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An Examination of the Relationship between Unemployment and Minimum Wage rates in Ireland: 1994-2010

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This thesis is submitted in partial fulfilment of the requirements for achieving a
Masters in innovation and enterprise.



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List of Abbreviations

ESRI	Economic and Social research Institute
E.U	European Union
G.D.P	Gross Domestic Product
G.N.P	Gross National Product
I.B.E.C	Irish Business and Employers Confederation
I.C.T.U	the Irish Congress of Trade Unions
I.F.A	Irish Farmers Association
ILOS	the International Labour Office
NESC	National Economic and Social Council
OECD	Organisation for Economic co-ordination and Development
PRSI	Pay Related Social Insurance
TASC	Independent think tank dedicated to combating Irelands high level of economic inequality
V.A.T	Value Added Tax

Abstract

During 1995-2007, Ireland experienced a period of rapid growth. Throughout this time, unemployment figures fell dramatically and wages in Ireland grew to one of the highest rates in Europe. Today however, the situation has changed spectacularly. Unemployment figures are at an all time high leaving many dependent on Social Welfare. While the employment situation has change radically, Ireland's minimum wage rate is still one of the highest in Europe.

The research question that is posed in this research was to determine the relationship between the minimum wage rate and unemployment rates in Ireland. The methodology that was used for this research was qualitative and involved conducting a semi-structured interview with six participants. The participants consisted of high profile relevant bodies in Irish society and participants with valid views on the research topic.

The findings of the research indicate what the participants feel about the minimum wage and the factors to which they feel contribute to unemployment. The findings show that participants feel the minimum wage has some association with unemployment; however, other factors need to be considered before a decrease in minimum wage is considered.

The research thesis concludes with suggestions for future research in the area of minimum wage and unemployment rates. The researcher has also highlighted some areas that should be looked at regarding the unemployment crisis.

Chapter one: Introduction

1.1 Background

The national minimum wage is always a source of ongoing concern to employers and has sparked widespread debate, particularly during the current global financial crisis. Currently businesses are continuing to struggle to survive in an environment where for many; the costs of doing business are unsustainable. The regulation of the labour market is a key component of competitiveness and any system of employment rights must operate in a manner which underpins employment rather than hinder it. In recent months questions have been raised in relation to collective bargaining and these are issues which are relevant to supporting economic recovery and the need to support employers to stimulate job creation and to sustain the maximum number of jobs in what is one of the most open economies in the world.

Today, Ireland is technically out of recession; however, for the majority of both households and businesses, it still does not feel like the recession is over. For households, the unemployment crisis continues to grow while for those at work after tax income has been reduced significantly during the crisis.

Everyday businesses are cutting costs and prices in order to maintain whatever volume of activity they can. However, costs have not fallen in proportion to the reduction in business turnover and that is why Ireland is continuing to see so many businesses closing down. Even with demand levels now stabilising in the economy, the mismatch between revenue and costs continues to result in business failure.

The national minimum wage was last increased by 4.2% from €8.30 per hour to €8.65 per hour from 1 July 2007 without any increase in output. It applies to about 5.2% of the workforce and has a disproportionate effect on employers in the hospitality, retail and manufacturing sectors, which are suffering from extremely difficult trading conditions.¹

The fall in employment in Ireland has been alarming with around 270,000 jobs been lost in the space of two years, this equates to 13% of total employment.² This

¹ The Irish Labour Market review (2007) FAS, retrieved 5-07-2010, from <http://www.fas.ie/NR/rdonlyres/9ABC5EE1-CF20-4AA5-ACA4-C5B81DD9FE5E/274/LABOURMARKETREVIEW0999.pdf> pg 31

² Kelly, F. (2010). State hit with €170m bill as 8,500 join jobless ranks, The Irish Independent, Friday 6th August 2010. Pg 17

unemployment figure is spread over many sectors such as construction, manufacturing, retail, wholesale and hospitality. The biggest single challenge for the Irish government and Irish society in general is finding replacements for these job losses. The worst affected by the unemployment crisis have been in the lower skill categories and younger people.

The Irish economy has changed radically since the National Minimum Wage was introduced in 1999. Research from ESRI reports show that the National Minimum Wage had a limited impact on employment levels but this was during a period a full employment and a booming domestic economy with rapidly rising prices³.

Having conducted a preliminary literature review, the researcher felt that carrying out research on this topic would be very worthwhile and would contribute significantly to the body of knowledge. This is due to the extremely conflicting opinions presented on the topic of minimum wage rates in the literature which was reviewed from an economic standpoint. It is a concept which has sparked widespread debate, particularly during the current global financial crisis.

The main purpose of this research is to examine both unemployment and the minimum wage rate and investigate the relationship between them. It is hoped that in the following chapters, the researcher will draw conclusions and recommendations as to whether the minimum wage rate in the Republic of Ireland has implications for the growing unemployment levels currently being experienced.

1.2 Research Question and Objectives

Bearing in mind that the fundamental aim of the current study is to get a better understanding of the minimum wage and unemployment the research questions is:

Does the minimum wage rate have implications on unemployment rates in Ireland?

1.2.1 Primary Objective

Examine the relationship between minimum wage rates in Ireland and unemployment rates.

³ Nolan, B. O'Neill, D. Williams, S. (2002) The Impact of the minimum wage on Irish firms, ESRI. Pg4

1.2.2 Secondary Objective

The secondary objectives of this research include:

Explore the evolution of wage policy in Ireland and how it has changed and grown over the years. The background to its evolution, how well it has been implemented will be examined and also, how successful wage policy is will be scrutinised.

Examine current wage economic theories and how these theories impact both employment and unemployment.

Use interviews with relevant bodies and employers and rationalise their views.

1.3 Research Methodology

The research methodology which was used for this research began with an extensive literature review of secondary data which included books, journals and newspaper articles. This provided the researcher with a broad base of the knowledge and information already available on the topic and illustrated the range of conflicting arguments and opinions which exist on the topic and it therefore highlighted the importance of the research. The research was based on the research process that was designed by Domegan and Fleming (2007).

The primary research was conducted using methodology comprising of qualitative research. The Primary data collection methods used to collect data for this study was face to face interviews. This method was used in order to draw conclusions on the topic and to achieve the research objectives. This involved organising and conducting interviews with a number of relevant people that had a valid opinion on the debate and this aided working towards gauging some consensual opinion.

A detailed explanation of the research methodology used can be found in chapter 3.

1.4 Overview of Chapters

This thesis will be organised into five chapters.

Chapter one presented the background of the study and the research problem.

Chapter two: This chapter will annotate the findings of relevant literature related to minimum wage rates and unemployment and presents the theoretical underpinning upon which this research is presented.

Chapter three: This chapter provides a detailed account of the research that was carried out during the research project. The research methodology in this research project is based on the seven step framework that is identified by Domegan and Fleming (2007). Each stage of the research project is discussed in detail.

Chapter four: This chapter outlines the key findings from the research that was carried out. The findings are presented in relation to the objectives. It also included limitations of the research, recommendations and opportunities for further research.

Chapter five: This chapter reflects on the conclusions that the researcher derived from carrying out the research.

2.2.3 Strategies and Programmes agreed through Social Partnership

A Strategy for Development

The social partners, acting through the tripartite National Economic and Social Council forged out an agreed strategy. This strategy was hammered out to escape the vicious circle of real stagnation, rising taxes and exploding debt. The advisory body, NESc, which employers, trade unions, farmers and senior civil servants used to analyse policy issues, the NESc formed A Strategy for Development (1986) to which a new government and the social partners negotiated the Programme for National Recovery, which ran from 1987-1990. This was one of four agreements that brought Ireland to more than a decade of negotiated economic and social governance⁶. This three year agreement provided for wage increases limited to 2% per annum. In exchange for wage moderation there was a series of methods to encourage employment, enlarge the tax base to permit lower taxation of workers' earnings and guarantees to improve social protection⁷.

The Programme for Economic and Social Progress

An additional constant theme has been the creation of employment and resolving the problem of long-term unemployment. The 1990 agreement, the Programme for Economic and Social Progress, led to local partnership companies which involved the community, state agencies, voluntary sectors and social partners. This was created to design and put into practice a more co-ordinated, multi-dimensional approach to social exclusion.

The Programme for Competitiveness and Work

In 1994, the programme for competitiveness and work (PCW) was created to increase the numbers within the economy working and to reduce the level of unemployment. The Government, the ICTU, IBEC, IFA and other social partners agreed the programme to succeed the programme for Economic and Social Progress. This agreement, unlike others contained different pay provisions for workers in the public service as well as pay increases over a period of three years for low-paid

⁶O'Donnell, R., Thomas, D., (1998). Partnership and policy making, retrieved 16-05-2010 from <http://www.nationaleconomicsandsocialcouncil.ie>

⁷Irish Congress of trade union,(2010), retrieved 27-06-2010 from <http://www.ictu.ie/partnership>

workers. It was estimated, after the agreement was concluded, that pay rises in the public sector would be in excess of inflation for the lifetime of the agreement⁸.

Partnership 2000

The widening of the partnership process beyond the traditional social partners was also an important element of Irish social partnership. Eventually, membership of existing deliberative bodies was widened in order to include representatives of the voluntary and community sector. In 1996, Partnership 2000 was agreed with a different method, it involved representatives of unemployed, women's groups and other representatives representing social exclusion. New institutional arrangements were created to monitor the implementation of the partnership programmes as well as measures to encourage partnership at enterprise level and agreements on action to modernise the public sector⁹.

2.2.4 Results of Social Partnership

The time of social partnership has been one of unparalleled economic success in Ireland. Governments and social partners see partnership as an imperative factor in this turnaround. With the partnership approach, the Irish economy has been impacted through three channels: wage bargaining, change in supply-side factors and coherent and consistent macroeconomic policy. In spite of this, business analysts remain divided on the extent and depth of transformation in business organisation and industrial relations¹⁰.

2.2.5 Achievements and Limits of Partnership

Any assessment of the achievements and limits of partnership must consider the European dimension. According to O'Donnell (2001), it can be argued that Irish policy and partnership relied heavily on the European internal market programme to achieve change in the public utilities and protected sectors. In the eyes of many,

⁸ Programme for competitiveness and work, retrieved 08-07-2010 from http://www.ictu.ie/download/pdf/program_for_competitiveness_and_work.pdf pg 7

⁹ O'Donnell, R., O'Reardon, C., (2000), Social partnerships in Ireland's economic transformation, retrieved 27-06-2010 from <http://www.nationaleconomics&socialcouncil.ie>, pg2

¹⁰ O'Donnell, R., (2001), The future of social partnership in Ireland, retrieved 08-07-2010, from http://www.nesc.ie/dynamic/docs/discussion_social_may01.pdf pg3

another limitation is that it has not done enough to counter a significant widening in earnings disparity or to secure social inclusion¹¹.

