An Roinn Airgeadais
Department of Finance

Pandemic impact on Irish Labour Supply vs Demand

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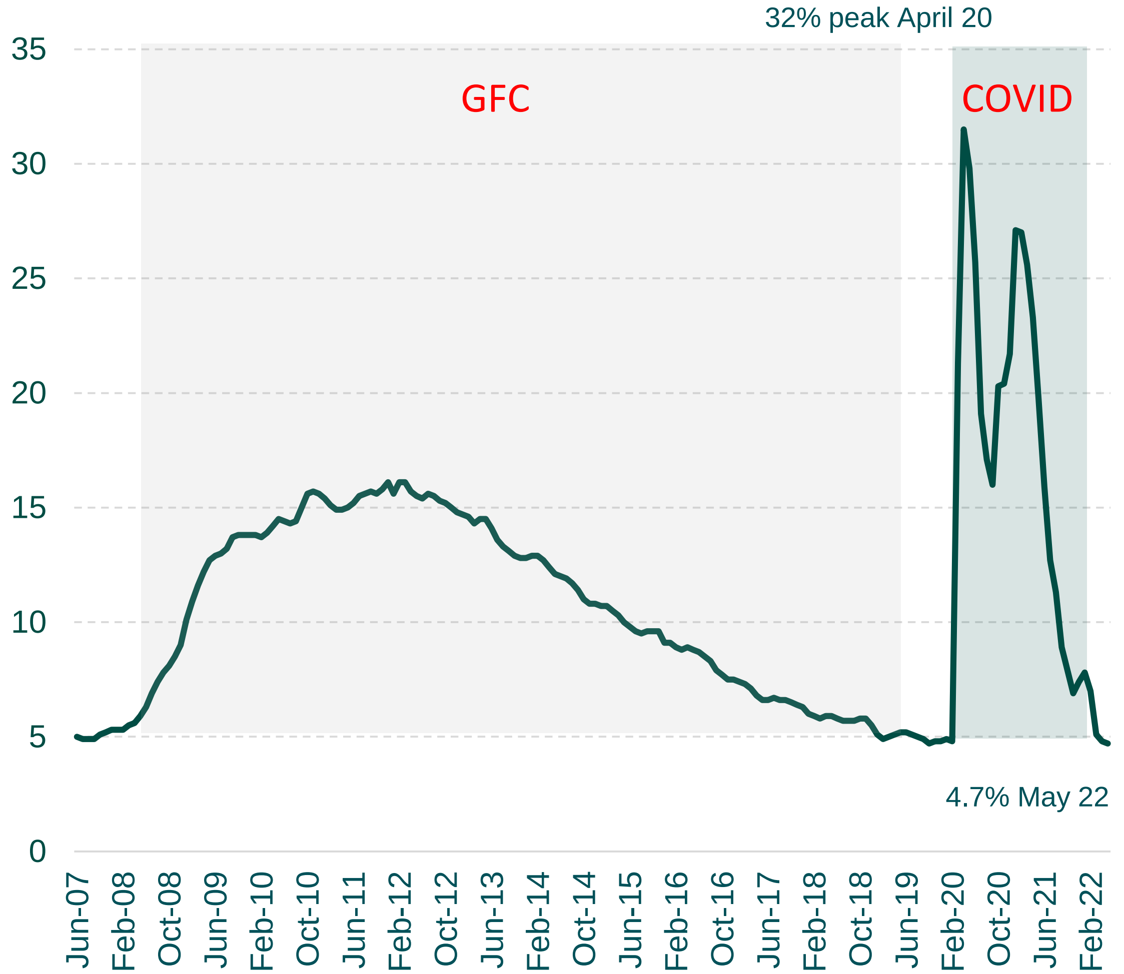
Overview

