

The National Minimum Wage

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Key Point:

Since its introduction in 2000, the National Minimum Wage (NMW) in Ireland has increased from €5.58 to the current rate of €9.80 in 2019. This represents an increase of €4.22 or 75.6% in nominal terms, but 31% in real terms, when we adjust for inflation. The proportion of employees earning the NMW or less declined from 9.3% in 2016 to 7.5% in 2018. In a European context, Ireland has the second highest minimum wage at €1,656 per month in 2019. However, when adjusted according to Purchasing Power Standards, the value of the minimum wage in Ireland falls to 7th place in the European rankings. The relative value of Ireland’s NMW decreases further when considering the ratio of minimum wage to the median wages for full-time workers. In 2017, France had the highest minimum-to-median ratio at a value of 0.62; Ireland had the fourth lowest value of 0.43.

National Minimum Wage Policy in Ireland

Figure 1 shows the NMW rates per age of the employee. Since March 2019, training rates have been abolished and replaced by a sub-minimum rate based solely on age. Employees aged under 18 years are entitled to 70% of the NMW rate, those aged 18 and 19 are entitled to 80% and 90% of the NMW rate respectively. For workers aged 20 years and over, the full NMW rate is €9.80 per hour.

Table 1: NMW Rate entitlement based on Age of Worker, 2019

	Minimum hourly rate of pay, €	% of Minimum wage
Aged under 18	6.86	70
Aged 18	7.84	80
Aged 19	8.82	90
Aged 20 and Over	9.80	100

Source: (WRC, 2019a)

Trends in National Minimum Wage Policy, 2000-2019

Figure 1 shows trends in NMW rates between the years 2000 and 2019. The NMW was first introduced in Ireland in 2000 at the initial rate of €5.58 per hour. Since then, the NMW rate has increased to €9.80 per hour in 2019: representing an increase of €4.22 or 75.6% in nominal terms. Between the years 2000 and 2007, the NMW rate increased steadily by over €3.00 to €8.65 per hour in 2007¹. The rate was cut by €1.00 in January 2011 as part of the Economic Adjustment Programme agreed with the EC-EU-IMF Troika. The rate was restored to €8.65 in July 2011. There were no subsequent changes to the NMW until the rate increased to €9.15 per hour in 2016 following the recommendations of the Irish Low Pay Commission. In subsequent years, the NMW rate has increased further to €9.25 per hour in 2017, €9.55 per hour in 2018 and to the current rate of €9.80 per hour in 2019 (WRC, 2019).

Figure 1 also shows the NMW rates in real terms, adjusted by the Consumer Price Index (base, 2000) to take account of inflation and changes to the cost of living. In real terms, the NMW increased by just €1.75 or 31% over the entire period: increasing from €5.58 in 2000 to the equivalent of €7.33 in 2019.

Figure 1: National Minimum Wage Trends (Hourly) in Nominal and Real (CPI base year 2000) Amounts, 2000-2019



Source: WRC (2019b); CSO (2019a); CSO (2019b).

¹ Note: in 2007 the NMW rate increased twice: to €8.30 in January and €8.65 in July.

National Minimum Wage 2016-2018

Figure 2a compares the number of employees on the NMW or less between the years 2016 and 2018. In 2018, 137,000 workers reported that they were earning the NMW or less: this represents a decrease of 17,000 on 2016. Figure 2a shows that the proportion of employees at or below the NMW fell from 9.3% in 2016 to 7.5% in 2018. While the proportion of employees earning *less than* the NMW marginally increased by 2,500 to 24,500 in 2018, their share of total employment remained at 1.3%. The number earning the NMW decreased from 113,000 in 2016 to 112,700 in 2018, and their share of total employment fell from 8% to 6.2%.

Females are more likely than males to earn the NMW or less. In Q4 2018, 8.3% of women, but just 6.8% of men earned the NMW or less, and of the 137,000 employees earning the NMW or less, 55% were female and 45% were male (CSO, 2019c).

