



THE TRUTH ABOUT IRISH WAGES

***Irish wages are 25 per cent lower than the
average of Ireland's peer group in the EU***

**A Discussion Paper on Ireland's
Low-waged Economy**

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Introduction

Employers organisations and government ministers are constantly lecturing us: about how Irish wage levels are unsustainable, about how wage increases are undermining our competitiveness, and about how wage-inflation is pricing the Irish economy out of the international marketplace.

These facts are untrue. UNITE the Union is publishing this analysis of Irish private sector wages to correct the misrepresentations and distortions that have been sold to the Irish public. We have focused on the private sector since wages in the public sector are benchmarked against comparable private sector pay.

Drawing on international data bases and the CSO, we show that Irish workers are paid considerably less than most of their European counterparts. Rather than being paid too much, Irish workers are paid too little and have a long ways to go before reaching even European averages, never mind levels that exist in advanced economies.

There certainly are problems in the economy and in our competitiveness, but they are not due to wages or labour costs.

We do not intend to allow Irish workers to take the blame for failed government policies and management shortcomings.

A dynamic, innovative and prosperous economy will not be built on the basis of repressing wage levels and living standards. Rather, a prosperous workforce is the key to resolving many of our social and economic issues.


A critical part of creating that prosperity is higher wages. In the upcoming pay talks we will be demanding that Irish workers receive their fair share of profits and wealth. Anything less is unacceptable.

Jimmy Kelly


**Regional Secretary
UNITE**


SUMMARY OF FINDINGS

 **Irish wages are below the EU-15 average, coming in at the bottom half of the EU-15 table**

 **Irish wages are nearly 25 per cent below the average wage levels in our peer group – the 10 wealthiest EU countries**

 **When account is taken of living standards, Irish wages fall even further down the EU-15 table**

 **Wage increases in Ireland are about average in the EU – lying in the middle of the table. Employers and government ministers intentionally distort this data to suit their own agenda.**

 **Employers' payroll (PRSI) costs are the lowest in the EU**

 **There can be no question about it:**

Ireland is a relatively low-waged country

If there are problems with our competitiveness, they have little, if anything, to do with wage levels

OUR LOW-WAGED ECONOMY

Employers organisations and Government ministers are constantly lecturing us: about how Irish wage levels are unsustainable, about how wage increases are undermining our competitiveness, and about how wage-inflation is pricing the Irish economy out of the international marketplace.

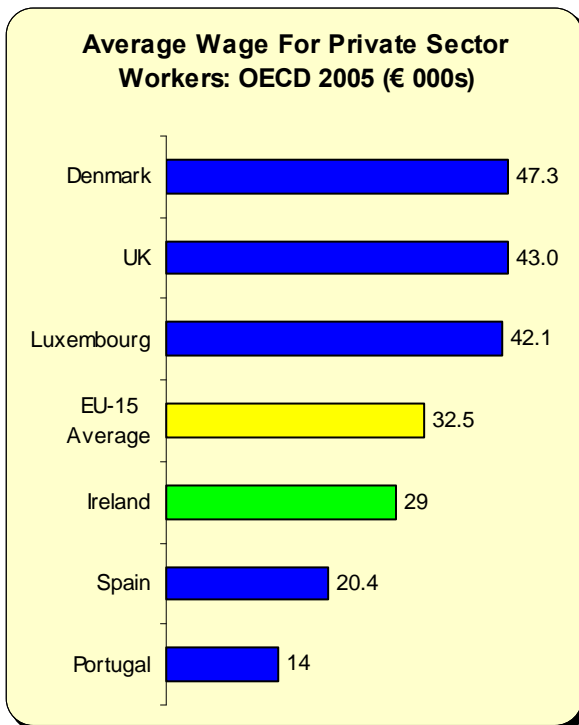
These assertions are rarely backed up with evidence. What is the real story about Irish wages? Are they too high? Are they out of line with our trading partners?