Rittau and Dundon (2009) state that policy makers and key stakeholders such as the Irish Congress of Trade Unions, the Irish Business and Employers federation and the National Centre for Partnership and Performance (NCCP) in Ireland have identified bundles of core principles: mutuality, dignity and respect, fairness, competitiveness, flexibility and joint and direct communication and consultation. The new system of union management is therefore claimed to result in a win-win scenario for all parties involved (Kochan and Osterman, 1994; Ackers and Payne, 1998; Geary, 2008). Nevertheless, the idea that everyone benefits from partnership is hotly contested. Some believe that unions lose power and influence under partnership as activists become incorporated into the higher echelons of management (Kelly, 1996, 1998; Danford et al., 2005). Critics believe that gains under partnership tend to exclusively favour management at the expense of workers' job security and pay levels (Kelly, 2004; Martinez Lucio and Stuart, 2005)¹².

2.2.6 Advocates and Critics of Social Partnership

The "advocates v critics" debate is more refined than straightforward wins and losses (Samuel, 2007; Johnstone et al., 2009). Dobbins and Gunnigle (2009) found that partnership gains are constrained by clusters of contextual variables that impact union postures towards partnership. Donaghey and Teague (2007) argue that owing to national social pacts that exist in Ireland, Unions have learnt to live with the paradox of declining influence while retaining bargaining power over macro-economic policy¹³.

Social partnership is time-consuming and there is more conflict that is apparent to outsiders who believe it is "cosy". For unions and employers, the biggest accomplishment has been to understand unambiguously, what the deep concerns of the other side. Social partnership has put in place processes which resolve major

¹¹O'Donnell, R., (2001), The future of social partnership in Ireland, retrieved 08-07-2010, from http://www.nesc.ie/dynamic/docs/discussion_social_may01.pdf pg4

¹² Rittau, Y., Dundon, T. (2009) The roles and functions of shop stewards in workplace partnership, Evidence from the Republic of Ireland, Employee relations, vol 32, No. 1. Pg 2

¹³ Rittau, Y., Dundon, T. (2009) The roles and functions of shop stewards in workplace partnership, Evidence from the Republic of Ireland, Employee relations, vol 32, No. 1. Pg 11.

conflict, often long before the public is even aware it is looming, it is part of a more participative and inclusive society where social partners express their views and, more importantly, are heard¹⁴.

2.3 Trade Unions

2.3.1 Trade Unions Defined

Webbs (2009) define a trade union as “a continuous association of wage-earners for the purpose of maintaining and improving the conditions of their working lives”. According to the Webbs, trade union would maintain and improve working conditions by attempting to achieve a closed shop and through collective bargaining¹⁵.

Mueller-Jentsch (1981) claims that “the raison d’être” of every unions is to exert influence on the terms and conditions operating in the labour market”¹⁶.

A trade union is in the first place a means of maximising the power of workers through organisation and co-ordination. It seeks the empowerment of workers through collective action in order to redress the inequalities of the individual contract of employment.¹⁷

2.3.2 Brief History of Trade Unions

The trade union movement is a long-established social institution which has roots that run deep. The pattern of trade unionism as it is today is the outcome of a long history of struggle. The trade union movement is made up of an amalgam of autonomous organisations and has made many attempts to reform its structures.¹⁸

Trade unionism has its origins in the asymmetry of the relationship between capital and labour. Capital and labour are dependent on each other, sharing common goals, but also having conflicting interests. The balance of this relationship has changed

¹⁴ Sweeney, P. (2007). Irelands economic success reasons and lessons, Dublin, newsland pg125

¹⁵ Webb,S., Webb,B., (1920). The History of trade unionism, pg1

¹⁶ Mueller-Jentsch, W, (1981) Trade unions as intermediary organisations, Frankfurt am Main, institute fur Sozialforschung

¹⁷ Murphy, T. Roche, W. (1994). Irish Industrial Relations in Practice. Oak Tree Press, Dublin. Pg 87

¹⁸ Murphy, T. Roche, W. (1994). Irish Industrial Relations in Practice. Oak Tree Press, Dublin. Pg 84

over the course of history and, correspondingly, so also has the character of trade unionism¹⁹.

One of the features of the early part of the industrial revolution was the emergence of movements of solidarity such as friendly societies, trade clubs and combinations. Because the contract of employment was not an even-handed relationship between two equal parties, workers learnt to combine together to change the conditions of the contract and improve their situation. They discovered that unity is strength²⁰.

Over the course of the nineteenth century, trade union organisation progressed unevenly across occupations and industries. Craft workers, from 1851 onwards established a form of trade union organisation that persists to this day. Their way of working in the best interests of their members was by the enforcement of the 'common rule' of the trade. They also began the practice of collective bargaining²¹.

A common criticism of Irish trade union structure has been that there are too many unions relative to total membership. Rationalisation of trade union structure in Ireland has been high on the agenda of successive governments. Also, the promotion of union mergers has long been a trade union objective²².

Irish trade unions have some distinguishing features. The Irish movement contains a degree of cross-border trade unionism, in that a number of unions with members in this country are British- trade based. Also, in order to be able to engage in collective bargaining, unions must hold a negotiating license. The legal status of trade unions in Ireland is regulated by a number of statutes, including the Trade Union Acts 1871, 1913, 1941 and 1975, and the Industrial Relations Act 1990.²³

The Central umbrella body for Irish Trade unions is the Irish Congress of Trade Unions (ICTU). The ICTU is the product of the merger between the Irish Trades Union Congress (ITUC) and the Congress of Irish Unions (CIU) in 1959, as a result of which the ICTU is the central trade body for both the Republic of Ireland and

¹⁹ Murphy, T. Roche, W. (1994). *Irish Industrial Relations in Practice*. Oak Tree Press, Dublin. Pg 84

²⁰ Murphy, T. Roche, W. (1994). *Irish Industrial Relations in Practice*. Oak Tree Press, Dublin. Pg 85

²¹ Murphy, T. Roche, W. (1994). *Irish Industrial Relations in Practice*. Oak Tree Press, Dublin. Pg 86

²² Wallace, J. Gunnigle, P. McMahan, G. (2004). *Industrial Relations in Ireland*, Ed 3, Gill & Macmillan, Dublin Pg 148

²³ Eurofound (2009) Ireland, Trade Unions. Retrieved 15-07-10, from:

<http://www.eurofound.europa.eu/emire/IRELAND/TRADEUNION-IR.htm>

Northern Ireland. The ICTU regulates various aspects of inter-union relations, including transfer of membership and nominates trade union members on various official bodies and agencies²⁴.

2.3.3 Union Membership

There are unions for all groups of workers; industrial, professional, managerial, clerical or unskilled. Unions in Ireland have been consistently increasing their membership, of whom some 46% are now women. There are 33 Trades Councils, representing groups of unions at local/regional level, covering both the Republic and Northern Ireland²⁵.

Union membership reached a peak in the 1980's with 62 percent of employees being members; however, this figure has been falling since. The latest estimates are suggesting that levels are highest in the public sector at about 70% and the lowest in the private sector at approximately 25%. Reasons for this decline include the emergence of human resource management as a method of managing employees, economic restructuring and union de-recognition. Currently in Ireland, there are 55 trade unions with membership of congress, representing about 600.000 members²⁶.

²⁴ Wallace, J. Gunnigle, P. McMahon, G. (2004). Industrial Relations in Ireland, Ed3, Gill & Macmillan, Dublin. Pg 142

²⁵ Irish Congress of Trade Unions (2009) Affiliated Unions & Trades Councils, retrieved 18-07-2010, from: <http://www.ictu.ie/about/affiliates.html>

²⁶ Membership down to 31% of workers, notes CSO, the Irish times, Monday, January 25th, 2010, retrieved from <http://www.irishtimes.com/newspaper/opinion/2010/0125/1224263036028.html>

2.4 Collective Bargaining

2.4.1 Collective Bargaining Defined

Collective bargaining is the predominant way of determining wages and conditions of employment in Ireland, as in many democratic countries. It aims at securing agreement on terms which the parties concerned will feel committed to and which they voluntarily agree will regulate their relations in the future. The term collective bargaining may be applied to negotiations between trade unions and an organisation of employers²⁷.

2.4.2 Background to Collective Bargaining

Since 1987, the national level has been the most important arena for setting wages and working time through tripartite bargaining, in this regard, Ireland has quite a highly centralised bargaining. With the exception of the construction industry, the sectoral level is generally not a prominent level for collective bargaining. While wages are set at national level, collective bargaining may also occur ‘around this’ at company level, for instance, in relation to productivity, restructuring or new work practice agreements (national wage agreements prohibit ‘cost-increasing’ pay claims)²⁸.

²⁷ McAuley, D.J., (1967). Collective bargaining and industrial disputes in Ireland, retrieved 08-07-2010, from http://www.tara.tcd.ie/bitstream/2262/5939/1/jssisiVolXXIPartV_125150.pdf pg 127

²⁸ Eironline (2009). Ireland: Industrial relations profile, retrieved 08-07-2010, from http://www.eurofound.europa.eu/eiro/country/ireland_4.htm

The fact that national agreements do not have legal effect means that it is difficult to calculate a precise figure for collective bargaining coverage. Nonetheless, it is estimated to be in the region of 44%, which is higher than that of trade union density. While there are few formal or legal mechanisms extending collective bargaining in Ireland, the presence of national agreements means that, in practice, some companies with no trade union present often 'shadow' the results of nationally bargained pay deals. Also, in certain companies that have union members and non-union employees, the terms of national wage agreements may also be extended in some circumstances to non-union employees²⁹.

Collective agreements remain principally voluntarist, but legally binding elements seem to be increasing- for example, employer 'inability to pay clauses' in national agreements³⁰.

Although there is no legal obligation on the parties to engage in collective bargaining, the state has pursued a policy of fostering free negotiations between voluntary organisations of employees and employers.

The merits claimed for the system of collective bargaining in Ireland are firstly, that it is flexible and free from the rigidity of law, and secondly, that responsibility rests on the shoulders of the parties concerned for the outcome of deliberations, with little or no outside intervention taking place³¹.