According to the CSO report, wages at or below the NMW are particularly common in accommodation and food service activities, involving 27% of all employees in the sector. This sector was followed by agriculture forestry and fishing (23.5%); and wholesale and retail trade, repair of motor vehicles and motorcycles (15%). Almost 10% of non-Irish nationals earned the NMW or less in Q4 2018.

Figure 2a: Number at or below NMW (thousands)

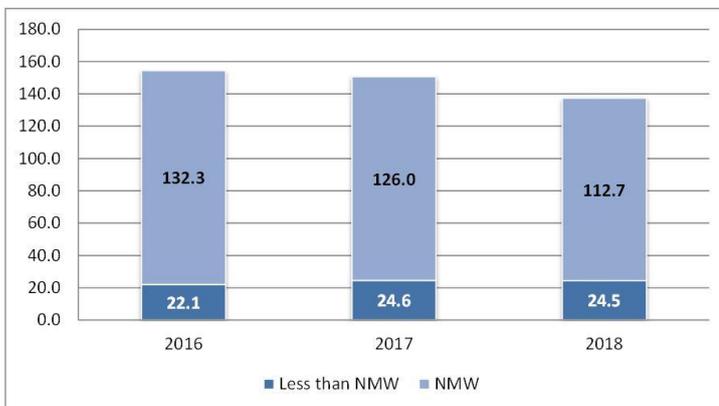
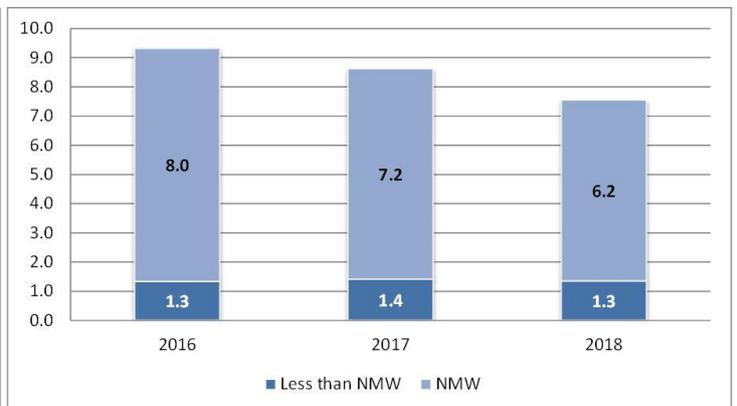


Figure 2b: Share of employees at or below NMW (%)



Source: (CSO, 2019c)

