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An Overview of the Irish Labour Market

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AN OVERVIEW OF THE IRISH LABOUR MARKET

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ABSTRACT

Linked to Ireland's export orientated economy, the Irish labour market is best described as 'polarised' with middle paying jobs having being hollowed out. Irish workers are more likely to be employed as 'professionals' or in sales and service occupations than their European counterparts. Irish employment is concentrated in the service sector, in both relatively high paying export orientated services, and relatively low paying services more geared to the domestic economy. Irish labour costs are below the average when compared to peer countries. Despite manufacturing accounting for a large share of reported economic output in Ireland, the proportion of workers employed in manufacturing is actually below the Western European average. Between 2007 and 2012 there has been a large shift towards employment of those with a third level education.

Two particularly prominent features of the Irish labour market are the high proportion of those in employment with a third level degree and the low level of labour market participation for women aged 35 and over, in particular such women without a third level education. Policies directed at enabling such women to participate in the labour market have the ability to increase Ireland's economic potential.

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- I would like to thank Peter Rigney for his comments and suggestions. The usual disclaimer applies. All correspondents to email rory.ofarrell@NERInstitute.net

THE IRISH LABOUR MARKET SINCE THE RECESSION: TRENDS AND PROSPECTS

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1. INTRODUCTION

It is common to hear that Ireland is a special case. Salient features of the Irish economy are pointed out. Ireland has a high reliance on foreign multinationals. Ireland has a very open labour market. Ireland is a post-colonial country within Europe. Ireland is different. Ireland is unique.

Ireland may well be unique. However, all too often the special characteristics of the Irish economy are used as excuses for inaction. Lessons learned in other countries are not applied to Ireland, as special mitigating factors are put forward to explain why Ireland cannot learn from other countries. But every snowflake is unique, and processes that underpin the formation of snowflakes is well understood by chemists. There are over-arching patterns. The aim of this paper is to look at the special features of the Irish economy, and to explain them in the context of economic theory.

The Irish labour market is a polarised labour market in an export-orientated economy. Ireland has an unusually small public sector in comparison to other small open economies in Europe. Ireland has a comparatively young population, with female labour market participation below that of many other small open economies. Despite recent improvements, the rate of unemployment remains high, but even at a time of economic boom the Irish rate of employment for women was not particularly high, with a high level of inactivity in the labour market. By looking at what has been achieved in other countries the Irish labour market performance can improve considerably. By unleashing, the pool of underused human talent shortfalls in services in the Irish economy can be overcome and it can achieve its full potential.

Throughout this paper Ireland will be compared to our peer countries, the countries that were members of the European Union prior to the 2004 enlargement (referred to as the EU-15). Ireland shares with these countries both a broadly similar level of economic development, and Ireland has also had a mixed market economy for considerable time. Comparisons will be made to the two EU-15 countries that are the most similar to Ireland in terms of location on the European periphery and in terms of population. These are Denmark (with a population of 5.6 million) and Finland (with a population of 5.4 million).

2. THE JOBS PEOPLE DO IN 2012

Globalisation is linked with the hollowing out of middle paying jobs, also called the 'polarisation' of the labour market (Helpman, Itskhoki, & Redding, 2010). Given Ireland's exceptionally open economy, one would expect Ireland to have a polarised labour market. The evidence suggests this is the case. In 2009[1] 50.5% of what was produced in Ireland was exported. Amongst the OECD group of advanced countries only Luxembourg was more open (with 62.4% of output exported). It is usual for smaller economies to be more export orientated, but even compared to similar size countries Ireland is unusual. Both Denmark and Finland have similar sized populations to Ireland, are also on the European periphery, and are also considered to have successful export orientated economies. However, these countries export 28.6% and 24% of their output respectively. New Zealand, an English speaking country with a tradition of agriculture exports only exports 21.9% of what they produce. Though traditionally export orientation has been associated with manufacturing, in Ireland roughly half of exports (in both gross and value added terms) are due to services.

2.1 BREAKDOWN BY SECTOR

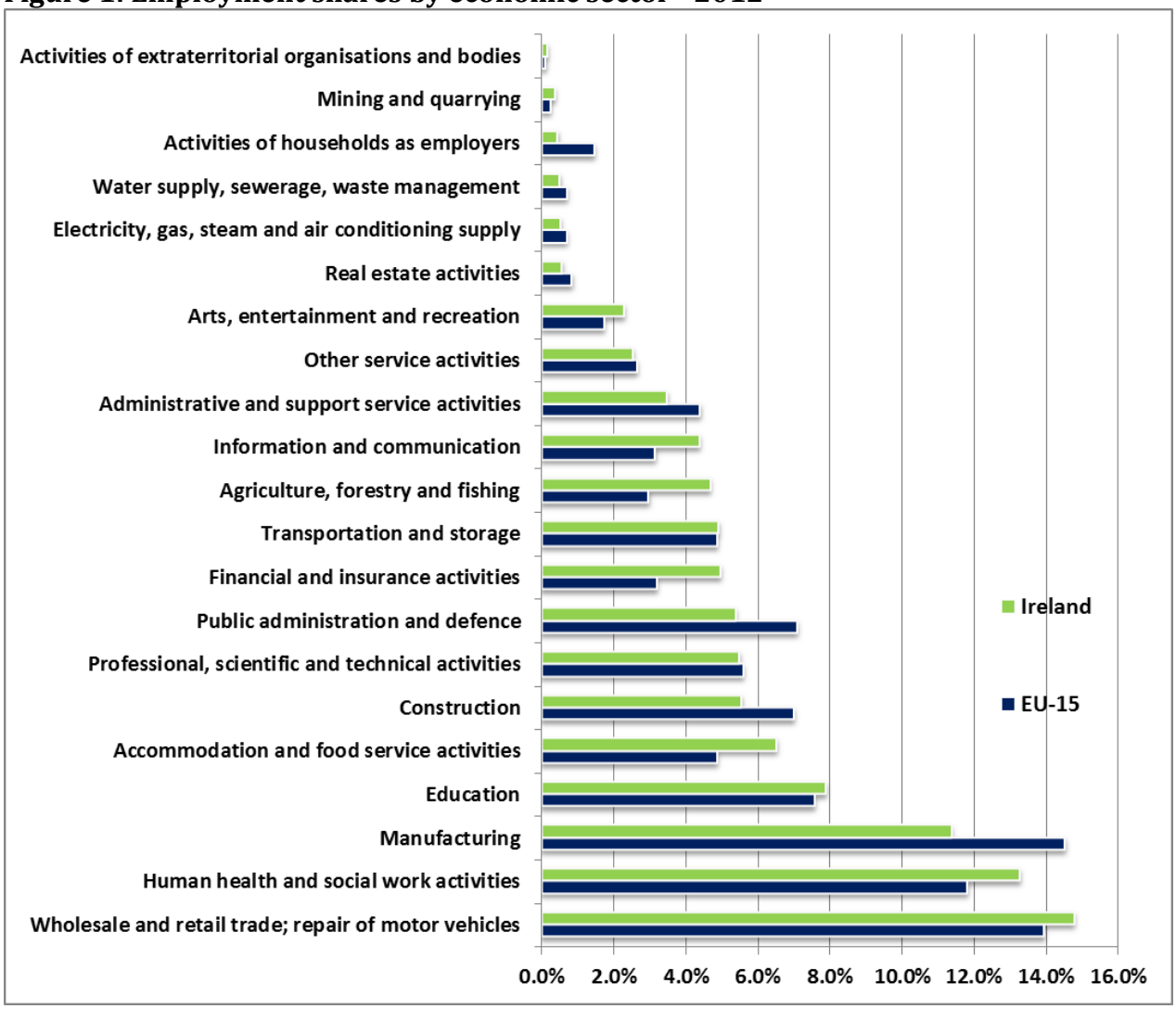
Similar with most advanced economies the Irish employment is dominated by services (76.9% of employment) followed by industry (18.3% including construction, or 12.7% excluding construction) and only 4.7% in agriculture, forestry and fisheries.

In line with Ireland's export orientation manufacturing accounted for 23.3%[2] of national output in 2012 (compared to 14.8% of economic output for the EU-15 and 22.4% for next highest EU-15 country, Germany). However, as seen in Figure 1 the Irish manufacturing's employment share is below average when compared to the EU-15. Only 11.4% of Irish workers are employed in manufacturing, compared to 14.5% for the EU-15 (and 19.8% for Germany, which has the highest share in manufacturing). Amongst the EU-15 only the UK and Greece have a lower share of employment in manufacturing. It is a general pattern that more economically advanced countries have a greater employment share in services rather than industry, and throughout Europe it is the Central and Eastern European countries that tend to have a higher proportion of employment in manufacturing, as they are geographically linked with Germany's manufacturing sector.

[1] 2009 is the most recent data from the OECD/WTO Trade in Value Added (TiVA) database

[2] This implies a very high level of productivity for the Irish workforce in manufacturing. Some have argued that manufacturing output data is distorted by 'transfer pricing' amongst multinational firms.

Figure 1: Employment shares by economic sector - 2012



Source: Eurostat Labour Force Survey (lfsa_egan2) and own calculations

In addition to a below average share of manufacturing employment, Ireland has below average employment share for public administration and defence (due to a generally small public sector and small professional army), administrative and support service activities (conforming to the description of a polarised labour market, where clerical jobs tend to be hollowed out), and construction (in line with the post boom slump in the construction sector). Ireland still has above average employment in the agriculture, forestry and fishing sector (in line with our peripheral location); a larger information and communication sector and also financial and insurance sector (in line with the export orientation of these service sectors) and also above average employment in the relatively low paid accommodation and food sector and also wholesale and retail sector. The overall pattern is of a polarised labour market where there is a greater share of employment in relatively high paid and low paid sectors, and a relatively hollowed out middle.