In this section we examine some commonly used measurements to compare wages internationally. And what we will find is that:

Irish wages in the private sector are well below the EU-15 average, lying in the bottom half of the table.

What we will find runs completely counter to the relentless propaganda churned out by the employers organisations.

(b) **OECD: Wages and Benefits Database**



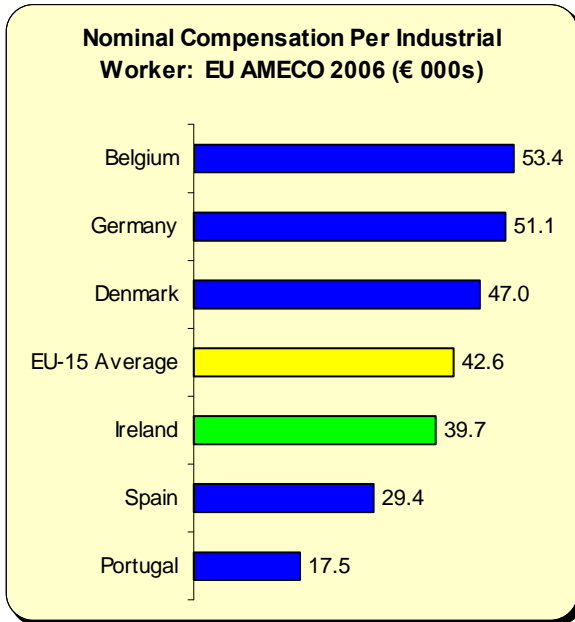
The OECD has compiled a comprehensive database of private sector earnings¹ . including both industrial and service sector employees. This is particularly useful as it combines all economic activity in the private sector. What the OECD figures reveal are that Irish wages are:

- In the bottom half of the EU-15 table, lying 11th, and
- Nearly 11per cent below the average EU wage in the private sector.

This hardly justifies the claim that Irish wages are somehow uncompetitive or out of line with our EU trading partners. If anything, it shows that Ireland is a relatively low-wage economy.

¹ The OECD Benefits and Wages Database 2007. This data, like others, lags about 2-3 years behind due to the complexities of acquiring international data. We have made every effort to use the most current and reliable data ó not estimates or extrapolations.

(a) EU Ameco Database: Industrial Wages

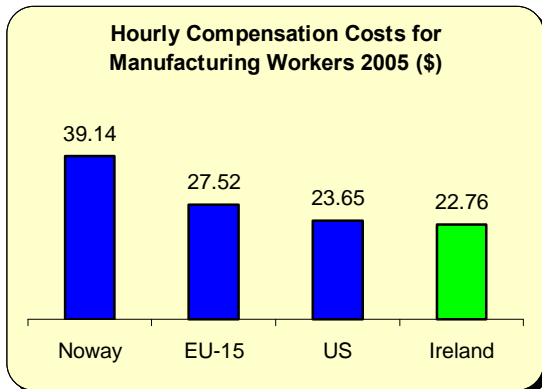


This measurement compares wages in the industrial sector.² This is particularly relevant as the manufacturing and utilities sector is crucial to our export competitiveness.

We can see that not only are average Irish wages below average, they are well down in the bottom half of the EU-15 table - again lying 11th.

Irish labour costs are nearly 7 per cent below the EU-15 average. Claims that our international competitiveness is being undermined by high wage levels have no basis in fact.³

(c) US Department of Labor: Manufacturing Wages



This measurement is taken from the US Government's Bureau of Labor Statistics. This is a pertinent measurement for Ireland since it breaks down labour costs in the manufacturing sector in US dollars - something of particular interest for American multi-national firms.

Once again, we see Ireland trailing behind our EU competitors. Irish wages in the manufacturing sector are over 17 per cent below the EU-15 average.⁴

There are other databases that tell the same story - the Deloitte Remuneration Survey, the EU KLEMS database, the ILO wages database (though the ILO information is somewhat out of date). And that story is:

Irish wages, compared its EU-15 counterparts, are below average and in the lower half of all the tables.

² The industrial sector includes manufacturing, mining and utilities.

