

While several member states of the European Union do not have a national minimum wage (NMW), ISME supports the concept of a statutory minimum wage in Ireland. The existence of a NMW serves two essential purposes:

- It represents a floor value for remuneration below which employers cannot pay.
- It prevents race-to-the-bottom competition among employers trying to compete exclusively via lower labour costs.

While ISME also supports a NMW that broadly tracks prices, we oppose its use as a tool to address the cost-of-living issue (i.e. a “living wage”) for the following reasons:

1. In the absence of affordable accommodation in particular, there is no NMW affordable for many employers that would also satisfy the accommodation requirements of their employees.
2. The methodology for calculation of the “adequate” living wage i.e. 50% of mean or 60% of median is inappropriate for Ireland because workers in the multinational and public sectors combined make up 49% of the national workforce, and enjoy remuneration levels very significantly higher than those in micro, small and medium enterprises. The disparity between public and private sector workers in Ireland is significantly greater than in peer countries.
3. Average wages in the economy are not driven by the size of the NMW, they are driven by the vibrancy of the economy.
4. Ireland already has the second highest NMW in the EU.
5. Aside from the affordability issues for employers, there are empirically proven negative consequences for workers in driving the NMW faster than the market will bear.

Among employers of all sizes (including high value adding multinationals) the absence of affordable accommodation is a constant refrain. It is against this background that understandable pressure for higher wages must be placed in context.

The most recent Daft Rental Report (Q4 '23)¹ puts the average monthly rent at €1,823 nationally (i.e. €21,876 pa). The Housing Agency’s Affordability Calculator² suggests that spending **less than** 35%-39% of **disposable income** is generally affordable for most households. Therefore, at the 39% limit, a minimum wage of **at least** €56,092 (€25.66/hour) would be required to cover the average rent affordably.

Naturally, the Low Pay Commission would deny that the NMW or Living Wage is calculated to meet the average national rent, but in the real world, wage pressure is being driven by the cost of accommodation.

Regarding the calculation methodology for the NMW/Living Wage, we acknowledge that the methodology in use is EU driven. However, Ireland is uniquely challenged in the use of this

¹ https://ww1.daft.ie/report/ronan-lyons-2023q4-daftrentalprice?d_rd=1

² [Affordability Calculator](#)

methodology because of the structure and remuneration within our workforce, which essentially produces “two Irelands.”

The latest CSO Business Demography³ states that there are 919,680 workers in Ireland’s large enterprise sector. (public service workers are omitted from this calculation).

	2021	Percentage of Total
All persons engaged size classes	2,305,318	100%
Under 10	545,717	24%
10-19	192,488	8%
20 - 49	249,492	11%
50 - 249	397,941	17%
250 and over	919,680	40%

Based on the latest CSO Workers in large enterprise are paid €185.08 (21%) per week more than the average private sector worker, and €287.67 (38%) more than a worker in a small business. Public sector workers are paid €248.76 (29%) more than the average worker and €351.91 (46%) more than a worker in a small business.

