

A Profile of Those on the Minimum Wage

NERI Research Seminar Series
July 1st 2015

Dr Micheál Collins
NERI (Nevin Economic Research Institute)
Dublin
mcollins@NERInstitute.net
 @MLGCollins
www.NERInstitute.net



Outline

1. Introduction
2. Background & Context
3. Data
4. The Hourly Earnings Distribution
5. A Profile of those on the Minimum Wage
6. Conclusion



1. Introduction

- NERI research project on low pay
 - QEO Spring 2014
 - Forthcoming NERI working paper on low pay
 - Research inBrief (x2)
- Limited understanding of earnings (of all types)
- Few examinations of those on the MW since it was introduced...(contrast with before its arrival)
- Relevant to know those that policy is targeting

•

•

2. Background & Context

- 1997 Programme for Government commitment
- 1998 National Minimum Wage Commission
- 1999 Interdepartmental group
- 2000 National Minimum Wage Act
- Introduced on 1st April 2000
- IRL£4.40
 - 1994 Living in Ireland 66% median earnings = £4.00
 - updated to 1997 by 10% = €4.40
 - no adjustment made to being it to 2000 levels

•

•

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).

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).

- 2014
 - emerging economic recovery
 - earnings growth returns (+1.9% weekly; +1.4% hourly)
 - shift of focus to:
 - revisit minimum wage
 - replace abandoned Labour Court mechanism for updates
 - Statement of Government Priorities 2014-2016
 - “a new deal on living standards to ensure that economic recovery is felt by low and middle-income working families”

- *“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”*
- National Minimum Wage (Low Pay Commission) Act 2015
- Annual review – drawing on international experience
- 2015 report in July
 - 2016 and beyond, likely to be post-Budget
- Limited information available on:
 - how many are on the MW?; Who are they?; Where do they work?; What are their personal and family circumstances?
 - this paper is an attempt to answer these questions

3. Data

- CSO SILC 2013 (released January 2015)
 - o Sample of 4,922 households and 12,663 individuals
 - o Detailed income data (direct, gross, disposable)
 - o Income data cross checked with tax and welfare records
 - o Detailed socio-economic characteristics
 - o Weights for non-response etc
 - o Never perfect, but...
 - o Employees
 - 3,369 employees
 - PES = at work
 - normal monthly gross earnings in main job and normal hours per week

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.

4. The Hourly Earnings Dist

- Looking at hourly earnings data for employees
- Three thresholds:
 - o Minimum wage of **€8.65** per hour (2013)
 - o Living Wage of **€11.45** per hour (2014)
 - o Low Pay Threshold **€12.20** per hour (2010)

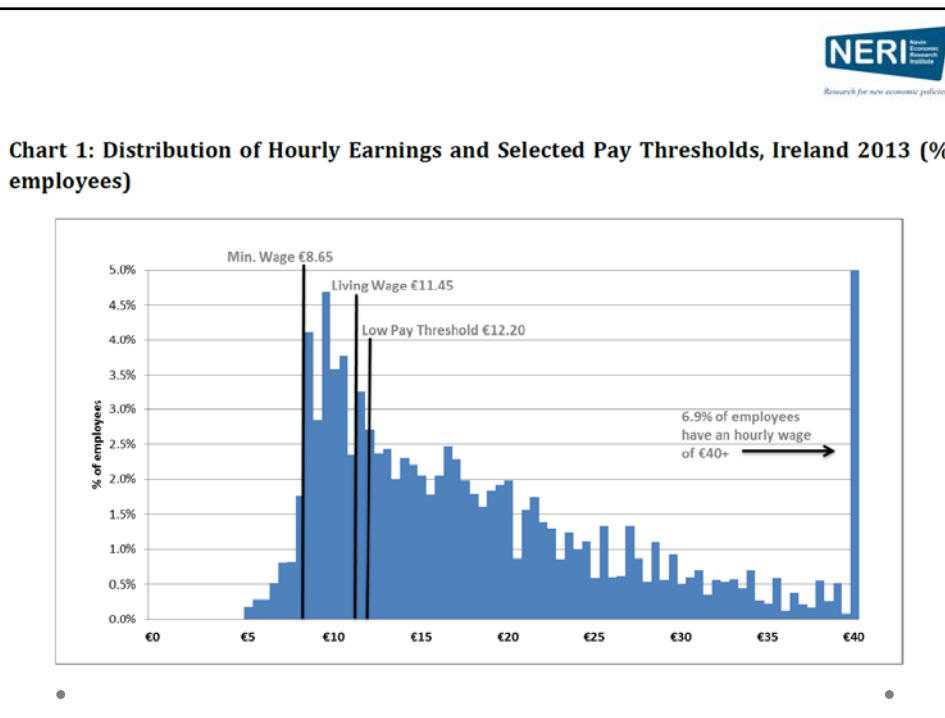


Table 4: Distribution of Hourly Earnings by Selected Pay Thresholds, Ireland 2013 (% employees)

