



**Mandate Union.**

The Union of First Choice for Retail and Bar workers.





**ONE**

**FOREWORD**



**TWO**

**SHARING THE  
BENEFITS OF GROWTH**



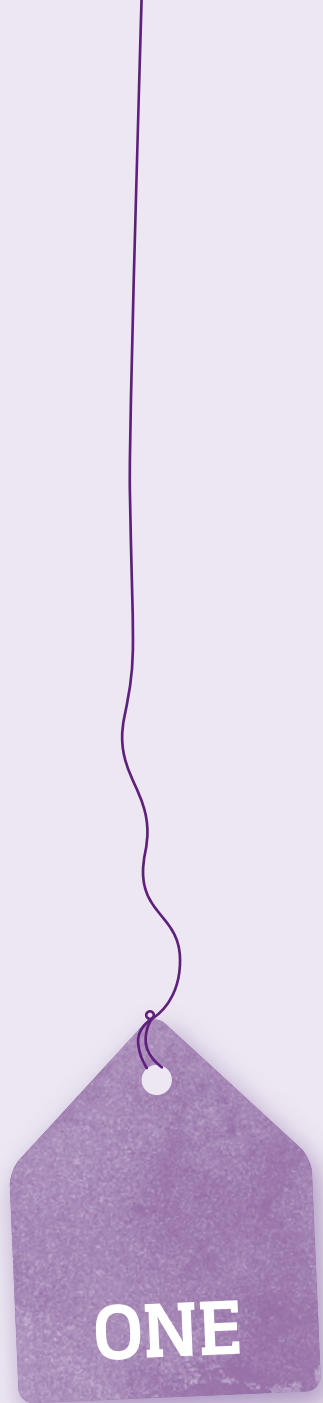
**THREE**

**TYPICAL RETAIL PAY RATES**



**FOUR**

**CASE STUDIES**



## Low Pay versus High Earnings

Mandate trade union represents over 44,000 workers in what is now the largest sector of employment in Ireland, the wholesale and retail sector. Almost all of our members work in this sector and, as the accompanying research data shows, they are low paid.

The extensive problem of low pay is taking place in a sector, which, according to the Irish Times' Top 1,000 companies (published in May 2008), has nine companies in the top one hundred companies with estimated sales of just under €20 billion per year. Indeed, this same report shows that two of the major retailers operating in Ireland announced profits this year in excess of €1 and €2 billion euro.

## Mandate and Social Partnership

In 2006, Mandate – having analysed in great detail how the social partnership process had impacted on low paid workers, and following lengthy discussions with members, officials and our National Executive – decided to withdraw from the social partnership process on the grounds that it had, up to that point, failed to look after the interests of low paid private sector members.

However, earlier this year, Mandate decided to once again engage in the national wage negotiations following clear commitments from the Irish Congress of Trade Unions and a number of its affiliated trade unions to address the issue of low pay in the current round of talks. We wholeheartedly welcome this commitment – and the shared understanding of how the partnership process to date has not delivered

sufficiently for low paid workers - and are very much looking forward to presenting the case for low paid workers around the negotiating table with Government and the other social partners.

## **Growing Inequality**

In preparation for the wage discussions, we commissioned research from an independent source, Camille Loftus. Her work clearly supports our claims that there is a growing inequality in Irish society facilitated by an ever widening pay gap between lower and higher paid workers. This has occurred partly as a result of the percentile increases in incomes granted by the national wage negotiations.

Camille Loftus carried out her research using various sets of data from the Central Statistics Office (CSO) and other sources. This data, in broad terms, clearly shows that social partnership has, to date, not adequately served the interests of low paid workers.

## **Realities of Life**

However, because the CSO's data sets are quite broad in many respects - for example, they include managerial staff as well as wholesale staff who would be on better rates of pay than shop floor staff - they don't fully reflect the extent to which retail workers have been 'left behind'.

