

# NERI Research inBrief

June 2016 (no35)

## Trends in Wage Growth in The Republic of Ireland

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ISSN 2009-5848

### SUMMARY

The labour market and wider economy continues to improve with employment levels increasing annually by between 0.1% and 3.3% since Q4 2012 and unemployment rates decreasing year on year, reaching a rate of 7.8% in May 2016. The aim of this Research *inBrief* is to examine if these trends have sparked a recovery in average weekly wages.

This Research *inBrief* uses the CSO's Earnings, Hours and Employment Costs Survey (EHECS) to examine the evolution of weekly earnings over the past five years. It will focus on how trends in wage growth have varied across the public and private sector as well as the NACE economic sectors of the economy.

### KEY POINTS

- There has been a return to positive growth in average weekly earnings since Q1 2014, with average weekly earnings increasing by 1.1% between Q1 2015 and Q1 2016.
- The growth in average weekly earnings has been predominantly driven by growth in private sector wages, with the average private sector wage increasing by 2.2% in the year ending Q1 2016.
- The revival of positive wage growth is concentrated by sector with some sectors benefiting by more than others. The information and communication sector experienced the highest increase in wages of 20.8%, while the health and social work sector experienced the highest decrease in weekly earnings of -6.1% between Q1 2011 and Q1 2016.

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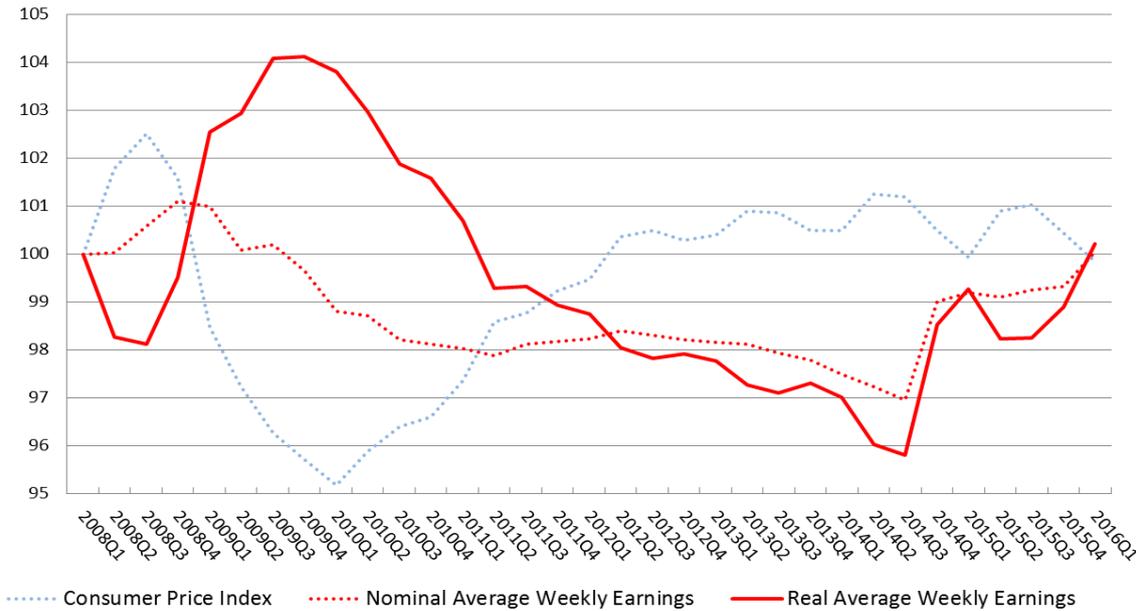
*Research for new economic policies*

**Introduction**

The labour market and wider economy continues to improve with employment levels increasing annually by between 0.1% and 3.3% since Q4 2012 and unemployment rates decreasing year on year, reaching a rate of 7.8% in May 2016. The aim of this Research *inBrief* is to examine if these trends have sparked a recovery in average weekly wages.

