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A Profile of Those on The Minimum Wage

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A PROFILE OF THOSE ON THE MINIMUM WAGE

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ABSTRACT

A Minimum Wage of €5.58 per hour (IRE4.40) was introduced for experienced adult workers in Ireland under the National Minimum Wage Act 2000. Since then the rate has changed on a number of occasions before reaching €8.65 in July 2007. In February 2011 the rate was reduced to €7.65 and subsequently restored to its current level (€8.65) in July 2011. The recently established Low Pay Commission is considering the appropriateness of a further revision to the rate and is due to report to Government in July 2015.

Based on an analysis of hourly earnings data, this paper estimates the number of workers on the minimum wage and further profiles these workers by gender, by the sector they work in and by their employment status (full-time, part-time, permanent, temporary etc). The data also allows an examination of the household/family circumstances of workers on the Minimum Wage.

Establishing a profile of the lowest paid workers in society facilitates a better understanding of the labour market and the socio-economic context of current considerations of changes to the minimum wage.

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A PROFILE OF THOSE ON THE MINIMUM WAGE

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1. INTRODUCTION

A Minimum Wage of €5.58 per hour (IR£4.40) was introduced for experienced adult workers in Ireland under the National Minimum Wage Act 2000. Since then the rate has changed on a number of occasions before reaching €8.65 in July 2007. In February 2011 the rate was reduced to €7.65 and subsequently restored to its current level (€8.65) in July 2011. The recently established Low Pay Commission is considering the appropriateness of a further revision to the rate and is due to report to Government in July 2015.

Based on an analysis of hourly earnings data, this paper estimates the number of workers on the minimum wage and further profiles these workers by gender, by the sector they work in and by their employment status (full-time, part-time, permanent, temporary etc). The data also allows an examination of the household/family circumstances of workers on the Minimum Wage.

Establishing a profile of the lowest paid workers in society facilitates a better understanding of the labour market and the socio-economic context of current considerations of changes to the minimum wage.

The paper is structured as follows. Section 2 outlines the background to the emergence of the minimum wage in Ireland and sets out the policy context for this paper's examination. The data used in the analysis are then outlined in Section 3. Next Section 4 examines the distribution of hourly earnings across all employees before Section 5 focuses on those earning the minimum wage, examining both the composition of those who are on the minimum wage and the risk of being in a job paying at this level which is faced by employees with different characteristics. Finally, Section 6 of the paper summarises the results before concluding.

2. BACKGROUND AND CONTEXT

The 1997 Programme for Government made a commitment to introduce a national minimum wage. The commitment was part of that Government's commitment to 'an inclusive society' where 'all citizens have the opportunity and the incentive to participate fully in the social and economic life of the country...and to share in the benefits of economic growth" (1997: 5). Subsequently, a National Minimum Wage Commission was established, in July 1997, and reported with a series of recommendations regarding the establishment of a statutory minimum wage in March 1998.¹ The Government then appointed an inter-departmental implementation group to further assess the proposal and it reported during May 1999.² The National Minimum Wage Act 2000 was enacted in April 2000 and introduced a statutory minimum wage from April 1st of that year.

¹ The report of the Commission was published on 5th April 1998.

² See <http://www.djei.ie/publications/employment/1999/nationalminimumwagereport/>

The National Minimum Wage is expressed as an hourly rate of pay and calculated over an employee's 'pay reference period' by dividing their gross reckonable pay by their hours of work. The Act and associated documentation from the Department of Jobs, Enterprise and Innovation provides a formal definition of reckonable pay which essentially covers basic pay plus shift premiums, productivity related piece rates and commissions, and values for employer provided board and lodgings. Reckonable pay does not include overtime, premiums for weekend and public holidays, compensation for unsocial hours, sick pay or any other benefit in kind.³ The benchmark rate applies to experienced adult workers and there are exemptions and lower rates for employees aged less than 18 years, persons employed by a close relative, apprentices and those on structured training schemes.

The minimum wage was introduced at a rate of IRL£4.40 per hour (€5.58) for experienced adult workers from April 2000. The initial rate derived from the recommendations of the aforementioned National Minimum Wage Commission based on research for that Commission by Nolan (1998). The initial threshold was determined as the updated (to 1997) value of two-thirds of the median earnings for all employees. The figure was based on the results from the 1994 ESRI Living in Ireland Survey where two-thirds of median earnings were estimated at IRL£4.00 per hour and an assumption that average hourly earnings for all employees "rose by about 10% between 1994 and 1997" (Nolan, 1998: 8).

Since 2000 the rate has changed eight times (see Table 1). For the most part the mechanism for changing the rate was through Labour Court reviews where these were initiated by requests from organisations such as the Irish Congress of Trade Unions. The Labour Court, having invited submissions on the issue from various interested parties, would make a recommendation to Government (the relevant Minister or Junior Minister) who would subsequently make an order, if appropriate, amending the minimum wage.