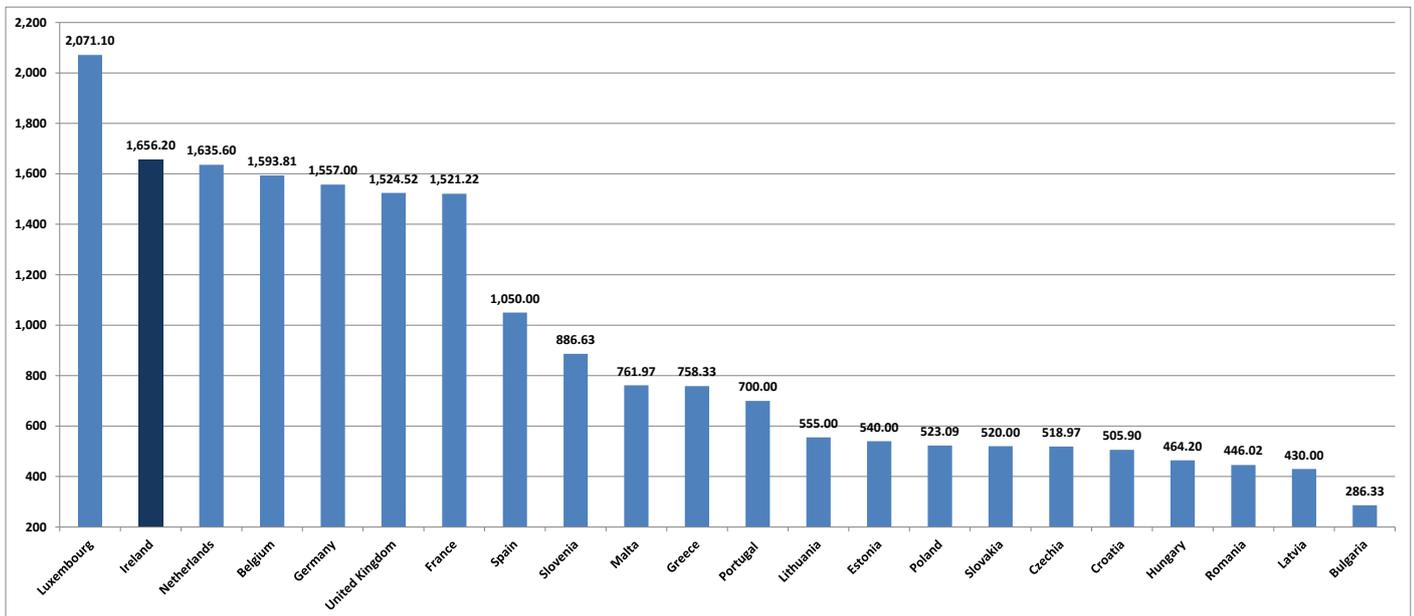
National Minimum Wage: A European Comparison

Figure 3 compares monthly-equivalent minimum wage rates of employees across the EU². In July 2019, 22 out of the 28 EU Member States had a national minimum wage: with Denmark, Italy, Cyprus, Austria, Finland and Sweden being the exceptions. Eight EU MS had gross minimum wages levels over €1,000 per month: Luxembourg (€2,071); Ireland (€1,656); Netherlands (€1,636); Belgium (€1,594); Germany (€1,557); United

² The values for countries which set an hourly Minimum Wage, such as Ireland, have been adjusted to the monthly scale.

Kingdom (€1,524); and France (€1,521) and Spain (€1,050). The EU MS with the lowest minimum wages are all in Eastern Europe.