²⁹ Eironline (2009). Ireland: Industrial relations profile, retrieved 08-07-2010, from http://www.eurofound.europa.eu/eiro/country/ireland_4.htm

³⁰ Eironline (2009). Ireland: Industrial relations profile, retrieved 08-07-2010, from http://www.eurofound.europa.eu/eiro/country/ireland_4.htm

³¹ T. Roche, W. (1994). Irish Industrial Relations in Practice. Oak Tree Press, Dublin. Pg 9

2.5 Unemployment

2.5.1 Unemployment Defined

There are various different definitions of unemployment. According to Gallie, Marsh and Volger (1994), the unemployed are not just people without work but people who would participate in the formal economy if there were jobs available to them³².

Berthoud & Lakovou (2004) distinguish 'unemployment' from 'economic inactivity' as that the unemployed want work, while the inactive do not.

The International Labour Office's (ILOS) formal definition of unemployment defines a person as unemployed who is (1) out of work, (2) has been searching actively for work within the last four weeks and (3) is able to start work within two weeks³³.

Unemployment is the condition of being without employment while also wishing to be employed. The unemployment rate is normally expressed as a percentage of the labour force, in other words, of those in work or available for work.

Potential causes of unemployment include the decline of some major industry which causes an excess supply of labour with skills specific to the declining industry. This is quite evident currently with the collapse of the construction industry. It has also been shown that fluctuations in the unemployment rate in Ireland follow quite closely the cyclical pattern displayed by the rest of the economy.³⁴

2.5.2 Unemployment Measurement in Ireland

It is difficult to achieve a reliable indication of the level of unemployment. In Ireland there are three separate measures: that contained in the live register (which is the official record of unemployment figures), that from the labour force survey and from the definition in the census of population. The latter two measures depend on individuals certifying themselves as unemployed, rather than the Live Register measure, which is based on numbers signing on and receiving some kind of benefit. Full employment is normally defined as unemployment levels of less than 1 per cent,

³² Gaillie, D. Marsh, C. Vogler, C. (1994). Social change and the experience of unemployment, Oxford University press, London.

³³ Berthoud, M & Lakovou, M. (2004). Social Europe: living standards and welfare states, Edward Elgar Publishing pg149.

³⁴ Walsh B.M (nd) The labour force and the unemployment problem, retrieved 05-07-2010 from http://irserver.ucd.ie/dspace/bitstream/10197/1507/3/walshb_bookchap_pub_033.pdf

this allows for the effect of frictional unemployment. This was an important strand of Government economic policy in the Post-War period, although changing patterns of economic policy and conditions since the late 1970's have led to a different emphasis in recent years. Unemployment has always been rather high in Ireland and in the past decade has risen to around one-fifth of the workforce³⁵.

Table 2.1 Annual average numbers of persons on the live register: 2000-2008

2000	2001	2002	2003	2004	2005	2006	2007	2008
155,398	142,253	162,465	172,414	166,013	157,117	157,398	162,309	227,069

Source (³⁶)

2.5.3 Theoretical Explanation of Unemployment

According to Lane (1995) the most common theoretical explanation of unemployment is that the real wage is fixed in the labour market. This means that "price movements" will not adjust the excess supply in the labour market that the resulting unemployment will remain until the self-equilibrating process of the labour market is restored. There are two possible explanations for this. First, firms may not be able to adjust the wage downward because of pressure from trade unions and because of the way the wages are determined. The other explanation is that employers may maintain wages at a high, non-clearing level in an attempt to reap efficiency gains for the firm³⁷.

The prime reason for rigid real wages in the labour market is that insiders, represented by a trade union, bargain with the employers for higher wages. We would thus expect that the more unionised the economy the more powerful the trade unions will be and, hence, the more upward pressure will be put on wage rates and the higher unemployment will be. This argument seems to be supported by comparing the European and US experiences. In the former, unionisation has been

³⁵ Eurofound, 2009, retrieved, 15-07-2010 from <http://www.eurofound.europa.eu/emire/IRELAND/UNEMPLOYMENT-IR.htm>

³⁶ CSO (2008). The statistical yearbook 2008, retrieved: 07-07-2010, from <http://www.cso.ie/releasespublications/documents/statisticalyearbook/2009/Chapter%202%20Labour%20Market.pdf> pg17

³⁷ Lane, C., (1995), An Analysis of the Causes of Unemployment, retrieved 15-07-2010 from <http://www.maths.tcd.ie/local/JUNK/econrev/ser/html/unemp.html>

rising or remaining constant since the 1950s but unemployment has been increasing. In contrast, unemployment in the US has fallen due to a decline in the number of unions. The positive relationship between unemployment and the strength of trade unions does appear to be absent in the OECD. This does not mean, however, that trade unions do not influence the unemployment rate³⁸.

Lane (1995) views a central problem to be that the density of unionisation is not sufficient for examining the impact of trade unions on the labour market. Two other factors are more crucial. These are the extent of coverage of union agreements and the process by which wages are determined. High wages are more predominant in the economy than the density figures would suggest. This is because many non-union members are covered by union wage agreements. The extent of real wage rigidity is thus more worrying than would have been initially assumed. The influence of trade unions on unemployment comes via the wage bargaining process. The labour market determination of wages is, in most circumstances, a bilateral monopoly and exhibits the familiar feature of uncompetitive price determination. This results, like all non-competitive markets, in reduced demand for labour and high, non-clearing prices (i.e. wages). The extent of the problem depends on whether wages are determined at the firm, sector or national level. In practice, collective wage bargaining at the centralised level is generally deemed to be preferable. At the decentralised level the level of unemployment is taken as given and trade unions tend to ignore the effect of their demands on job opportunities for others in the labour force. In contrast, with centralised bargaining, one trade union represents the whole workforce and takes account of all job opportunities. This results in more moderate wage claims. The problem in the OECD is that very few wage bargains are truly centralised. Partial-centralisation and multi-tier bargaining are more evident. This is a worst case scenario. Either a high degree of corporatism (as exists in Sweden and Austria) or a low degree (as exists in US and Japan) would be preferable. Across Europe, sectoral-level bargaining coexists with plant-level bargaining. There are also cases where centralised bargaining sets a suggested wage and these decisions feed through into discretionary sectoral- and firm-level arrangements. In these circumstances, it is

³⁸ Lane, C., (1995), An Analysis of the Causes of Unemployment, retrieved 15-07-2010 from <http://www.maths.tcd.ie/local/JUNK/econrev/ser/html/unemp.html>

difficult to identify at which level the main wage changes are being made and, hence, who is imposing the rigidity on the labour market. There is thus much circumstantial evidence to support the claim that non-centralised, across-the-board wage agreements have imposed rigidity on the labour market and, hence, may be causing the rise in unemployment (or at least preventing it from falling)³⁹.

Lane (1995) argues that another reason why wages remain fixed at a non-clearing level is the increased existence of efficiency wages. These wages exist because they provide a benefit, in the form of an overall reduction in total labour cost, for the firm. If productivity is related to real wages then employers can improve performance by paying a high real wage. This can reduce labour costs by reducing turnover costs and/or reducing employee shirking. Salop (1979) looks at efficiency wages as a means of reducing turnover costs. Wages will be set at a level that will reduce quits and hence lower training costs. Shapiro and Stiglitz (1984) provide an alternative explanation. They focus on the use of wages as a disincentive to shirking. An employer will set a high wage (which takes account of the probability of being caught shirking, the probability of getting another job, the wage attainable in an alternative job and the unemployment benefit level) so as to discourage workers from being completely unproductive⁴⁰.

Technological change and the expansion of international trade are areas in which Lane (1995) feels may also affect unemployment. These areas are not primary causes of unemployment, rather it is the failure of economies to adjust to these changes which have altered the face of employment and therefore impacted on unemployment in various sectors⁴¹.

2.5.4 Current Unemployment Rates

Today, there are now 452,500 on the live register, the biggest rise in the seasonally adjusted figure for a year, and the unemployment rate has risen from 13.4% in June

³⁹ Lane, C., (1995), An Analysis of the Causes of Unemployment, retrieved 15-07-2010 from <http://www.maths.tcd.ie/local/JUNK/econrev/ser/html/unemp.html>

⁴⁰ Lane, C., (1995), An Analysis of the Causes of Unemployment, retrieved 15-07-2010 from <http://www.maths.tcd.ie/local/JUNK/econrev/ser/html/unemp.html>

⁴¹ Lane, C., (1995), An Analysis of the Causes of Unemployment, retrieved 15-07-2010 from <http://www.maths.tcd.ie/local/JUNK/econrev/ser/html/unemp.html>

2010, to 13.7% in August 2010. Unemployment has increased by 34, 400 since the same period last year. More women than men are joining the live register with 4,600 women and 3,900 men now signing on.⁴²

2.5.5 Unemployment 1994-2010

During 1994-1999, it was a period of high economic growth in Ireland, rising rapidly from 5.3% to over 10% in 1999. At the start of the 1994-1999 periods, unemployment was high at a rate of almost 17%. It declined steadily during the period and reached just over 7.5% in 1999. It declined further to below 5% in the following two years.⁴³ Ireland during the period 1994-2010 is looked at in further detail later in the chapter.

⁴² Kelly, F. (2010). State hit with €170m bill as 8,500 join jobless ranks, *The Irish Independent*, Friday 6th August 2010. Pg 17

⁴³ The Economic and Social Research Institute (2002). An examination of the ex-post macroeconomic impacts of CSF 1994-99 on Objective 1 countries and regions, pg52 retrieved 13th August 2010, from http://ec.europa.eu/regional_policy/sources/docgener/evaluation/doc/obj1/macro_modelling.pdf

2.6 Minimum Wage

2.6.1 Reasons for Minimum Wage

Although the aims of minimum wage vary in different countries, the minimum wage is set out to address three main challenges. The first is to ensure that groups at the lower end of the earnings distribution earn a 'decent wage'; objectives linked to this include reducing poverty and wage inequality. Secondly, limiting the exploitation of vulnerable workers and finally, encouraging labour market integration of the unemployed or inactive by 'making work pay'⁴⁴.

2.6.2 History of Minimum Wage

According to Bazen (2004) a minimum wage is the classic textbook example of how an administered wage can lead to lower employment and higher unemployment. There has been a shift in the attitude of governments towards minimum wages, from the wish to protect workers who are inadequately covered by collective bargaining arrangements, to concern over the economic effects that minimum wages have. The oldest form of legal minimum wage protection, which still applies in Australia and Ireland, consists of statutory minimum wage rates being set for a limited number of sectors where collective bargaining is underdeveloped⁴⁵.

In the 1980's, the minimum wage was regarded as an option for providing protection for workers where collective bargaining was inadequately developed. This protection was to prevent employers from forcing low wages down to a lower rate and thus giving low-paid workers a share in economic growth and therefore, obtaining a minimum standard of living.