Table 1: Employment by age and economic sector

	15-24 '000s	25-49 '000s	50-64 '000s	Total '000s
Agriculture, forestry and fishing	5.1	33.1	31.6	85.8
Mining and quarrying		4.0	2.1	6.5
Manufacturing	12.8	155.5	38.2	208.8
Electricity, gas, steam and air conditioning supply		5.9	3.1	9.5
Water supply, sewerage, waste management and remediation activities		6.2	2.3	9.2
Construction	6.5	69.3	24.2	101.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	46.4	168.5	50.4	271.4
Transportation and storage	2.9	57.2	27.4	90.1
Accommodation and food service activities	27.8	75.9	14.4	119.7
Information and communication	4.2	64.2	11.6	80.3
Financial and insurance activities	3.8	71.1	15.6	91
Real estate activities	0.0	7.2	2.4	10.3
Professional, scientific and technical activities	5.6	73.5	18.7	100.8
Administrative and support service activities	4.3	43.2	14.7	63.8
Public administration and defence; compulsory social security	1.9	67.5	28.3	98.7
Education	6.6	95.7	40.0	144.7
Human health and social work activities	12.5	155.8	71.2	243.7
Arts, entertainment and recreation	6.2	26.3	8.5	41.9
Other service activities	5.8	29.7	8.8	46.4
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use		3.8	2.1	8.1
Activities of extraterritorial organisations and bodies		2.2		2.8
Total	156.1	1,217.5	416.5	1,837.8

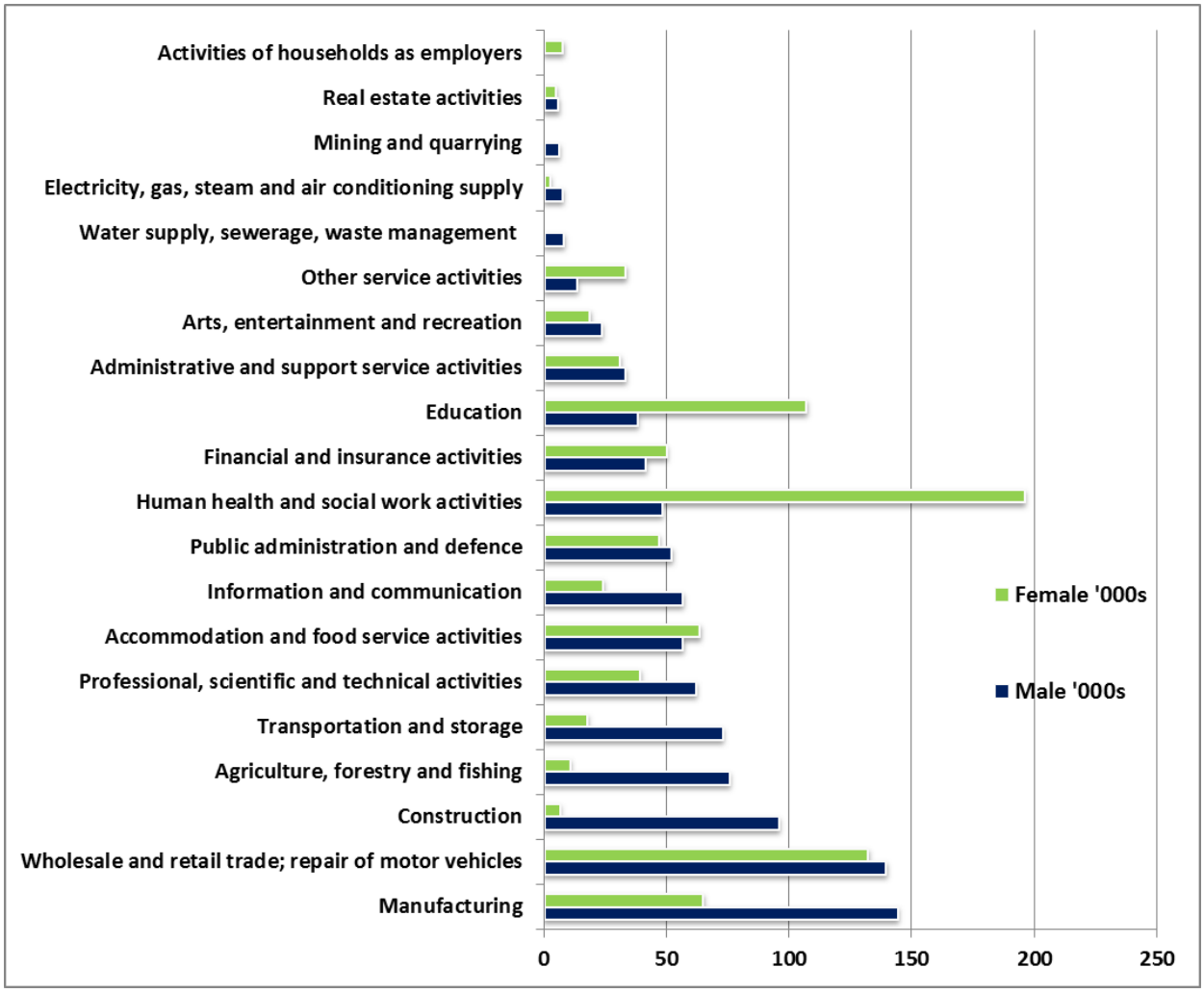
Source: Eurostat Labour Force Survey (lfsa_egan2) and own calculations
Note:

Table 1 shows employment numbers by age and sector. Despite Ireland's relatively young population Ireland has a slightly lower percentage of workers under the age of 25 in employment (8.5% compared to 9.1% for the EU-15). This is a least partly due to the effects of the recession, with participation in education of those aged 15 to 24 having increased from 58.1% in 2007 to 65.0% in 2012.

As young people enter the labour market for the first time, a job must either be created or vacated for each young person entering the labour market. Therefore, the reduced level of job creation during a recession will hit new entrants (including young people) particularly hard. All sectors of the economy have a below average share (when compared to the EU-15) of young workers, with the exception of accommodation and

food, wholesale and retail, and the 'other services' sector. These sectors are sometimes referred to as having 'entry level' jobs. However, even in the accommodation and food sector which has the largest share of young workers, 76.8% of workers are aged over 25. This is in line with complementary data from Turner and O'Sullivan (2013) who find that the majority of workers covered by Joint Labour Committees are aged over 25.

Figure 2: Employment by gender ('000s) – 2012



Source: Eurostat Labour Force Survey (lfsa_egan2)

Since the beginning of Ireland's economic expansion in the 1990s there has been increase from a low base in female employment. In 2012 46.6% of those in employment were women (compared to 45.6% for the EU-15, 47.5% for Denmark and 48.6% in Finland), but this proportion is likely to decline. Employment numbers by gender are shown in Figure 2. Jobs are not divided evenly by gender. Agriculture, industry, construction, transport, Information and communication, Professional, scientific and technical activities, tend to be male dominated. These last two sectors are likely to show greatest job growth as they are linked to Ireland's industrial policy of promoting service exports.

Sectors with a greater gender balance include Administrative and support service activities; Public administration and defence, compulsory social security; and Arts, entertainment and recreation. Sectors where the bulk of employment is female are in Education and Human health and social work activities while those with a slight female majority are Accommodation and food service activities; and Financial and insurance activities (which is also an export orientated service sector). It is perhaps unsurprising that the sectors with the highest share of female employment are also largely within the public sector, where family friendly work practices tend to be more common (Redmond, Valiulis, & Drew, 2006).

2.2 BREAKDOWN BY OCCUPATION

Table 2 shows that Ireland's high degree of export orientation is matched with a high degree of polarisation. Ireland has a higher proportion of relatively high paid 'professionals' and relatively low paid 'service and sales' workers than the EU-15, but a lower share of technicians and associate professionals[3].

Table 2: Employment share by occupation (2012)

	Ireland	EU-15
Managers	7.9%	6.1%
Professionals	22.2%	18.5%
Technicians and associate professionals	11.1%	16.7%
Clerical support workers	9.9%	10.8%
Service and sales workers	19.9%	17.4%
Skilled agricultural, forestry and fishery workers	4.1%	2.6%
Craft and related trades workers	9.6%	11.3%
Plant and machine operators, and assemblers	5.6%	6.3%
Elementary occupations	8.7%	9.4%
Armed forces occupations	0.4%	0.6%

Source: Eurostat Labour Force Survey (lfsa_egised) and own calculations

In Ireland 9.9% of those in employment are in clerical occupations (compared to 10.8% for the EU-15) and in Ireland 9.6% work in Craft and related trades workers (compared to 11.3% in the EU-15), though part of this may be due to the suppressed level of construction activity in Ireland in 2012. Ireland has a higher number of workers in highly paid Professionals occupations (22.2% compared to 18.5%) and a higher number of Service and sales workers, who tend to be low paid (19.9% compared to 17.4%). In

[3] It is unclear to what extent this may be due to 'credentialism' whereby Irish 'professionals' maybe be doing similar jobs to EU-15 'technicians and associate', but with the Irish workers holding some form of diploma. Eurostat (the European statistics agency) tries to ensure comparability.

line with Ireland's relatively small level of employment in manufacturing, only 5.6% of Irish employees are Plant and machine operators, and assemblers, compared to 6.3%.

Table 3: Female share of each occupation (2012)

	Ireland	EU-15
Managers	32.6%	32.6%
Professionals	55.2%	49.2%
Technicians and associate professionals	47.0%	48.6%
Clerical support workers	78.4%	66.6%
Service and sales workers	67.4%	64.4%
Skilled agricultural, forestry and fishery workers	7.9%	26.0%
Craft and related trades workers	7.9%	9.1%
Plant and machine operators, and assemblers	14.6%	15.0%
Elementary occupations	36.9%	55.6%
Armed forces occupations		7.6%
Total	46.6%	45.7%

Source: Eurostat Labour Force Survey (lfsa_egised) and own calculations
Note: Data is for all employed

The breakdown of occupation by gender for employees is similar to that in the EU-15. In both the EU-15 and Ireland 32.6% of managers (Table 3) are, and 55.2% of Irish 'professionals' are women compared to 49.2% in the EU-15. The largest differences with regard to the EU-15 are for Clerical support workers (Ireland 78.4% female; EU-15 66.6% female) and in elementary occupations (Ireland 36.9% female; EU-15 55.6% female).

Table 4: Occupation employment shares by gender (2012)

	Ireland		EU-15	
	Male	Female	Male	Female
Managers	10.0%	5.5%	7.6%	4.4%
Professionals	18.6%	26.3%	17.3%	19.9%
Technicians and associate professionals	11.0%	11.2%	15.9%	17.8%
Clerical support workers	4.0%	16.6%	6.7%	15.8%
Service and sales workers	12.2%	28.8%	11.4%	24.6%
Skilled agricultural, forestry and fishery workers	7.1%	0.7%	3.5%	1.5%
Craft and related trades workers	16.5%	1.6%	18.8%	2.2%
Plant and machine operators, and assemblers	9.0%	1.8%	9.9%	2.1%
Elementary occupations	10.3%	6.9%	7.7%	11.5%
Armed forces occupations	0.7%		1.1%	0.1%

Source: Eurostat Labour Force Survey (lfsa_egised) and own calculations
Note: Data is for all employed

That 26.3% of female employees are 'professionals' compared to 19.9% for the EU-15 (Table 4) is perhaps due to higher childcare costs making work an unaffordable option for those with moderate potential incomes, but worthwhile for those with a higher potential income from employment. Alternatively, many female professionals tend to work in the public sector which has more family friendly work policies. Irish female workers are less likely to be Technicians and associate professionals (11.2% in Ireland compared to 17.8% in the EU-15) and more likely to be clerical workers (16.6% compared to 15.8%). Irish men also more likely to be professionals than their European counterparts and less likely to be Technicians and associate professionals, but the overall difference for employment in professional occupations is mainly due to higher rates for women in Ireland compared to the EU-15.