In order to demonstrate the realities of life for sales assistants in Ireland's retail environment, Mandate has carried out its own research - set out at the back of this document - into how retail staff have been faring over recent times. In order to give an insight into how living on low pay affects retail workers, we have also presented a number of interviews with retail workers in which they openly discuss how inflation, particularly food and fuel increases, have affected them.

## **Working Together**

On behalf of Mandate, I want to thank Camille Loftus for her thorough research. This work clearly backs up claims, not only from Mandate, but from other trade union leaders and civil society groups representing the vulnerable in our society, that the social partnership process has not served all Irish people equally. I also want to thank the retail workers involved in the interview process for their time and courage to discuss sensitive issues with our researchers.

Lastly, I want to thank our colleagues in the trade union movement who have openly committed themselves to working with us in trying to seriously address the problem of low pay in Irish society.

**John Douglas**

**General Secretary**

**Mandate Trade Union**



SHARING  
THE  
BENEFITS  
OF  
GROWTH



TWO

## How low paid workers in the retail sector have failed to get a fair share of growth

### INTRODUCTION

In the context of strong economic growth, many employees in Ireland have seen very significant increases in their take home pay. But while all have benefited, some have gained far more than others. For retail workers the gains have been minimal.

Research commissioned by Mandate shows that viewed from a range of perspectives, retail employees have not received a fair share of the benefits of growth.

- While sales in the retail sector have grown strongly, and compare very favourably with other European countries, wages have lagged behind the strong sales performance;
- Retail wage increases have been determined by the percentage rate agreed in social partnership. While giving all workers the same percentage rate of increase may seem fair, in practice it means that low paid workers get much smaller increases in their weekly wage than those on higher rates of pay. Percentage increases in pay mean that the gap between high earners and low earners continues to increase;
- The lowest paid workers in the state, those earning the National Minimum Wage (NMW), have benefited from flat rate, rather than percentage increases in their hourly rate. In practice, this has meant

that NMW increases were larger than for many retail workers. Should this trend continue there is a risk that rather than providing a 'floor' for low wages, the NMW will effectively set a 'ceiling' for those in low paid sectors. Extending flat rate increases to a wider range of low paid workers, is required to arrest this trend;

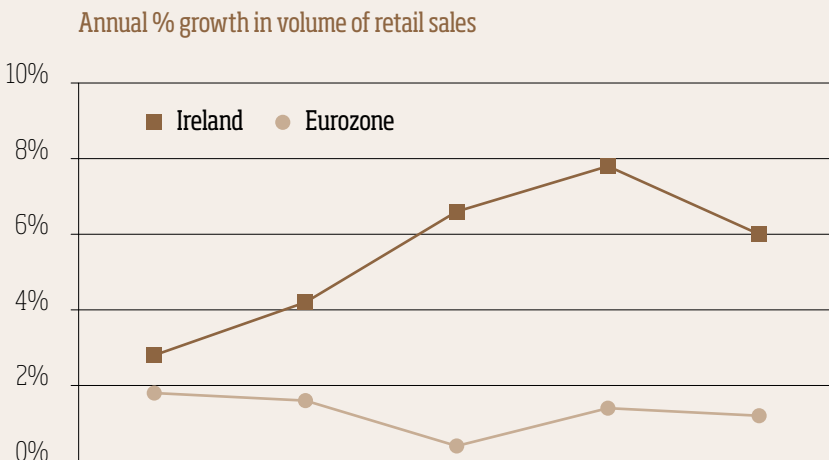
- Tax cuts have been important in ensuring increases in net pay throughout social partnership, and the last number of years has seen significant reductions in personal taxation. However, these have served to further increase the gap between higher and lower paid workers. While low paid workers have benefited, such that many now pay no or very minimal tax, the current structure of the tax system means that further tax cuts cannot deliver meaningful increases in net income for low earners;
- Rising inflation hits those on low incomes harder. Core items such as food and fuel - where cost increases have been substantial - form a larger part of their weekly budget. It is therefore particularly important that increases in net income for low paid workers are adequate to provide protection against rising costs.

