

PrivateSectorBulletin

Irish Congress of Trade Unions

www.ictu.ie

Issue 3, Winter 2016/17

Congress Advice to Affiliate Unions on Private Sector Pay Rounds for 2017



The Irish Congress of Trade Unions Private Sector Committee is advising affiliate unions in the sector to seek pay increases in 2017 that would see basic pay rise by at least €1000 annually, or 4% - whichever figure is higher.

The Committee has monitored pay bargaining developments over the course of 2016. The Committee has also monitored trends across a range of key measures that impact on the living standards of workers.

In early 2016, the Committee advised affiliate unions that pay increases in the range of 2.5% - 5% should be sought, taking account of the prevailing circumstances in the individual employments concerned. The Committee is satisfied that the pay settlements in the Private Sector in 2016 fell largely within the range advised.

However, there have been a number of developments in private sector companies and in the economy generally that have required the Committee to look at what advice might be appropriate for pay bargaining in 2017.

There are a number of key factors that are central to the these considerations, namely:

- the general level of earnings in the economy and the share distributed to workers;
- the projected increases in the various rates of price inflation for 2017;
- the projected rate of productivity improvement in 2017; and
- the level of profitability in private sector companies.

The Committee has consulted with the Nevin Economic Research Institute (NERI) on projected developments in the economy for 2017.

Based on this data the Private Sector Committee is now suggesting that unions in the private sector should seek wage increases that would result in a 4% rise in basic pay or €1,000 per annum, whichever figure is higher.

.....

*Produced by the
Private Sector Committee,
Irish Congress of Trade Unions,
32 Parnell Square, Dublin 1*

STRONGER TOGETHER
CONGRESS
Irish Congress of Trade Unions



In seeking this increase consideration should also be given to the prevailing circumstances in the enterprise concerned. Affiliated unions should also have regard for the policy of Congress on achieving, over time as a minimum, a wage of €11.50 per hour for every worker.

Likewise consideration should also be given to the hours of work of employees. Through the Congress Charter for Fair Conditions at Work we have sought to ensure that workers have reasonable weekly contracted hours and that these are rostered in a manner that gives them some certainty and predictability about their schedule. Congress will also continue with efforts to ensure the implementation of the recommendations contained in the University of Limerick review on low hours and precarious work.

This bulletin includes the the key economic data to support the level of pay increase advised.



Income Distribution & Earnings in the Economy

While some progress has been made in recouping earnings lost in the period of the financial crisis, data shows that in general there is still some considerable ground to be made up.

In the last five years, hourly earnings have been essentially unchanged. In Q3 (Quarter 3) of 2011 hourly earnings stood at €21.60. In Q3, 2016 hourly earnings are €21.55.

Average weekly earnings have increased marginally over the same period, from €688.58 in Q3, 2011, to €701.87 in Q3, 2016 – an average increase of just 0.4% per annum.

‘Achieving the increase will protect the living standards of workers’

Average hourly earnings in the private sector saw an increase of 0.9% between Q3, 2015 and Q3, 2016 - an increase of 17 cents. There were increases in nine out of 13 sectors. The Accommodation Sector had the fastest growth in hourly earnings at 3.1% while the Education sector (mainly public sector) saw a decline of 2%.

Average hourly total labour costs are also stagnant, going from €24.84 in Q3, 2015 to €24.97 in Q3, 2016 (a rise of 0.5%) - private sector hourly total labour costs increased by 1% in the same period. Hourly labour costs have increased in most EU countries during this period. Economy-wide labour costs were 24.84 in Q3 2011. This means that hourly labour costs have been increasing at a rate of less than 0.2% per annum over the last five years.

The European Commission estimates that real compensation per employee in 2015- based on the Personal Consumption Deflator (i.e the change in prices of purchased goods and services compared to the previous year) – was just 96.6% of real compensation per employee in 2010. In other words, real compensation fell 3.4% between 2010 and 2015.

Ireland's wage share is very low as a percentage of GDP, when compared to the UK, the US and the EU.

Projected Price Increases

It is very difficult to forecast inflation but a baseline assumption of 2% per year over the next five years is reasonable. This would be close to the 20 year average for Ireland, the UK and the US. The Department of Finance is forecasting that the Personal Consumption Deflator will be 2% in 2017 and 2.1% in each of the years from 2018-2021. The HICP measure of inflation is projected at 1.3% in 2017, rising to just below 2% (ECB target) from 2018 onwards.

Projected Increases in Productivity

Labour Productivity Growth can be very volatile from year-to-year and the Irish data is distorted by the activities of US multinationals. Labour Productivity has grown by an average of 1.5% over the last 20 years in the G7 group of rich countries (close to the post World War II norm in the advanced OECD economies) although this has slowed to 1.1% over the last 10 years. The Department of Finance is projecting Labour Productivity Growth of 1.4% in each of 2017, 2018 and 2019.

If Labour Productivity grows by 1.5% then labour will have to receive an increase of 1.5% in compensation (leaving aside additional compensation to account for inflation) just to maintain its current share of total compensation (leaving aside employment growth or decline).

Profits in Private Sector Companies

The position of private sector companies has been improving over the last five years. Increased domestic demand is reflected in higher VAT and Excise receipts, while improved profitability is being reflected in higher corporation tax receipts. Gross Operating Surplus (GOS) of companies has been on an upward trajectory since 2009 and passed the pre-crisis high in 2014. GOS increased dramatically in 2015 but we can assume most of this is related to Corporate Tax Management and the shifting of assets across jurisdictions.

Conclusion

Based on the available evidence the Congress Private Sector Committee believes that there is considerable scope for increasing pay, in the private sector. Achieving the rate of increase suggested will protect the living standards of workers, increase their spending power and give them a fairer return for increased productivity.