Figure 3: Monthly Minimum Wage across European Countries, 2019

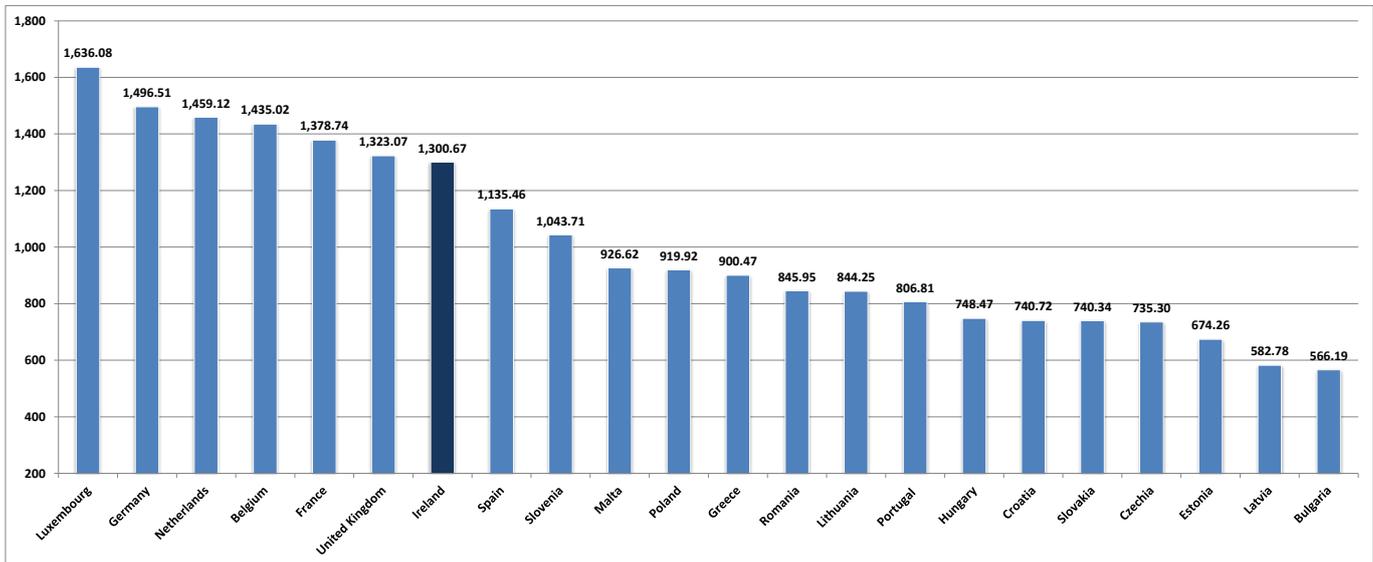


Source: Eurostat (2019)

Figure 4 compares the minimum wages across the EU countries adjusted for Purchasing Power Standards (PPS) which take into account the differences in the costs of goods and services between countries. The cost of living is high in Ireland, so when relative prices are taken into account, the value of the minimum wage in Ireland before the adjustment (as shown in figure 3) falls by 24%. With this adjustment, Ireland has the seventh highest minimum wage in the EU at the PPS equivalent of €1,301 per month.

The effect of the PPS price adjustment is particularly notable when comparing Ireland with the UK. Before the adjustment, the NMW was 8% higher in Ireland than the UK. After the price adjustment the value of the minimum wage in Ireland falls 2% below the level in the UK.

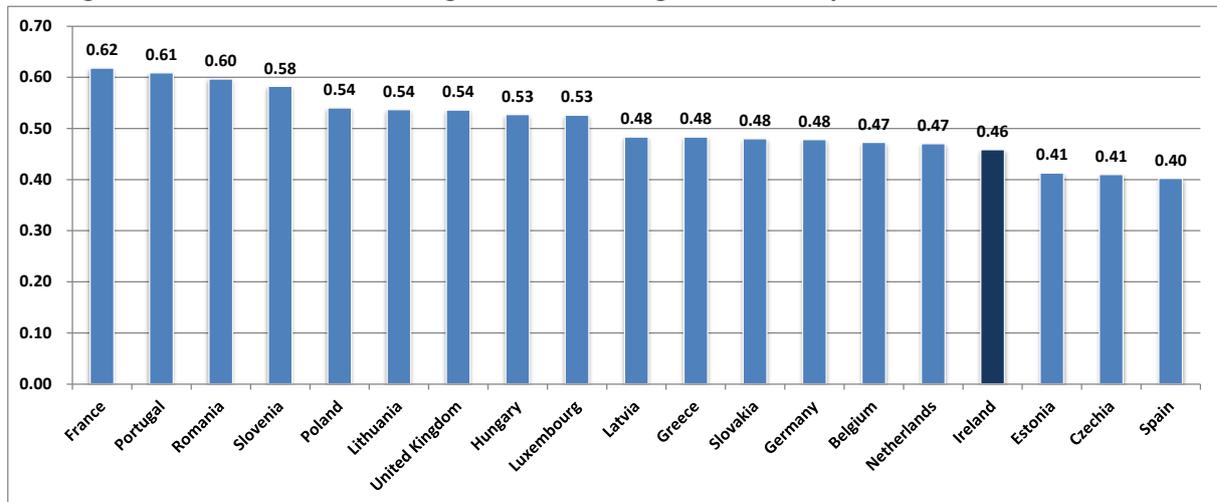
Figure 4: Adjusted Monthly Minimum Wage across European Countries – Purchasing Power Standard, 2019



Source: Eurostat (2019) Note: Values for 2019 are estimates.