The current slowing of economic growth has led to renewed calls for pay moderation. However, retail workers have benefited much less from Ireland's strong economic performance than those employed in many other sectors: they are among the lowest paid in the economy, they have seen smaller increases in their gross pay than most other workers, the increase in their net incomes from tax cuts has been relatively small, and rising costs have a much more significant impact on the low paid.

One of the aims of social partnership is to ensure that we all share the benefits of growth. But retail workers have got a raw deal. The current round of negotiations must recognise the particular challenges faced by a large section of the workforce, who work hard for a living, contributing to strong economic performance, but who nonetheless are left struggling to get by.

### STRONG PERFORMANCE IN THE RETAIL SECTOR

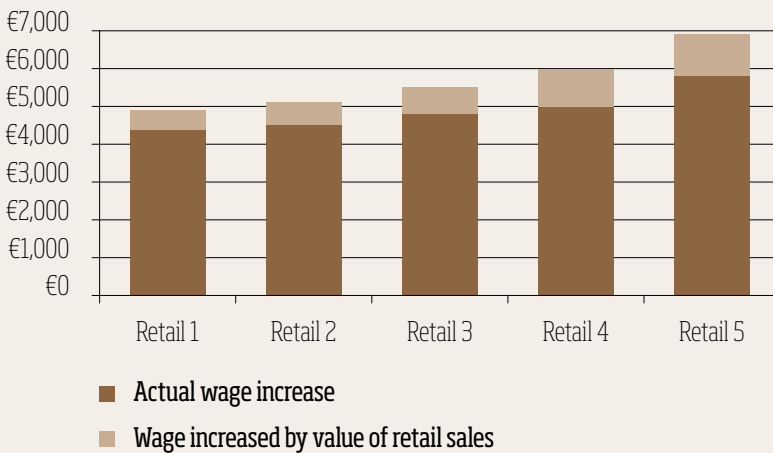
The retail sector has been a very strong performer, both in terms of employment and sales. Employment in the wholesale and retail trade sector has grown by more than a fifth in the last five years, making the sector the largest employer in the state. Over 310,000 people, nearly 17% of all female employees and almost 13% of men, work in the sector. Wage developments in this area therefore affect a very significant proportion of the Irish workforce.



Growth in retail sales has been very impressive, particularly when compared with other European countries. Growth in the volume of sales in Ireland has consistently and significantly exceeded growth in the Eurozone in 2007, notwithstanding a fall in the rate of growth, the volume of retail sales in Ireland was five times that of the Eurozone. Not only has the volume of sales grown strongly, but the value of sales has increased by an even greater degree, growing by almost 75% in 2007.

**Table 1: Growth in volume and value of retail sales 2001-7<sup>1</sup>**

Retail sales	2001	2002	2003	2004	2005	2006	2007
Volume	7.1%	1.7%	1.6%	3.0%	5.0%	6.9%	6.4%
Value	10.1%	4.3%	3.8%	3.6%	5.7%	8.1%	7.4%



1 CSO: Retail Sales Index, various years. Values are for all business excluding the motor trade.

Those working in the sector have not always shared in this growth by 2006, growth in the value of retail sales was almost twice that of wages in the sector. Over the last three years, if earnings had been indexed to the value of sales, retail wages would have been increased by 50-60% more than the actual increases received.

### **RETAIL EMPLOYEES AMONGST THE LOWEST PAID IN IRELAND**

Employees in the wholesale and retail sector are amongst the lowest paid in the country, with only hotel and restaurant workers, and those employed in other services earning less.

The median wage i.e. the point at which half of employees earn more and half less, was €15.39 in the economy as a whole in 2006, but for those employed in the wholesale and retail sector, the median wage was only €11.92<sup>2</sup>. There is a high concentration of low paid workers in the sector, with three out of ten earning less than €10 per hour.

Compounding the impact of their low hourly rates of pay, workers in the retail sector have fewer working hours than many other workers, with an average of 32.2 per week; at the median wage, this is equivalent to a gross salary of less than €20,000 per annum.