Purpose of work

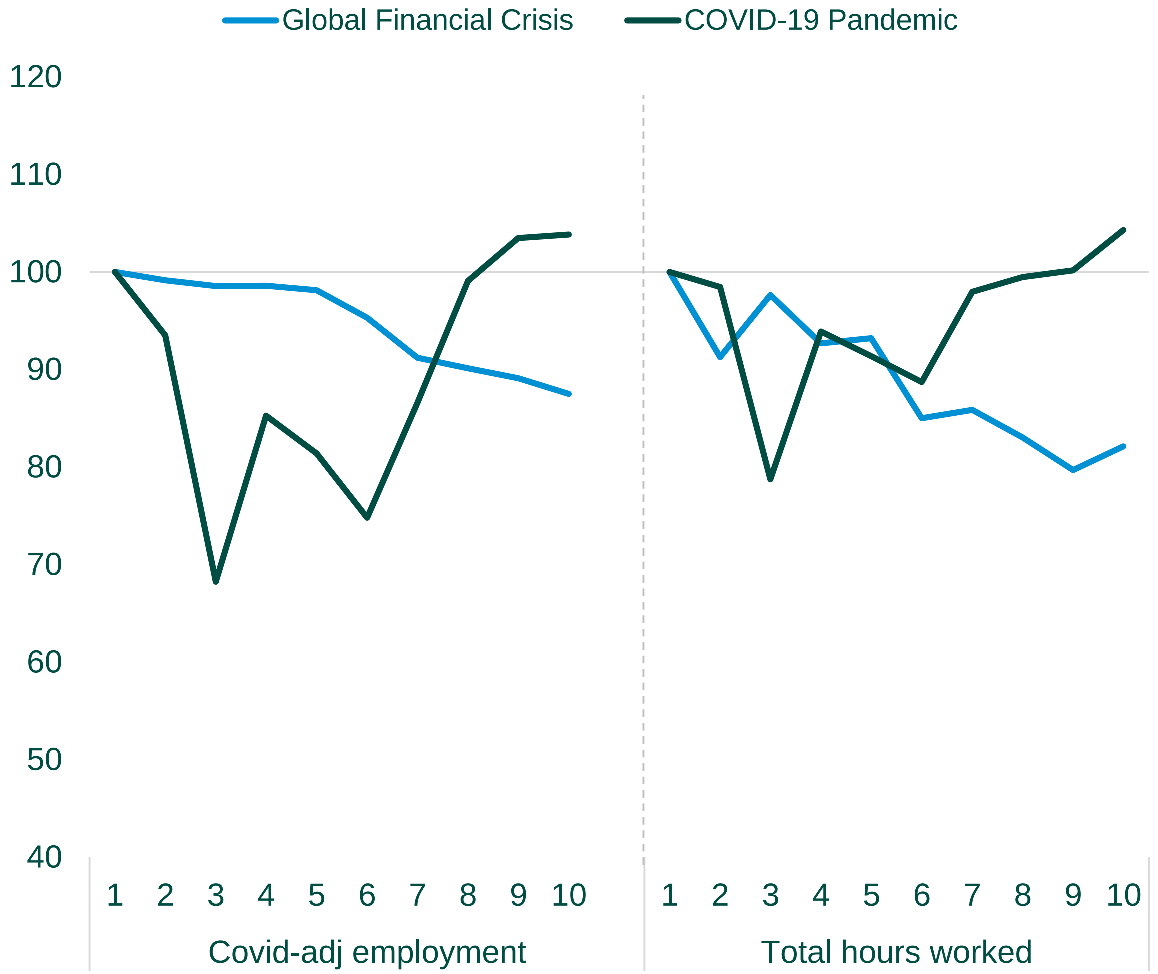
- *Examine labour markets transitions as we exit the pandemic*
- *Discuss challenges these patterns might present*
  - Scarring
  - Uneven recovery by sectors
  - Mismatches
  - Wage pressures

Recovery from COVID crisis significantly different from GFC..