Table 1 Ireland's Adult Minimum Wage Rate, 2000-2015

Date	€ per hour	IRL£ per hour
1 st April 2000	€5.58	£4.40
1 st July 2001	€5.97	£4.70
1 st October 2002	€6.35	£5.00
1 st February 2004	€7.00	
1 st May 2005	€7.65	
1 st January 2007	€8.30	
1 st July 2007	€8.65	
1 st February 2011	€7.65	
1 st July 2011	€8.65	

Notes: The Euro was introduced on the 1st January 2002. The exchange rate between the IRL£ and € is £1=€1.27. The rates for July 2001 (pre Euro introduction) and October 2002 (post Euro introduction) were set in IRL£s by Ministerial order on 30th June 2000. The rate set on 1st July 2011 was the rate in place at the time of this papers publication (July 2015).

³ See for example DJEI (2011).

The changes since 2000 include one reduction to the minimum wage, introduced on the 1st February 2011. The reduction was flagged in the National Recovery Plan 2011-2014 (2010:35-36), initiated as part of the Financial Emergency Measures in the Public Interest Act 2010 and was justified in the context of the bailout programme Ireland had entered into in late 2010. However, the reduction, which only applied to new earners on the minimum wage, was short-lived and reversed by a new Government in July 2011. Neither the reduction nor restoration followed the previous Labour Court adjustment mechanism.

Ireland's economic recovery slowly emerged across 2014 as growth became more established and the domestic economy picked up; driven by recovery in household consumption and domestic investment (NERI, 2015b). In terms of earnings, 2014 marked the first year of an economy wide recovery in pay, with average weekly earnings increasing by 1.9% and average hourly earnings increasing by 1.4% between Q4 2013 and Q4 2014 (CSO, 2015). The 2014 earnings growth marked a reversal of a trend of decreasing earnings since 2009. Over the period from Q4 2008 to Q4 2014 average weekly earnings decreased by 2.6%; with the reduction in the public sector (4.8%) being greater than that in the private sector (0.4%).⁴

The emergence of a recovery in pay levels shifted a focus to a need to revisit the minimum wage and re-establish a process to determine changes to its level. In its Statement of Government Priorities 2014-2016, in effect a mid-term revision of the programme for government, a commitment was made to deliver "a new deal on living standards to ensure that the economic recovery is felt by low and middle-income working families". Among the commitments made the Government stated that:

We will establish a Low Pay Commission on a statutory basis as an independent body to make annual recommendations to the Government about the appropriate level of the minimum wage and related matters (2014: 4).

The Commission was established under the National Minimum Wage (Low Pay Commission) Act 2015 with its members appointed for terms of three years. While the Commission is tasked with examining broader issues relating to the conditions of workers, in particular those experiencing precarious employment patterns, it is also tasked with making an annual recommendation on any revision to the minimum wage.⁵ A move to annual assessments, and possible changes to the minimum wage, reflects the experience of other countries where relatively small and frequent changes have been found to be less disruptive than occasional relatively large changes (Nolan et al, 2003:10).

The current considerations by the Low Pay Commission serve as the context for this paper. Although there have been previous assessments of the scale and composition of those on the minimum wage, there has been limited assessment throughout most of the last decade.⁶ Having

⁴ Note, the recovery in private sector earnings commenced earlier than that in the public sector with the latter's average adjustment heavily influenced by targeted decreases in during 2013 as part of the Public Service Stability Agreement 2013-2016 (Haddington Road Agreement).

⁵ In 2015 the Commission is due to make its recommendation in mid July although determining a change to the minimum wage in advance of forthcoming budgetary changes to taxes and social insurance levels would seem problematic. Over time, it is likely that the annual recommendation of the Commission will be made in the period after the October Budget.

⁶ See for example Nolan (1998), Nolan et al (2002), Nolan and O'Neill (2002), Nolan et al (2003) and Nolan et al (2006).

an up-to-date insight into the number of people on the minimum wage, where they are within sectors and occupations, and what their personal and family/household characteristics are, is an important context for any revision and facilitates a better understanding of the labour market and the socio-economic context of current considerations of changes to the minimum wage.

3. DATA

The analysis in this paper draws from an examination of the micro data from the latest Central Statistics Office (CSO) Survey on Income and Living Conditions (SILC). This survey is part of an annual Europe wide household living standards survey and collects income and living standards information from a representative national sample. The latest data, for 2013, was released in late January 2015 and comprised responses from 12,663 individuals in 4,922 households.

Like all survey data sources, the SILC dataset, and consequently any analysis drawn from it, is subject to some caveats. In particular, income surveys tend to experience lower response rates from high income households. Similarly, successful sampling can be challenging among low-income households and minorities while those in institutions are excluded from the sample.⁷ While the data includes a probability weight variable to correct for under-representation and non-response, and these weights are used in the analysis, deficits at both ends of the distribution remain. However, the collected income data is reconciled by the CSO with administrative tax and welfare records in an attempt to ensure its accuracy. Overall, the SILC data remains the most detailed and robust data source available for Irish individual and household income.