The polarised nature of Irish employment is show starkly in Table 5. As can be seen those in employment in Ireland tend to be more educated than in the EU-15, and women tend to be more educated than men. Unfortunately, due to a change in occupational classifications it is not possible to compare the share of graduates by occupation in Ireland for the years 2007 and 2012. However, in 2007 the share of graduates of total employment was 33.8% (more in line with the current EU-15 figure).

Due the recession the structure of employment has changed hugely. Between 2007 and 2012 employment of graduates increased by almost 110,000 (from 715,900 to 825,100) while employment for those without a third level qualification declined from 1,400,600 to 1,012,700. Within each occupation Irish workers are more likely to have a third level qualification than their EU-15 counterparts, and for most occupations Irish women are more likely to have a third level qualification than men. Of late there has been some discussion as to whether a more vocational based education system, such as in Germany, may be more appropriate.

Table 5: Share of graduates in each occupation (2012)

	Ireland			EU-15
	Male	Female	Total	
Managers	54.1%	62.9%	57.0%	51.8%
Professionals	86.7%	92.8%	90.1%	82.1%
Technicians and associate professionals	55.7%	55.9%	55.7%	38.7%
Clerical support workers	46.4%	39.1%	40.6%	23.3%
Service and sales workers	29.5%	26.9%	27.8%	14.1%
Skilled agricultural, forestry and fishery workers	9.9%		10.7%	10.7%
Craft and related trades workers	18.6%	32.9%	19.7%	7.7%
Plant and machine operators, and assemblers	11.5%	21.3%	12.9%	5.9%
Elementary occupations	13.1%	17.5%	14.7%	6.1%
Armed forces occupations				24.9%
Total	39.7%	50.8%	44.9%	32.1%

Source: Eurostat Labour Force Survey (lfsa_egised) and own calculations
Note: Data is for all employed

3. WAGES

Irish wage rates by job and occupation are given in Appendix 1. Though there is evidence of polarisation in terms of employment, the effect this may have on wage inequality is ambiguous. An increase in employment in lower paid occupations could be due to higher demand (which would lead to higher wages) or higher supply of workers (leading to more workers). During the boom period there was evidence of higher demand (see O'Farrell (2013a) for a discussion). During recessions wages do not tend to decline, so changes in wages are more likely to be in an upturn. Therefore it is during a time of wage growth that one can best examine relative wage changes. This allows one to examine whether employment changes at the bottom of the labour market are due to increases in demand for low paid workers, or increases in supply.

Table 6 shows average hourly pay in 2010 by gender and education. The gender pay gap only shows moderate changes by education. However as women tend to be more educated than men, the pay gap for total employment (15.2% according to these 2010 figures) is smaller than that for individual education groups (where the pay gap ranges from 18.5% to 24.7%). In Ireland those with a third level degree earn 184%[4] of what a worker with a lower secondary education (that is, the Junior Cert or Inter Cert) compared to 200% for the EU-15 and 146% in Denmark.

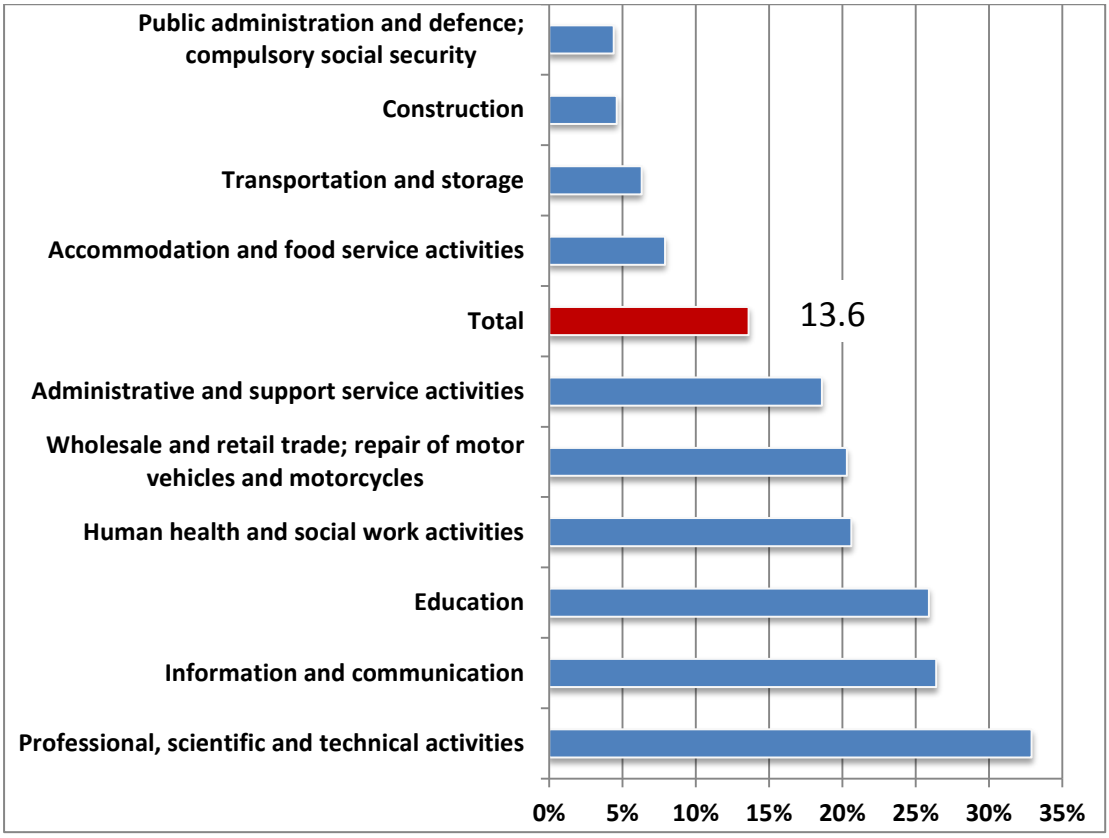
Table 6: Hourly wages by education

	Total	Pre-primary and primary	Lower secondary or second stage of basic education	Upper secondary education	First state of tertiary education (academic based)	Tertiary (vocational based)
Total	€21.64	€15.34	€16.89	€18.21	€30.23	€20.99
Male	€23.19	€16.27	€18.44	€19.71	€33.46	€23.22
Female	€20.12		€14.78	€16.63	€27.64	€19.21

Source: Eurostat Structure of Earnings Survey (earn_ses10_16)

[4] These figures do not match with those generated from Table 6. This is as Table 6 includes all size of firms, but comparable data for Denmark and the EU-15 must be restricted to firms with 10 employees or more.

Figure 3: Gender pay gap by sector (2012)

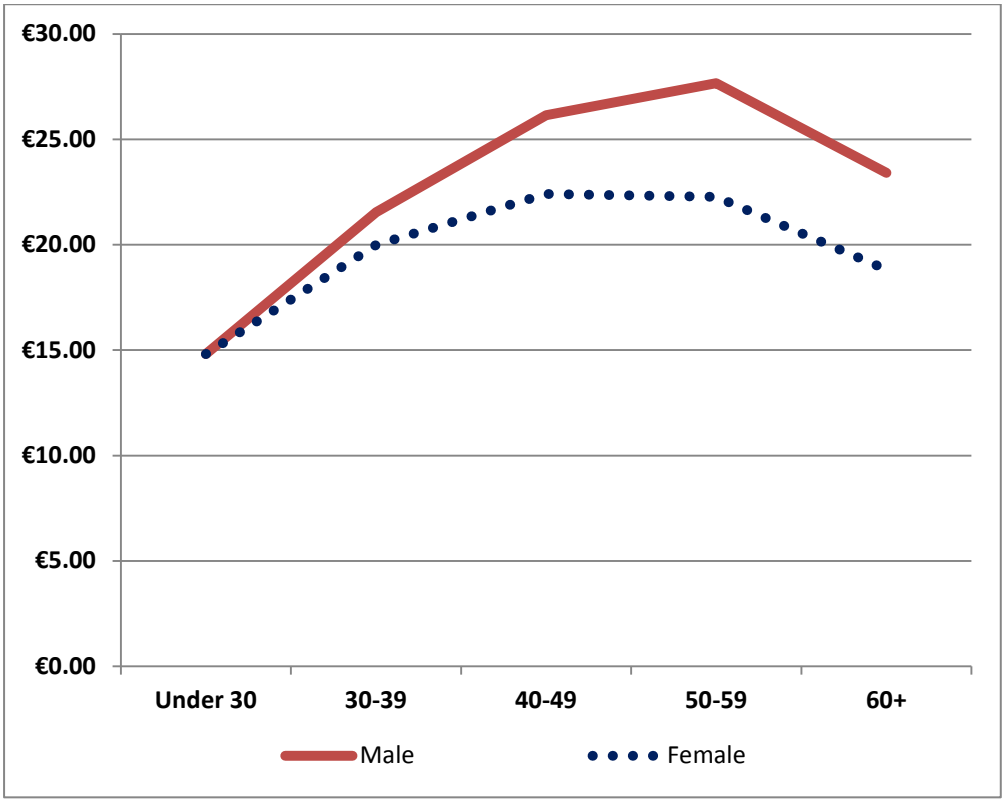


Source: Eurostat (earn_gr_gpgr2)

Note: Data unavailable for Mining and quarrying; Manufacturing; Electricity, gas, steam and air conditioning supply; Water supply, sewerage, waste management and remediation activities; Financial and insurance activities; Real estate activities; Arts, entertainment and recreation; Other service activities

In 2012 the gender pay gap was 13.6%, with an above average pay gap even in sectors that are predominantly female (education and human health and social work activities). This is as in these sectors men are more likely to be in senior management positions. Research by the Central Statistics Office (2012) shows that the gender pay gap is significantly higher in the private sector than the public sector. Part of the explanation of the public-private pay gap is the reduced pay penalty for women in the public sector.

Figure 4: Hourly wages by age and gender (2010)



Source: Eurostat Structure of Earnings Survey (earn_ses10_16)

Figure 4 shows how wages develop by age. For both men and women wages tend to rise with experience, before falling off for those in their 60s. There is a clear link between the gender pay gap and age. For those aged under 30 there is no pay gap. However for those aged 30 and above the pay gap begins to widen. This is probably linked to women being taking the lead role in childcare. As the women who remain in the labour force past the age of 30 are more likely to have a higher education than men, the effects of the pay gap are starker than the average figures indicate.