Monthly unemployment rate, per cent



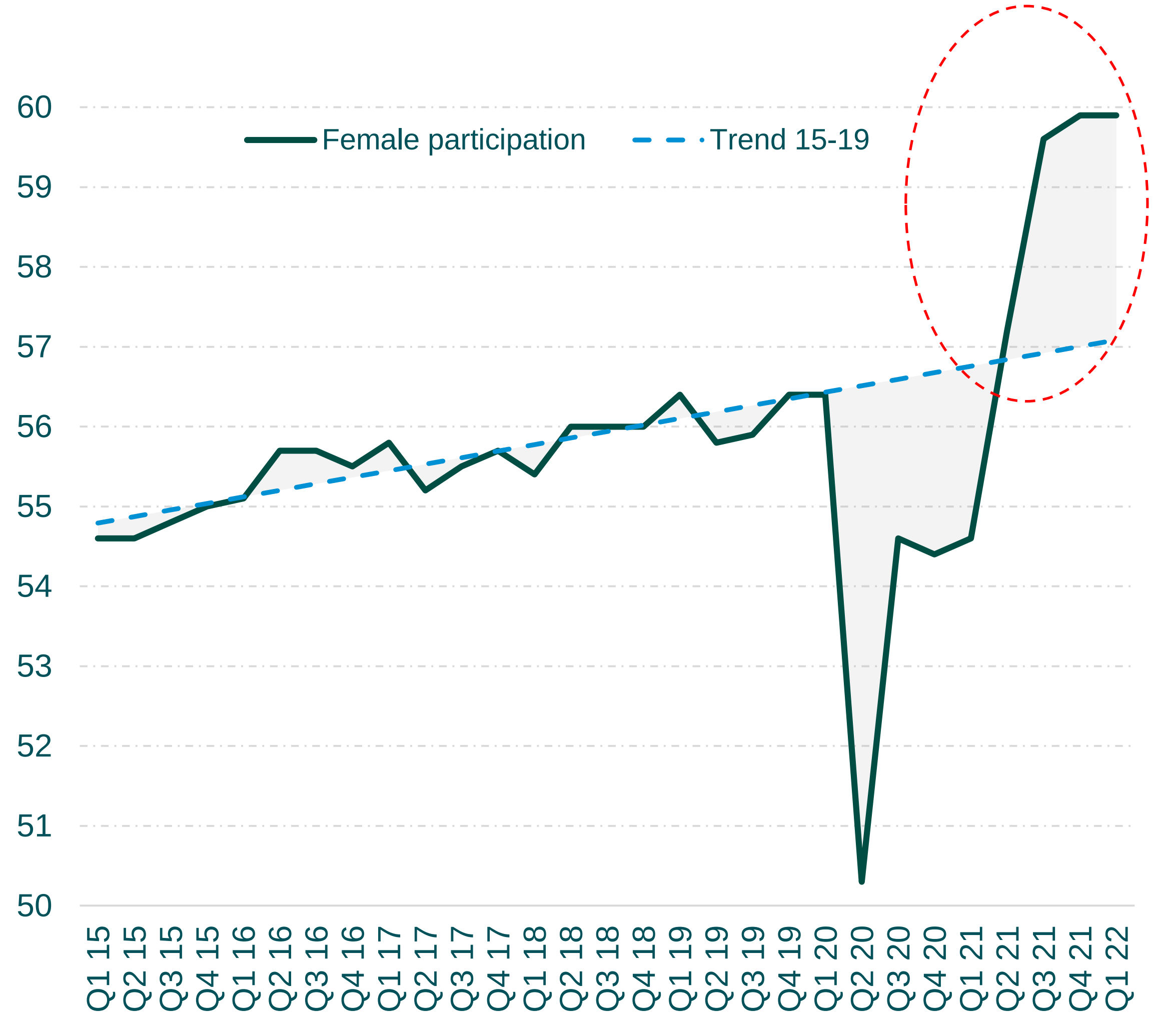
Adjusted employment, & hours worked index (qtrs post peak)