NACE Principal Activity	2018	2019	2020	2021	2022	2023	2023	2023
	Q3	Q3	Q3	Q3	Q3	Q2	Q3	Q4
	€	€	€	€	€	€	€	€
B-E Industry	875.54	883.24	890.24	945.34	970.62	1,042.99	1,024.79	1,054.66
F Construction	796.07	804.64	818.03	869.54	920.83	900.39	928.02	943.85
G Wholesale and retail trade; repair of motor vehicles	566.53	597.26	605.19	629.32	645.48	673.53	676.52	678.95
H Transportation and storage	818.45	833.22	780.66	778.36	850.90	890.41	850.71	872.25
I Accommodation and food services	368.18	376.82	387.95	403.83	421.93	432.25	440.23	437.37
J Information and communication	1,175.92	1,241.45	1,270.40	1,335.88	1,493.83	1,554.55	1,525.19	1,576.26
K-L Financial, insurance and real estate	1,056.70	1,090.20	1,119.87	1,154.70	1,211.93	1,336.21	1,244.44	1,294.87
M Professional, scientific and technical activities	901.37	948.00	906.67	1,031.24	1,034.48	1,118.99	1,107.11	1,124.74
N Administrative and support services	575.02	607.68	624.16	682.17	685.32	714.50	701.94	754.55
O Public administration and defence	945.47	966.73	978.47	1,006.19	1,020.17	1,112.23	1,098.50	1,113.40
P Education	857.76	865.60	901.01	961.73	947.24	946.03	987.29	1,003.07
Q Human health and social work	715.26	727.10	758.21	809.06	826.43	858.30	885.07	887.6
R-S Arts, entertainment, recreation and other service a	493.43	494.22	518.58	552.44	563.11	608.66	623.04	649
All Sectors	742.75	769.14	794.89	837.61	867.63	911.01	907.72	921.81
Public/Private Sector¹								Public Sector Premium
Private sector	681.70	709.30	731.11	773.44	811.49	852.59	843.40	863.53
Public sector ²	960.14	972.76	997.24	1,050.48	1,058.98	1,105.71	1,125.92	1,112.29
Size of Enterprise								
Less than 50 employees	586.35	608.02	625.73	655.49	688.26	730.52	734.76	760.37
50-250 employees	684.16	706.26	738.28	780.57	807.14	849.85	826.13	827.18
Greater than 250 employees	871.79	900.75	923.61	971.48	999.94	1,041.04	1,042.15	1,048.04

Data from DPER⁴ shows the headcount in all vote groups of the public service to amount to 397,121 at the end of 2023. Taking the 2021 large business demography figure of 919,680, plus the DPER 2023 public service headcount, this puts the proportion of the total workforce which is employed in either large firms and the public service at 1,316,801 workers, or 49% of the workforce.

In the UK, which is being used as a NMW comparator for Ireland because of the NI border, average weekly earnings in the private sector⁵ are £22 (3%) higher than average wages in the public sector.

³ <https://www.cso.ie/en/releasesandpublications/ep/p-bd/businessdemography2021/keyfindings/>

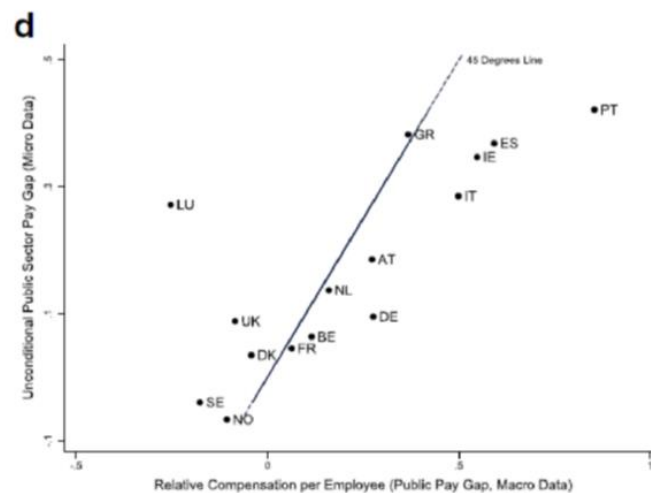
⁴ https://databank.per.gov.ie/Public_Service_Numbers.aspx?rep=VG

⁵ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/averageweeklyearnings201>

There is simply no way in which so large a proportion of the workforce in these two high-pay employment sectors does not skew both the mean and median wages in Ireland.

For SMEs to be benchmarked against these two sectors for the purpose of NMW setting is simply unrealistic.

The CSO intermittently produces data⁶ to suggest that there is no public-private pay gap, or that the difference is now negative. This belies the nominal data they produce in their quarterly earnings data. It is also inconsistent with meta data in research by Campos et al⁷ showing Ireland to have the largest public -private pay gap in the EU after Portugal and Spain, where private sector wages are far lower than ours.



In summary, use of the 50% mean/60% median metric for NMW-setting in Ireland is highly problematic, and must be corrected for statistically.

One of the reasons advanced for increasing the NMW is that we are moving to a higher wage economy, which justifies an increase in statutory minimum wage. It is also suggested that driving the minimum wage helps to increase wages generally, and that Ireland shares a land border with a jurisdiction which has a current minimum wage of £11.44⁸ (€13.40) per hour. However, consider the current (February 2024) average weekly earnings in the UK⁹ at £677 per week, which is 1.5 times the weekly minimum wage. In Ireland, the current average weekly wage of €921.81 is 1.9 times the weekly minimum wage of €495.30. Of course, this multiple is used by some social partners to suggest an increase in the NMW on an income adequacy basis, but it completely debunks the proposition that the NMW is a driver of wages in the economy.