Data on earnings is available for all those in the dataset indicating that their principal economic status is 'at work' and who are employees. The data includes values for the gross monthly earnings of employees in their main job and a value for the number of hours employees usually work in their main job. Taken together these allow an estimation of the average hourly wage rate for an employee in their main job. Overall, the 2013 SILC sample includes hourly earnings data for a sample of 3,369 employees.

To assess the representativeness of the SILC data, Table 2 compares values generated from that data with other labour market indicators published by the CSO for the reference year. Overall, the SILC data compares well to the other labour market indicators. There are challenges comparing the SILC results with measures of the number of employees in the Quarterly National Household Survey (QNHS). The latter uses the International Labour Office (ILO) method of measuring those who are at work, capturing all those working for pay, profit or in a family business for more than one hour a week as employed. Conversely, the SILC data is based on a measure of a person's principal economic status, the main thing that the person does. As a person may be employed for a few hours per week, for example working part-time, but may regard themselves as principally a student, retired, unemployed or working in the home,

⁷ These sampling challenges, common to all households surveys, are explored further in: Groves and Couper (1998), Fitzgerald et al (1998), Goyder (1987), Nathan (1999), Cheesbrough (1993), Lynn and Clarke (2002) and Uhrig (2008).

estimates of the total number of employees using these two approaches are likely to differ fairly substantially. In an attempt to take account of this, the table compares the number of individual with any employee income (from SILC) with the QNHS measure of employees.

Table 2 Representativeness of the SILC Labour Market Estimates

Indicator	CSO Labour Market Data	SILC Analysis
Annual average earnings	€35,830	€35,487
Average hourly earnings	€20.75	€20.63
Average weekly hours	31.55hrs	33.22hrs
Employees / Any Employee Income	1,555,775	1,530,624
Employees % male	49.0%	47.5%
Employees % female	51.0%	52.5%

Notes: CSO labour market data is for 2013 and where data is quarterly it is averaged over the four quarters to provide an annual figure. Average annual earnings is from the *Earnings and Labour Costs Annual 2013*. Hourly earnings and hours worked data is from the *Earnings and Labour Costs Quarterly Survey*. Employee estimates are from the *Quarterly National Household Survey*. SILC values for annual average earnings and hourly earnings are calculated for the sample of employees for whom hourly earnings data is calculable.

As the SILC data is focused only on those whose principal economic status is ‘at work’ and who are employees, the number of workers represented by the hourly earnings analysis below is a smaller figure than the total number with any employee income.

4. THE HOURLY EARNINGS DISTRIBUTION

This section focuses on the distribution of employee hourly income and in particular those at the bottom of that distribution.⁸ An hourly earnings value is established for all those in the SILC dataset whose principal economic status is ‘at work’ and who are employees. Overall, the data is representative of 1,345,395 employees.⁹ Of these employees, the mean hourly earnings is €20.63 per hour although 50% of employees earn less than €16.62 per hour (the median earnings level).

Chart 1 presents a profile of the hourly earnings distribution in the Republic of Ireland. The chart also includes markers for three earnings thresholds. These include the *minimum wage* which stood at €8.65 per hour in 2013. A *Living Wage* value of €11.45 per hour was first established in July 2014 by the Living Wage Technical Group who presented a methodological basis for its calculation and annual update.¹⁰ In the absence of a comparable figure for 2013, the

⁸ An earlier version of this section appeared as NERI (2015a).

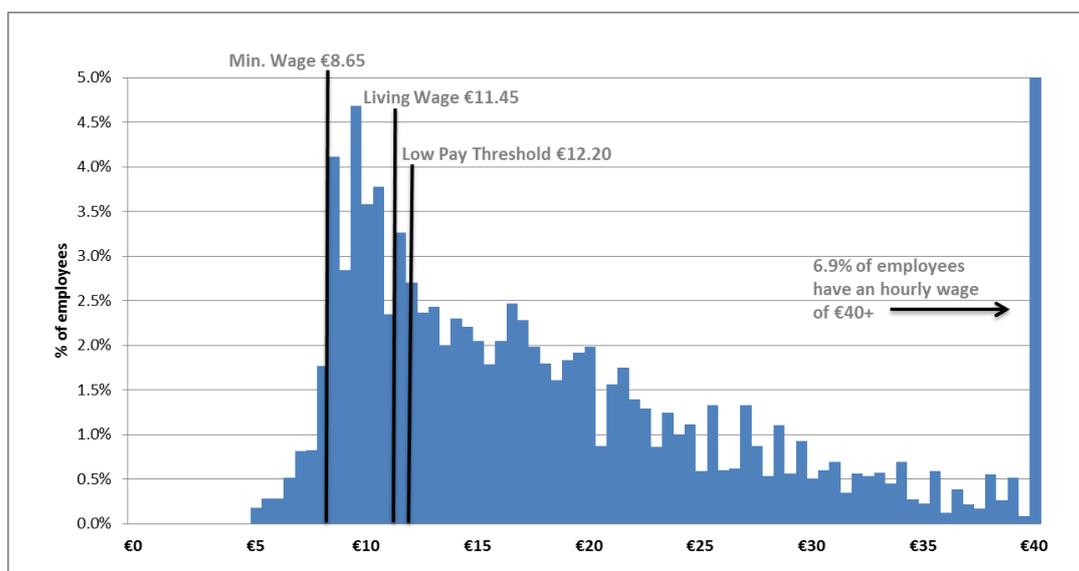
⁹ This total represents the weighted value of the final sample size which was also cleaned to exclude variables with missing or spurious monthly earnings / unusual hours data.