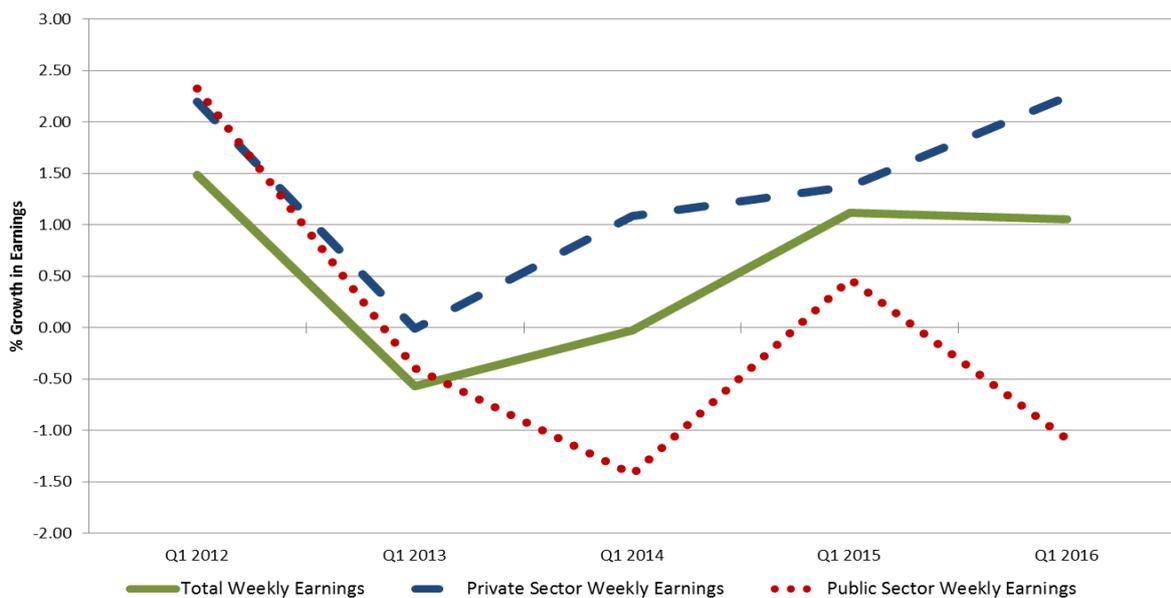
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**Chart 1: Weekly Earnings, quarterly trend, 2008 to 2016**



Sources: Calculated from CSO Survey on Earnings Hours and Employment Costs (2016) and Consumer Price Index (2016).  
 Notes: Index values set to 100 for Q1 2008. Seasonally adjusted

**Chart 2: Percentage change in average weekly earnings, Q1 2011 - Q1 2016**



Source: Calculated from Survey on Earnings Hours and Employment Costs (2016)

**Data**

This Research *inBrief* uses data from the CSO’s Earnings, Hours and Employment Costs Survey (EHECS). EHECS is a quarterly enterprise survey. It reports information on weekly and hourly earnings, paid hours of work, hourly labour costs and job vacancy rates for all enterprises with 50 or more employees and a random sample of enterprises with between 3 and 49 employees who operate in a NACE Rev 2 classified sector.

The following analysis focuses on trends in average weekly earnings since 2011, drawing on the recent publication of the EHECS preliminary estimates for Q1 2016 by the CSO.

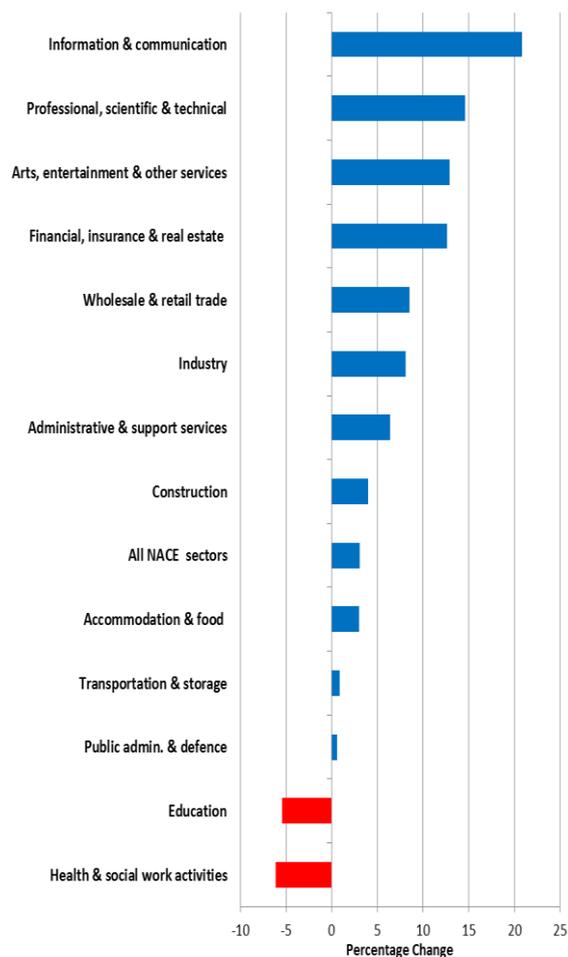
**The Return to Positive Growth in Average Weekly Earnings**