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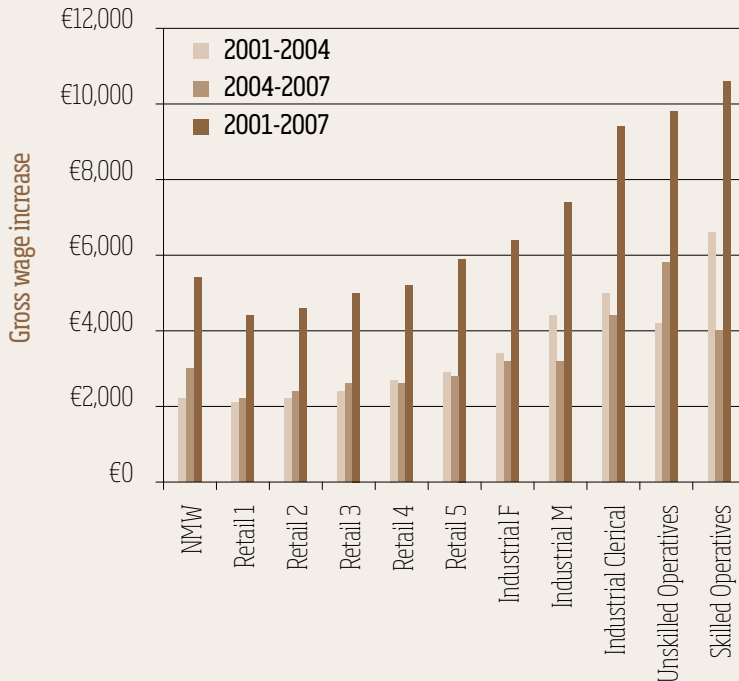
2 It should be noted here that in arriving at this figure, the wages of managerial staff in the sector were taken into account - these tend to earn considerably more than shop floor workers, therefore these media wages would be higher than the rates sales assistants would actually be earning.

**Table 2: Median hourly earnings, average hours paid employment per week, and distribution of employees by earnings, in various economic sectors, NES, 2006**

	Median earned per hour	< €10	€10-20	€20-30	€30-40	€40-50	> €50	Avg. hours per week
Hotel & restaurants	€9.98	50.1%	42.7%	4.6%				29.2
Other services	€10.92	39.0%	46.2%	9.2%				31.4
Wholesale & retail	€11.92	30.6%	52.4%	9.7%	4.8%	1.4%	1.2%	32.2
Business services	€13.91	22.1%	50.4%	15.6%	6.1%	2.4%	3.4%	35.5
Manufacturing	€14.78	14.6%	60.6%	15.8%	4.9%	1.9%	2.3%	39.6
Construction	€15.73	15.0%	57.7%	18.6%	5.8%	2.0%	1.0%	39.1
Transport	€16.83	8.8%	58.3%	24.7%	5.4%	1.3%	1.6%	39.1
Health	€18.36	8.8%	48.1%	27.6%	10.2%	2.8%	2.5%	31.6
Public administration	€19.94	3.7%	46.6%	35.0%	10.2%	2.9%	1.7%	38.7
Financial intermediation	€21.74	3.2%	41.3%	25.9%	12.7%	6.3%	10.6%	34.9
Electricity	€25.90		18.1%	42.5%	25.5%			39.0
Education	€28.33	5.2%	20.8%	27.2%	15.7%	14.8%	16.3%	27.8
All	€15.39	18.1%	49.4%	18.8%	7.2%	3.1%	3.4%	34.8

### THE GAP BETWEEN THE LOWER AND HIGHER PAID CONTINUES TO GROW

Social partnership agreements generally provide for the same percentage increase in pay for all employees; the current and previous agreements included provisions for some marginally higher percentage increases for the lowest paid workers.