It is also clear from studying sectoral weekly earnings that the NMW is not responsible for increased average earnings: it is inter-sectoral competition for labour.

⁶ <https://www.cso.ie/en/releasesandpublications/rp/rp-eappp/eappp20152018/>

⁷ <https://izajolp.springeropen.com/articles/10.1186/s40173-017-0086-0>

⁸ <https://www.gov.uk/government/publications/the-national-minimum-wage-in-2024>

⁹ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/averageweeklyearningsearn01>

	Q1 18	Q1 19	Q1 20	Q1 21	Q1 22	Q1 23	Q4 23
All Sectors	744.76	771.60	800.31	860.19	885.33	923.48	921.81
Private Sector	685.99	717.20	745.97	803.15	841.40	869.98	863.53
Public Sector	952.89	960.26	989.96	1,038.24	1,024.76	1,103.31	1,112.29
<50 employees	573.53	599.77	623.59	658.96	695.46	720.33	760.37
50-250 employees	689.17	724.89	756.33	815.53	826.41	855.70	827.18
>250 employees	888.77	909.53	941.14	999.50	1,008.43	1,067.26	1,048.04
NMW	372.45	382.20	393.90	397.80	409.50	440.70	495.30 *

Wage Change Among:	2019	2020	2021	2022	2023	2024	Average
All Sectors	3.6%	3.7%	7.5%	2.9%	4.3%	-0.2%	3.6%
Private Sector	4.5%	4.0%	7.7%	4.8%	3.4%	-0.7%	3.9%
Public Sector	0.8%	3.1%	4.9%	-1.3%	7.7%	0.8%	2.7%
<50 employees	4.6%	4.0%	5.7%	5.5%	3.6%	5.3%	4.8%
50-250 employees	5.2%	4.3%	7.8%	1.3%	3.5%	-3.4%	3.1%
>250 employees	2.3%	3.5%	6.2%	0.9%	5.8%	-1.8%	2.8%
NMW	2.6%	3.1%	1.0%	2.9%	7.6%	11.0%	4.7%

*NMW January 2024 versus quarterly earnings Q4 2023.

Considering CSO earnings data,¹⁰ the sector experiencing the fastest growth in quarterly earnings is the small business sector, with an average annual growth rate of 4.8%, exceeding that of all other employment sectors, as well as the growth in the NMW itself. Competition for labour with other sectors is demonstrably the driver of wage growth in the SME sector, a process we expect to continue given the fact that Ireland is close to full employment.

Ireland has the second highest NMW in the EU.¹¹ If a high NMW is essential in giving workers both a good standard of living and a high wage, this fails to explain how Ireland is outranked in the labour cost table by both Denmark and Austria, two countries which do not have an NMW.¹² Again, ISME believes this confirms our view that it is the vibrancy of the economy which is the real driver of wages.

¹⁰ <https://www.cso.ie/en/releasesandpublications/ep/p-elcq/earningsandlabourcostsq32023finalq42023preliminaryestimates/>

¹¹ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Minimum_wage_statistics

¹² https://ec.europa.eu/eurostat/databrowser/view/ici_lev/default/table?lang=en

Minimum wages, January 2024 and January 2014
(levels, in € per month and average annual growth, in %)



Note: Denmark, Italy, Austria, Finland and Sweden have no national minimum wage.
 (*) January 2014 and average annual rate of change not available.
 (†) Minimum wage in force on 1 July 2021
 Source: Eurostat (online data code: earn_mw_cur)

Labour cost levels by NACE Rev. 2 activity (online data code: lc_lci_lev)
 Source of data: Eurostat

