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Intergenerational Inequality in Ireland

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SUMMARY

Ireland's unemployment rate has been falling quarter on quarter since 2012 and fell below the EU average in 2015, the only 'bailout' member in which this has happened. As in the rest of the EU however, aggregate figures mask some considerable inequalities. The unemployment rate for under-25s has been more than double the headline figure both in Ireland and at an EU level since 2007.

Intergenerational differences are also seen in a range of other labour market indicators. 9.2% of employed 18-24 year olds are involuntarily underemployed, compared to 3.4% of 55-74 year olds. There are also stark differences in opportunities between regions and genders. 24.7% of men aged 18-24 in the Border, Midlands and West region were not in employment, education or training in 2016.

On a mass scale continuing trends such as these may have implications for political stability into the future.

KEY POINTS

- Unemployment for under-25s has been significantly above double the rate for over-25s in the EU since 2007. In 2016 the difference is 18.8% compared to 7.5% with rates of 17% and 7.1% for the same groups in Ireland.
- Underemployment for young people in Ireland is far more prevalent than for older groups and for young people in other EU member-states.
- The proportion of Irish 18-24 year olds who are neither in employment, education or training (NEETs) is one of the highest in the Eurozone (18.5%). There are also significant regional and gender dimensions to the figures. The rate for young men exceeds that for young women and the rate for young people in the Midlands, Border and West regions is far worse than the rest of the country.
- Eurofound estimate the cost of not integrating NEETs at 2% of GDP.
- Over two thirds of Irish 18-24 year olds feel marginalised by the Euro crisis and were found to participate least in the democratic process out of a sample of 13 EU member-states.

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Research for new economic policies

Intergenerational Inequality

Unemployment in the EU and in Ireland has been falling since it peaked in 2012. In 2015 Ireland’s unemployment rate actually fell below the EU average, the only ‘bailout’ member in which this has happened. The financial crisis followed by the fiscal and currency crises were disproportionately felt by younger cohorts across the EU; directly in terms of employment and income and indirectly in terms of future opportunities affected by cutbacks to investment and spiralling debt-to-GDP ratios which future generations will have to pay for. In recovery, this inequality between generations persists and by some metrics the distribution of the gains from the return to growth has been less kind to young Irish citizens than to their European counterparts.

Unemployment

Youth *unemployment* in the EU has been over double the overall figure consistently since 2007 (18.5% compared to 8.3% in Q3 2016). Taking just the currency bloc, the Eurozone is actually doing worse than the EU-28 at 20.5% for 15-24 year olds and a 9.7% rate for all ages. In Ireland the latest figures show unemployment at 17% for under-25s compared to 7.1% for over-25s, almost 2 and a half times the rate. 31.9% of the unemployed between 15 and 24 are long-