2.6.3 Advocates of Minimum Wage

Enthusiastic advocates of minimum wage tend to be trade unions. From their perspective, higher minimum wage levels assist one of their core functions of wage bargaining, as minimum wages tend to have a knock-on effect as different sectors seek to preserve already established pay differentials.

⁴⁴ Minimum wages in Europe,(2007), retrieved 08-07-2010, from <http://www.eurofound.europa.eu/pubdocs/2007/83/en/1/ef0783en.pdf> pg5

⁴⁵ Bazen,S. (2004), minimum wage in industrialised countries, International journal of manpower, Vol 15, No. 2, pg62

2.6.4 Critics of Minimum Wage

Although the minimum wage is applied in many developed countries, it still has its critics regarding minimum wage as a policy tool. Neoclassical economics believes minimum wages as essentially distorting and potentially counter-productive. It is believed that fixing a wage rate under which employers will not be allowed to pay; the minimum wage may in theory threaten the economic viability of jobs at the lower end of the earnings distribution. Therefore, it is seen that if the minimum wage is set at a somewhat high level, it challenges the employment prospects of the proportion of the population which it sets out to help: those in low-skilled, low-paying jobs⁴⁶.

The most verbal opponents to increases in the minimum wage come from bodies representing smaller businesses and bodies associated with sectors such as retailing and hotels and restaurants. In these industries, there are higher numbers of low paid workers. A focus of particular criticism is minimum wage increments set above average rates of wage inflation⁴⁷.

TASC Director Paula Clancy, feels that lowering the minimum wage would reduce income tax, income levy, PRSI and VAT receipts and also, would have a negative impact on the public finances

Retail union Mandate express that a minimum wage freeze would be “irresponsible”. They argue that in Ireland our VAT rate is higher, the cost of living is higher and income tax is lower⁴⁸.

Neumark et al (2000) suggests that workers initially earning near the minimum wage are adversely affected by minimum wage increases, while, not surprisingly, higher-wage workers are little affected. Although wages of low-wage workers increase, their hours and employment decline, and the combined effect of these changes is a decline in earned income.⁴⁹

⁴⁶ Minimum wages in Europe,(2007), retrieved 08-07-2010, from <http://www.eurofound.europa.eu/pubdocs/2007/83/en/1/ef0783en.pdf> pg6

⁴⁷ Minimum wages in Europe,(2007), retrieved 08-07-2010, from <http://www.eurofound.europa.eu/pubdocs/2007/83/en/1/ef0783en.pdf> pg7

⁴⁸ Walsh, A.(2010). Freeze our Minimum wage for years, say employers, The Irish Independent, Wednesday, 21st July 15

⁴⁹ Neumark, D. Schweitzer,M. Wascher, W (2000) The effects of minimum wages throughout the wage distribution, NBER working series,Vol2 pg abstract.

According to the OECD, above a certain level, a statutory minimum wage is likely to reduce employment. But, the sensitivity of employment to the level of the minimum wage depends, inter alia, on how skills and experience are distributed across the labour force and the level at which the minimum wage truncates the wage distribution.⁵⁰

2.6.5 National Minimum Wage Act 2000

In Ireland, the National Minimum Wage Act 2000 provides that the minimum wage rate for an experienced adult employee from 1st July 2007 is €8.65 an hour. An experienced adult employee for the purposes of the National Minimum Wage Act is an employee who has an employment of any kind in any 2 years over the age of 18. The national minimum wage does not stop an employer from offering a higher wage to its employees⁵¹. In some EU countries, including the UK, the minimum wage is more than 20% lower than in Ireland. After Luxembourg and France, the Irish minimum wage is the third highest in the EU⁵². The Minimum Wage has not been increased for over three years. It has also suffered a cut, due to the levies introduced in 2009. The actual take home rate is now €8.48 per hour.

2.6.6 Economic Effects of Minimum Wage

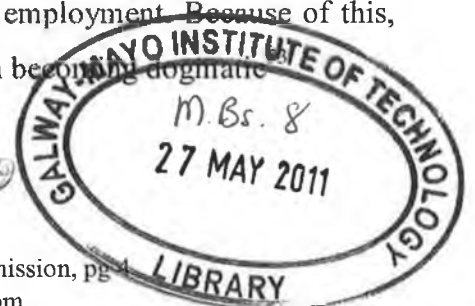
When approaching the economic effects of minimum wages, Bazen (2004) states it is crucial to bear in mind the various different approaches which are present between countries. Differences in the form, status and coverage of minimum wage protection and the rates set are extremely different across countries. It is essential to take into consideration that it is the level of the minimum wage and not its presence that establishes the existence and degree of its impact on employment. Because of this, there is a risk of criticism of minimum wage protection becoming dogmatic.

⁵⁰ OECD (1997) Submission to the national minimum wage commission, pg 4

⁵¹ Minimum rates of pay in Ireland,(nd), retrieved 08-07-2010, from http://www.citizensinformation.ie/categories/employment/employment-rights-and-conditions/pay-and-employment/pay_inc_min_wage

⁵² Walsh, A.(2010). Freeze our Minimum wage for years, say employers, The Irish Independent, Wednesday, 21st July pg 15

⁵³ Bazen,S. (2004), minimum wage in industrialised countries, International journal of manpower, Vol 15, No. 2, pg64



According to Walsh (nd) in the short run, modern economic theory includes the level of social welfare payments are factors influencing the length of time a worker will spend unemployed. It is possible for a workers net income to be higher while out of work when in employment. Dis-incentive effects of the welfare system should be kept in mind considering the short run factors influencing the labour supply and the level of employment⁵⁴.

2.6.7 Limitations of Minimum wage

Despite their potential for reducing income inequality, there are some things minimum wage cannot do. Minimum wages cannot protect workers against poverty as it is usually defined. The inadequacy of the minimum wage for avoiding poverty is especially the case for part-time workers or workers with family or dependents. For those, the minimum wage on its own is insufficient to constitute a living wage. The European foundation for the improvement of living and working conditions feels that minimum wage alone are only a partial remedy for concerns such as poverty and need to be combined with other measures to make a significant contribution to stated policy objectives⁵⁵.

⁵⁴ Walsh(nd) The labour force and the problem of unemployment, retrieved 01-07-2010, from http://www.forfas.ie/media/ncc040701_assessing_irelands_competitiveness.pdf pg 14

⁵⁵ European foundation for the improvement of living and working conditions(2007) Minimum wages in Europe, retrieved 25-08-2010, from, http://www.lex.unict.it/eurolabor/documentazione/altridoc/fe/Minimum_wages_oct_07.pdf pg8

2.7 Price Competitiveness in a Broad context

2.7.1 Price Competitiveness Defined

Lane (2004) defines price and wage competitiveness to be a state in which medium-term full employment is achieved and the return on capital matches the global risk-adjusted cost of capital. Therefore, an economy is over-competitive if prices and wages are at a low level that the economy is in overheating territory and employment growth is only attainable by means of significant levels of net immigration. However, an economy is under-competitive, if the price levels and wages are adequately high to create an increase in the current or future unemployment rate and/or capital dis-investment⁵⁶.

2.7.2 History of Competitiveness in Ireland

Over the past number of years, Ireland suffered significant losses in competitiveness, as reflected in a strong rise in unit labour costs since 2002. The Irish price level was among the highest in the euro area in recent years and a downward adjustment of prices is currently underway⁵⁷.

The Irish economy deteriorated following a period of sustainable growth fuelled by borrowing. A high cost base is the damaging legacy of this era. Improving Irelands relative cost competitiveness requires the cost of business to fall relative to that of our trading partners in the EU. The cost base in Ireland still remains high. The large fluctuations in the value of the euro against sterling acutely affect Irish exporters who are focused on the UK market. The relationship between the euro and the sterling is unlikely to change significantly in the medium term, therefore for Ireland to gain a competitive edge; consideration needs to be given to developing a more strategic response to the problem⁵⁸.

2.7.3 Irelands Current Competitiveness

Today, Ireland's current price competitiveness has improved. The loss in price competitiveness between January 2005 and October 2009 is 6.8%. However, the

⁵⁶ Lane, P. (2004). Assessing Ireland's Price and Wage Competitiveness, retrieved 14-07-2010, from http://www.forfas.ie/media/ncc040701_assessing_irelands_competitiveness.pdf pg 2

⁵⁷ European economic forecast, spring 2010, retrieved 14-07-2010 from, http://ec.europa.eu/economy_finance/cu/forecasts/2010_spring/ie_en.pdf pg2

⁵⁸ Ireland's competitive challenge 2009, retrieved 14-07-2010 from <http://www.competitiveness.ie/media/ncc100114-competitiveness-challenge.pdf> pg22

downward trend evident during the earlier part of 2009 was reversed in late 2009 due to the strengthening of the euro against sterling and the dollar⁵⁹. In spite of this a recent World Competitiveness Yearbook report showed that Ireland's global ranking in terms of economic competitiveness has declined. Ireland is now ranked 21st out of 58 countries, down from last year's placing of 19th⁶⁰. The cost base in Ireland remains high and many Irish exporters are acutely affected by the strength of the euro. The rate at which incomes and price levels generally adjust to the changed economic environment will have a considerable bearing on how fast Ireland can regain competitiveness⁶¹.

2.7.4 Wage Flexibility

Wage flexibility has a crucial role to play in boosting the demand for Irish workers and to prevent unemployment from persisting at high levels. As a eurozone economy, Ireland does not have the luxury of restoring competitiveness through a devaluation of its currency. Moreover, the need for fiscal tightening means that only limited resources are available to help jobseekers back into work. While cutting pay is painful for workers and households, this may well be necessary to spur an export-led recovery that is sufficiently strong to reabsorb the slack in the labour market and to prevent the current hike in unemployment from becoming structural⁶².

IBEC director Brendan McGinty expressed that businesses in the UK have more of a competitive advantage than Ireland due to their lower minimum wage rate. He feels that for Ireland to become competitive again in the EU market, all of the wage rates, including the minimum wage must revert towards the average rates in these countries⁶³.

⁵⁹Ireland's competitive challenge 2009, retrieved 14-07-2010 from

<http://www.competitiveness.ie/media/ncc100114-competitiveness-challenge.pdf> pg22

⁶⁰ Irelands competitiveness slips, The Irish times, Thursday, May 20th, 2010, retrieved from

<http://www.irishtimes.com/newspaper/breaking/2010/0520/breaking17.html>

⁶¹ National Competitiveness Council (2009), Annual competitiveness Report 2009: Volume 2.(2009). Retrieved: 15-07-2010, from <http://www.competitiveness.ie/media/ncc100114-competitiveness-challenge.pdf> pg 9.