¹⁰ Note, the Living Wage has been estimated for a single-person working full-time and as such the hourly figure does not necessarily capture employees who face different costs and circumstances (couples with children etc). As the figure is an hourly one derived from an assumption of full-time work, employees at

2014 value has been used. Finally, the **low pay threshold** established by Eurostat in their most recent Structure of Earnings Survey (2010) is also used. This figure was estimated for those in firms of 10 or more employees and in all sectors of the economy excluding agriculture and public administration and defence. The threshold is calculated as two-thirds of median hourly earnings (the earnings of the middle person in the distribution), and the 2010 figure was €12.20 per hour.¹¹

Using the SILC hourly earnings data, it is possible to estimate an update of the Eurostat threshold using a similar subgroup of employees. Looking only at those employees in NACE sectors B to S excluding sector O and who are in firms of 10 or more employees, the 2013 median hourly wage rate ranges between €17.14 and €17.25 per hour.¹² The corresponding low pay threshold is between €11.43 and €11.50 per hour and is thus similar to the 2014 Living Wage value.

Chart 1: Distribution of Hourly Earnings and Selected Pay Thresholds, Ireland 2013 (% employees)



Notes: A national Living Wage was first established in 2014 and that value is used in the absence of an earlier figure for 2013. The Eurostat low-pay threshold was established using data from the 2010 Structure of Earnings Survey – the figure has not been updated since. The small proportion of earners with hourly rates below the minimum wage include legitimate exemptions (those under 18 years, persons employed by a close relative, apprentices and those on structured training schemes), non-compliance and a degree of measurement error.

The data in Chart 1 are summarised in Tables 3 and 4. Of all the employees examined in the data, 5.5% have an income below the statutory minimum wage – these include those exempted

or above the Living Wage but working less than a full-week (voluntarily or involuntarily) may also be unable to achieve a weekly living wage (see Living Wage Technical Group, 2014).

¹¹ The Eurostat estimate for median hourly earnings in 2010 was €18.25 and two-thirds of this is €12.1667 cent which they rounded to €12.20 in their publications (see Eurostat, 2012).

¹² The €17.14 figure is estimated for the full sample of employees for whom we have any hourly earnings data, the €17.25 is estimated for a reduced sample which excludes 30 observations with spuriously low hourly wage rates.

by the structure of the minimum wage including young workers under 18 years old, persons employed by a close relative, apprentices and those on structured training schemes. Using the hourly Living Wage as a threshold, the analysis finds that 25.6% of employees have an hourly wage rate of less than €11.45. Some 30.3% of employees lie below the low pay threshold of €12.20. These findings imply that almost 345,000 employees earn less than €11.45 per hour while just over 400,000 earn below €12.20 per hour.

Table 3: Distribution of Hourly Earnings, Ireland 2013 (% employees)

From	To	% of employees
minimum	€8.64	5.5%
€8.65	€9.99	8.3%
€10.00	€11.44	11.8%
€11.45	€12.19	4.7%
€12.20	€14.99	12.5%
€15.00	€19.99	19.6%
€20.00	€24.99	13.6%
€25.00	€29.99	8.4%
€30.00	€34.99	5.4%
€35.00	€39.99	3.1%
€40.00+		6.9%
		100.0%
Mean	€20.63	
Median	€16.62	

Notes: See notes to Chart 1

Looking above these three low-pay categories, more than 40% of employees have an hourly rate of between €15-€30; 8.6% lie between €30-€40 and 6.9% have an hourly rate above €40 per hour. Consequently, irrespective of the threshold used, almost 70% of employees are not formally classified as low paid.

Table 4: Distribution of Hourly Earnings by Selected Pay Thresholds, Ireland 2013 (% employees)

Threshold	% above	% below
Below €8.65	94.4%	5.5%
Below €10.00	86.2%	13.8%
Below €11.45	74.3%	25.6%
Below €12.20	69.7%	30.3%

Notes: See notes to Chart 1

5. A PROFILE OF THOSE ON THE MINIMUM WAGE

This section of the paper narrows the focus to those employees who earn the minimum wage. As mentioned, the SILC data provides figures for usual hours worked and usual gross monthly pay and using these two numbers an estimate of average hourly earnings is established. However, given the calculation approach, it is likely that those who are found to have earnings near to the minimum wage rate are in fact on this rate and in recognition of this the cohort of earners on the minimum wage are identified as those whose hourly earnings are +/-5% from the €8.65 threshold. Measuring in this way minimises unnecessary errors and offers a more robust insight into the proportion and composition of employees who are on the minimum wage.