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

Approximately:

- 345,000 employees below €11.45
- 400,000 employees below €12.20

5. A Profile of those on the MW

- Narrowing the focus
- Defining those on the MW
 - o really those around the minimum wage
 - o calculation approach to hourly earnings necessitates measuring in a range around the €8.65 level
 - o +/- 5%
 - from €8.22 to €9.08

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

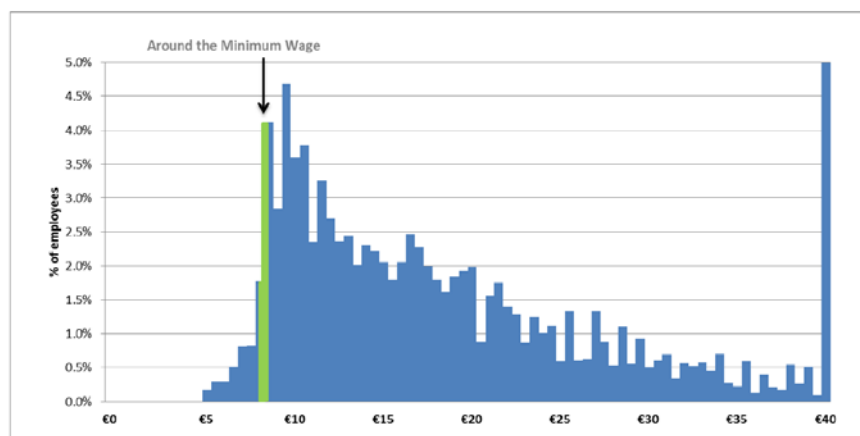


Table 5: Distribution of Hourly Earnings, Ireland 2013 (employees)

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%	

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%	

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%	

- Batch of tables in the paper – here is a summary:

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	$p < 0.001$
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	-	$p < 0.001$
Highest Completed Education			
Primary or below	4.5	-	
Lower secondary	10.4	-	
Higher secondary	23.3	29.4	

•

•

Who is on the Minimum Wage? (tables 6a and 6b)

- o 75,715 employees
 - 32,500 full-time
- o Mainly:
 - women (64.7%)
 - across all age groups, but concentrated:
 - o 40% aged less than 30yrs
 - o 30% in their 30s
 - Sectors:
 - o 22.3% in accommodation and food
 - o 20.3% in wholesale and retail
 - o 15% industry
 - o 14.8% health and social work

•

•

Who is on the Minimum Wage? (cont)

- o one-third on low hours (less than 20hrs per week)
- o 42% full-time on the minimum wage
- o 82.6% have a permanent contract
 - temporary contracts more common (17% versus 9%)

Who is most at risk of being on the MW? (tables 7a and 7b)

- o of all the employees with certain characteristics, who is most likely to be on the MW?
- o relative to employees as a whole, the risk is higher for:
 - women
 - those aged less than 30yrs
 - Wholesale and retail; accommodation and food
 - sales; personal and protective services
 - private sector workers
 - low hours; part-time and temporary contracts

The Household Characteristics of MW workers (tables 8a and 8b)

- o An advantage surveys like SILC
- o employees in their household context
- o better assessment of living standards

- o MW workers are more likely to be renters
- o 40% of MW workers are the only earners in the household

The Household Characteristics of MW workers (cont)

- o Living Standards:
- o Of all those who are low paid:
 - 37% have a full medical card (17.5% employees in general)
 - 36.7% hhld has difficulty making ends meet (27.5%)
 - 60% unable to afford unexpected expense of €1,085 (45.9%)
 - 21.6% hhld into debt during last 12 months so as to meet ordinary living expenses (15.6%)
 - 31.8% experiencing deprivation (19.4%)
 - 8.2% living in poverty (3.2%)
- o Although not living in poverty they struggle financially

6. Conclusion

- Nothing surprising
 - indeed similar to Nolan (1998) and Nolan et al (2002, 2006)
 - but important to know; and important context for Low Pay Commission

Of the approximate 75,000 workers on the minimum wage, most are women (65%), most are aged in their 30s and 40s 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.

- Not just about the wage floor...more on low pay to come...

A Profile of Those on the Minimum Wage

NERI Research Seminar Series
 July 1st 2015

Dr Micheál Collins
 NERI (Nevin Economic Research Institute)
 Dublin
mcollins@NERInstitute.net
 @ MLGCollins
www.NERInstitute.net