But percentage increases mean that those on low pay always get the worst deal; for example, the same 5% increase is worth €5,000 to a well paid employee on €100K, but only €500 to a low paid worker earning €10K. Even providing a marginally higher percentage increase for the

lowest paid doesn't compensate. Using percentage increases always ensure that the best paid get the biggest increases: while retail workers have received similar percentage increases to other employees, in gross terms, pay increases in the retail sector have been among the lowest in all sectors.

Comparing workers with similar skills levels, retail workers have fared poorly - for example, over 2001-7, the increase in gross average pay for unskilled operatives in the construction sector was more than double that of at retail worker mid point on the scale.

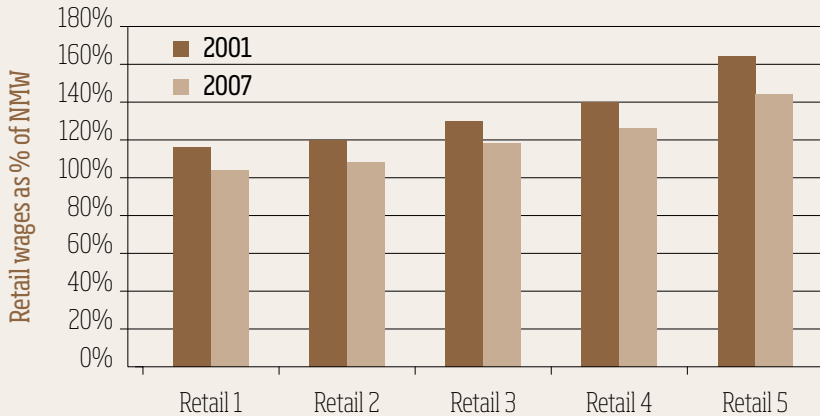
Examination of pay scales in the civil service, which through the benchmarking process are intended to reflect wages in the private sector, shows that this is in line with a general trend in earnings dispersion, which for low paid workers such as those in the retail sector, results in a relative worsening of their situation.

### **THE GAP BETWEEN THE LOW PAID AND THE LOWEST PAID GETS SMALLER**

Retail workers have also received lower increases than those on the National Minimum Wage (NMW). The NMW is determined by a separate process to the standard percentage increases agreed in social partnership.

In practice, this has meant that the lowest paid, those on the NMW rate, have received larger pay increases than those in the retail sector. By 2007 the entry point on the retail scale was only marginally higher than the statutory minimum wage.

The relative gain for the NMW has been particularly marked over the last three years, when NMW increases outstripped increases on all five points of the retail scale.

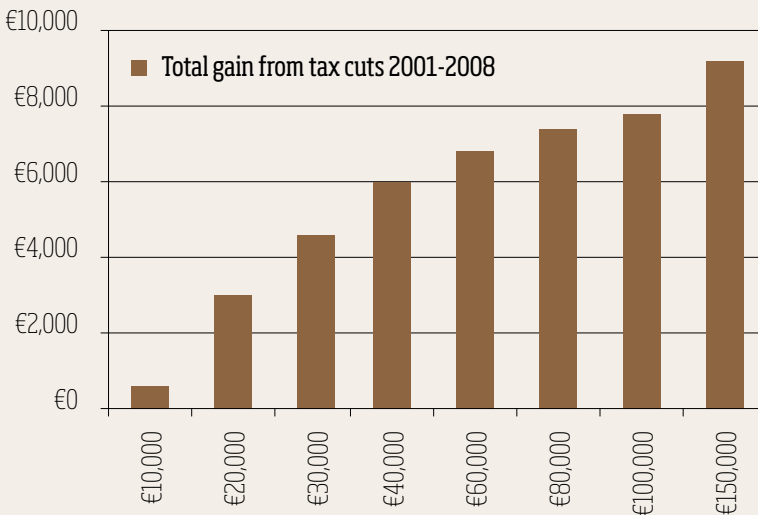


The larger increases received by those on the NMW illustrate the value of flat rate increases for those on low rates of pay: measured in percentage terms, increases for NMW workers were significantly higher than those for retail workers. While partnership agreements have provided for slightly higher percentage increases for low paid workers, the higher percentage rate was not sufficient to protect the value of their wages.

