear criteria for adjusting the level of the minimum wage over time, and the infrequent but sizeable upratings that have actually been implemented, potentially pose problems both for the operation of the minimum wage itself and for social dialogue more broadly. A process similar to that adopted in the United Kingdom, where a regular annual assessment of the appropriate level for the minimum wage is carried out in a transparent fashion by the Low Pay Commission, would be less likely to create tension between the social partners.

9.5.5 Minimum wage effects on the mobility of capital, labour and goods and services

Finally, the apparent effects of the minimum wage in Ireland in terms of mobility of capital, labour and goods and services – the focus of a great deal of attention in the enlarged EU – merit consideration.

Focusing first on capital, foreign direct investment (FDI) is seen as playing a key role in Ireland’s macroeconomic success over the past decade, and in building the foundations for that growth over the preceding quarter-century. The imperative to maintain a continued strong inflow of investment has been a dominant theme in policy discourse, including the social partnership process. The introduction of the minimum wage does not appear to have had any negative effects in that respect. The multinational firms involved generally employ very few workers at the wage levels that would be affected by the minimum wage, and labour costs are generally only a small proportion of their total costs in any case.

As far as labour is concerned, since 2000, and in particular since EU enlargement in 2004, inward migration has been extremely important in the expansion of the Irish workforce, which has allowed economic growth to continue at such a rapid pace. A liberal policy towards migration has been adopted on the part of the new EU Member States, to a greater extent that many other EU countries. In that context, the national minimum wage has been seen as a source of reassurance to the domestic workforce that their pay would not be undermined by such in-migration, while at the same time protecting economic migrants against exploitation.
The freeing-up of capital and labour markets within the EU, and globally, has therefore been seen primarily as an opportunity rather than a threat. The extreme openness of Ireland’s small economy means that maintaining the capacity to trade and to attract mobile international capital is seen as key to the country’s overarching macroeconomic strategy. In a period of very rapid economic growth, based on taking advantage of the opportunities offered by a benign international trading environment, the minimum wage is generally seen to have played a positive role. But in a very different climate, in which international growth is low, unemployment is rising and the threat of “off-shoring” is receiving increasing attention, it cannot be taken for granted that the minimum wage will operate in the same fashion and be seen in the same light.

9.6 CASE STUDIES

The case studies presented in this section focus on specific issues and/or sectors, which aim to explore issues arising from the description and analysis of the Irish experience outlined above. It will be clear from that description that Ireland represents a particularly interesting case in terms of issues identified as core for the project as a whole, relating to the role and operation of a minimum wage in an open economy in which mobility of both capital and labour – FDI and migration – are central to the environment. Ireland is also exceptional in terms of the rapid pace of economic growth over the past decade, which has made it the envy of other EU Member States and an example to which new Member States in particular aspire: despite this, and the introduction of a national minimum wage at a high level, in-work poverty remains a concern. Ireland can also thus serve as a valuable laboratory in considering the relationship between economic growth, the minimum wage and in-work poverty. The level at which the minimum wage is set and the way it is adjusted over time are clearly key features, with respect to both the impact on the labour market and economic growth and poverty. This section presents a number of in-depth case studies and analyses focusing on these issues.

As detailed in Section 9.4, low pay/minimum wage working is quite highly concentrated in certain sectors and specific firms were selected to serve as case studies against that background. In-depth interviews were carried out with four firms, in the hotels and restaurants, retail and nursing home sectors; in addition, employers’ representative bodies and unions were consulted. Each of the four case studies is now described, followed by a general discussion of the findings and their implications. For confidentiality reasons descriptions of the firms and their setting must, obviously, be generalized.
Case study 1: The minimum wage in a hotel chain

The subject of the first case study was an employer with a number of hotels in different parts of Ireland, with several hundred employees, about two-thirds of whom were reported to be nationals of a country other than Ireland. A very substantial proportion of all those employed – again of the order of two-thirds – were being paid the minimum wage, with a higher share for non-Irish nationals. No staff were being paid the sub-minimum wage levels permitted in certain circumstances by the legislation. When the national minimum wage is increased, those paid above the minimum also receive an increase of that order of magnitude in order to maintain differentials and allow the firm to retain staff.

The minimum wage is regarded as having a significant role in attracting migrant workers to come to Ireland, having high visibility externally and serving to set expectations among those workers about wage levels. Irish workers are very hard to recruit into the sector on the minimum wage, as they normally require higher wages. As a result, the availability of migrant workers is critical to staffing hotels. However, the combination of the minimum wage and ready availability of migrant workers may make it harder for Irish workers (or potential workers) with particularly low levels of training and skills to break into the labour market.