Figure 5 compares the ratio of the NMW to the median wages for full-time employees across EU MS in 2017. The median wage is the income earned by the middle earner of all individuals, with half earning less than the median and half earning more. The higher the value of this ratio, the closer the minimum wage is to this average measure of income. In 2017, France had the highest ratio value at 0.62 and was followed by Portugal (0.61); Romania (0.60); Slovenia (0.58); Poland (0.54); Lithuania (0.54) and the United Kingdom (0.54). From this sample of EU MS, Ireland has the fourth lowest ratio value at 0.46. So while Ireland has a relatively high minimum wage, median wages are also high in Ireland, with the result that the ratio of minimum to median wages in Ireland is comparatively low.

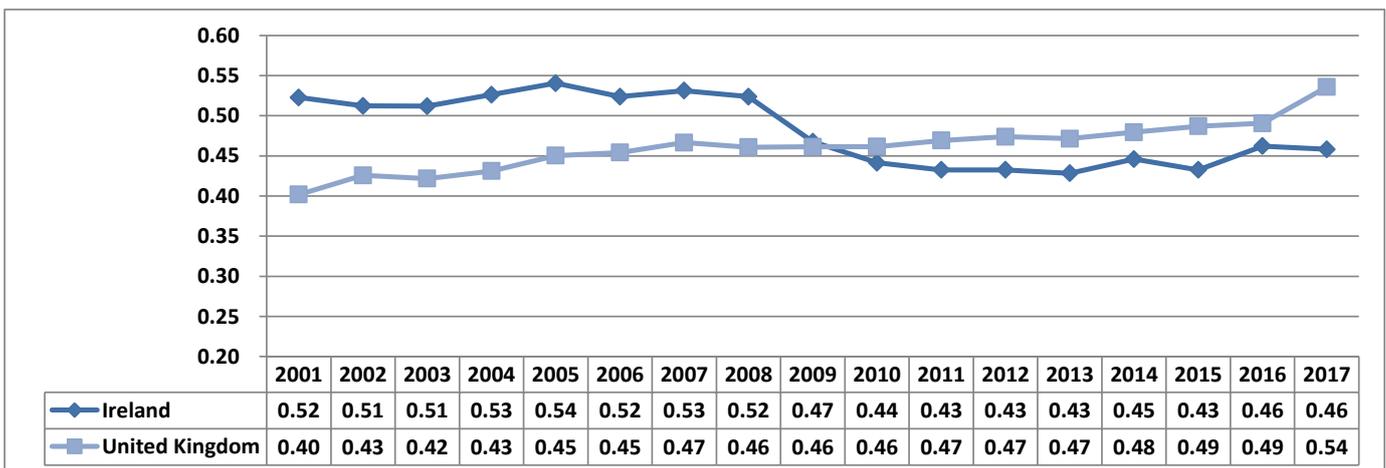
Figure 5: Ratio of Minimum Wage to Median Wage across European Countries, 2017



Source: OECD (2019) Note: Data was not available for the following EU MS with a National Minimum Wage – Malta, Croatia and Bulgaria.

Figure 6 compares the ratio of the minimum wage to the median wage in Ireland and the UK between the years 2001 and 2017. In 2001, an employee on the NMW in Ireland was closer to the median at 0.52 compared to an employee in the UK at 0.40. During the Great Recession, the NMW to median earnings ratio in Ireland decreased from 0.52 in 2008 to 0.43 in 2012. As economic growth resumed, the ratio has increased marginally to 0.46 in 2017.

Figure 6: Comparison of the Ratio of Minimum Wage to Median Wage between Ireland and United Kingdom, 2001-2017



Source: OECD (2019)

The ratio of the NMW to average earning in the UK has risen gradually over the last two decades: increasing from a ratio value of 0.40 in 2001 to 0.54 in 2017. By 2017 the ratio of minimum to median earnings was much higher in the UK (0.54) than in Ireland (0.46).

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