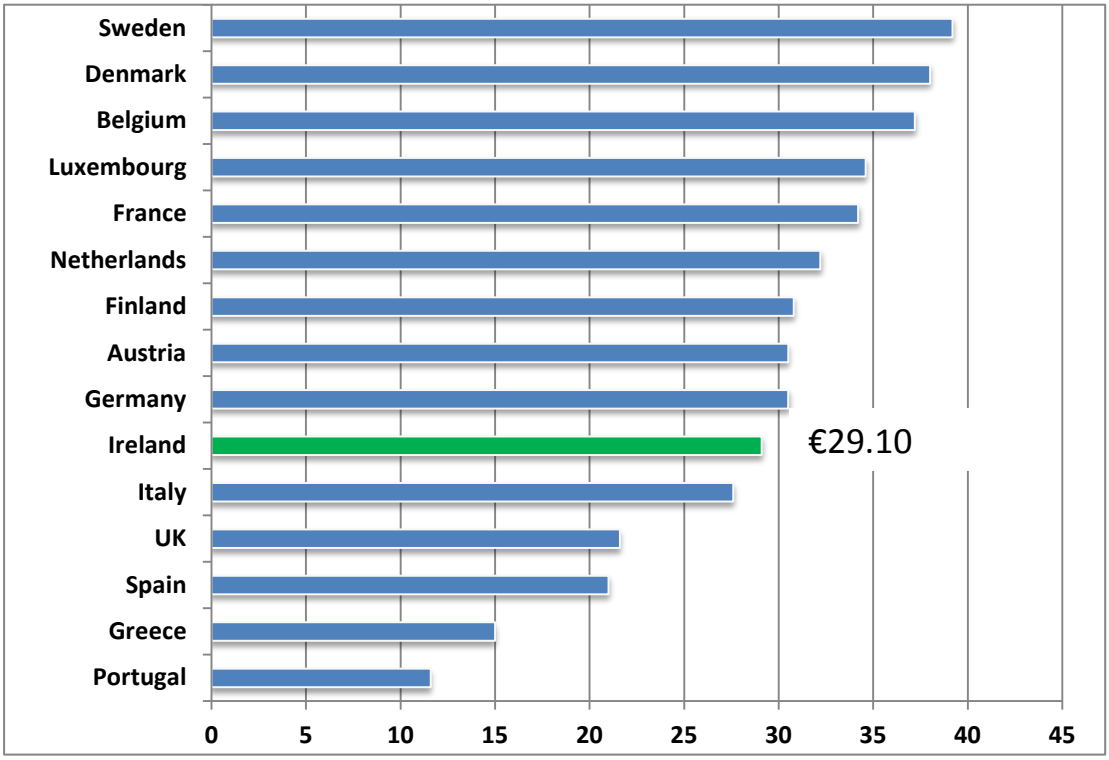
4. COMPETITIVENESS

Arguably the ultimate measure of a nation's competitiveness is its current account surplus. The current account surplus is the trade surplus (exports less imports) less 'current' payments abroad, such as interest payments and the repatriated profits of firms. Similar to personal current account, a surplus shows that the nation as a whole is saving, while a deficit shows the nation as a whole is borrowing. A negative current account deficit is not necessarily a bad thing. Since the 1960s Ireland has usually had a deficit (only during the period 1992-1999 has Ireland sustained a surplus, with a surplus of 3.7% in 1993). This is normal for countries in a catch-up phase that import machinery and other productive assets. In 2007 however the current account deficit measured -5.6%. In 2013 Ireland had a recored current account surplus of 6.6% of GDP. The recent figure may be a little exaggerated due to foreign firms deciding to reclassify themselves as Irish firms (see FitzGerald (2013) for a discussion), but even given this, the current account is firmly in surplus. This could signify a return to the 'super-competitiveness' that was previously used to describe the situation in the 1990s (O'Brien, 2010).

Ireland's above average wages are due to both higher productivity, and a lower level of 'other' labour costs. On average (in 2012) 'other' labour costs, such as employers PRSI amounted to 16.4% of wages, compared to 30.7% for the EU-27[5] and 35.3% for the Eurozone).

4.1 LABOUR COSTS

Figure 5: Average Hourly Labour Costs (EU15) in 2012



Source: Eurostat Labour cost levels (lc_lci_lev)

Average hourly labour costs (for the sectors Industry, construction and services; except public administration, defence, compulsory social security) are shown for the EU-15 countries in Figure 5. Though wages in Ireland are relatively high, this is not the measure which firms use when deciding how much it costs to hire a worker. Labour costs also include things such as employer's social insurance. (This data excludes training costs, hiring costs and other expenditure such as protective clothing. These costs are included in the 'Labour Cost Survey', the most recent data for which is 2011. A similar pattern is found with that data). As can be seen Irish labour costs are relatively low in the context of the EU-15, being sixth from the bottom. This data however does not account for different levels of productivity.

[5] Data for the EU-15 is not available.

4.2 PRODUCTIVITY

Table 6 shows nominal productivity per hour of labour for the different sectors of the Irish economy. Nominal hourly productivity can be interpreted as the money firms receive for one hour of labour (out of which wages and other costs must be paid). As can be seen labour intensive sectors (such as accommodation and food) tend to have lower productivity than capital-intensive sectors (such as electricity generation). Caution must be shown when making cross-country comparisons, as firms may receive a high price for their output due to monopoly power or an increase in demand rather than productivity in 'real' terms. Unfortunately, the data to make a comparison in real terms is only available for a selection of sectors. Nevertheless, the nominal data is informative.

Table 7 compares Ireland's nominal hourly productivity with both the average of the EU-15, and the leading EU-15 country for that particular sector. Although Ireland has below average labour costs, hourly nominal productivity is 17.7% above the EU-15 average. However, productivity is two-thirds of that of Luxembourg (which is a major centre for services in areas such as finance. The most striking gap between Ireland's nominal hourly productivity and the leading country is for the mining and quarrying sector. This is due to the leading country (the Netherlands) having access to North Sea gas, so this should not be seen as a reflection of the Irish workforce. Though the data on nominal hourly productivity is useful, this highlights the limitations in interpreting the data. Ireland is the most advanced country for administrative and support service activities. This is consistent with Ireland's description as a polarised economy. Due to polarisation and computerisation, administrative and support service activities are focused on relatively high value added service exports. Annual nominal productivity data is not available for Ireland for the manufacturing sector or information and communication sector. However, other (quarterly) data shows Ireland to be the most productive country. This data is not presented, as quarterly economic data tends to be less reliable and is subject to revision.

Table 6: Nominal productivity per hour worked

	Nominal productivity
Agriculture, forestry and fishing	€12.76
Mining and quarrying	€39.74
Electricity, gas, steam and air conditioning supply	€156.41
Water supply, sewerage, waste management and remediation activities	€51.56
Construction	€12.49
Wholesale and retail trade; repair of motor vehicles and motorcycles	€30.56
Transportation and storage	€35.85
Accommodation and food service activities	€14.72
Financial and insurance activities	€79.55
Real estate activities	€524.53
Administrative and support service activities	€55.14
Public administration and defence; compulsory social security	€32.58
Education	€39.61
Arts, entertainment and recreation	€36.75
Other service activities	€4.93
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	€14.23
Activities of extraterritorial organisations and bodies	€0.31
Total	€44.42

Source: Eurostat National Accounts (nama_nace21_c and nama_nace21_e) and own calculations
Note: Data unavailable for manufacturing; Information and communication; Professional, scientific and technical activities; and Human health and social work activities. These are sectors in which other (quarterly) data sources suggest Ireland has high productivity.

Table 7: Irish hourly productivity as a percentage of EU-15 average and for most productive country for that sector (2012)

	% of EU-15	% of most advanced country
Agriculture, forestry and fishing	85%	46%
Mining and quarrying	24%	2%
Electricity, gas, steam and air conditioning supply	107%	60%
Water supply, sewerage, waste management and remediation activities	92%	64%
Construction	41%	28%
Wholesale and retail trade; repair of motor vehicles and motorcycles	112%	50%
Transportation and storage	106%	59%
Accommodation and food service activities	70%	52%
Financial and insurance activities	114%	56%
Real estate activities	118%	65%
Administrative and support service activities	205%	100%
Public administration and defence; compulsory social security	86%	47%
Education	109%	62%
Arts, entertainment and recreation	120%	63%
Other service activities	21%	13%
Total	118%	66%

Source: Eurostat National Accounts (nama_nace21_c and nama_nace21_e) and own calculations

Note: Austria is the frontier country for Accommodation and food service activities; Belgium for Construction; Denmark for Agriculture, forestry and fishing; Water supply, sewerage, waste management and remediation activities; Transportation and storage; and Other service activities. Ireland is most advanced for Administrative and support service activities. Italy is most advanced for Real estate activities. Luxembourg has the highest nominal hourly productivity for Wholesale and retail trade, repair of motor vehicles and motorcycles; Information and communication; Financial and insurance activities; Professional, scientific and technical activities; Public administration and defence, compulsory social security; Education; Human health and social work activities; Arts, entertainment and recreation; and Total. Netherlands in the frontier country for Mining and quarrying; Manufacturing; Electricity, gas, steam and air conditioning supply.

Data unavailable for manufacturing; Information and communication; Professional, scientific and technical activities; and Human health and social work activities. These are sectors in which other (quarterly) data sources suggest Ireland has high productivity.

4.3 NOMINAL UNIT LABOUR COSTS

Although nominal unit labour costs are just one measure of cost competitiveness (see O'Brien (2010) for a discussion of various different measures in an Irish context), of the measures monitored by the European Commission as part of the Macroeconomic Imbalances Procedure they are the most relevant to wages. The European Commission aims that nominal unit labour costs do not increase by more than 9 percent over a three year period. Nominal unit labour costs are defined as nominal compensation per employee (that is, the average wage plus social security contributions per worker in