Flat rate increases are required to mitigate the ever widening gap between those on low pay, and employees on average or higher rates of pay.

## INCOME TAX

While reductions in income tax have been very important in increasing take home pay for many employees, low paid workers also lose out when it comes to tax cuts. Since the turn of the century, it is those on the highest incomes who have gained disproportionately from tax cuts.



Increases in the standard rate band don't benefit those who don't earn enough to pay tax at the higher rate, and cuts in the rate of tax have a similar effect to percentage increases in pay - the more you earn, the bigger the increase in net pay. Tax policy has therefore served to further increase the gap between low and higher paid workers.

Low paid workers have benefited from increases in personal tax credits, such that at this point, many pay little or no tax. However, this has implications for the trade off between reduced tax and wage moderation

which has formed a core element of national pay agreements: as the tax system is currently structured, those on the lowest rates of pay will gain little or nothing from further tax cuts.

Low paid workers will not benefit from tax reductions without reform of the tax system. A targeted refundable tax credit for low paid workers is used in other countries, for example the UK (Working Tax Credit) and US (Earned Income Tax Credit), and can be an effective mechanism to 'top up' the earned incomes of those on low wages. The introduction of such a mechanism in Ireland would enable the tax system to target tax reductions towards those who need them most.

### **COMPARING WAGES TO INFLATION**

While retail employees have gained less in terms of increases in gross pay, and in net terms because they benefit only marginally from tax cuts, rising inflation impacts most on those on low incomes.

Those on low incomes spend higher proportions on some items than better off groups. Inflation in the cost of housing, water, electricity, gas and other fuels; education, and health has been particularly high, placing great strain on low incomes. Pay increases have been barely adequate to maintain the value of retail wages against the sharp rise in inflation over the last two years.

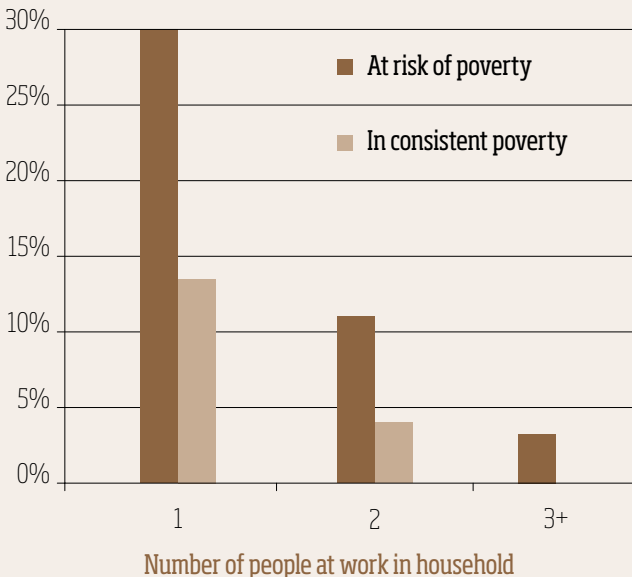
The most recent data on inflation, for May 2008, shows that overall, prices rose by 4.7% over the past 12 months, with particularly high increases in areas such as food and non-alcoholic beverages, where prices increased by 7.8%; in the housing, water, electricity, gas and

other fuels category, prices rose by 10.6%; above average increases were also recorded in relation to education (6.4%) and health (6.1%).

It is particularly important therefore to ensure that wage increases for low paid workers are sufficient to protect their living standards against inflation.

### IN WORK POVERTY

While employment significantly reduces the risk of poverty, it does not provide a guaranteed route out of poverty: in 2006, 45% of those at risk of poverty, or almost 800,000 people, and almost a third of those in consistent poverty, or over half a million people, lived in households where at least one person was at work.



Analysis of the net incomes of retail workers, shows that after costs such as housing and childcare have been taken into account, those employed in the retail sector have relatively little protection from the risk of poverty, particularly at the lower points on the scale.