Table 5 revisits the distribution of hourly earnings using this approach. Those with hourly earnings of between €8.22 and €9.08 per hour are classified as being on the minimum wage. The analysis finds that there are approximately 75,000 employees on the minimum wage – equivalent to 5.6% of all employees. This group are highlighted in Chart 2. The estimated average hourly earnings of those in this group is €8.72, suggesting that the approach gives a good insight into those at the minimum wage level. Over 46,000 employees are classified as earning less than the minimum wage and a total of 9.1% of employees (approximately 120,000) earn the minimum wage or less than the minimum wage.

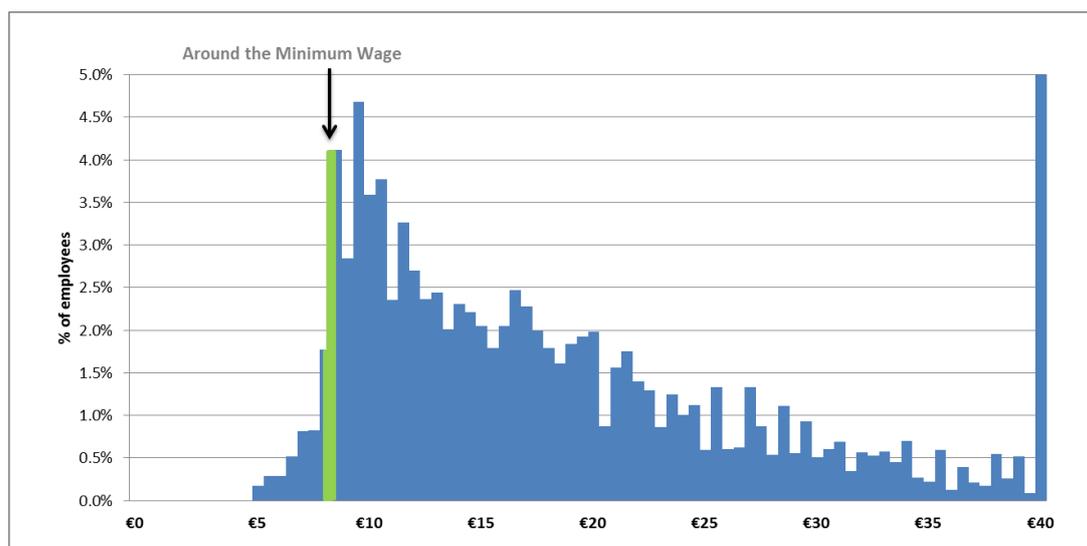
Table 5: Distribution of Hourly Earnings, Ireland 2013 (employees)

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

Notes: Those on the minimum wage are classified as employees with earnings +/-5% from €8.65 (i.e. between €8.22 and €9.08).
The small proportion of earners with hourly rates below the minimum wage include legitimate exemptions (those under 18 years, persons employed by a close relative, apprentices and those on structured training schemes), non-compliance and a degree of measurement error.

The remainder of this section profiles the approximate 75,000 employees earning the minimum wage. It splits into three parts. First, we examine the composition of this group of earners and then assess the risk of being on the minimum wage faced by employees with different characteristics. Finally, the paper examines the household characteristics of those who are on the minimum wage.

Chart 2: Employees on the Minimum Wage, Ireland 2013 (% employees)



Notes: See notes to Chart 1.

Who is on the Minimum Wage?

Tables 6a and 6b examine those classified as on the minimum wage. As a comparison, the distribution of all employees (both on the minimum wage and otherwise) is presented in the first column.

Women represent almost two-thirds (64.7%) of all those on the minimum wage. When examined by age group, the data show that almost 40% are aged less than 30 years, almost one-third are in their 30s with 15.6% aged in their 40s and the remainder (14.1%) aged more than 50 years. Relative to the composition of employees in general, those on the minimum wage are most heavily concentrated below the age of 30.

The sectoral profile of employees on the minimum wage shows that more than one-fifth (22.3%) are in the accommodation and food sector with a similar proportion (20.3%) in the wholesale and retail trade. Relative to the size of these sectors (7.5% and 14.3% of all employees respectively), the prevalence of workers on the minimum wage is high. 15% of minimum wage workers are in industry while 14.8% work in the health and social work sector. When employees on the minimum wage are examined by the occupation they have (Table 6b), 20.4% are found to work in sales and 14% in personal and protective services.

One-third (32.5%) of minimum wage workers work less than 19 hours per week while almost four-in-ten (approximately 28,000 employees) work more than 35 hours per week. Similarly, 42.6% of these workers are full-time workers on the minimum wage – some 32,255 workers. Most minimum wage workers hold a permanent contract of employment (82.6%) although temporary contracts of employment are more common among minimum wage workers than they are among employees in general.

Spatially, the distribution of minimum wage workers reflects the population divide between urban and rural areas with 36.3% of minimum wage workers living in rural areas.