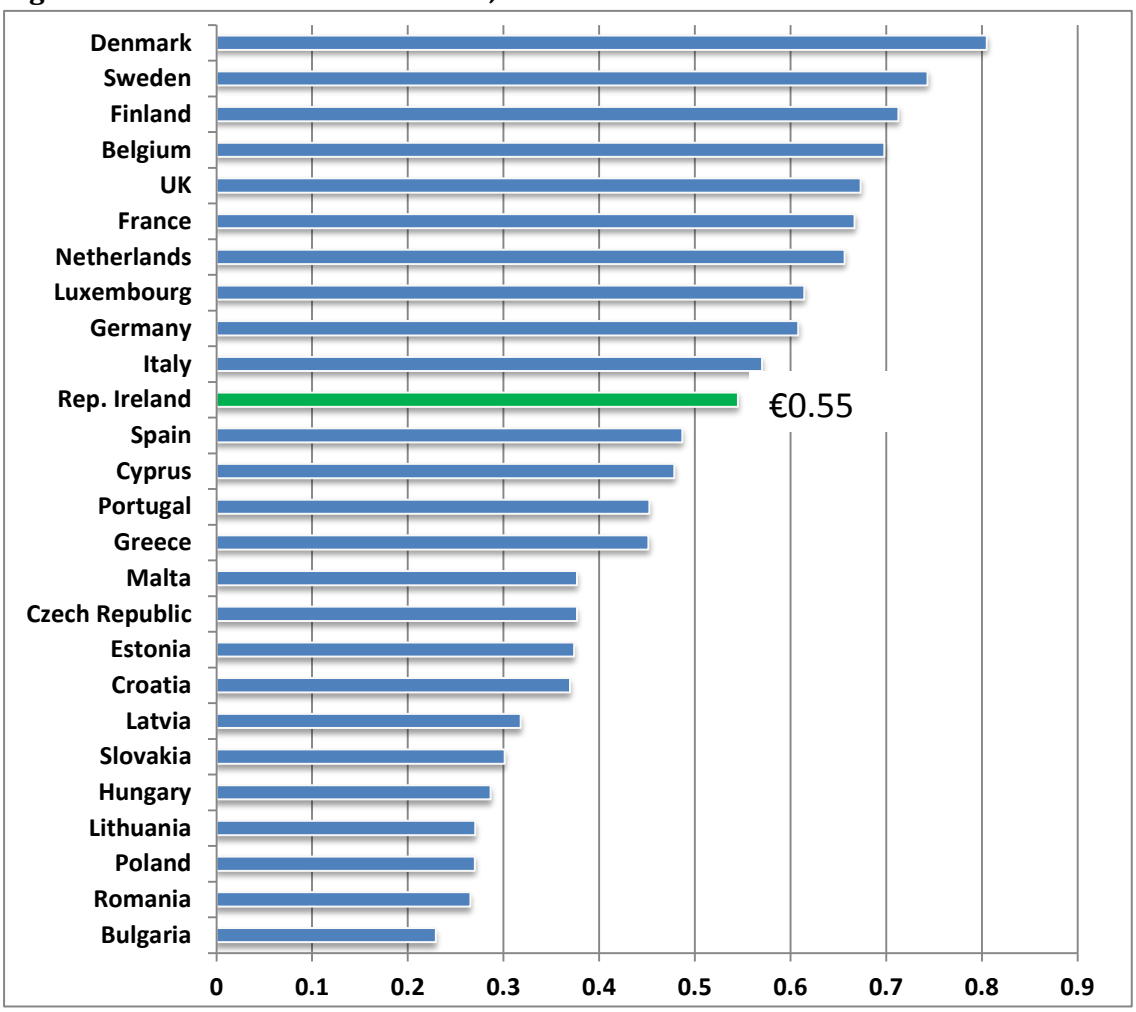
cash terms), divided by real output per person in employment (that is, labour productivity). By allowing for productivity one can account for why workers in more developed countries earn higher wages without losing competitiveness. While changes in nominal unit labour costs are usually analysed, looking at the absolute level of nominal unit labour costs can also be useful. The headline indicator included in the Macroeconomic Imbalances Procedure scoreboard is simply the change in nominal unit labour costs over time. This is of limited usefulness as it takes no account of developments in other countries, but it is a measure that can be influenced by domestic policy makers.

As can be seen from Figure 6 there is a strong link between high nominal unit labour costs and economic development. This highlights the limitations in using nominal unit labour costs of the whole economy as an indicator of competitiveness. Non-traded services are included in the measure. It is well known that non-traded services (such as dentists or restaurants) tend to be cheaper in Eastern European countries than in Ireland and other Western European countries. In richer countries the traded sector tends to have higher productivity than the traded sector of poorer countries. This higher productivity leads to higher wages in the traded sector of the rich country. Within the rich country, higher wages in the traded sector put upward pressure on wages in the non-traded sector. This leads to the rich country having higher wages in the non-traded sector than the poorer country does, even if productivity for both countries in the non-traded sector is equal. Therefore, nominal unit labour costs for the traded sector could be equal for both countries (with the higher wages in the rich country being offset by higher productivity), but nominal unit labour costs for the non-traded sector will be higher in the rich country. This will lead to higher *average* nominal unit labour costs in the rich country despite the rich country remaining competitive.

Of course, high costs in the non-traded sector (such as high legal fees) can reduce the competitiveness of the traded sector, but this is due to a channel other than wages. It would be a more accurate measure of competitiveness if nominal unit labour costs could be measured for the traded sector alone (and perhaps the labour output for which the final use is in the internationally traded sector). This is not possible, and sometimes the manufacturing sector is used as a proxy, as most of the output of the manufacturing sector is traded. However, it is nominal unit labour costs for the whole economy that is monitored by the European Commission.

Effective unit labour costs are included as an additional complimentary indicator to the MIP scorecard. These compare developments in Ireland's nominal unit labour costs with developments in other countries and also movements in currency exchange rates. While developments in Irish nominal unit labour costs can be influenced by policy makers in Ireland, Irish policymakers cannot influence changes in exchange rates or changes in unit labour costs in other countries. Between 2008 and 2012 changes with the US exchange rate made Irish goods 12.6% cheaper, but changes with the Sterling exchange rate made Irish goods 1.8% more expensive in the UK (however this is offset by lower inflation in Ireland). At the same time UK nominal unit labour costs (as measured by the European Union) increased by 18.2% but fell by 14.2% in Ireland. Relative to the UK Irish effective unit labour costs declined by 26.1% with currency changes playing a relatively minor role.

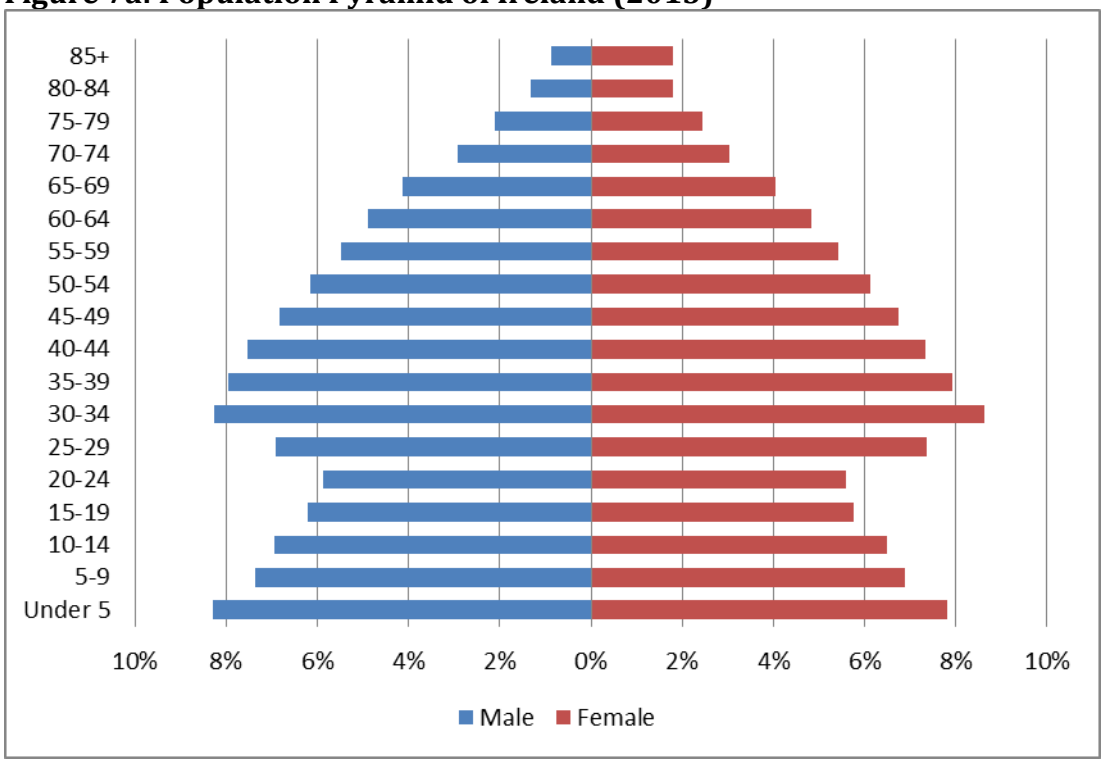
Figure 6: Nominal Unit Labour Costs, 2012



Notes: Price level indices are used as the GDP deflator. In 2012 it would be necessary to pay someone in Ireland €0.55 to produce €1 worth of average EU output.
Source: Eurostat national accounts, Eurostat price level indices for GDP, and own calculations

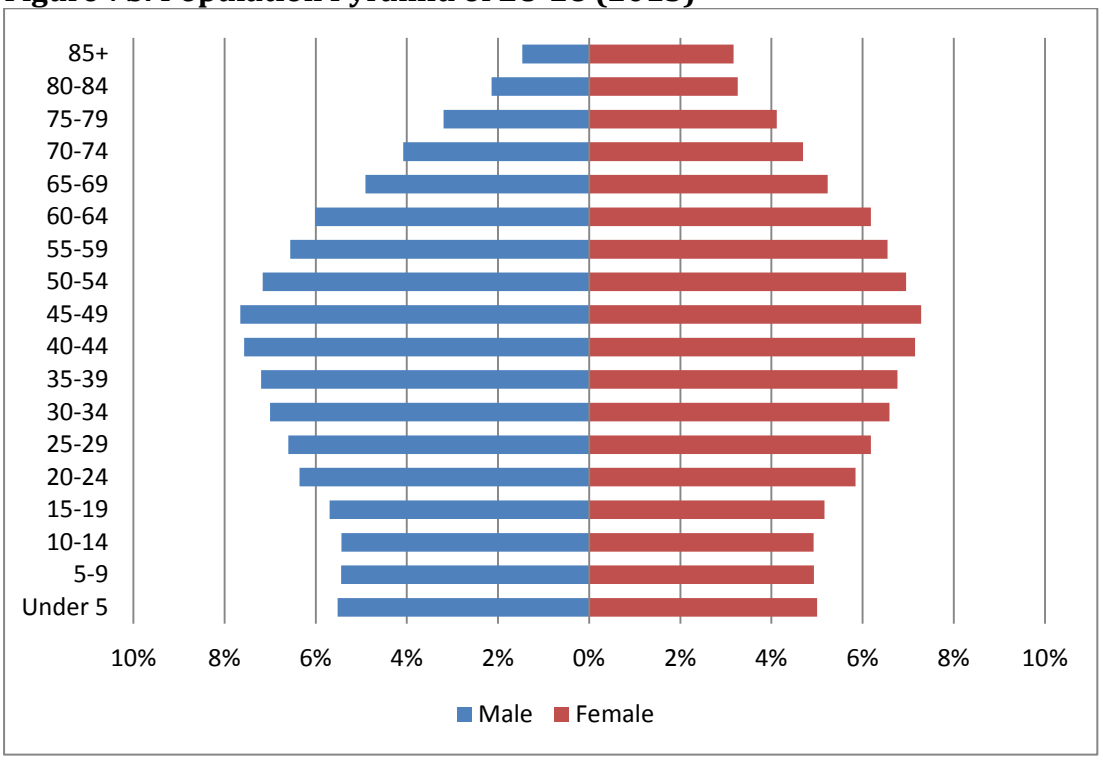
5. THE POTENTIAL OF THE LABOUR MARKET

Figure 7a: Population Pyramid of Ireland (2013)



Source: Eurostat (demo_pjangroup)

Figure 7b: Population Pyramid of EU-28 (2013)



Source: Eurostat (demo_pjangroup)

While the previous sections show the current state of the labour market, they do not show the potential of the labour market to expand. This section focuses on how by simply moving to EU-15 norms total employment can increase.