⁶² OECD (2010), Employment outlook, Paris: OECD, retrieved 18-07-2010 from

<http://www.oecd.org/dataoecd/14/37/45603074.pdf> pg 2

⁶³ ⁶³ Walsh, A.(2010). Freeze our Minimum wage for years, say employers, The Irish Independent, Wednesday, 21st July pg 15

2.8 Ireland: 1994-2010

In the early 1990's, Ireland experienced extraordinary growth and seen the level of Irish real GDP almost double in size over more than a decade. Reasons for this unprecedented growth include Ireland's EU membership which led to access to the Single Market, the country's low corporation tax rate and a large Multinational presence, a high proportion of the population of working age, increased participation in the labor market especially by females, a reversal of the trend of emigration toward immigration, investment in education and training and co-ordinated social partnership agreements.

Due to a contraction in the construction industry in the latter part of 2007, the pace of economic growth slowed down. In 2008, it is estimated that output fell for the first time since 1983, and the recession deepened in 2009. With increased house prices in the late 90's and investment in housing as a percentage of GNP rose from around 6 percent in 1996 to almost 15 percent in 2006. As there was such a mass of house building in total economic activity, the deceleration of the construction industry had a significant pull on overall economic growth. As well as this, the difficulties in the international financial markets which emerged in 2007 and which were worse in 2008 compounded Ireland's economic and financial challenges. As the credit crunch was global and affected the economies of Ireland's major trading partners, this resulted in the collapse of Irish export growth⁶⁴.

All of the positive growth throughout the late 1990's and into the first half of this decade had strong positive implications for employment growth. The total number of people employed rose from 1.3 million in 1990 to 2.1 million in 2007, an increase of 75%. The rate of unemployment dropped to historically low levels in averaging about 4.5 percent in 2007. In 2008 the number of people on the Live Register increased by 70%. In 2009 unemployment reached almost 12 percent.⁶⁵

⁶⁴ ESRI (nd), Retrieved: 31-07-2010, from http://www.esri.ie/irish_economy/

⁶⁵ ESRI (nd), Retrieved: 31-07-2010, from http://www.esri.ie/irish_economy/

2.9 Conclusion

In conclusion, this chapter has reviewed some of the most important aspects of minimum wage and unemployment. This chapter began with a look at the social partnership model in Ireland, the roles and functions of trade unions and collective bargaining and how these have evolved over the years. The chapter then looked at unemployment and its measurement in Ireland and also, the theoretical framework of unemployment was examined. It also focused on why minimum wage is implemented and the economic effect and limitations of minimum wage were also examined. Ireland's competitiveness was also looked at and the factors to why our competitiveness was decreasing were spoken of. The chapter concluded with a brief overview of Ireland during the period 1994-2010, this was to help understand how Ireland has reached its current situation. The secondary sources used for reviewing the literature on this subject matter were used to a point where they were exhausted.

Chapter 3: Research Methodology

3.1 Introduction

This chapter outlines the research design for this study and the manner in which the research was conducted. It will cover the research sample, research method, research instrument and data analysis techniques. The aims of the research methodology which the researcher will use, which will directly flow to achieving the primary and secondary objectives of the research, are to record and examine the arguments for and against minimum wage and its relationship with unemployment rates.

The philosophical assumptions of ontology and epistemology are examined and the most suitable philosophical approach for the present research is discussed.

Finally, this chapter looks at the research instrument and discusses why face to face structured interviews were chosen as the appropriate method for data collection, thus enabling the research question to be answered and the research objectives to be met. The advantages and disadvantages of this method are also looked at.

Research can be termed as “an inquiry into the nature of the reasons for, and the consequences of any particular set of circumstances whether these circumstances are experimentally controlled or recorded just as they occur.”⁶⁶

Kothari (2008) defines research as a specific and systematic search for pertinent information on a specific topic.

The purpose of research is to discover answers to questions through the application of scientific procedures. The main aim of research is to find the truth which is hidden and which has not been discovered as yet.

There are many objectives of research such as:

- To gain expertise with a phenomenon, or to achieve new insights into the phenomenon.
- To determine the frequency with which something occurs or with which it is associated with something else.

⁶⁶ Kumar. R.(nd) Research Methodology.APH Publishing. Pg5

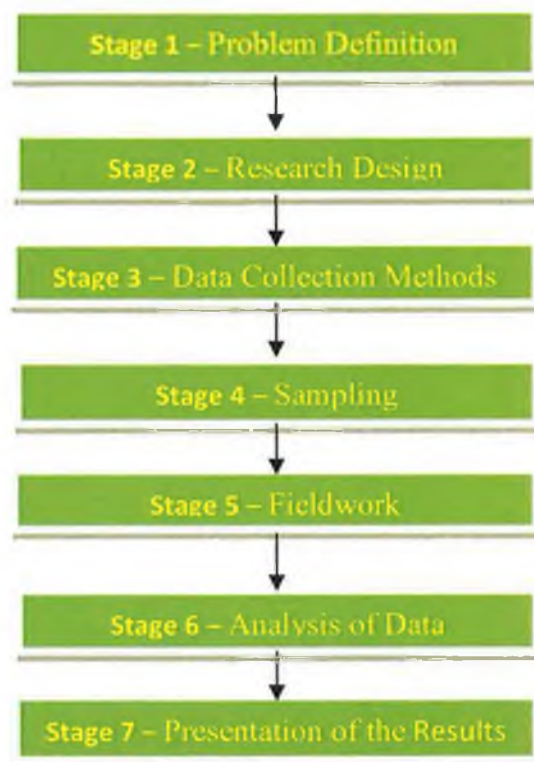
- To test a hypothesis of a causal relationship between variables (such studies are known as hypothesis-testing research studies).⁶⁷

3.2 The Marketing Research Process

Research was undertaken in line with the proposed framework that was put forward by Domegan and Fleming (2007). The process identifies the tasks in need of completion in order to obtain valid and reliable information. According to Domegan and Fleming (2007) the seven stages summarize the major concerns of the researcher in conducting a research project. Each stage of the research process is interlinked and it provides a structure for planning a research project.⁶⁸

Figure 3.1: The Marketing Research Process

The Marketing Research Process



(Domegan and Fleming 2007)⁶⁹

⁶⁷ Dr CR Kothari (2008). Research Methodology: Methods and Techniques, New Age International, Ed 2 pg 2

⁶⁸ Domegan, C. Fleming, D.(2007) Marketing Research in Ireland: Theory and Practice, pg21

⁶⁹ Domegan, C. Fleming, D. (2007) Marketing Research in Oreland: Theory and Practice, pg 21

3.2.1 Stage 1: Problem definition

A well defined problem permits the researcher to focus on securing the exact information needed for the solution. The problem in which the researcher wishes to examine is the relationship between minimum wage rates and unemployment rates in Ireland during the period 1994 to 2010.

3.3 Stage 2: Research Design

Research design is concerned with making the problem researchable by setting up the study in a way that will produce specific answers to specific questions. Good research design should above all make it possible for us to draw valid inferences from data in terms of generalisation, association and causality⁷⁰.

Carrying out research is extremely intricate and it can differ depending on the subject matter of the research. Basic forms of research such as interviews and focus groups are used for certain research problems.

Research design is often categorised under three main headings; Exploratory, Descriptive and Causal.

3.3.1 Exploratory Research

Exploratory research aims to allow the researcher to become familiar with a topic or the issues around a problem. It is particularly useful in helping to identify a problem and define its scope- in other words, to reach a greater understanding. It is useful in developing propositions and hypotheses for further research. The main disadvantage of exploratory research is that it may not deliver a definitive or conclusive answer to the research problem.⁷¹

3.3.2 Descriptive Research

The difference between exploratory research and descriptive research is that, while exploratory research can provide description, in descriptive research the researcher

⁷⁰ Oppenheim, A (1998) Questionnaire design, Interviewing and attitude measurement, Ed2, Continuum International publishing group, London pg 6

⁷¹ McGivern, Y. (2005). The practice of market and social research: an introduction, Pearson education, ed2. Pg 88

usually has a clearer idea of what is needed and are looking for answers to a more clearly defined question.⁷²

3.3.3 Causal Research

Research that provides explanations that help identify causes or even help to predict behavior is known as causal research. Causal research allows the researcher to rule out rival explanations and come to a conclusion-in other words; it helps to develop causal explanations⁷³.

3.3.4 Quantitative research

A quantitative approach is one in which the researcher primarily uses post positivist claims for developing knowledge. Quantitative methods employ strategies of enquiry such as experiments and surveys and collects data on predetermined instruments that yield statistical data⁷⁴.

3.3.5 Qualitative Research

A qualitative approach is one in which the researcher often makes knowledge claims based primarily on constructivist perspectives (i.e., the multiple meanings of individual experiences) or advocacy perspectives (i.e., political or change orientated) or both. This approach uses strategies of enquiry such as narratives, grounded theory studies, or case studies. The researcher collects open-ended, emerging data with the primary intent of developing themes from the data⁷⁵.

⁷² McGivern, Y. (2005). The practice of market and social research: an introduction, Pearson education, ed2. Pg 90

⁷³ McGivern, Y. (2005). The practice of market and social research: an introduction, Pearson education, ed2. Pg 91

⁷⁴ Gratton, C. Jones.I. (2004) research methods for sports studies. Routledge pg21

⁷⁵ Gratton, C. Jones.I. (2004) research methods for sports studies. Routledge pg22

Table 3.1 .Characteristics of Quantitative and Qualitative Research

Quantitative Research	Qualitative Research
Uses numerical analysis to measure social phenomena to provide 'facts'.	Relies on non-numerical analysis to provide understanding
Assumes a single, objective social reality	Assumes social reality is continuously constructed and related to the immediate social context
Uses statistical analysis to determine causal relationships	Objectives are description, understanding and meaning
The setting is often contrived	Flexible approach to data collection
Studies samples with the intention of generalising to populations	The researcher is the data collection instrument
Generally deductive	Generally inductive

(Gratton and Jones (2004))⁷⁶

For this research project the main goal is to examine the relationship between minimum wage and unemployment. The researcher's research method is descriptive research. This was chosen to gain an insight into the area of minimum wage and unemployment. This consists of in-depth qualitative analysis of the previous literatures on the topic.

3.4 Dimensions of Qualitative Research

The major dimensions of research are ontology, epistemology, methodology and methods. Each dimension impacts how a research question is formulated, how a project is conceptualized and how a study is carried out. Furthermore, ontological and epistemological positions invariable inform methodological and methods of choice.