³ The 2006 figures for Greece and Portugal are estimated, based on average increases between 2000 and 2005. The 2006 figures for the UK are based on the wage growth in the manufacturing sector

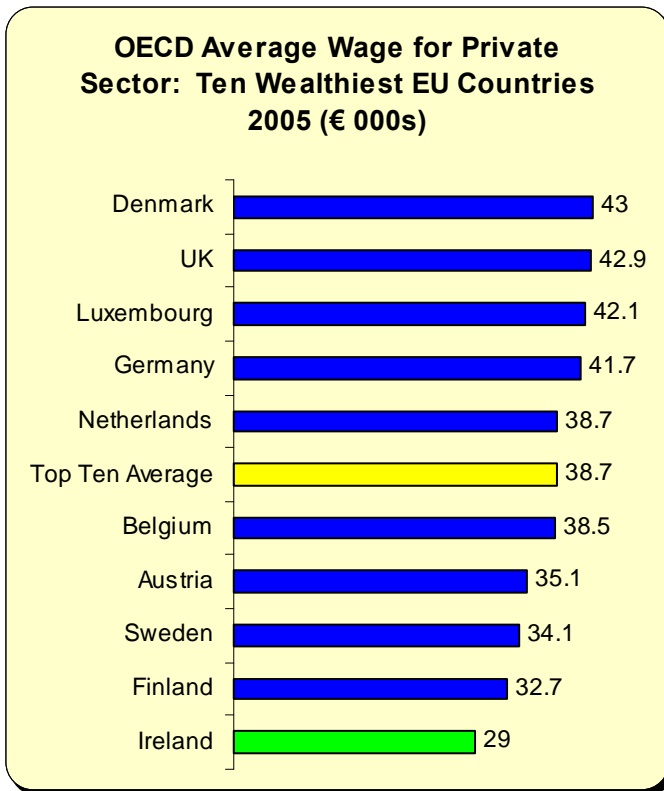
⁴ Though the US \$ has weakened, the comparison with Eurozone countries is still valid as the currency adjustment is the same.

COMPARING LIKE WITH LIKE Or How Irish Wages Fare E ven Worse

If Ireland is a relatively low-waged country, it's certainly not a poor one. Government ministers proudly point out that Ireland is one of the wealthiest countries in the EU and, indeed, the world. In terms of wealth per capita we rank 2nd in the EU-15. Even when using the GNP figures, we find Ireland in the top half of the table.

So if we compare ourselves with our peer group . those countries with similar levels of wealth . what do we find?

Irish wages rank at the bottom, well behind the average of the top ten wealthiest countries in the EU.



Let's use the OECD database (though it doesn't matter which measurement we use . they all tell the same story).

If we compare Ireland with the 10 wealthiest countries in the EU we find the following:

- Irish wages come dead last
- Irish wages lag behind the wealthy countries' average by 25 per cent.

This hardly justifies the claims by employers' organisations and government ministers that Irish wages are somehow out of step with the rest of Europe.

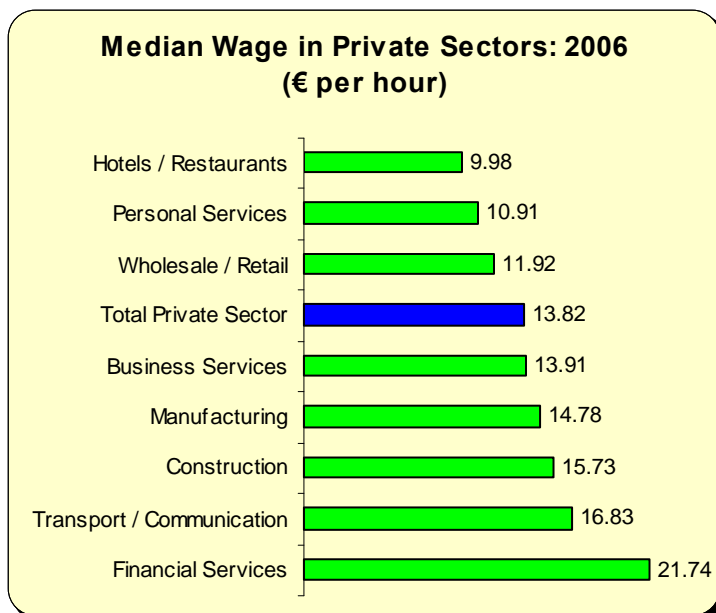
Indeed, given the low levels of wages, one would assume that Ireland should be an effective competitor in the international workplace. That we are falling behind suggests there is another, more deeply rooted problem in our economy . something other than wage levels.