Table | Line | Bar | Map

TIME	2011	2012	2013	2014	2015	2016	2020	2021	2022	2023
GEO										
Luxembourg	:	35.3	:	:	:	38.7	47.3	48.4	50.9	53.9
Norway	:	56.4	:	:	:	49.3	49.1	53.1	54.5	51.9
Iceland	:	23.2 (d)	:	:	:	36.2 (d)	37.8 (d)	42.7 (p)	48.3 (p)	49.7 (p)
Denmark	:	39.4	:	:	:	41.3	44.9	45.9	47	48.1
Belgium	:	38	:	:	:	38.6	40.5	41	43.5	47.1
Netherlands	:	32.5	:	:	:	34.5	37.7	38.1	40.5	43.3
France	:	34.3	:	:	:	34.6	38.8	39.3	40.8	42.2
Germany	:	38.5	:	:	:	32.8	36.8	37.2	39.4	41.3
Austria	:	29.7	:	:	:	32.5	36.4	36.8	38.1 (p)	40.9 (p)
Ireland	:	29.8	:	:	:	30.6	33.5	34.7	38	40.2
Sweden	:	37.3	:	:	:	37.7	38	40.8	40.2	38.9
Finland	:	31.3	:	:	:	33.7	34	35.1 (p)	35.9 (p)	37.1 (p)
Euro area - 19 countries (2015-2022)	:	28.3	:	:	:	29.4	32.4	32.6	34.2	35.9
Euro area - 20 countries (from 2023)	:	28	:	:	:	29.2	32.1	32.4	34	35.6

Ireland is currently at (or close to) full employment. Therefore, the hours displacement effect caused by the increase in the NMW in January is yet to be felt. However, it is demonstrably present in certain sectors.

As both the ESRI¹³ and the Seattle Minimum Wage study by the University of Washington¹⁴ have shown, increases in statutory minimum wages have less impact on overall wage rates than do improvements in the local economy. Furthermore, an increase in the NMW can lead to either a

¹³ <https://www.esri.ie/system/files/publications/RS132.pdf>

¹⁴ <https://www.washington.edu/news/2016/07/25/minimum-wage-study-effects-of-seattle-wage-hike-modest-may-be-overshadowed-by-strong-economy/>

reduction in hours worked, or in an increase in unemployment levels, especially for the low-skilled or the unskilled.

The summary points of the Seattle study are worth noting in the context of the Irish NMW:

- Seattle's lowest-paid workers were paid more in late 2015, but at most, only 25% of the observed income gains (a few dollars a week) could be attributed to the higher minimum wage.
- Businesses relying heavily on low-wage staff showed signs of cutting back, though they too benefited from the strong economy. They added jobs at about the same rate as businesses outside the city, but employees' working hours in the city lagged by an average of about one hour per employee per week.
- Even amid a relative boom, Seattle's lowest-wage earners showed signs of "lagging behind" a control group drawn from other parts of the state. The employment rate was down about 1 percentage point for workers who earned less than \$11 an hour in mid-2014; their average hours declined, and the proportion switching from jobs in the city to elsewhere ticked upward by 2 to 3 percent.

In summary, the Seattle study demonstrates that the strength of the local economy is far more important driver of wages than a NMW in wage-setting.

Lastly, and indirectly related to the work of the Low Pay Commission, ISME has a number of bodies whose members provide regulated services to Government agencies as well as private citizens. These are most common in the childcare sector, nursing home sector, "Section 38 and 39¹⁵ Organisations" and in knackery services. Uniquely for these operations, the Government is both a large purchaser of services as well as acting as a price regulator in the marketplace. We believe procurement contracts where the State acts as both customer and price regulator are likely to breach competition law, and we note a nursing home provider has launched legal proceedings¹⁶ regarding the "Fair Deals" scheme.

We believe it is incumbent upon the Low Pay Commission to include a clause in the NMW report to the effect that commercial operators tendering for services must be permitted an escalator clause where the State imposes a higher labour cost upon them by law.

We also believe that the Low Pay Commission membership itself is not reflective of the fact that SMEs employ 60% of the national workforce, and that it must make an immediate effort to rectify this in filling its current vacancy.

¹⁵ <https://assets.gov.ie/247584/c223c6e7-2d32-4ace-923d-4b263ec7df07.xlsx>

¹⁶ <https://www.irishtimes.com/business/2024/04/22/nursing-home-operator-launches-high-court-challenge-over-state-funding/>