Table 6a: The Incidence of Employees on the Minimum Wage, 2013 (%)

	% all employees	% employees on the MW	Statistical Significance*
All employees	100.0	100.0	
Gender			
Male	47.5	35.3	
Female	52.5	64.7	<i>p < 0.001</i>
Age Group			
18-29	17.4	39.1	
30-39	32.6	31.2	
40-49	24.8	15.6	
50-59	19.4	-	
60+	5.7	-	<i>p < 0.001</i>
Highest Completed Education			
Primary or below	4.5	-	
Lower secondary	10.4	-	
Higher secondary	23.3	29.4	
Post leaving cert	12.3	22.5	
Third level non degree	15.5	-	
Third level degree or above	32.3	16.2	<i>p < 0.001</i>
NACE Sector			
Agri, forestry/ fishing	1.2	-	
Industry	16.1	15.0	
Wholesale and retail trade	14.3	20.3	
Accommodation and food	7.5	22.3	
Admin & support services	2.8	-	
Health & social work	15.6	14.8	
Pub Adm, Defence, Educ	17.4	-	
Others	25.2	15.9	<i>p < 0.001</i>

Notes: * As the data is survey data, this statistical test reports the p-value from a weighted Pearson chi-squared test to determine if the reported differences between the sample categories are statistically significant.

- = sample too small to report (i.e. less than 25 cases in the sample data)

Highest completed education excludes 1.78% of employees who did not state their level.
 NACE sectors: Industry includes construction while all 'other' sectors includes: transportation and storage; information and communication; financial insurance and real estate activities; professional, scientific and technical; and those classified by the CSO as 'other NACE activities'.

Table 6b: The Incidence of Employees on the Minimum Wage, 2013 (%)

	% all employees	% employees on the MW	Statistical Significance*
All employees	100.0	100.0	100.0
Occupation			
Manager and admin	6.7	-	
Professional	20.7	-	
Associate Prof. & technical	12.8	-	
Clerical and secretarial	13.4	-	
Craft and related	9.5	-	
Personal/ protective services	8.0	14.0	
Sales	8.8	20.4	
Plant/machine operatives	7.5	-	
Others	12.5	38.8	<i>p < 0.001</i>
Sector of employment			
Public	29.2	-	
Private	67.8	90.7	<i>p < 0.001</i>
Hours Worked per week			
1-19hrs	13.6	32.5	
20-34.9hrs	24.0	30.0	
35hrs+	62.5	37.5	<i>p < 0.001</i>
Work status			
Full-time	72.1	42.6	
Part-time	27.9	57.4	<i>p < 0.001</i>
Contract Type			
Permanent	91.0	82.6	
Temporary	9.0	17.4	<i>p < 0.001</i>
Urban/rural location			
Urban	66.4	63.7	
Rural	33.6	36.3	<i>p = 0.5048</i>

Note: See notes to table 6a

Who is most likely to be on the Minimum Wage?

As reported earlier, in 2013 5.6% of employees were on the minimum wage. Tables 7a and 7b examine the risk of workers with different characteristics experiencing working at this wage level.

Of all male employees 4.2% earn the minimum wage whereas the risk is higher for female employees with almost 7% at that rate. The risk of being on the minimum wage declines with age, with 12.7% of all workers under 30 years being on the minimum wage. The risk falls to 5.4% for employees in their 30s and to 3.5% for employees in the 40s.

Table 7a: The Risk of Employees being on the Minimum Wage, 2013 (%)

	% employees on the MW	Statistical Significance*
All employees	5.6	
Gender		
Male	4.2	
Female	6.9	$p < 0.001$
Age Group		
18-29	12.7	
30-39	5.4	
40-49	3.5	
50-59	-	
60+	-	$p < 0.001$
Highest Completed Education		
Primary or below	-	
Lower secondary	-	
Higher secondary	7.1	
Post leaving cert	10.3	
Third level non degree	-	
Third level degree or above	2.8	$p < 0.001$
NACE Sector		
Agri, forestry/ fishing	-	
Industry	5.3	
Wholesale and retail trade	8.0	
Accommodation and food	16.7	
Admin & support services	-	
Health & social work	5.4	
Pub Adm, Defence, Educ	-	
Others	3.5	$p < 0.001$

Notes: * As the data is survey data, this statistical test reports the p-value from a weighted Pearson chi-squared test to determine if the reported differences between the sample categories are statistically significant.

- = sample too small to report (i.e. less than 25 cases in the sample data)

Highest completed education excludes 1.78% of employees who did not state their level. NACE sectors: Industry includes construction while all 'other' sectors includes: transportation and storage; information and communication; financial insurance and real estate activities; professional, scientific and technical; and those classified by the CSO as 'other NACE activities'.

The concentration of minimum wage workers in particular sectors of the labour market is also detailed in Table 7a. The highest statistically significant risk of being on the minimum wage is for employees in the accommodation and food sector where one in six employees (16.7%) are on the minimum wage. Within wholesale and retail, 8% of all workers are on the minimum wage. Both figures offer an insight into the degree of exposure such sectors would have to any change in the minimum wage.

