



MATTERS FOR CONSIDERATION IN PAY BARGAINING - NEGOTIATIONS IN THE PRIVATE SECTOR IN 2016

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Issue 1

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Introduction

Over the last number of months the Congress Private Sector Committee has considered what it can usefully do to assist affiliates in the private sector in pay negotiations in 2016. This short paper which has been prepared with the assistance of The Nevin Economic Research Institute (NERI) aims to provide some factual information on some of the key questions that will arise. Analysis undertaken by NERI and other research bodies suggests that economy will grow very strongly in 2016. Based on these assessments the Congress Private Sector Committee considers that in relation to headline rates and subject to prevailing conditions in the enterprise concerned, unions should be in a position to seek pay adjustments in 2016 in the range of 2.5% to 5%. The Congress Private Sector Committee also asks unions to give consideration to the issue of the "Living Wage" where appropriate. As you will be aware one of five principals contained in the Congress Charter for Fair Conditions of Employment is that each worker in Ireland should receive as a minimum an hourly rate of pay that is commensurate with the hourly rate of the Living Wage which is currently €11.50 per hour.

Average hourly earnings

Average hourly earnings were €21.46 in the third quarter of 2015 (i.e. July to September) compared with €21.02 during the same period in 2014. This represents an increase of 2.1% over the year. The **average weekly paid hours worked were 32.1** in the third quarter of 2015. This was a 0.6% increase on the same period on 2014.

Average weekly earnings were €688.80 in the third quarter of 2015. This was a rise of 2.7% from €670.53 a year earlier. Average hourly earnings increased in 10 of the 13 main economic sectors in the year to the third quarter of 2015 while average weekly earnings increased in 11 of the 13 main economic sectors. The two exceptions were construction and public administration where earnings fell.

Economy-wide changes in average hourly wages will reflect a number of things:

- Inflation** – i.e. changes in output prices and consumer prices across the economy (higher inflation leads to greater pressure for wage increases). **The personal consumption deflator** measures the average increase in price for all personal consumption. The personal consumption deflator is therefore a good indicator of the level of nominal wage increase required just to stand still. The Department of Finance estimate that the rate of the personal consumption deflator for 2016 is 1.8% while the ESRI estimate it as 1.5%.
- Changes in **tax policy** (lower taxes on labour tend to mean less upward pressure on wages),
- Changes in **labour productivity** (in the long-term wages tend to increase in line with productivity) and
- The rate of unemployment** and the job vacancy rate, both the aggregate and sector specific rates (as the unemployment rate falls the leverage available to the worker increases and this creates upward pressure on wages)

- e. **Institutional factors** such as trade union density and changes in minimum wages also matter for wage dynamics. These factors influence the share of total output that goes to labour.

The fall in the unemployment rate is currently the main driver of wage increases in the economy

The **Dept. Finance forecast compensation per employee will increase by 2.4% in 2016** and by an average of 2.6% over the next five years. The Central Bank (2.4%) and ESRI (2.3%) have similar projections. Consumer prices are expected to increase by an average of 1.5% to 1.9% over the next five years.

Long term trends:

- The ECB's medium-term target for price inflation is a rate of close to but below 2%.
- Labour productivity growth for advanced economies averages 1% to 2% per annum.
- Thus, in general, annual **nominal wage increases of between 3% and 4% are likely to be the norm** over the medium-to-long-term (erring towards the lower figure).
- This represents an economy-wide average. Sectoral dynamics and trends can be very different.

Corporation tax receipts

Corporation tax receipts (to end October), which are based on **corporate profits** taxed at the 12.5% rate, have increased from €2.95 billion in 2014 to €4.75 billion in 2015. This represents an increase of 60.7% year-on-year. The substantial increases in retail sales, in VAT and in Excise also suggest much improved profits in 2015. The corporate sector's ability to absorb wage increases appears, in general, to have improved greatly in 2015. This trend is likely to continue in 2016.

The living wage

As referred to in the introduction it may be appropriate for unions to seek the hourly rate of the living wage for workers who earn below €11.50 per hour. The living wage is calculated by reference to an extensive basket of goods and services. More information on the living wage and how it can be calculated can be obtained from <http://bit.ly/livingwageireland>

Conclusion

Congress and the Congress Privates Sector Committee are requesting that unions would notify Congress of any agreements concluded on pay during 2016. This information will be used by the Private Sector Committee in developing pay bargaining information for future years. We have attached to this document a short form which should be completed and returned to Liam Berney in the Congress Secretariat.

AGREEMENTS CONCLUDED ON PAY DURING 2016	
Name of Employer(s)	
Region	
Sector	
Union(s)	
Number of Workers Affected	
Proposed Pay Adjustment	
Duration of Pay Agreement	
Any Other Relevant Information	

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