THE €13.82 LOW WAGE REALITY

Let's examine one more measurement. This is not a comparison with other European countries but it certainly shows the extent of our low-waged economy. And that is the median wage in the private sector.⁵

The median wage is the level at which 50 per cent of workers earn below and 50 per cent earn above . the half-way point in wage distribution. The CSO calls it a more *robust* measurement than the average because average wages can hide huge disparities.

In 2006, the median wage for the private sector was " 13.82 per hour. That's " 553 per week. Or less than " 29,000 per year. That's nearly 9 per cent below the average industrial wage.



Half of the entire private sector workforce . over 600,000 workers . earn substantially below the average industrial wage. That puts Irish wage levels in perspective.

Further, we can see there are some sectors where the median wage is even lower. In the hospitality, personal service and sales sectors, 50 per cent of workers earn well below the overall average. Even in the Business Services sector . a key

sector in our growing international traded service export . the median wage hovers around the average. Women and young people are especially exploited:

- Half of women, who make up nearly 40 per cent of the private sector workforce, earn below " 12.34 per hour (or less than " 500 per week).
- Half of young people (below the age of 25) earn less than " 10 per hour.

With hundreds of thousands earning so little, the argument that Irish workers are paid too much is not only without foundation, it is insulting.⁶

⁵ CSO National Employment Survey 2006

⁶ The CSO admits that the median wage of €13.82 per hour is probably an over-estimate as its survey excludes agricultural workers and enterprises with less than three employees ó sectors which are particularly low-paid.

THE LOW LEVEL OF EMPLOYERS' PAYROLL COSTS

We are all familiar with how low corporation tax rates are in Ireland. At 12.5 per cent, companies in Ireland benefit from one of the lowest tax rates in the EU and industrialised world.

However, employers benefit from another low tax . social security contributions or, in Ireland, EmployersqPRSI.

Country	Employers' Standard PRSI Rate (%)
Belgium	34.7
Italy	33.1
Sweden	32.5
Spain	30.6
Portugal	23.7
Austria	21.6
Germany	20.8
Luxembourg	15.8
UK	12.8
Netherlands	10.9
Ireland	10.7
OECD: 2005	

In Ireland, employers pay a standard 10.2 per cent PRSI contribution levy on all employeesq wages and salaries. This is one of the lowest social security rates in the EU.

This means that Irish employersq make the smallest contribution to the social protection of any country operating a social insurance system. Employersq PRSI would have to be doubled just to reach the EU average. It is incredible that employersq organisations and right-wing commentators refer to social security contributions as a burdenq