Table 7b: The Risk of Employees being on the Minimum Wage, 2013 (%)

	% employees on the MW	Statistical Significance*
All employees	5.6	
Occupation		
Manager and admin	-	
Professional	-	
Associate Prof. & technical	-	
Clerical and secretarial	-	
Craft and related	-	
Personal/ protective services	9.9	
Sales	13.0	
Plant/machine operatives	-	
Others	17.5	<i>p < 0.001</i>
Sector of employment		
Public	-	
Private	7.5	<i>p < 0.001</i>
Hours Worked per week		
1-19hrs	13.5	
20-34.9hrs	7.1	
35hrs+	3.4	<i>p < 0.001</i>
Work status		
Full-time	3.3	
Part-time	11.6	<i>p < 0.001</i>
Contract Type		
Permanent	4.7	
Temporary	9.9	<i>p < 0.001</i>
Urban/rural location		
Urban	5.4	
Rural	6.1	<i>p = 0.5048</i>

Note: See notes to table 7a

Overall, employees in the private sector carry a 7.5% risk of being on the minimum wage – relative to the overall employee figure (public and private) of 5.6%. The risk of minimum wage work is also much higher for employees on low hours (less than 20 hours per week). They face a risk at more than twice the general level for employees (13.5%) whereas the risk is much lower for employees working more than 35 hours per week (3.4%) or in full-time jobs (3.3%).

While the risk of being low paid does not differ to any great degree between urban and rural residents, the nature of an employee’s contract suggests a difference in risk. Employees on permanent contracts carry a below average risk of being on the minimum wage whereas those on temporary contracts face a one in ten risk of being minimum wage workers.

The Household Characteristics of Minimum Wage Workers

A particular advantage of using the SILC data is that it allows an examination of the employees in their household context – a perspective that is often lacking in assessments based on earnings surveys. As such, it allows us to establish greater details of the financial and family context that minimum wage workers live in.

Although the size of the SILC sample inhibits the establishment of statistically significant results for some decompositions, a number stand out. Looking at tenure status, minimum wage workers are less likely to be owner-occupiers than is the case for employees in general, but they are much more likely to be renters or in rented accommodation at below the market rate (often social or Government supported housing).

In almost 40% of cases, workers earning the minimum wage are the only earners in their household.

Given the information collected in the SILC data, it is also possible to gain an insight into the living standards of these workers. Being on the minimum wage does not, in and of itself, imply that a worker will experience a sub-optimal standard of living. Living standards are derived from the overall income and living conditions of households and include not just the employment income of the minimum wage employee, but also the income of others (if any) in the household, entitlements to welfare income and supports, the structure of the income taxation system, the provision of state services and living expenses. Consequently, an employee with an hourly income well above the minimum wage could be experiencing less than ideal living standards given the demands on their income and the limited if any income received by others in their household. However, given that earnings from employment income tend to be the major source of income for households, the association between those on the minimum wage and issues such as poverty, debt and deprivation is of obvious interest.

Some 37% of minimum wage workers have a full medical card – more than twice the rate for employees in general. A similar proportion (36.7%) live in households that indicate that they have difficulty making ends meet (with difficulty or with great difficulty). 60% of the low paid are in households that would be unable to afford an unexpected expense of €1,085 – again a figure which is larger than that for employees overall (46%). Likewise, one in five minimum wage workers (21.6%) live in a household that was required to go into debt in the 12 months prior to interview for the SILC survey, so that they could meet ordinary living expenses.

Among employees overall, 19.4% experience deprivation, defined as being unable to afford two or more of eleven basic items.¹³ Among those who are on the minimum wage the proportion is more than 10% higher, with three in ten experiencing deprivation. Similarly, the proportion of minimum wage workers in poverty (8.2%) is more than twice that of all employees (3.2%).

¹³ The full list of items is included in table A1 of the appendix.

Table 8a: The Incidence of Employees on the Minimum Wage, 2013 (%)

	% all employees	% employees on the MW	Statistical Significance*
All employees	100.0	100.0	100.0
Household Composition			
1 adult aged 65+	0.3	-	
1 adult aged <65	6.3	-	
2 adults, at least 1 aged 65+	1.5	-	
2 adults, at least 1 aged < 65	21.2	16.8	
3 or more adults	16.6	20.2	
1 adult with children	3.3	-	
2 adults with 1-3 children	36.5	30.9	
Other households with children	14.4	19.2	<i>p < 0.001</i>
Tenure Status			
Owner-occupied	73.0	48.9	
Rented at the mkt rate	18.8	32.2	
Rented < mkt rate/ rent free	8.2	19.0	<i>p < 0.001</i>
No of household members at work			
1	31.6	39.8	
2	55.3	45.4	
3	13.1	14.8	<i>p = 0.0507</i>
Medical card			
Medical card (full)	17.5	37.0	
GP visit card	2.9	-	
None	79.3	60.4	<i>p < 0.001</i>
At risk of poverty status - household			
No	96.8	91.8	
Yes	3.2	8.2	<i>p < 0.01</i>
Ability to make ends meet - household			
With difficulty or great difficulty	27.5	36.7	
Otherwise	72.5	63.4	<i>p < 0.05</i>
Ability to afford unexpected expenses - household			
Able	54.1	40.0	
Unable	45.9	60.0	<i>p < 0.05</i>
Household in Debt for ordinary living expenses over last 12 months			
No	84.8	78.4	
Yes	15.2	21.6	<i>p < 0.05</i>
Deprivation (of 2 or more items of 11 items)			
Not-experiencing	80.6	68.2	
Experiencing	19.4	31.8	<i>p < 0.001</i>