⁷⁶ Gratton, C. Jones.I. (2004) research methods for sports studies. Routledge pg24

3.4.1 Ontology

An ontology is a philosophical belief system about the nature of social reality-what can be known and how. A researcher's ontological assumptions impact topic selection, the formulation of research questions and strategies for conducting the research⁷⁷.

3.4.2 Epistemology

Epistemology is the theory of knowledge acquisition, and beliefs fall somewhere between two extremities; knowledge can be acquired by measuring hard facts (positivism), or knowledge needs to be experienced and interpreted (nominalism).

As this research is concerned with the acquisition of knowledge, and then its interpretation, the 'strategy of enquiry' relating to this research, is that of epistemological nominalism⁷⁸.

3.5: Stage 3: Data collection methods

Methods of research can be divided into two main categories: Primary research and secondary research.

3.5.1 Secondary Research

The best way to make clear the difference between primary and secondary research is to see primary research as being an enquiry that the researcher has carried out. Whereas secondary research is the use of material researched and/or written by others⁷⁹. A secondary source is a reworking of usually many primary sources, either in analysis or summary. The most common form of secondary source is a textbook⁸⁰. Secondary information offers quick and inexpensive answers to many questions and is almost always the point of departure for primary research. Secondary data is available from a variety of sources and in a variety of forms such as experts and authorities, recorded data and records, commercial information services, books and the review articles⁸¹.

⁷⁷ Heffernan, K. (2009) Developing a Master's Thesis pg 8

⁷⁸ Heffernan, K. (2009) Developing a Master's Thesis pg 8

⁷⁹ Green S. (2000). Research Methods in Health, Social and Early years care, Nelson Thornes pg2

⁸⁰ Thomas, G. (2009) How to do your Research Project, London: SAGE publications pg 31

⁸¹ Steward, D. Kamins, M. (1993). Secondary Research : information sources and methods, SAGE. Ed 2. Pg3-13

The researcher began the research with an extensive literature review of secondary data, such as books, journals and newspaper articles. This served to provide the researcher with a broad base of the knowledge and information available on this topic. Also, to illustrate the range of conflicting arguments and opinions which exist on the topic, and hence highlight the importance of the research.

3.5.2 Primary Research

A primary source is “straight from the horse’s mouth” in other words, no other person has subsequently analysed or summarised⁸². Research approaches for gathering primary data include observation, surveys and experiments. The role of primary research is to generate data to address the information needs to a specific problem or issue. There are no pre-existing data available. Primary data can be collected face to face, by telephone, by post, via internet or observation in almost any market or issue⁸³.

The researcher collected primary data in order to help draw conclusions on the topic and hence achieve the research objectives. This was achieved by organising and conducting face to face interviews with a number of employers and relevant bodies in order to work towards gauging some consensual opinion.

3.6 Face to face Semi-Structured Interviews

The researcher’s method of data collection was face to face semi-structured interviews. This technique is widely used by business graduates in conducting research. The researcher has chosen to employ semi-structured interviews in favour of highly structured interviews to collect data. The literature review of the previous section enabled the researcher to form a predetermined set of appropriate questions. Unstructured interviews, although they give the interviewee the flexibility to speak freely, require a skilled researcher to handle this flexibility. Highly structured interviews were not considered.

This method of data collection was chosen by the researcher as it allowed them to gain a more in-depth look at how the respondent felt about the questions asked. This

⁸² Thomas, G. (2009) How to do your Research Project, London: SAGE publications pg 31

⁸³ McGivern, Y.(2009). The practice of market research: an introduction, Pearson Education, Ed 3. Pg 61

can be seen in their body language and their attitude. With face to face interviews, it is easier to observe the participant. Face to face interviews are far more personal forms of research than questionnaires and with this method, the interviewer works directly with the respondent. The researcher had the opportunity to probe or ask follow-up questions with this method, unlike using mail surveys. Overall face to face interviews are generally easier for the respondent, especially if what are sought are opinions or impressions⁸⁴.

3.6.1 Advantages of face to face Interviews

Face to face data collection has a number of advantages:

- The interviewer has the chance to build rapport with the respondent, which can help achieve and maintain co-operation and increase the quality of data.
- This method allows for a relatively high degree of flexibility in the interviewing process.
- If a respondent doesn't understand a question in a personal interview, you can probe for more complete data⁸⁵.

3.6.2 Disadvantages of face to face Interviews

- Its time consuming and scheduling can be difficult.
- Results of open-ended or unstructured interviews may be difficult to summarise and interpret.
- This method may be more expensive than other methods of data collection due to the cost of organising the interviews⁸⁶.

⁸⁴ Valenzuela, D. Shrivastava, P (nd) interview as a method for qualitative research, retrieved 5th July, 2010, from: <http://www.public.asu.edu/~kroel/www500/Interview%20Fri.pdf>

⁸⁵ McGivern, Y.(2009). The practice of market research: an introduction, Pearson Education, Ed 3. Pg227

⁸⁶ Witkin, B. Altschud, J.(1995). Planning and conducting needs assessment: a practical guide. SAGE. Pg 149.

3.6.3 Face to Face Interview Design

Before the interview was designed, the researcher ensured they had a clear idea of the objective for the interview. Without a clear objective, there is a danger the focus of the interview is unclear and this can lead to the data gathered during the interview to lack specific content.

In this instance, the researcher's objective of the interview was to obtain relevant and valid opinions, from participants with a good knowledge of the area which was being examined. All of this led onto the objective being answered.

3.6.4 Content of the Interviews

The content of the interviews, which the researcher prepared in advance consisted of a set of questions which the researcher had compiled based on their extensive literature review in the previous chapter.

While compiling the interview questions, the researcher made allowances for probes and prompts during the interview. As the interview is semi-structured, the researcher had a proposed sequence for the questions, which may have been subject of change during the course of the interview.

3.6.5 Interview Questions

The three main types of questions used in research are: closed, open and scale items.

- Closed questions force the interviewee to choose from two or more fixed alternatives.
- Open questions provide no restrictions on the content or manner of the reply other than on the subject area.
- Scale items ask for a response in the form of degree of agreement or disagreement (e.g. strongly agree/agree/neutral/disagree/strongly disagree). Scale items are of the closed or fixed alternative, but sometimes regarded as a separate type.

The researcher chose to use open-ended questions while conducting interviews. This type of question was chosen as it is flexible and allowed the researcher to go into more depth about their chosen topic. As this type of question encouraged rapport

with the interviewee, it allowed the researcher to make a truer assessment of what the interviewee really believed. Also, the researcher is hoping that the interviews may produce unexpected or anticipated answers, this technique of questioning is ideal for this.

3.7 Stage 4: Sampling

Sampling is the fourth stage of the research process and it is concerned around deciding who to talk to. A sample 'denotes a smaller group of items, members or objects, taken from a particular population that we measure or observe'. The aim of sampling is to draw conclusions on questions.⁸⁷

3.7.1 Define the Target Population

The population to be studied for this research was quite broad. There is a large quantity of relevant bodies in Ireland that have an opinion on the topic of research. The participants interviewed for this research consisted of the most vocal on the subject of minimum wage and unemployment and those that are concerned with how the future is looking with our minimum wage at its current rate. The aim of interviewing such participants was to find out their views on the topic.

3.7.2 Choosing the Sampling Method

Sampling methods can be divided into two categories: Probability sampling methods and Non-Probability sampling methods.

3.7.3 Non-Probability Sampling

Non-Probability sampling gives rise to those methods where the subjects, persons or objectives are selected deliberately. No probability is attached or can be computed to an item being selected.

In this case, the sample is one of non-probability sampling. This provided the researcher to select a sample purposively. This technique is suitable to sample with a small number which is relevant to this research. Although probability sampling may be more resourceful, non-probability sampling was more suited due to time constraints, cost was also a factor.

⁸⁷ Domegan, C. Fleming, D (2007). Marketing Research in Ireland: Theory and Practice. Pg 30

3.7.4 Determine the Sample Size

As regards sample size, the researcher conducted six interviews. The sample size was restricted by time and accessibility restrictions and was therefore limited to six interviews for this research. The accessibility restrictions were encountered due to the fact that many potential participants did not respond to an interview request. However, the researcher felt that the sample size, combined with the study of a large volume of secondary data, was enough to be considered representative of the views of the employers and relevant bodies in the academic debate, as long as it was weighted correctly between those in favour, and those opposed to it.

The purpose of the sample was to get an extensive and relevant opinion on the relationship between the minimum wage and unemployment rates in Ireland. The sample was also based on the participants that the researcher had access to.

The questions included in the interview touched issues that may only be known to well educated manager's and leaders of relevant organisations in Ireland.

The sample included:

A Manager in a large multi-national company in Galway.

A Regional Director of a business and employer organisation.

The General Secretary of an organisation representing over 20,000 Irish workers.

An Executive of an organisation for the small and medium business sector in Ireland.

The general secretary of an organisation representing and campaigning on behalf of 832,000 working people in Ireland.

A Representative of a chartered accounting organisation.

3.8 Stage 5: Field Work

The field work stage refers to the form of contact that is made with respondents while the data is being collected.

3.8.1 Face to face structured interviews

Before attempting any fieldwork, the researcher identified the organisation to which they hoped to conduct interviews. Following this, a letter was sent to each potential participant, this letter outlined what research was being carried out. Having sent a cover letter, a follow-up letter was sent, this was to ensure that the letter was received by the correct participant. The researcher ensured they were familiar with the topic for research before conducting any interviews. As it was anticipated that it would be difficult to take notes all the time during the interviews, each interview was recorded with the permission of the participants. A pilot interview was conducted before any interview was undertaken. This was carried out to ensure that the questions were adequate and that the researcher was prepared for the interview. The interviews were conducted at different times and mostly carried out in the workplace. The aims of the study and the possibility of the interviews being kept confidential were always stated at the beginning of the interview.

Having ensured that the interview questions were correctly structured the researcher proceeded with each interview in a professional manner. As the interview was semi-structured, it gave the opportunity to gain a rapport with the participants and the researcher was able to allow for expanded answers. Most interviews lasted between twenty to forty five minutes, the researcher always kept note of their timing as they were aware that the participants were voluntary giving their valuable time.

Once the interview was finished, the researcher again guaranteed confidentiality and thanked the participant for their time. They also offered each participant the option of receiving the results of the research when completed. The researcher then took the recorded information and began the process of processing the data.