## CONCLUSIONS

From the perspective of the almost 15% of employees working in the retail sector, social partnership agreements on pay and incomes have thus far failed to deliver a reasonable share of the benefits of growth.

- While percentage increases continue to be the main mechanism used to increase wages under national pay agreements, the gap between the lower and higher paid will continue to grow. And although there were slightly higher percentage increases provided in partnership agreements for low paid workers, these were not sufficient to prevent a widening of the gap between the hourly rates for those in retail and workers earning ‘average’ pay.

The increase in the NMW illustrates the important role that flat rate increases play in protecting the wages of those on low pay, and is a mechanism that should be extended to other low paid workers.

- Failure to protect the wages of those on low pay, relative to those on the lowest rate i.e. NMW, may mean that the statutory minimum wage effectively sets a ceiling for wages in lower paid sectors, rather than providing a floor.

Allowing some form of derogation for the low paid from the prohibition on repercussive claims would allow all low paid workers benefit from NMW increases.

- Income tax policy has formed an important part of national pay agreements, but while higher paid workers have reaped substantial gains from tax changes, those on low pay have benefited to a significantly lesser degree. At this point the potential benefits for low paid workers from further tax cuts are marginal at best.

Prioritising increases in personal tax credits, rather than increasing the standard rate band, or reducing rates, would make tax cuts fairer for the low paid. But to ensure those on low incomes benefit from tax cuts, a refundable credit, targeted at low paid workers, similar to the Working Tax Credit in the UK, should be introduced.

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TYPICAL  
RETAIL  
PAY  
RATES

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THREE

As was mentioned earlier in this document, the CSO's data shows a serious problem with low pay in the wholesale and retail sectors. However, our information – based on the pay rates being applied to sales assistants in the large multiples – shows the problem of low pay is even greater in the retail sector alone, when the pay rates of managerial staff are taken out of the equation.

The following table is based on information from Mandate's own database using pay scales from a variety of large employers in the retail sector. This shows the mean income for sales assistants in the retail sector and excludes workers in the wholesale sector and managerial staff.

Service	Per hour	Per year*
Year 1	9.09	15,225
Year 2	9.56	16,007
Year 3	10.72	17,949
Year 4	11.19	18,736
Year 5	12.36	20,701
Year 10	13.57	22,721

\* Based on National Employment Survey figures of average paid working hours in Retail/Wholesale sector of 32.2 hours per week.

Mandate's research on its data base of membership has shown the following:

- 30% of all Mandate members employed as sales assistants earn less than €10.00 per hour or €17,000 per year.
- 60% of all Mandate members employed as sales assistants earn less than €12.00 per hour or €20,000 per year.



CASE  
STUDIES



FOUR

## HOUSEHOLD TYPE A

### SINGLE ADULT, ENTRY POINT

#### Single adult, entry point

Dave is single and works 35 hours a week at a major Irish retailer, at the starting rate of €8.85 per hour. He shares a flat with friends, and pays rent of €130 a week. Because his earnings are low, Dave doesn't have to pay any tax. But after he's paid his rent, his net disposable income is just under €180 a week, leaving him over €30 below the 'at-risk-of-poverty' threshold. Because Dave's post-rent income is so low, he is qualified for a Medical Card.

Gross wage per week	309.75
Gross annual wage	18,193.54
Deductions for tax & PRSI	0.00
Net wage	309.75
Rent	130.00
Net disposable income after rent	179.75
Net income relative to the 'at risk of poverty' threshold (212.41)	<b>-32.66</b>

## HOUSEHOLD TYPE B

SINGLE ADULT, MORE THAN 10 YEARS' SERVICE

### Single adult, 10+ service

Deirdre is single and works 30 hours a week at a major Irish retailer. Having worked for this retailer for more than 10 years, she now earns the highest hourly rate of €13.29. She shares a flat with friends, and pays rent of €140 a week. Because her earnings are low, Deirdre doesn't have to pay any tax. But after she's paid her rent, her net disposable income is just under €275 a week, leaving her just €60 above the 'at-risk-of-poverty' threshold. Deirdre's post-rent income is too high to entitle her to a Medical Card, but she is eligible for a GP Visit Medical Card.