The current process for uprating the minimum wage – described in Section 9.3 – is seen as particularly problematic, given the high proportion of employees working on the minimum wage and its impact on total labour costs (which account for 30 per cent of total costs). Moving to a process that produces more graduated increases, phased to take into account experience on the ground, is seen as a priority. Indeed, a minimum wage that varies across sectors depending on their specific circumstances is seen by the firm as much more appropriate than a national minimum wage that is invariant across sectors and geographical areas. In addition, a much lower entry-level minimum wage to allow poorly-qualified school-leavers to get a foothold in the labour market is seen as highly desirable. The level of compliance with the minimum wage in the sector is seen as very high.

Case study 2: The minimum wage in a bar/restaurant

The second case study subject was a bar and restaurant in a large town. The number of staff employed varies on a seasonal basis from about 20 to 30, and the importance of migrant labour also varies markedly. During the high season, a large number of non-Irish workers are employed, whereas for the rest of the year they represent only a small minority. While the serving staff are paid the minimum wage and, in addition, receive tips and service charges, bar
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or kitchen staff have to be paid above the minimum wage in order to attract and keep good staff. The wage paid to the second group depends more on local labour market conditions than on the level of the minimum wage itself, and so increases in the minimum wage feed through only a limited extent, although there is an impact even on those above the minimum wage in terms of the desire to maintain relativity.

The availability of migrant labour is seen as critical in filling certain types of low-skilled jobs that “Irish people simply won’t do any more”. The restaurant sector is one in which keeping down wages as a share of total costs is particularly difficult, so the fact that low-skilled jobs can be filled by non-Irish nationals is important. The minimum wage plays a key role in attracting non-Irish nationals to the country to look for work. The minimum wage was seen as a barrier to maintaining a profit margin in the restaurant side of the business, where customers are very price-conscious, whereas in the bar side this posed less of a problem.

Case study 3: The minimum wage in a supermarket chain

The third case study involved a supermarket in a chain operating throughout Ireland. The particular outlet under study had a staff of between 20 and 30, 90 per cent being non-Irish workers. All of the staff, even the lowest paid, are paid significantly in excess of the minimum wage. The basic rate of pay is about 25 per cent higher than the minimum wage, with an additional productivity-related bonus. When the national minimum wage is increased, this does not have to feed directly into pay since the rates being paid are considerably higher, but the prevailing level of the minimum wage, as well as the cost of living in the area, are taken into account when pay levels are negotiated each year.

While rates of pay per se should be sufficient to attract Irish staff, applications for specific types of jobs are limited and the availability of non-Irish workers speeds up the recruitment process significantly and is seen as critical to the operation of the business. The minimum wage is regarded as having a key role in attracting migrant workers to Ireland, rather than to the United Kingdom in particular, and thus to the smooth functioning of the business. (Only some of the positions require fluent English, which makes it easy to rely on migrants.) Again, the level of compliance with the minimum wage in the sector is seen as very high.

Case study 4: The minimum wage in the nursing home sector

The final sectoral case study is in the nursing home sector. Total staff were around 60, and, in contrast to the other case studies, only a small proportion
(about 1 in 8) of employees are not Irish nationals. All employees are paid significantly in excess of the minimum wage – the lowest are paid an hourly wage 15 per cent above that level, with most being paid significantly higher rates. However, the level of the minimum wage is a major factor in setting wages, and increases in the minimum wage feed through directly into the general wage rates being paid. There is a stigma associated with a job that only pays the minimum wage, so a higher rate has to be paid to attract suitable staff, and this means that increases in the minimum wage are passed on in the higher wages paid.

There is no distinction between the wages paid to migrants and Irish nationals, but the availability of migrant workers has made it considerably easier to ensure that positions are filled quickly. The level and pace of increase in the minimum wage over the past few years is seen as a very serious problem for the business, making a major contribution to overall cost increases, although other factors (such as insurance) have also played a substantial role.

Lessons from the sectoral case studies?

Taking these case studies together, and factoring in what was learned from the consultations with employers’ representative bodies and unions, some broad conclusions can be drawn about the minimum wage and its function in Ireland. Despite the reliance of the Irish economy on FDI and the role this has played in fuelling rapid economic growth, the minimum wage is not seen as directly impacting on the firms involved or on their decisions in relation to investment or location in Ireland in contrast to elsewhere. This reflects the fact that those firms have very few employees at the minimum wage level of pay, and that labour costs generally represent only a small proportion of total costs for such firms anyway. However, the overall cost of doing business in Ireland has emerged as a significant concern and the competitiveness of the economy has moved back to centre stage on the policy agenda over the past few years. To the extent that the minimum wage feeds through to the cost of labour more generally, it can have an impact even on those firms not employing workers at minimum wage levels – through the cost of services, for example, with contract cleaning being the most obvious. The policy adopted (implicitly rather than explicitly) of uprating the minimum wage over time broadly in line with average earnings means, however, that the minimum wage has generally followed rather than led wage levels. In a period of very robust economic growth it is particularly difficult to disentangle the impact of the minimum wage on wages towards the bottom of the earnings distribution from the effects of general tightness throughout the labour market. The case studies do, however, highlight the fact that even in a setting where it was intended (at least initially) to have no impact higher up the distribution, and this was agreed
between employers and unions, the minimum wage has very quickly come to serve as a reference point for wages in the region of the earnings distribution above it.