It is frequently commented at how Ireland has a relatively young population. The age structure of the Irish population compared to that of the EU-15 is shown starkly in Figure 7a and Figure 7b. Though the Irish population is aging there is one 'bulge' of people aged 30-34 followed by its 'echo' of those aged under 5. This means that issues regarding 'dependency ratios' (the proportion of working age people in comparison to children and retirees) are not as severe, and will happen later, compared to the EU-15. Figure 7b shows how the 'bulge' for the EU-15 is 15 years ahead of Ireland and it does not have a corresponding echo. Ireland is fortunate in that we can learn from approaches taken by other countries in adapting to the changing demographics. (Preparations were made with the creation of the National Pension Reserve Fund, but this money has largely been spent recapitalising banks.) However, while attention has so far focused on keeping over 65s in the workforce, Ireland has below average levels of participation in the labour force, in particular for women aged over 30.

5.1 ACTIVITY RATES

Comparing activity rates (the proportion of the population either working or actively seeking work) in Ireland and the EU-15 countries shows where Ireland has scope to improve (Table 8). Overall, EU-15 activity rates have remained stable during the period of 2007 to 2012 (with the male activity rate only decreasing 0.2% and female increasing 2.4%). Activity has been slightly more volatile for men in Ireland, which is logical given the recession was of greater severity in Ireland. Labour market activity of Irish men under the age of 25 has been particularly volatile, as is to be expected of a group that switched from construction related work to education (it must be noted that changes in age groups do not necessarily represent the same people, as over the five years people will have changed groups over time. In 2012 Irish labour market activity for men was below the EU-15 average for all age groups, with the exception of the over 60s (which may be related to differences in pension provision and early retirement schemes across countries). Of more concern however is that for the 30 to 54 age groups, male labour market activity was lower than the EU-15 even at the height of the boom. At the time this was more than offset by higher labour market participation for the under 30s and over 55s.

High labour market activity for the under 30s (and under 25s in particular) is a mixed blessing as though it means there are people looking for work, it also can mean that there is less investment in education. However, it is unclear from these figures to what extent labour market participation amongst the under 25s was part-time weekend or seasonal work, which could coincide with education and training.

Table 8: Activity Rates by age and gender - 2012

	Ireland		EU-15	
	Male	Female	Male	Female
15-64	76.6	62	79.1	67
15-19	17.2	16.8	25.8	23.3
20-24	66	62	68.3	60.7
25-29	86.9	77.1	88.1	77.7
30-34	91.3	76.8	93.5	79.8
35-39	92.2	71.7	94.3	80.1
40-44	90.1	68.6	93.9	80.9
45-49	89	67.4	92.7	80.3
50-54	84.8	65.9	89.9	75.7
55-59	74	56	79.5	63.8
60-64	54	33.8	45.3	30.3

Source: Eurostat Labour Force Survey (lfsa_argan)

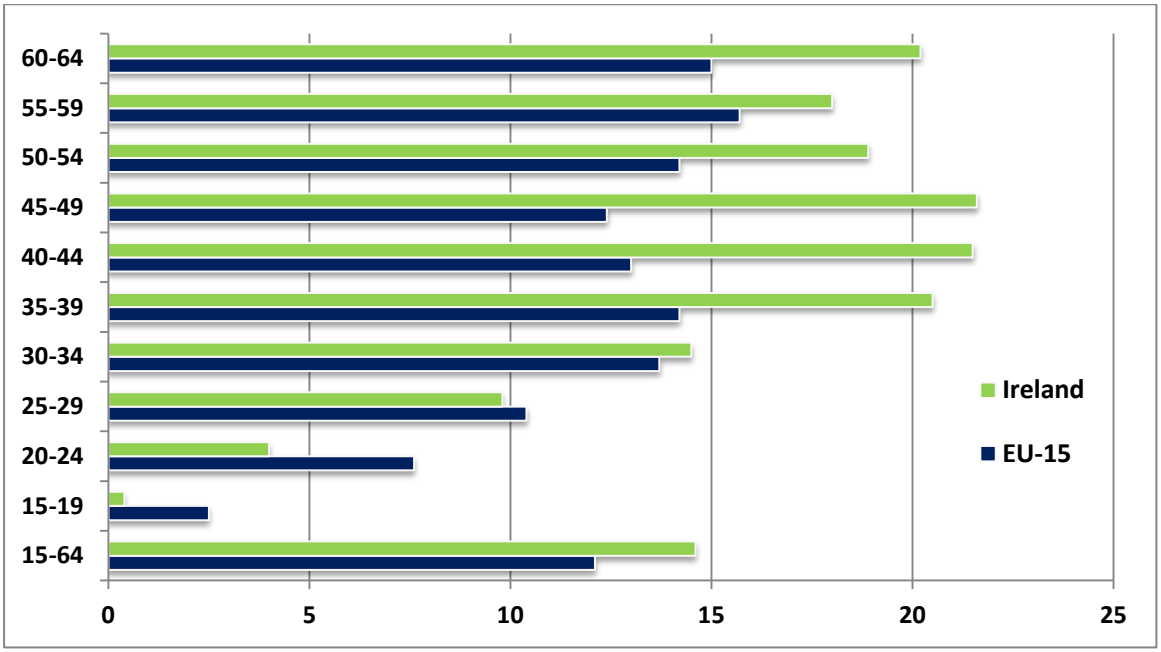
Ireland unambiguously lags behind the rest of the EU-15 in the area of female participation for those aged thirty and over. It is no coincidence that this coincides with the age that most women have their first child (with 30.2 being the average age a women had her first child in 2013, and 32.1 being the average age of women giving birth (Central Statistics Office, 2013)). A stable pattern across time and across the EU-15 is that female labour market participation tends to be lower than that of men. This gap is relatively minor for younger age groups, but begins to widen with age. At least part of this gap for the age 20-24 age group is due to higher female participation in education (Eurostat, 2014).

In Ireland and the EU-15 the difference in labour market participation between men and women is similar for ages 30 to 34 (male participation rate is higher by 9.8 percentage points in Ireland, and 10.4 percentage points in the EU-15), though of course there is variability within the EU-15. For example, in Sweden and Denmark the gap between male and female participation is only 7.8% and 6% respectively for the 30-24 age group (though Finland has a 15.9% gap, very similar to that of Ireland). However, the Irish pattern differs significantly from that of the EU-15 from the ages of 35 onward. This suggests the gap is more for women with young children than with infants. This pattern has been apparent in both the years 2007 and 2012. For the 35-39 age group, in 2007 the participation gap was 23.8% in Ireland and 17.4% in the EU-15; and in 2012 the participation gap was 20.5% and 14.2%. So for this age group the Irish participation gaps have been consistently higher than those of the EU-15 by 6.4% and 6.3% for the years 2007 and 2012 respectively.

Given that Ireland has the EU's highest fertility rate (2.01 in 2012) it could be argued that Irish families cannot participate in the labour market as fully as they simply have more children to care for. However, Sweden also has a relatively high fertility rate (1.91) but maintains high female participation. The differences are greatest for women without a third level education. Activity rates for women with a third-level education are similar in Ireland and the EU-15 (81.6% compared to 84.1% in the EU-15, and 88.5% and 85.3%

in Denmark and Finland respectively). However for those with a secondary or vocational education the gap with our European partners is larger. The participation rate for this group in Ireland is only 63.2% compared to 71.5% for the EU-15 and 79.1% and 75.4% for Denmark and Finland respectively. In Ireland there is a strong link between education levels and public sector employment. As the public sector has more family friendly policies this could explain the link between female participation rates and education. Alternatively women may need a higher potential wage income to justify expenditure on childcare costs.

Figure 8: Gender participation gap



Source: Eurostat Labour Force Survey (lfsa_argan) and own calculations

5.2 EMPLOYMENT RATES

Related to activity rates are employment rates. This is the proportion of the population in employment. Over the business cycle low levels of employment can result in lower labour market participation as people become discouraged from looking for work. Structural issues which affect people's participation (such as high enrolment in education, which can have other positive benefits; or high childcare costs which discourage female participation) will also reduce the pool of people available for work, and so lower the employment rate.

Between 2007 and 2012 (Table 9) the employment gap for men and women has narrowed, however this is due to employment rates falling for men faster than they have fallen for women, with the employment rate for men aged 20-24 falling drastically (from 75% in 2007 to 43.1% in 2012). In fact female employment rates for ages 15-29 now exceed those of men, with a difference of 5.9 percentage points (43.1% for men versus

49% for women) for the 20-24 age group, and very minor differences for the 15-19 age group and 25 to 29 age group.

Table 9: Employment rates by age and gender – 2007 and 2012

	2007		2012	
	Male	Female	Male	Female
15-64	77.5	60.6	62.7	55.1
15-19	26.6	23.9	9.9	10.8
20-24	75	67.2	43.1	49
25-29	86.9	78.1	67.4	67.9
30-34	88.5	71.8	75.5	68.8
35-39	89.5	67.1	78.1	64.6
40-44	89.1	65	76.3	61.9
45-49	87.8	67.9	76.4	61.8
50-54	83.2	61.5	72.5	60.6
55-59	75	47.1	62.9	52.4
60-64	59.3	30.6	47.9	31.7

Source: Eurostat Labour Force Survey (lfsa_ergaed)

Table 10: Employment rates by age, education, and gender – 2012

	To lower secondary		Upper secondary and 3rd level vocational		Third level	
	Male	Female	Male	Female	Male	Female
15-64	40.4	26	64.7	54.3	82.7	75.9
15-19	4.6	4.8	26.1	28.4		
20-24	24.8	23.5	43.1	44.2	56.1	68.3
25-29	41.5	32.4	65.4	60.3	80.4	81
30-34	47.0	34.6	73.4	59.3	88.1	81.3
35-39	57.3	33.9	75.3	58.6	89.8	77.0
40-44	56.8	39	77.3	58.4	89.0	75.6
45-49	60.8	41.2	77.4	59.5	89.9	77.5
50-54	59.2	36.9	77.8	64.6	85.2	78.5
55-59	51.9	33.6	68.2	57.8	74.6	69.5
60-64	42.8	23.8	55.3	38.9	52.5	40.9

Source: Eurostat Labour Force Survey (lfsa_ergaed)

Women aged 20-24 with a third level degree (Table 10) have had a consistently higher employment rate than men, with their employment rate higher in the years 2007 and 2012. Nevertheless, despite some exceptions the general pattern is one of higher rates of male employment. There are three major factors affecting employment rates; gender, education, and age. Higher levels of education are associated with higher employment rates. For clarity, it is best to focus on those aged over 25, as by this age most people have completed full-time education. Focusing first on men (as the patterns are relatively more straight-forward) in 2012 there was a clear advantage to having a higher level of

education. For all age groups (with the exception of over 60s) men with a upper secondary (such as the Leaving Certificate) or vocational qualification have a higher employment rate than those with an education up to lower secondary (those with up to Inter-Cert or Junior Cert), and males with a third level education have a higher again level of employment. This education employment gap for men has increased during the recession, partly due to the fact that construction employment (which employed many workers with vocational qualifications) was somewhat inflated, and also due to the long term effects of labour market polarisation. For men employment rates increase with age, partly due to younger men more likely to be engaged in education (in 2007 employment rates for men reached close to peak rates from the ages of 25 to 29), and also due to the recession. Less job creation will hit new labour market entrants hardest as they cannot get on the first rung of the jobs market.