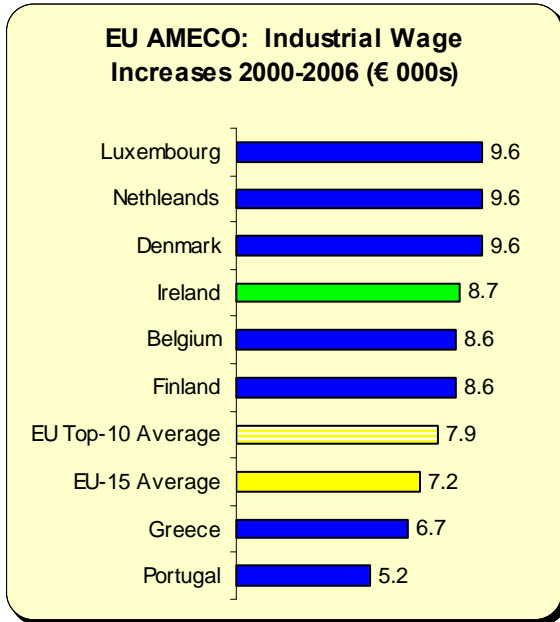
Not satisfied that they have one of the lower wage levels, labour costs and corporate tax rates in Europe, employersq organisations still make further demands. In the run-up to the budget, many employers and commentators called for yet more cuts in Employersq PRSI, all in the name of competition. Never mind that such cuts would have almost no impact on our major exporting sectors⁷ . this is, purely and simply, a demand that Irish workers subsidise the high profit levels of Irish enterprise.

⁷ A reduction of 1% in the EmployersøPRSI rate would be the equivalent of 0.3% of turnover in our most important export sector ó chemicals and pharmaceuticals.

THE DISTORTION OF IRISH WAGE DATA

How did the idea that our wages are *uncompetitive* become so commonplace? Because employers' organisations and government ministers distort the data.

The key figure used by these groups is the growth in Irish wages vis-à-vis other EU countries. This is trotted out to justify claims that Irish workers are *over-paid*. However, they operate a sleight-of-hand - intentionally mixing up the percentages to justify their arguments.⁸



So what is the real story . in actual Euros and cents? Irish wage increases are only slightly above average:

- If Irish wages grew at the same rate as in the ten wealthiest EU countries the difference would be 30 cents per hour
- If Irish wages grew at the same rate as in other EU-15 countries the difference would be 62 cents per hour

That's the gist of the employers' argument: a handful of cents.

The reason why wage increases are, in percentage terms, higher than some other countries is because Irish wages start from a lower base. In Euros and cents, Irish wage increases are slightly above average . and still catching up.

Comparing Irish Wages Since 2000		
Belgian wages increased by 19 per cent while Irish wages increased by 28 per cent. But workers in both countries received the same wage increase. The percentage is distorted because Irish wages start from a lower base.	Danish workers received a lower percentage increase (26 per cent) than Irish workers (28 per cent). But Danish workers received a higher wage increase - "1,000 more. Yet, Irish wage increases are deemed <i>uncompetitive</i>	Dutch workers received nearly "900 more than Irish workers over this six year period. But in percentage terms it was lower. Are Dutch wage increases <i>uncompetitive</i> ?

⁸ We are all familiar with how percentages can be manipulated. For instance, if someone with €5 gets an extra €1 that's a 20 per cent increase. If someone with €100 gets an extra €10 that's a 10 per cent increase. Which would you rather have - the 20 per cent (€1) or the 10 per cent (€10)?

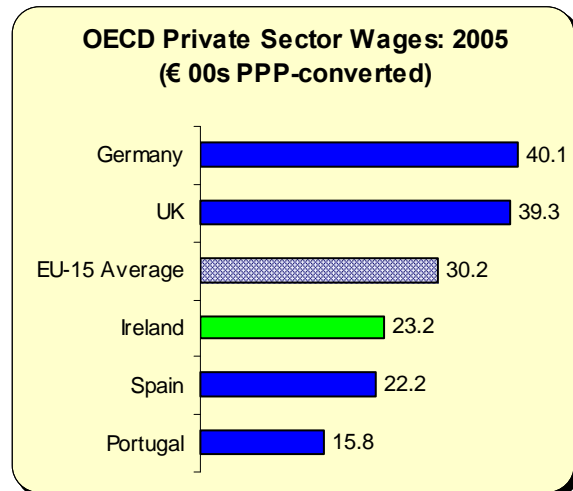
THE SCANDAL OF REAL WAGES

Or How Irish Living Standards are one of the Poorest in the EU-15

So far we have been examining nominal wages. However, this only tells part of the story. For instance, two workers . one in Spain, the other in Ireland . may get the same " 100 wage increase. However, we know that " 100 goes a lot further in Spain than in Ireland.