Notes: See notes to table 6a

The at risk of poverty measure is based on whether an employee lives in a households whose equivalised disposable income is less than 60% of the median. Difficulty making ends meet, inability to afford unexpected expenses (€1,085 without borrowing) and going into debt for ordinary living expenses are variables answered by the head of each household and that answer has been applied to each employee in the household. Deprivation, or the deprivation rate, is measured as being classified as deprived of 2 or more of 11 basic items listed in Table A1 of the appendix.

Table 8b: The Risk of Employees being on the Minimum Wage, 2013 (%)

	% employees on the MW	Statistical Significance*
All employees	5.6	
Household Composition		
1 adult aged 65+	-	
1 adult aged <65	-	
2 adults, at least 1 aged 65+	-	
2 adults, at least 1 aged < 65	4.5	
3 or more adults	6.9	
1 adult with children	-	
2 adults with 1-3 children	4.8	
Other households with children	7.5	<i>p < 0.001</i>
Tenure Status		
Owner-occupied	3.8	
Rented at the mkt rate	9.6	
Rented below mkt rate/ rent free	13.0	<i>p < 0.001</i>
No of household members at work		
1	7.1	
2	4.6	
3	6.4	<i>p = 0.0507</i>
Medical card		
Medical card (full)	11.9	
GP visit card	-	
None	4.3	<i>p < 0.001</i>
At risk of poverty status - household		
No	5.3	
Yes	14.3	<i>p < 0.01</i>
Ability to make ends meet - household		
With difficulty or great difficulty	7.5	
Otherwise	4.9	<i>p < 0.05</i>
Ability to afford unexpected expenses - household		
Able	4.2	
Unable	7.4	<i>p < 0.05</i>
Household in Debt for ordinary living expenses over last 12 months		
No	5.2	
Yes	8.0	<i>p < 0.05</i>
Deprivation (of 2 or more items of 11 items)		
Not-experiencing	4.8	
Experiencing	9.2	<i>p < 0.001</i>

Notes: See notes to table 7a and 8a

Table 8b examines the risk of being on the minimum wage faced by employees with various household characteristics. The results identify higher than average risks of being on the minimum wage faced by employees who: are the only earners in their household; are renters at

and below the market rate; are in receipt of a full medical card; are in a household unable to make ends meet; are in a household which had difficulty meeting ordinary living expenses during the last year; are in a household experiencing deprivation; and are in a household living on an income that is below the poverty line.

6. CONCLUSION

Establishing a profile of those who are on the minimum wage facilitates a better understanding of the labour market and the socio-economic context of current considerations of changes to the minimum wage. The results outlined above are not particularly surprising, and if anything underscore the findings of previous research and *a priori* expectations.¹⁴

Of the approximate 75,000 workers on the minimum wage, most are women (65%), most are aged in their 20s and 30s and large proportions of these employees work in sectors such as accommodation and food and wholesale and retail. Relative to employees in general, minimum wage workers are more likely to be on temporary contracts, work less than 20 hours per week, work part-time and be in the private sector. Overall, those on the minimum wage represent 5.6% of all employees, with 32,250 working full-time on the minimum wage.

Linking earnings data to household income and living standards data, it is also possible to identify that employees on the minimum wage, while not necessarily living in poverty, tend to struggle financially. One-third had difficulty making ends meet, one-fifth had gone into debt over the past year for ordinary living expenses and almost one-third were experiencing deprivation. In all cases the prevalence of these situations was greater for those on the minimum wage than for employees in general.

This paper's profile of the earnings distribution also points towards the effectiveness of the minimum wage in setting a floor on pay in the Irish labour market. However, despite its effectiveness there remains large numbers of employees with income above the minimum wage but below various low pay thresholds (the living wage; two-thirds of hourly earnings). This broader group will be the focus of the next paper in this NERI research project on low pay.¹⁵

¹⁴ The findings do not differ substantially from the trends identified by earlier researchers on the minimum wage including Nolan (1998), Nolan et al (2002), Nolan and O'Neill (2002), Nolan et al (2003) and Nolan et al (2006).

¹⁵ See Collins (2015).

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Table A1: The 11 items used to measure Deprivation in SILC 2013

Without heating at some stage in the last year;
Unable to afford a morning, afternoon or evening out in the last fortnight;
Unable to afford two pairs of strong shoes;
Unable to afford a roast once a week;
Unable to afford a meal with meat, chicken or fish every second day;
Unable to afford new (not second-hand) clothes;
Unable to afford a warm waterproof coat;
Unable to afford to keep the home adequately warm;
Unable to afford to replace any worn out furniture;
Unable to afford to have family or friends for a drink or meal once a month;
Unable to afford to buy presents for family or friends at least once a year.