For women the patterns of employment are more complex. As with men, higher levels of education are associated with higher levels of employment, though these patterns have been more stable for women (who were less likely to work in construction). Two reasons can be put forward for why female employment did not fall as much as for men. One is that women were less likely to be employed in construction, and the other is that women are more likely to have a third level education. Female employment rates tend to level off from the ages of 25 to 34 and then decline. In 2007 employment rates tended to decline from the age of 30, which is also consistent with activity rates, so part of this effect is likely to be due to the recession.

A lot of young women are in a situation of wishing to be in employment but are not; and simply do not have a job to give up when they have their first child. This hypothesis is supported by the fact the gender employment gap opens up from the ages of 30 onwards. The employment gap differs by age and education. The employment gap for those with a primary, secondary, or vocational qualification becomes apparent from the ages of 25 to 29 and increases for those aged 30 to 34. However for those with a third level education the employment gap becomes apparent later in life (ages 30 to 34) suggesting that women with a higher education wait longer to have children. This pattern is found in other advanced countries such as the US (Mosher & Jones, 2010). For all ages the gender employment gap is lowest for those with a third level education, and this was also the case in 2007. For those women without a third level qualification there is evidence of increasing employment with a higher age, possibly due to children being at an age when they can look after themselves. This pattern is not so apparent for those with a third level qualification, most likely due to these employment rates already being relatively high.

6. NATURE OF WORK

In 1992 workers in Hotels and Restaurants sector worked an above average week of 42.3 hours (compared to an average of 41.4 hours for the whole economy) and Wholesale and Retail workers worked 39.4 hours per week. Since 1992 this has steadily declined. Table 11 highlights the problem of low working hours in low pay sectors. The management strategy of 'flexible' work practices whereby workers are on call at short notice has spread from North America to Ireland (see for example (Susan J. Lambert, Haley-Lock, & Henly, 2012; Loftus, 2012; O'Farrell, 2013b)). Rather than employ workers on a full-time basis many employers prefer to have a pool of part-time workers on which to draw on at short notice.

Table 11: Average hours worked per week, Q1 2010

Sector	All employees	Managers, professionals and associated professionals	Clerical, sales and service employees	Production, transport, craft and other manual workers
All NACE economic sectors	31.0	33.0	28.4	32.7
Mining and quarrying (B)	38.3	37.2	35.8	39.2
Manufacturing (C)	35.9	37.1	34.3	35.8
Construction (F)	35.5	37.4	29.3	36.6
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	29.4	36.6	26.6	32.7
Transportation and storage (H)	35.6	35.7	32.9	38.0
Accommodation and food service activities (I)	24.9	34.8	23.4	23.8
Information and communication (J)	35.4	37.3	33.7	32.4
Professional, scientific and technical activities (M)	32.3	35.4	28.5	31.0
Administrative and support service activities (N)	29.9	36.2	30.1	27.6
Public administration and defence; compulsory social security (O)	34.9	34.2	35.5	35.8
Education (P)	23.7	23.1	25.7	25.8
Human health and social work activities (Q)	30.1	33.7	26.3	27.6
Electricity, water supply and waste management (D,E)	37.2	36.0	33.9	40.0
Financial, insurance and real estate activities (K,L)	33.2	34.6	31.9	29.7
Arts, entertainment, recreation and other service activities (R,S)	28.3	33.8	27.8	26.0

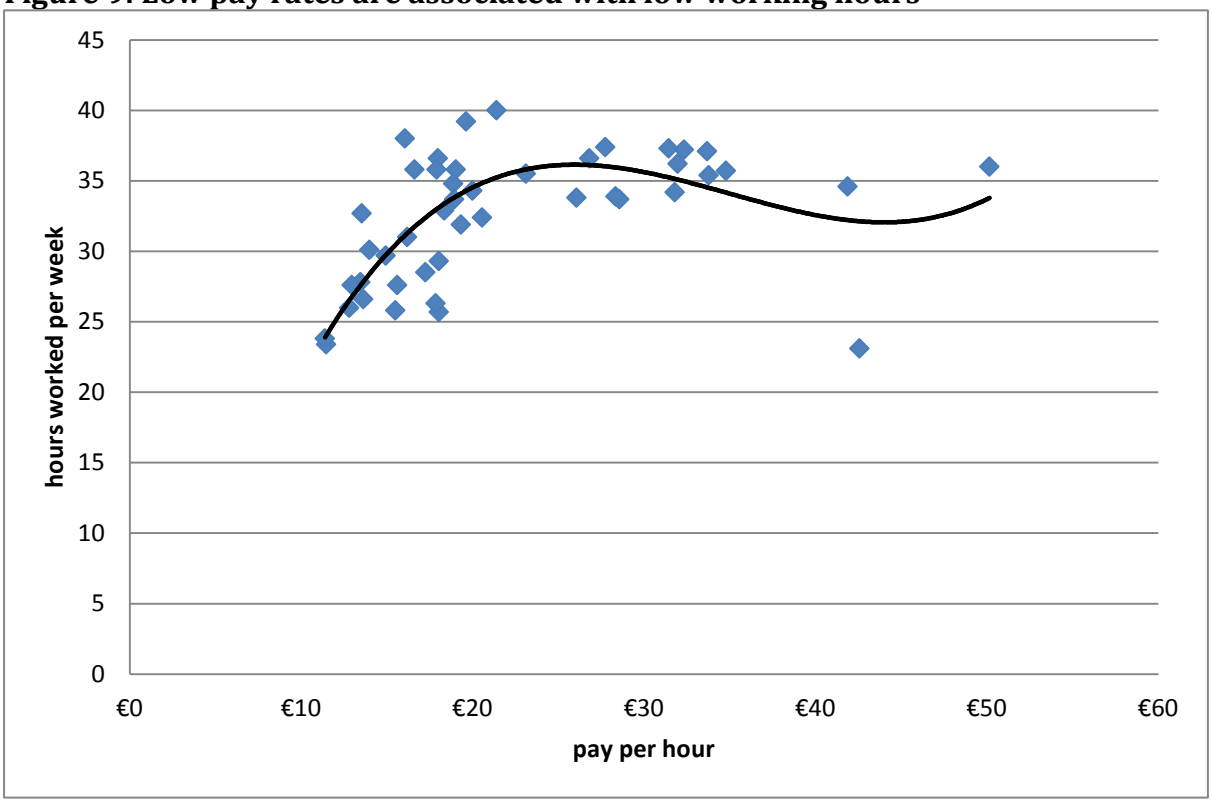
Source: CSO Statbank: EHECS Earnings Hours and Employment Costs Survey Quarterly (EQH03)
Notes: The values represent mean hours per week.
Letters refer to NACE codes, the standard EU method for classifying economic sectors.

As highlighted by Loftus (2012) this creates a burden for workers who cannot effectively plan their week as they are given their weekly work schedule at short notice.

This means that workers cannot take on a second part-time job as they do not know for which hours they will be available. Clearly, the assumption of 'perfect information' that is a requirement for 'perfect competition' does not hold.

The latest data from the CSO[6] show that 249,400 work 'variable hours'. According to the latest data from Eurostat[7], in 2012 147,200 part-time workers were under-employed. They wished to work a longer week, but this option was not available. The problem of such unpredictable and unsustainable work practices has been recognised by the Labour Court. In a recent recommendation (MANDATE versus Penneys LCR20548) banded hours contracts were recommended that allow workers some certainty in relation to earnings and personal planning.

Figure 9: Low pay rates are associated with low working hours



Source: CSO: EHECS Earnings Hours and Employment Costs Survey Quarterly (EQH03) and own calculations.

Note: More information is available in O'Farrell (2013b). Dots represent the hour wage and average hours worked of specific jobs. The fitted line is a third order polynomial

The issue of low pay is compounded by the fact that low paid workers also tend to have a shorter working week, with the issue being particularly noticeable in the service sector. As can be seen from Figure 9, for pay rates between approximately €10 per hour and €20 per hour there is a strong relationship between low paid workers having a shorter working week. The effect tails off at about €20 per hour with such workers tending to work fulltime. Also, in the manufacturing sector both low paid and high paid

[6] Statbank code: QNQ18
[7] Eurostat code: lfsi_sup_age_a

workers tend to work fulltime. The cause of this can likely be attributed to managers in the service sector wishing to have a 'pool of workers' to choose from as this boosts their bargaining position when trying to get workers to work flexible hours. This tends to be less pronounced for higher paid workers. It is more expensive to hire such workers, so the cost to employers of maintaining such as pool would be prohibitive.

Table 12: Weekly pay by broad occupation and sector (Q1 2010)

Sector	All employees	Managers, professionals and associated professionals	Clerical, sales and service employees	Production, transport, craft and other manual workers
All NACE economic sectors	€686.02	€1,080.86	€469.20	€516.47
Mining and quarrying (B)	€828.56	€1,202.61	€680.21	€769.74
Manufacturing (C)	€771.93	€1,248.36	€685.99	€594.99
Construction (F)	€722.17	€1,036.40	€528.81	€657.35
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	€482.62	€981.22	€362.11	€442.15
Transportation and storage (H)	€683.27	€1,240.83	€604.25	€610.29
Accommodation and food service activities (I)	€316.07	€656.35	€268.56	€271.29
Information and communication (J)	€915.94	€1,172.50	€638.53	€667.17
Professional, scientific and technical activities (M)	€856.90	€1,195.06	€492.59	€502.24
Administrative and support service activities (N)	€488.24	€1,156.73	€420.73	€356.71
Public administration and defence; compulsory social security (O)	€923.22	€1,088.86	€820.39	€640.08
Education (P)	€845.59	€981.31	€464.10	€400.29
Human health and social work activities (Q)	€706.36	€963.84	€469.00	€431.20
Electricity, water supply and waste management (D,E)	€1,112.25	€1,807.07	€959.85	€854.93
Financial, insurance and real estate activities (K,L)	€1,013.75	€1,449.24	€617.00	€443.36
Arts, entertainment, recreation and other service activities (R,S)	€454.62	€881.29	€374.41	€332.74

Source: CSO: EHECS Earnings Hours and Employment Costs Survey Quarterly (EQH03)
Notes: Letters refer to NACE codes, the standard EU method for classifying economic sectors. The values represent mean weekly pay.