Fortunately, we can measure the purchasing power that a Euro has in each country . the how much bread can " 1 buy measurement. It is called PPP, or purchasing power parties. This tells us how much a " 1 is actually worth in each country.

For instance, in a country with high living costs (such as Ireland and Denmark) " 1 won't be worth as much as in countries with low living costs (such as Spain and Portugal). When we compare *real* Irish wages with *real* wage levels in other countries we find an alarming picture.



Using the OECD data for private sector pay and applying PPP ratios we find:

- Ireland ranks 11th in the EU-15, lying firmly in the bottom half of the table.
- Real Irish wages are over 20 per cent below the EU-15 average
- Real Irish wages are not that much higher than real Spanish wage levels.

The fact is that Irish wages, when measured in terms of purchasing power, are among the lowest in the EU-15. Not only are Irish workers penalised by receiving low wages, they are penalised again by Government policies that increase living costs.

THE FINAL SAY

Let's leave the final say to the World Economic Forum's Global Competitiveness Index. This Index is compiled using the reports by CEOs throughout the world. So no one can accuse this body of trade unionist bias. On the basis of these corporate executives' assessment, the Index lists the business competitiveness of nations throughout the world.

If what employers' organisations and Government ministers say is true, that our competitiveness is being undermined by high wages, the Index should reflect this. Indeed, we should find low-wage countries like Ireland, Portugal and Greece right up there at the top.

The Most Competitive Economies: Global Competitiveness Index World Rankings 2007		
Country	OECD Average Private Sector Wage (€ 000s)	Competitiveness Ranking
Denmark	43.0	3
Sweden	34.1	4
Germany	41.7	5
Finland	32.7	6
UK	42.9	9
Netherlands	38.7	10
Austria	35.1	15
Norway (<i>non EU</i>)	48.1	16
France	30.5	18
Belgium	38.5	20
Ireland	29.0	22

What do we find instead? All the countries listed in the table have wage levels higher than Ireland. They are also ranked higher than Ireland in terms of business competitiveness.

Denmark, with the highest wage levels in the EU, is also the most competitive.

Non EU-member Norway, with wage levels almost two-thirds higher than Ireland, is also ranked more competitive than Ireland.

What does all this mean? It means that high wage levels have little to do with the competitiveness of an economy. There are more

important factors such as Government policy in areas of infrastructural development, planning mechanisms, labour market policies, social infrastructure, and others as well as management skills.

What is clear is that low-wages neither create nor sustain competitiveness. If employers' organisations want to argue that they do, then they will have to explain why it is not the case in the real world.

FOR AN EQUITABLE AND FLEXIBLE WAGE DEAL

It is now absolutely clear that claims that Irish wages are too high are without foundation.

This applies whether they are measured:

- Against workers in the EU-15 or the ten wealthiest European countries
- In real wages (that is, taking account of living standards)
- As a median wage, or
- As a factor in our international competitiveness

It is now beyond doubt that Irish workers are relatively low-waged in the European context.

How do we address this?

UNITE the Union does not believe a one-size-fits-all approach to wage negotiation is in the best interests of the economy or the wealth-generators . the men and women who work to produce our goods and services.

The UNITE Executive Council has approved the following policy approaches to the upcoming pay talks:

- 1) Basic wage increase at a substantially higher level than inflation with automatic indexation formula or provisions for a mid-term review with the powers to adjust wages if inflation runs higher than expected.
- 2) A flat-rate element in the basic wage increase to disproportionately benefit those on low and average incomes.
- 3) A local bargaining clause whereby workers can negotiate higher wages in enterprises and sectors with profit growth
- 4) Reform of the opt-out clause requiring employers to first seek the agreement of their workforce before they can avail of the opt-out.

This is a programme to create greater prosperity in the economy, provide flexibility and embed real partnership between employers and employees at local level.

And most of all, this is a programme that will ensure that the real wealth generators in the economy . working men and women . actually share in the wealth they create.