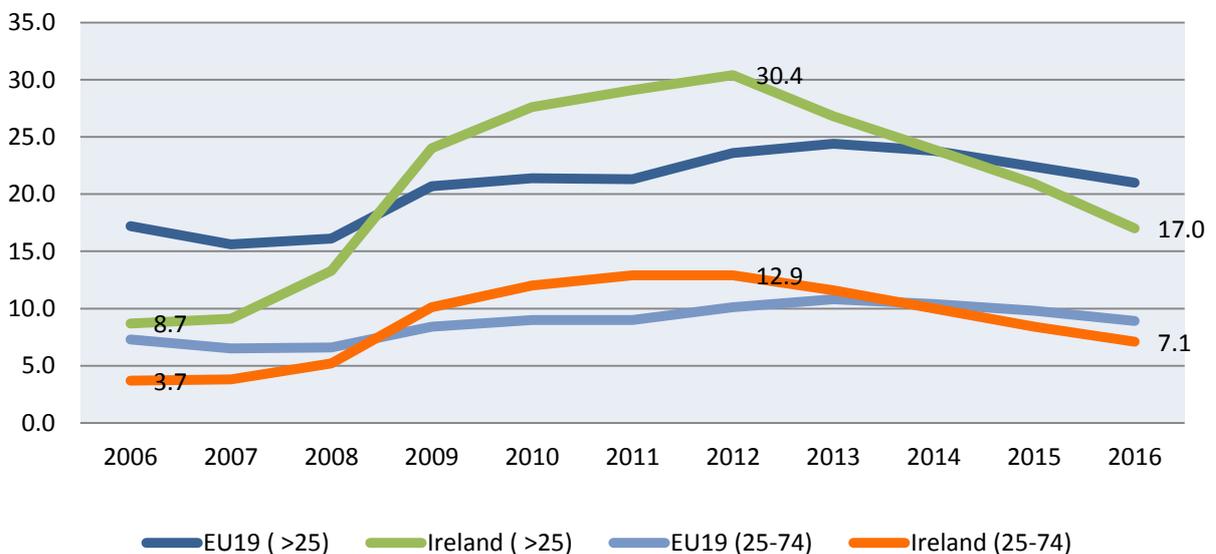
term unemployed (9 months or more). Without Ireland’s so called ‘pressure valve’ this number would be significantly worse. To put this in context; between 2007 and 2012 the number of young adults in Ireland dropped by about 100,000, mostly due to immigration. At the same time the absolute number of under-25s officially unemployed today is about 35,000. The figure also omits those on labour activation schemes.

The gap in Northern Ireland is worse still where youth unemployment in 2015 was 19.9% and just 4.1% for over-25s. For young men this figure was 24.8%.

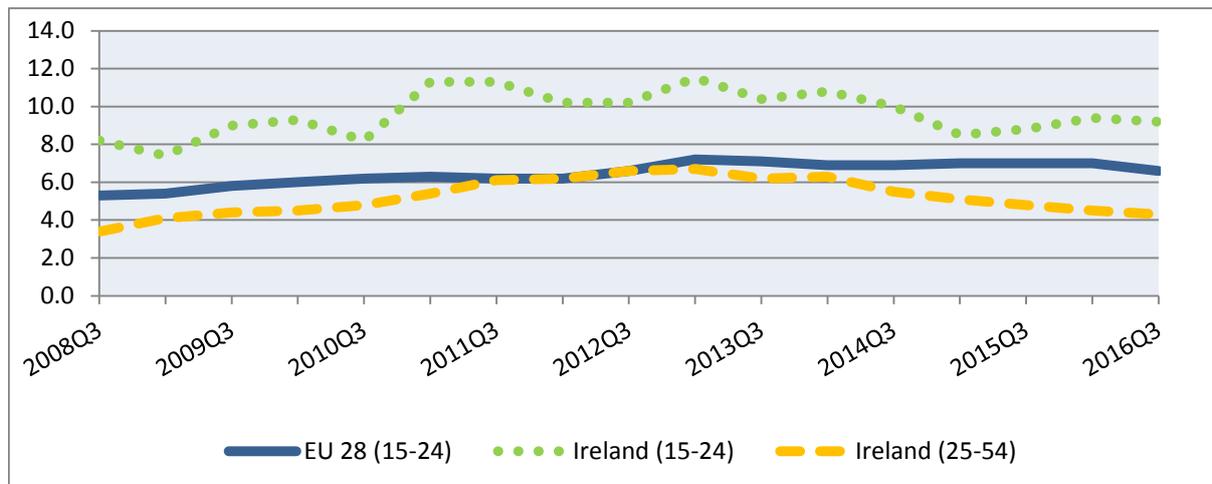
Underemployment

Underemployment figures also show considerable disparities between cohorts in Ireland and is comparable to unemployment in many respects. Underemployment is involuntary and the lack of a sufficient volume of work carries with it similar social implications such as a risk of poverty and a risk of deprivation. Underemployed workers are also less likely to get on-the-job training and/or to be promoted. In the third quarter of 2016, 9.2% of Irish 15-24 year olds were underemployed compared to 4.3% of 25-55 year olds and 3.4% of the active population of 55-74 year olds. For 15-24 year olds this is higher than Greece (8.9%) and slightly below Spain (9.9%). The Eurozone figures for the same three cohorts are 5.9%, 4.2%

Graph 1: Youth Unemployment



Graph 2: Underemployed part-time workers as a proportion of active population (15-24)



and 3% respectively showing similar rates for the two older cohorts but illustrating a much higher incidence of underemployment for young Irish workers than their European counterparts.