Table 12 shows how these two factors interact leading to stark differences in weekly wages. The combination of low pay and low working hours seriously harms the ability of workers in sectors covered by JLCs to maintain a decent standard of living. The weekly pay of clerical sales and service employees in the Accommodation and Food sector is less than 40% of the national average.

There has been much written within the sociological and industrial relations literature on changes in working hours and precarious employment. It has been recognised that the issue of weekly working hours is an important topic. There has been some

sociological research which mirrors the economic research regarding the average hours worked. A similar pattern was found in the Netherlands where there is also a trend whereby someone who is in precarious employment is more likely to cohabit with another person in precarious employment, than a worker in secure employment (de Lange, Wolbers, & Ultee, 2012). This suggests that the increase in female participation is not necessarily due to married women simply taking up part-time work irrespective of their husband's economic situation. In contrast the economics literature largely ignores changes in hours worked per worker, focusing instead on total employment. The degree to which hours per worker is not examined can be seen in the work of Ebell and Haefke (2009). When examining long term trends in US employment, justify assuming hours per worker are held constant as being consistent with the 'long run focus' of the paper.

A common assumption in the economics literature is that workers choose how many hours they wish to work, based on various incentives. Issues regarding work flexibility have often been focused on salaried workers, particularly women, to allow workers combine market work and care-giving, however such flexibility does not always benefit workers paid on an hourly basis (Susan J. Lambert et al., 2012). Susan J. Lambert (2008) considers business practices such as 'just-in-time' have increased the demand for labour flexibility and have shifted risk from firms onto workers. Zeytinoglu, Cooke, and Mann (2009) assess whether labour flexibility is to the benefit of firms or workers in the case for Canada. They find that flexible work schedules are not significantly related to personal characteristics such as marital status or dependent children but rather factors such as occupation, employment status, sector, and non-unionised work. The authors conclude that flexible work is created for the benefit of business reasons rather than facilitating the interests of workers. Some solutions have been put forward to aid workers, such as a 'three-hour rule' in Canada that means workers must be paid for a minimum of three hours for any shift they are required to work (S.J. Lambert & Henly, 2009).

In addition to issues regarding irregular hours, workers may have to work 'unsocial' hours. For most categories of unsocial work those aged 15-24 are more likely to have unsocial hours, and men are slightly more likely to work unsocial hours than women. This gender dimension is strongest for those aged 25 plus. However, overall the gender dimension is not particularly strong, with the strongest gender dimension for those working nights and those engaged in shift work (with men more likely to do both). The Irish rates for the number of people working unsocial hours are broadly in line with the rest of the EU-15.

Tables 13 through to 17 show the type of unsocial hours engaged in. The most common form of unsocial hours is Saturday work, engaged in by 24.3% of employees, followed by shift-work, with working nights being the least common.

Table 13: Share of employees that usually work evenings

Age	Male % employees	Female % employees	Total % employees
15 plus	17.2	12.7	14.9
15-24	28	24.4	26
25-49	17.1	11.7	14.3
50-64	13.2	10.6	11.8

Source: Eurostat Labour Force Survey (lfsa_ewpeve)
Note: Data excludes the self-employed

Table 15: Share of employees that usually work nights

Age	Male % employees	Female % employees	Total % employees
15 plus	10.8	6.4	8.5
15-24	13.3	9.7	11.4
25-49	11.1	6.2	8.6
50-64	8.8	5.3	6.9

Source: Eurostat Labour Force Survey (lfsa_ewpnig)
Note: Data excludes the self-employed

Table 15: Share of employees that usually work Saturdays

Age	Male % employees	Female % employees	Total % employees
15 plus	26.2	22.6	24.3
15-24	45.1	48.9	47.2
25-49	25.4	20.5	22.9
50-64	19.9	17	18.3

Source: Eurostat Labour Force Survey (lfsa_ewpsat)
Note: Data excludes the self-employed

Table 16: Share of employees that usually work Sundays

Age	Male % employees	Female % employees	Total % employees
15 plus	17	14.9	15.9
15-24	31	33.3	32.2
25-49	16.4	13.4	14.9
50-64	12.7	11.4	12

Source: Eurostat Labour Force Survey (lfsa_ewpsun)
Note: Data excludes the self-employed

Table 17: Share of employees that usually work shifts

Age	Male % employees	Female % employees	Total % employees
15 plus	20.6	15.9	18.2
15-24	26.1	25.2	25.6
25-49	21.6	15.8	18.6
50-64	15.0	12.4	13.6

Source: Eurostat Labour Force Survey (lfsa_ewpsun)
Note: Data excludes the self-employed

6. CONCLUSION

There are two particularly prominent features of the Irish labour market; the low rate of female labour market participation and the polarised nature of the labour market.

In line with other EU countries, the gap between male and female labour market participation begins for those aged 30 to 34. This coincides with the age at which most women have their first child. However the differences between Ireland and the EU appear for women aged 35 and over. Though labour market participation for women with a third level degree is relatively high (and in line with other EU countries) the labour market participation gap is largest for women without a third level education. In addition to a gender participation gap, the gender pay gap also widens from the ages of 30 onwards.

Ireland also has a polarised labour market, with middle paying jobs being hollowed out. Given that labour market polarisation has been linked to globalisation, Ireland's position as a competitive export led economy is consistent with a high level of polarisation. Ireland has an above average proportion of workers in relatively high paid professional occupations and relatively low paid sales and service occupation. In other EU countries there is a gender dimension to polarisation, with the labour market for women being more polarised than that for men. This is not the case for Ireland. Due to the low level of activity in the construction sector, which tends to employ middle paid workers, Ireland currently has a greater degree of polarisation for men than would otherwise be the case. The gender dimension to polarisation can be expected to increase when the economy recovers.

Though the forces that have led to these two features are quite distinct, a cohesive policy that accounts for both these features can increase the potential of the Irish economy. The degree of openness of the Irish economy is exceptional, even related to similar sized export orientated countries such as Finland or Denmark. While it is not a good idea to reduce the size of the export sector, there is scope to expand the domestic economy, especially through the provision of public services. Increasing the demand for middle paying jobs can help Ireland achieve EU norms of female labour market participation. This demand for labour can be met by drawing women into the workforce, rather than drawing workers from the export sector. This would help alleviate some of the issues of

polarisation, without harming the economy. Current policy has tended to focus on increasing labour market participation of those over 65 (through changes to the pension age). This is in part due to Ireland's aging population. However, increasing participation for women between the ages of 35 and 65 reduces the need for increasing participation for those aged 65 and over.

Increasing the demand for labour (by moving to EU norms of public service provision) will only increase female employment if the obstacles to female labour market participation are removed. One obstacle is that Ireland does not have the same policy of providing affordable childcare that is available in other countries. The second is that though the public sector does provide relatively family friendly work practices, the public sector is also more likely to employ women with a third-level qualification. Therefore, by extending more family friendly work practices, and also providing childcare, participation amongst women is likely to increase.

The polarised nature of the labour market also impacts on the cost of childcare. The move towards irregular roster arrangements, whereby working times vary from week to week, make it more difficult for families to plan, and to make childcare arrangements (either with family or a private provider). This represents the social cost of such work arrangements, an 'externality' that is not paid for by employers. This practice mainly affects women without a third level education.

As third level skills are sought in the labour market (with employment of those with a third level education having actually increased by 110,000 between 2007 and 2012 despite an overall fall in employment), increasing participation amongst women with a third level qualification is one solution to meet the demands for higher educated workers. However, as participation amongst such women is already close to the EU-15 average it would be necessary to benchmark ourselves against a country with an above average rate of female participation (such as Denmark) to have an impact.

By acknowledging the forces of polarisation government can formulate a coherent policy that can increase female participation and therefore increase the potential of the Irish economy.

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APPENDIX Table A1: Hourly pay by broad occupation and sector (Q1 2010)

	Managers	Professionals	Technicians and associate professionals	Clerical support workers	Service and sales workers	Skilled agricultural, forestry and fishery workers	Craft and related trades workers	Plant and machine operators, and assemblers	Elementary occupations	Total
Mining and quarrying	€31.12	€23.39	€31.36				€25.44	€24.44		€25.28
Manufacturing	€31.38	€25.47	€22.18	€16.49	€17.23		€18.55	€17.31		€20.39
Electricity, gas, steam and air conditioning supply	€39.75				€25.68					€33.39
Water supply, sewerage, waste management and remediation activities	€19.90	€18.32	€19.48	€14.33	€13.22		€19.90	€16.09	€15.12	€16.85
Construction	€24.95	€24.93	€21.66	€15.69	€14.58			€15.46		€18.86
Wholesale and retail trade; repair of motor vehicles and motorcycles	€22.60	€28.05	€16.84	€14.28	€12.85	€14.22	€14.76	€14.42	€13.28	€15.97
Transportation and storage	€23.06	€25.77	€29.38	€17.43	€16.47		€22.94		€17.32	€18.90
Accommodation and food service activities	€17.91	€16.21	€13.65	€13.19	€11.83		€12.42		€10.51	€13.53
Information and communication	€35.41	€25.89	€22.12	€15.51	€19.64		€24.84	€19.34	€17.50	€23.98
Financial and insurance activities	€46.87	€32.26	€26.64	€20.32	€20.61					€30.09
Real estate activities	€26.49		€22.47		€14.95	€10.31				€19.95
Professional, scientific and technical activities	€34.93	€24.75	€22.08	€15.67	€16.55	€15.55	€20.75		€11.43	€22.49
Administrative and support service activities	€25.26		€17.88		€13.98	€11.86	€15.76	€14.38	€10.69	€16.92
Public administration and defence; compulsory social security	€43.45	€32.25		€19.50						€24.41
Education	€40.69	€43.62	€26.99	€21.74	€17.12				€16.92	€33.12
Human health and social work activities	€30.29	€29.09	€22.41	€18.60	€16.03			€15.70	€17.19	€21.72
Arts, entertainment and recreation	€20.73	€22.52	€21.41	€13.86	€11.44			€11.92	€12.63	€17.11
Other service activities	€27.20	€22.74	€18.65	€16.89	€12.62			€11.36	€11.45	€16.46
Total	€28.66	€31.85	€22.86	€17.57	€15.16		€18.71		€14.52	€21.64

Source: Eurostat: European Structure of Earnings Survey 2010 (earn_ses10_47)
Notes: Red colouring refers to low paid jobs, while green refers to relatively high paid jobs.
The values represent mean hourly pay.