3.9 Stage 6: Data Analysis

Before the data was analysed, it was organised, this ensured that the process was carried out, without confusion. The data analysis stage consisted of extensive reading, sorting of material, comparison and description. As the interviews were mostly focused on getting the participants to express their views, it was important that the researcher interpreted the views against the research question. The data of this research was analysed inductively to allow patterns to emerge. The researcher used a comparative method to compare one interview with another. Each interview

was looked at and examined so that the researcher knew specifically the views of each participant. The researcher double-checked the data to ensure validity and reliability.

3.10 Stage7: Presentation of Results

Domegan and Fleming (2007) note that presentation and results is the final stage of the research process. This final Step involves analysing the research that was carried out and writing up the findings,⁸⁸

The researcher spent a considerable proportion of time on the presentation of the results because of the importance it holds. The results of the interviews were then presented in an easy, well structured format. This was to ensure that the researcher could relate back to the data swiftly without confusion. The results that have been concluded from this research are presented in the following chapter of this research thesis.

3.11 Ethical Considerations and Research

A consideration of ethics needs to be a critical part of the substructure of the research process from the inception of the problem to the interpretation and publishing of the research findings. Integrating ethics into the entire research process is essential to ensuring that the research process is guided by ethical principles beyond informed consent⁸⁹.

The researcher conducted this research with integrity and ensured that information exchanged during interviews was treated with respect and standards of confidentiality were maintained. The researcher explained to all participants' information about the research and did not withhold information on the true nature of the research. Also, the researcher, in accordance with ethical guidelines, did not misrepresent the information which was gathered.

3.12 Conclusion

This chapter focused on the research design and methodology used to accomplish the study objectives. Firstly, the structure of the research methods employed in this study

⁸⁸ Domegan, C. Fleming, D. (2007). *Marketing Research in Ireland: Theory and Practice*. Pg32

⁸⁹ Nagy Hesse-Biber, S. Leavy, P. (2010). *The practice of Qualitative Research*. SAGE. Ed2. Pg80.

was discussed, and the considerations that were taken into account in adopting the research methodology were presented. Secondly, descriptions of the population of the study, data collection instrument and the main fieldwork procedures were given. Finally, the chapter ended by presenting the findings. An analysis and interpretation of the data collected through this process will be presented in the next chapter.

Chapter Four: Findings and Analysis

4.1 Introduction

The purpose of this chapter is to present the findings that were obtained from the primary research that was carried out for this research as outlined in the research methodology chapter. This chapter discusses the data analysis and findings according to the participants' opinions. The primary research that was conducted by the researcher consisted of six-semi-structured interviews. The researcher analysed the data manually in order to organise, provide structure to and elicit meaning from the data. The findings of the study are presented to answer the research question.

Although no theoretical framework has been used for this analysis due to the inductive nature of the study, all the questions were based on a comprehensive review of the literature that was relevant. The structure of the interview was planned in advance to review the aim of the research through different questions. This enabled easier categorisation of data within the qualitative process analysis.

4.1.1 Research Limitations

In conducting this research, the researcher encountered a number of limitations. For every limitation that arose during the research project the researcher tried to minimise their affect on the research project.

Time and Cost Restraints

Time was a major factor that hindered the research and also financial restraints. Due to time constraints on the research the number of respondents that were interviewed was limited to 6. The researcher would have liked to conduct 10 but time constraints prevailed. Financially, this was not possible.

Non-Responses

It was expected that there may be a number of non-responses by potential participants when they were contacted. Because of this, the researcher contacted approximately ten potential interview candidates to ensure the target sample of six was met. Of the ten participants contacted, six agreed to be interviewed. Some of the

non-responses when contacted cited time as an issue and also they felt their views would not be relevant.

Confidentially issues

The researcher was aware that participants were cautious to accept the researcher's interview proposal. The researcher had to reassure the participants' information exchanged during the interview would be treated with respect and standards of confidentiality would be maintained.

Although the questions which the researcher needed answers to were not too invasive, it was more the fact that the participants did not want details and personal information printed so that their views could be linked back to them.

4.1.2 Profile of the Sample

The sample included:

- Participant A: A Regional Director of a business and employer organisation.
- Participant B: A Representative of a chartered accounting organisation.
- Participant C: The general secretary of an organisation representing and campaigning on behalf of 832,000 working people in Ireland.
- Participant D: A Manager in a large multi-national manufacturing company in Galway.
- Participant E: The General Secretary of an organisation representing over 20,000 Irish workers.
- Participant F: An Executive of an organisation for the small and medium business sector in Ireland.

The interview can be viewed in the appendix of this research thesis. The interview consisted of six questions. Copies of completed interviews can be made available to examiners.

4.2 Findings

4.2.1 Contributing factors of unemployment in Ireland

Participants were asked the first interview question in relation to the factors to which they felt were contributing to unemployment. This was asked to gain an insight into their personal views on the situation and to partially answer the objective mentioned in chapter one.

From an analysis of the views of the six participants interviewed, a similar theme was very evident from the participants. Overall, all the participants felt that the worldwide economic downturn in the economy was the major factor hindering employment in Ireland. Participant A, when probed on his answer felt that the collapse in demand caused by the economic downturn was a factor stating:

“The multi-national sector is holding up reasonably well, but collapse of demand is the main contributor. That is reflected in unemployment levels particularly in sectors mostly affected for example, the construction sector, retail, bars and restaurants.”

When participants B and C were probed on their answer, they also felt that reasons such as lack of consumer confidence, multiplier effects from large companies closing and the bursting of the property bubble were also contributing factors.

Participant C had very strong feelings regarding the government’s response to the crisis. He felt that the government were focusing on spending and pay cuts and therefore sucking more money out of the economy and shrinking domestic demand. Participant C believed that the policies engaged by the government were costing jobs:

“It is undeniable that the policies being pursued by this Government are costing us jobs. And while the banking black hole sucks in billions, proportionately they have not invested a penny in job protection or creation.”

Participant F felt that the cost base in Ireland, mainly caused by wage costs and rents left businesses with too high debt levels and this was a factor.

4.2.2 Is the minimum wage rate affecting our competitiveness as a country?

All but one of the participants felt that the minimum wage rate was affecting our competitiveness as a country. Participant D, a manager of a large multi-national manufacturing company stated that Ireland is the most expensive company to manufacture a product and she felt that the minimum wage is driving up costs and therefore Ireland's ability to be competitive:

"Ireland is just not attractive anymore when compared to countries such as Spain and Portugal."

Participant F had similar views saying that it was difficult to compete with other European countries due to Ireland's cost base. Participant B had similar feelings mentioning that Ireland's competitiveness, or its lack of competitiveness in international markets was:

"Due to the high cost base and as a follow on, reduced demand for Irish goods and services and therefore increased unemployment."

This holds true to the view of the National Competitiveness Council as reviewed in the literature review. They state the cost base in Ireland remains high and many Irish exporters are acutely affected by the strength of the euro. The rate at which incomes and price levels adjust to the changed economic environment will have a considerable bearing on how fast Ireland can regain competitiveness. It also reiterates the point of IBEC director Brendan McGinty, who expressed that businesses in the UK have more of a competitive advantage than Ireland due to their lower minimum wage rate

Participant C was the only one from the sample that felt the minimum wage rate was not affecting Ireland's competitiveness. He felt that stating competitiveness was affected by wage rates was used as a smokescreen for a campaign to drive down wages generally. He stated that:

"There is only about 4 percent of the workforce on the minimum wage, so to claim that this could affect our 'national competitiveness' is economically implausible."

He mentioned that wage is a feature in sectors of the economy that do not compete or trade goods internationally such as retail and catering. These areas are not making goods for export.

4.2.3 Conditions in which minimum wage may cause unemployment

This question had surprising results. Most of the participants felt that minimum wage had a link to unemployment. Participant F stated that prices of rent and rates being so high in Ireland was a factor and therefore made it hard to pay the standard minimum wage rate. He felt that it mostly affected sectors such as retail, the hospitality industry and more so female workers.

Participants B, D, and E all mentioned that the social welfare payments in Ireland were viewed as too generous and this puts upward pressure on the minimum wage and wage levels generally. Participant E summed up the situation by saying:

“For some people with a family, it might not be financially rewarding to work and come off welfare.”

These views back up the findings of the European foundation for the improvements of living and working conditions report on minimum wages in Europe. They found that if the minimum wage is set at a somewhat high level, it challenges the employment prospects of the proportion of the population which it sets out to help: those in low-skilled, low-paying jobs. It also reiterated the view of Walsh (nd) who stated that it is possible for a workers net income while on Social Welfare to be higher while out of work than when in employment.

Participant C felt that there was no condition to which wages may cause unemployment and when the researcher proceeded to ask why, the participant responded that he could not think of any reasons at that moment in time.

4.2.4 Is the Minimum wage rate hindering small businesses from creating employment?

Four out of the six participants felt that it was affecting small businesses. Participant B stated that employer/employee PRSI is a large cost and this stops new businesses as they are trying to cut costs. Participant D felt that it was difficult for small businesses to compete against companies to which minimum wage is irrelevant, when probed by the interviewer about this, she felt that large organisations such as Tesco or Dunnes, had lower costs bases than a small corner shop. These views are similar to retail union Mandate who argued in the literature review that in Ireland our VAT rate is higher, the cost of living is higher and income tax is lower

Participants C and E felt that that the minimum wage rate was not hindering small businesses. Participant E mentioned that when businesses start, staff numbers are low so the rate would not have too much of an affect. Participant C felt that if there was a reduction in the wage rate, it could lead to more job losses:

“If wages are lower, a person on the minimum wage will spend less and therefore this will affect small businesses.”

4.2.5 If yes, would a reduction in minimum wage rates create more incentive for business growth?

This question was only asked to participants A, B, D and F. Participant A, felt a reduction would be appreciated but other factors would need to be lowered, when probed on what other factors, he stated rent and rates needed to be looked at. Participant D had the same view as participant A saying other costs would have to come down. Participant F, felt a correction in all wage rates is needed which will have an effect on all business costs because the single biggest business cost is typically labour. As highlighted in the literature review, TASC Director Paula Clancy

had similar views and felt that lowering the minimum wage would reduce income tax, income levy, PRSI and VAT receipts and also, would have a negative impact on the public finances.

4.2.6 If the minimum wage was dropped, would there be a possibility of an erosion of workers' rights in the future?

For this question, the participants' views were equally halved, with three participants agreeing with the statement, and three disagreeing. Participant A, B and F felt that it would not affect workers rights as it is a separate issue and there is an abundance of legislation available to protect workers and Unions are there to protect rights and they are not going to accept a drop in minimum wage. As examined in the literature review, union membership is at an all time high. Currently in Ireland, there are 55 trade unions with membership of congress, representing about 600.000 members; this would be an indicator that it may not affect workers rights.