The case studies, and discussions with employers’ representative bodies, emphasize the fact that the process whereby the minimum wage is uprated over time is seen by employers as seriously problematic. The uncertainty generated by the process, and the fact that lengthy periods with no adjustment have been followed by substantial increases, means that businesses have difficulty planning for and coping with those increases. A smoother, more regular and more predictable uprating process would be seen as more satisfactory and, while unions would disagree on the desirable scale of increase, they also would prefer such a process. The United Kingdom provides a ready example of such a structure, in which the Low Pay Commission has moved to recommend increases to apply from October each year, taking into account on-the-ground experience in the sectors most significantly affected. That represents another important conclusion which may be drawn from the case studies: the need to have and incorporate in-depth information at the sectoral level, rather than simply national aggregates, in assessing the impact of the minimum wage and the appropriate level and pace of increase over time.

The importance of in-migration in terms of the impact of the minimum wage on the Irish economy since its introduction is also brought out by the case studies. The minimum wage is judged by employers to have had a significant impact in attracting migrant workers to Ireland – given its high level and visibility – although ultimately it is the availability of jobs that has to be the central driving force. The inflow of migrants has been key to the ability of firms in the service sector to fill jobs at or around the minimum wage: in the absence of such an inflow, the minimum wage at the current levels might have become virtually irrelevant. The strength of the economy and the rate of employment growth have meant that there has not been much concern to date about Irish workers being “priced out of jobs”. The downturn in the economy experienced in 2008 presented a very different setting, however, and its impact on migration was central to the context in which the minimum wage operates in Ireland in the short to medium term.

9.7 CONCLUSIONS

A number of key issues can be identified on the basis of this review and investigation of case studies in relation to Ireland’s experience with minimum wage regulation. Timing, in the middle of an unprecedented economic boom when unemployment had fallen to 4 per cent and the labour market was extremely tight, was fundamental to what has generally been acknowledged as its suc-
cessful introduction. There is little evidence to suggest a negative impact on employment levels. Despite the reliance of the Irish economy on FDI and the role this has played in fuelling rapid economic growth, the minimum wage is not seen to have directly impacted on the firms involved. However, the overall cost of doing business in Ireland has emerged as a significant concern and, with the recent sharp downturn in economic activity, the competitiveness of the economy has once again become a prominent item on the policy agenda. To the extent that the minimum wage feeds through to the cost of labour more generally, it can have an impact even on those firms not employing workers at minimum wage levels.

There has been concern about the scale and timing of increases in the national minimum wage rate. Uprating the minimum wage over time broadly in line with average earnings has meant that it has generally followed rather than led wage levels. In a period of very robust economic growth it is particularly difficult to disentangle the impact of the minimum wage on wages towards the bottom of the earnings distribution from the effects of general tightness throughout the labour market. However, the process whereby the minimum wage is uprated over time generates uncertainty, and the fact that lengthy periods with no adjustment have been followed by substantial increases means that businesses may have difficulty planning for and coping with those increases. A smoother, more regular and more predictable uprating process would be more satisfactory, taking into account on-the-ground experience in the sectors most significantly affected. With the prospect of much more modest economic growth than seen over the past decade, the next few years will represent a far more testing environment for the minimum wage.

Another issue of interest in terms of Ireland’s experience with the minimum wage is its functioning in a time of very substantial immigration. This relates both to the effectiveness of the minimum wage with respect to immigrants, and to the role of the minimum wage in providing a (relatively high) floor for the earnings of “domestic” workers in a time of substantial in-migration. Employers in the case studies thought the minimum wage had a significant impact in attracting such workers to Ireland – given its high level and visibility – although ultimately it is the availability of jobs that must be the central driving force. The inflow of migrants has been crucial to the ability of firms in the service sector to fill jobs at or around the minimum wage. The strength of the economy and the rate of employment growth have meant that there has not been a great deal of concern to date about Irish workers being “priced out of jobs”. The rapid downturn in the economy in 2008 presented a very different setting, however, and its impact on migration will be central to the context in which the minimum wage operates in Ireland in the short to medium term.

Finally, Ireland’s recent experience has been valuable in understanding the relationship between the minimum wage and household poverty. Combating
poverty was one of the stated aims of the minimum wage on its introduction, but the evidence suggests that most low-paid individuals are not in poor households – as conventionally measured – because they are mainly not the prime or sole earner in the household, although many of employees in poor households are themselves low paid. The minimum wage in itself may thus have a limited impact in reducing in-work poverty, although it may be successful in putting a floor under individual earnings. Countries that have been most successful in reducing poverty – measured in purely relative income terms – have been particularly effective in promoting dual earnership among couples, providing a high level of income support for child dependents and reducing dispersion in the earnings distribution. The minimum wage should therefore be seen as one element in a broader strategy aimed at tackling in-work poverty.

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