Chart 1 illustrates the quarterly trends in average weekly earnings from Q1 2008 to Q1 2016. Prior to 2014, nominal earnings decreased as a response to the macroeconomic crisis, however, due to the drop in inflation employees saw an increase in real earnings over this period. This trend was reversed in 2014 with the return of solid growth in both real and nominal earnings, with real earnings in Q1 2016 returning to 2008 levels.

Focusing on the evolution of average weekly wages from 2011 to 2016, Chart 2 illustrates the pattern of growth in earnings from Q1 2011 to Q1 2016. There has been positive earnings growth since 2014, with average weekly earnings growing by a modest 1.1% between Q1 2015 and Q1 2016, increasing from €700.63 to €707.99 over the year. The growth in earnings was driven predominantly by the growth in the average private sector wage over this period. The average weekly wage in the private sector grew by 2.2%, from €639.73 to €654.11 in the year ending Q1 2016. Average public sector weekly earnings declined by 1.2% from €906.57 to €895.58 over the same period. However, the majority of this decrease can be attributed to the temporary hiring of Census 2016 field staff by the CSO who had lower than average weekly paid hours. If the temporary

Census field staff are excluded from the analysis, public sector average weekly earnings would have decreased by 0.1% and the percentage growth in total weekly earnings would have been greater.

**Chart 3: Percentage change in average weekly earnings by NACE sector, Q1 2011 to Q1 2016**



Source: CSO Survey on Earnings Hours and Employment Costs (2016)

**Trends in Average Weekly Earnings Growth by NACE Economic Sector**

Average weekly earnings increased in 8 of the 13 NACE sectors in the year ending Q1 2016. The largest increase was experienced by those working in the financial, insurance and real estate sector (6.9%) rising from €1,086.33 to €1,161.75. The largest decrease in weekly earnings was seen in the public administration and defence sector where the average wage fell by 3.8% over

the year, however this decline in earnings is a result of the temporary recruitment of 2016 Census field staff. The other two sectors that recorded a decrease in average weekly earnings over the year were the transportation and storage sector (-1.7%) and the education sector (-1.3%).

Chart 3 examines the trend in average weekly earnings growth from Q1 2011 to Q1 2016 by NACE economic sector. Average weekly earnings increased in 11 of the 13 NACE sectors over this five year period. Growth in average weekly earnings is strikingly uneven across the sectors, with the information and communication sector experiencing the highest increase of 20.8% and the health and social work sector experiencing the highest decrease in weekly earnings of -6.1% over this period.

The concentration of growth in earnings in particular sectors and the variance in the growth levels across the sectors may be indicative of a supply and demand imbalance. EHECS contains data on job vacancy rates by NACE economic sector. The sector with the highest job vacancy rate is the information and communication sector of 2.5% followed by the financial, insurance and real estate sector (2.3%) in the quarter ending Q1 2016. The transportation and storage sector and the education sector shared the lowest job vacancy rate of 0.3%. This may be suggestive that the information and communication sector and the financial, insurance and real estate sector may need to increase their wages in order to attract staff, suggesting that the sectoral clustered wage growth may be the result of a supply and demand imbalance.

### Conclusion

Wage recovery is evident in the Irish economy with positive growth in average weekly wages being recorded since Q1 2014 and with average weekly earnings

growing by 1.1% between Q1 2015 and Q1 2016.

The growth in average weekly earnings has been predominantly driven by growth in private sector wages, with the average private sector wage increasing by 2.2% in the year ending Q1 2016.

The revival of positive wage growth is concentrated by sector with some sectors benefiting by more than others, and with the education and the health and social services sector experiencing negative wage growth for the period between 2011 and 2016.

### References

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