Participant E felt that if the minimum wage was dropped, this could lead to workers bidding each other to zero and employers could use poverty wages to undercut. Participant D felt that workers may feel they have no other choice but to work at a lower rate if they had nothing else available. Participant C agreed with the statement and also suggested that it could lead to safety standards being hit also.

4.2.7 Should the minimum wage be reduced and employees are remunerated for their skills in their jobs?

Overall the majority of the participants felt that this should not be the case. Participant E felt it may have an adverse affect. Participant A felt in an open market such as Ireland people are paid for their skills:

“If they are in short supply, they will get more money, if there’s greater supply, they’ll get less.”

Those in favour of remuneration for skills felt it should be laid out at all levels. Participant B felt that it may reduce unemployment but it won’t resolve the problem. Participant F finished his answer with the statement:

“The wage rate is but one factor which on its own will not decrease unemployment.”

4.3 Analysis

The results from these questions helped the researcher achieve the primary objective which was to investigate if the minimum wage rate in Ireland was affecting unemployment rates. Overall, the majority of the participants felt that our minimum wage rate of €8.65 is affecting our competitiveness as a country. Having reviewed relevant literature on competitiveness, an OECD report showed that Ireland, as a eurozone economy, does not have the luxury of restoring competitiveness through a devaluation of its currency. They had similar views as the interview participants in that while cutting pay is painful for workers and households, this may well be necessary to spur an export-led recovery that is sufficiently strong to reabsorb the slack in the labour market and to prevent the current hike in unemployment from becoming structural.

When the subject of minimum wage was related to areas in our economy such as our competitiveness and unemployment in general, the findings were equally varied. On the subject of the conditions which minimum wage may cause unemployment, as well as Ireland’s high rates of rent and rates, the minimum wage was related back by most participants to the Social Welfare payments in the country. All but two participants disagreed. A lot of the time, many low paid workers feel that they may be better off on Social Welfare as workers on the minimum wage are those that are most affected by changes in wages, as their hours and employment may decline due to minimum wage and these changes lead to a decline in earned income. This rings true to Neumark et al (2000) who suggests that workers initially earning near the

minimum wage are adversely affected by minimum wage increases, while, not surprisingly, higher-wage workers are little affected.

When the topic of employee's being remunerated for their skills as opposed to a set minimum wage, some participants felt that this could overall lead to abuse by employers.

Most of the respondents felt that a reduction in minimum wage rates in Ireland would create more incentive for business growth which may lead to more employment. However, the participants felt that for a reduction of the minimum wage to be effective, other costs for businesses must also come down for it to make a difference. This view is reiterated by the National Competitiveness Council when looked at in chapter two; they state that a high cost base is the damaging legacy of this era. Improving Irelands relative cost competitiveness requires the cost of business to fall relative to that of our trading partners in the EU. The cost base in Ireland still remains high.

Overall, the findings from the primary research carried out answer the research question:

“Does the minimum wage rate in Ireland have implications on unemployment rates?”

It was found through the interviews that the majority of participants felt that the minimum wage rate had an effect on unemployment. This was justified by many different reasons which have been previously discussed in the chapter. The sample size, which was varied enough to avoid a bias in the findings all had more or less similar views. The participants all had valid views on the situation and therefore the researcher was happy with the overall results. Although the rate of unemployment is still extremely high and the minimum wage rate in Ireland is the second highest in the European Union, the rate itself is not the central problem in this debate.

4.3.1 Additional information

Overall, the participants had very similar views. However, a few participants had interesting responses to questions when the interviewer probed them. Here is an insight into some of their other views.

Participant A had strong views about the minimum wage and who it had most effect on. He felt that unemployment levels are most apparent in sectors such as hospitality e.g. bars and restaurants. He felt that it was impossible for people employed in that sector to compete against one another, especially with the prices of rent and rates in the sector. He also commented that during this economic crisis, many potential customers are spending less. These customers are shrinking their discretionary spends. These discretionary spends are the classic area in which hotels and restaurants benefited, now they are experiencing losses. It was this discretionary spend in which hotels and restaurants prospered; it is now necessary for the sector to re-evaluate the situation. Participant A also felt that especially in the hospitality sector, workers should not be remunerated for their skills, he felt that in that trade, training is usually given and someone with a basic leaving certificate could pick up skills such as bar tending and waitressing.

4.4 Opportunity for further research

The researcher recommends that there is opportunity for further research to identify any similar themes that are linked to unemployment and minimum wage. Perhaps a comparison study of other countries with similar wage rates and an open-economy like Ireland would hit upon different view points on the issue. The results of this could then aid countries with similar high unemployment rates.

Also, it would be interesting to research the possibility of a Europe-wide minimum wage. If this research was carried, and the proposal deemed successful, it could have very beneficial for an open-economy such as Ireland to regain competitiveness.

4.5 Recommendations

A reform of work practices in Ireland is needed. Common place in Ireland now is work practices and norms and rates of pay which are clearly in need of change collectively, not in isolation.

The researcher recommends that the government change their policies in the areas of pay cuts. While the banking sector black hole sucks billions out of the economy, they have not invested a penny in job protection or creation.

4.6 Conclusion

This chapter analysed the findings from the primary research that was carried out. The findings from the research questions helped the researcher to achieve the primary and secondary objectives.

Chapter 5: Conclusion

The National Minimum Wage is always a source of ongoing concern to employers and has sparked widespread debate, particularly during the current global financial crisis. The Irish economy has changed radically since the National Minimum Wage was introduced in 1999. Unemployment rates are at an all time high and unfortunately, this figure is continuing to grow. The research carried out, endeavoured to examine the relationship between minimum wage rates in Ireland and Unemployment rates.

The basis of this Research was to get a better understanding of the relationship between the minimum wage rate and unemployment rates in Ireland through the following research question:

Does the minimum wage rate have in Ireland have implications on unemployment rates?

Bearing in mind the fundamental aim of the current study is to gain a better understanding of the relationship between minimum wage rates and unemployment rates in Ireland; the research began by identifying the basic objectives required to answer the research question.

These were:

1. Explore the evolution of wage policy in Ireland and how it has changed and grown over the years. The background to its evolution, how well it has been implemented will be examined and also, how successful wage policy is.
2. Examine current wage economic theories and how these theories impact both employment and unemployment.
3. Use interviews with relevant bodies and employers and rationalise their views.

These objectives were chosen in order to obtain more knowledge and a better understanding of wage policy in Ireland and the impact it has had on the Irish economy, and also, to understand unemployment and how the rate has risen to 13.7%.

The research examined extensive literature related to minimum wage and unemployment. This was done to gain an insight into the background of wage policy in Ireland, its evolution and how well it has been implemented. Literature on current unemployment rates and unemployment levels over the past number of years were also looked at to understand the increase in unemployment at the moment.

The primary research undertaken consisted of interviewing six participants. The participants interviewed for this research consisted of the most vocal on the subject of minimum wage and unemployment and those that are concerned with how the future is looking with our minimum wage at its current rate.

From the research that was already reviewed in the literature review, the views of the participants were quite similar to existing literature. The likeness of opinions was most evident on areas such as competitiveness, trade union representation and how the minimum wage rate is affecting those on the lower-end of the wage ladder.

Overall, the main view of the participants mostly agreed that a drop in the minimum wage rate would be beneficial for many reasons one example of this would be new business growth. However, they felt for a drop in wage to be effective, other factors need to be looked at such as, the cost of business coming down with reduced rent and rates, and also demand would need to be considered.

The results from the opinions of the participants on the conditions to which minimum wage may cause unemployment lead to the views of the participants being very similar. It was felt that a major issue in Ireland is that fact that our Social Welfare payments are possibly too generous and therefore there is no incentive to join the workforce as often, recipients of Social Welfare feel they may be losing out. A job with minimum wage, although has many benefits, such as the pride in being in the workforce it seems is not incentive enough.

This current research has found that from rationalising the views of the six participants and reviewing the previous literature as a base for the research, that the minimum wage rate in Ireland has implications for unemployment in Ireland. Therefore, confirming the topic of minimum wage and unemployment to be a serious issue that needs to be looked at.

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Appendices

Appendix one: Cover Letter



GALWAY
CASTLEBAR
LETTERFRACK
MOUNTBELLEW

80 College Road

Galway

Tel: (086) 0649547

Email: eithna1986@yahoo.ie

To whom it may concern,

I am currently undertaking a Masters of Business in Strategy and Innovation Management in G.M.I.T., Galway campus. As part of my studies I am required to complete a research thesis. I am carrying out my research under the supervision of Dr. Larry Elwood; Head of the School of Business. The chosen area of my research is to examine the relationship between unemployment and minimum wage rates in Ireland during the period: 1994-2010.

I am writing to you to request an interview with a representative from your organisation. I can assure you that information exchanged during the interview will be treated with respect and standards of confidentiality will be maintained.

For my research to be valid and worthwhile, an interview conducted within your organisation would greatly enhance the results of my research.

I would appreciate a reply at your earliest convenience as I aim to submit my research by mid August.

If you wish to gain further information on my research or my proposed interview, feel free to contact me by phone, e-mail or by post.

Yours Faithfully,

Eithna Walsh BBS

Appendix Two: Interview Questions



GMIT

GALWAY - MAYO INSTITUTE OF TECHNOLOGY
INSTITIÚID TEICHEOLAÍOCHTA NA GAILLIMHE-MAIGH EO

GALWAY
CASTLEBAR
LETTERFRACK
MOUNTBELLEW

Thank you for taking part in this interview. The information collected is vital for my research to be completed successfully. This information gathered will be treated with respect and standards of confidentiality will be maintained. It will not be possible to identify the participants from the results obtained.

Interview Questions- Unemployment and Minimum wage rates in Ireland

The minimum wage rate in Ireland currently stands at €8.65 per hour. At the moment, unemployment levels are at an all time high with a rate of 13.4%.

1. With the increasing unemployment rate in Ireland, what do you feel are the contributing factors?
2. Do you feel the minimum wage rate in Ireland is affecting our competitiveness as a country?

Why? Why not? _____

3. Are there any conditions in which minimum wages may cause unemployment in your opinion?

4. Is the minimum wage rate in Ireland, hindering small businesses from creating employment? If yes, would a reduction in wage rates create more incentive for business growth?

Why? Why Not? _____

5. If the minimum wage rate was dropped, do you feel this would lead to an erosion of workers' rights in the future?

Why? Why not? _____

6. Do you feel that if the minimum wage was reduced /removed and employees were remunerated for their skills or responsibilities in their job, would this decrease unemployment?