Gross wage per week	425.28
Gross annual wage	22,114.56
Deductions for tax & PRSI	11.93
Net wage	413.35
Rent	140.00
Net disposable income after rent	273.35
Net income relative to the 'at risk of poverty' threshold (212.41)	<b>60.94</b>

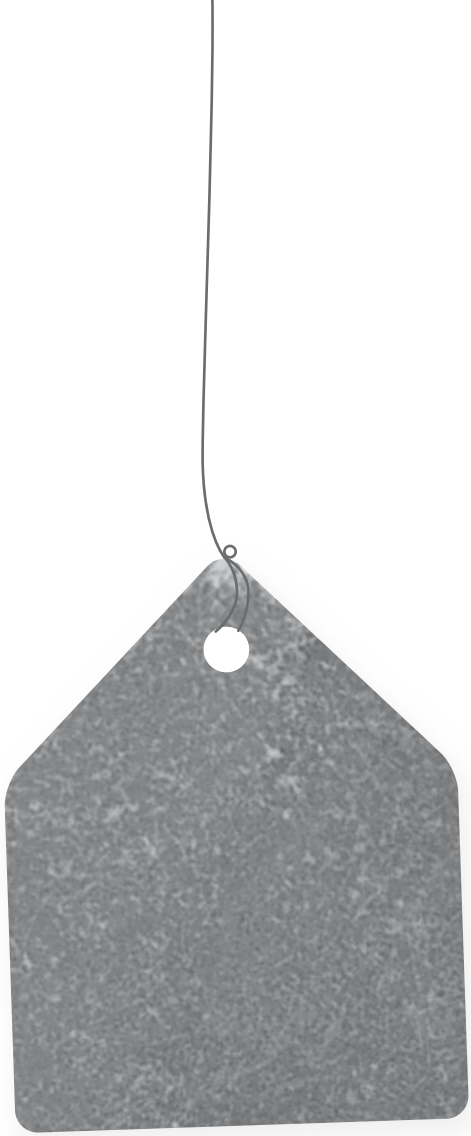
## HOUSEHOLD TYPE C

COUPLE, 1 CHILD, ENTRY (30 HRS) AND MID POINT (35 HRS), PAYING CHILDCARE

### Couple with one child, entry and mid point.

Sean and Áine both work in the same retail outlet. Áine started work in this particular shop recently after their son started school; she is on the entry point of the scale and earns €8.85 per hour, working 30 hours a week. Sean has been working in this shop for a few years now, and is on the third point of the scale, earning €10.34 and working 35 hours per week. This gives them a combined annual salary of €32,625. Sean and Áine rent their home from Dublin City Council. Sean and Áine's son hasn't started school yet, so they pay full-day childcare costs of €180 per week. After they have paid rent and childcare, Sean and Áine's disposable income is €7 below the 'at risk of poverty' threshold. Despite their low income, they do not qualify for a Medical Card, but are eligible for a GP Visit Medical Card.

Seán's gross wage per week	361.90
Áine's gross wage per week	265.50
Total gross household earnings	32,624.80
Deductions for tax & PRSI	9.40
Child Benefit	38.31
Early Childcare Supplement	21.15
Total net household income	677.47
Rent	82.10
Childcare	180.00
Net disposable income after rent	415.35
Net income relative to the 'at risk of poverty' threshold (212.41)	<b>-7.33</b>





## Where to find us

Mandate Head Office  
O'Lehane House  
9 Cavendish Row  
Dublin 1

Tel: 01 874 6321  
Fax: 01 872 9581  
Email: [mandate@mandate.ie](mailto:mandate@mandate.ie)

Mandate Organising and Training Centre  
Distillery House  
Distillery Road  
Dublin 3

Tel: 01 836 9699  
Fax: 01 884 4114  
Email: [mandateotc@mandate.ie](mailto:mandateotc@mandate.ie)