These trends are also reflected in the changes of *earnings*. According to the CSO, the average weekly earnings of 15-24, 25-29 and 30-39 year olds all fell between 2011 and 2014 whilst they rose for those 50-59 and 60 and over.

NEETs

In addition to unemployment and underemployment figures, Eurostat compiles other indicators which can deepen our understanding of the situation many young people find themselves in.

The proportion of 18-24 year olds in Ireland *not in employment, formal education or training* was 18.5% in 2015 (the latest year for which data is available). This is almost 50% higher than the level recorded before the financial crisis (12.6%) and significantly above the EU (15.8%) and the Eurozone (16.2%). This is despite the fact that according to the latest figures Ireland's unemployment rate has not been as low since Q2 2008 and is now in the better half of Eurozone performers in national unemployment. This is also despite the fact that there have been a record number of enrolments in Irish third level institutions

over recent years. The figures illustrate a particularly stark intergenerational gap in Ireland where younger citizens, already having borne a disproportionate portion of the burden of adjustment related to the financial crisis of 2008-2012 and subsequent austerity measures are benefiting less as a group with the recovery.

The aggregate figures which illustrate significant generational inequalities also mask considerable inequalities along gender and regional lines. Young men are more likely to be *NEET* than young women and the Midlands, Border and West region has considerably less opportunities for young people than the rest of the country. 19.3% of Irish men between 18 and 24 are neither in employment, formal education or training. 24.1% of 18-24 year olds in the West, Border and Midlands region are also characterised as *NEET*, compared to 13.5% in 2007. Almost 1 in 4 (24.7%) young Irish men from the Midlands, Border and West are currently without any future prospects. This has only come down by about 15% since 2011 and is more than twice the rate it was in 2007 even considering continued trends of emigration from these regions which would have a positive impact on the figure itself.

Table 1: 18-24 year olds not in employment, education or training

	2007	2009	2011	2013	2015
EU 28	14.1	16.1	16.8	17.1	15.8
EU 19	13.8	16.4	16.5	17	16.2
Ireland	12.6	23.1	24	20.5	18.5
Border, Midland and Western	13.5	25.1	27.9	25.3	24.1
Southern and Eastern	12.3	22.3	22.6	18.9	16.7
Male					
EU 28	12.4	15.4	16.2	16.7	15.4
EU 19	12.4	16.2	16.2	17	16.2
Ireland	11.7	25.4	25.8	21	19.3
Border, Midland and Western	12.2	28.6	29.9	25.3	24.7
Southern and Eastern	11.5	24.2	24.3	19.6	17.5

Northern Ireland is also significantly above average in European terms with over 1 in 5 (20.9%) of 18-24 year olds currently completely inactive.

Eurofound estimate the cost of not integrating *NEETs* into the labour market at 2% of GDP for Ireland using 2011 figures. The effects of long-term unemployment can impact employability and wages throughout an individual's life cycle. On a widespread scale, this can seriously impact on an economy's long-term potential output as a pool of potentially productive workers lie idle.

Aside from economic costs there are also significant social costs to consider as young people not in employment, education or training are more likely to be socially and politically alienated, exhibit less interest and engagement in politics and tend to mistrust institutions. On an aggregate basis continuing trends of this nature can be socially corrosive and have implications for political stability, creating a space for right-wing extremism. A Eurobarometer poll of 16-30 year olds in 2016 found that 68% of Irish respondents felt excluded from economic and social life by the crisis compared to 57% in the EU and 27% in Germany. The European Intergenerational Fairness Index also found that Ireland had the worst rate of democratic participation amongst this cohort out of thirteen countries for which data was available.

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