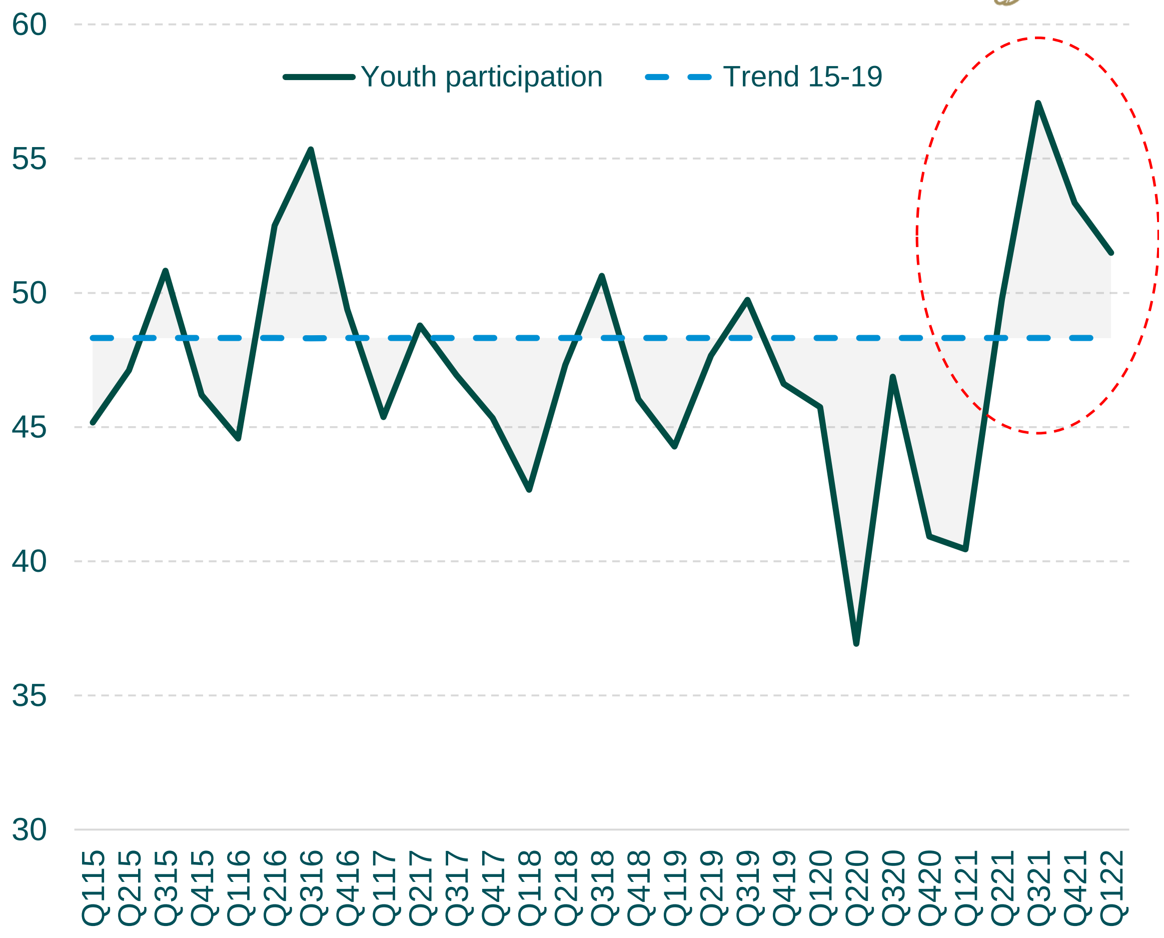
Source: CSO, DFIN Note::LHS COVID-19 100 =Q419 & GFC 100 = Q307; RHS COVID-19 100 =Q419 & GFC 100 = Q407

Participation a significant factor in reaching record employment

Female participation, per cent



Youth participation, per cent

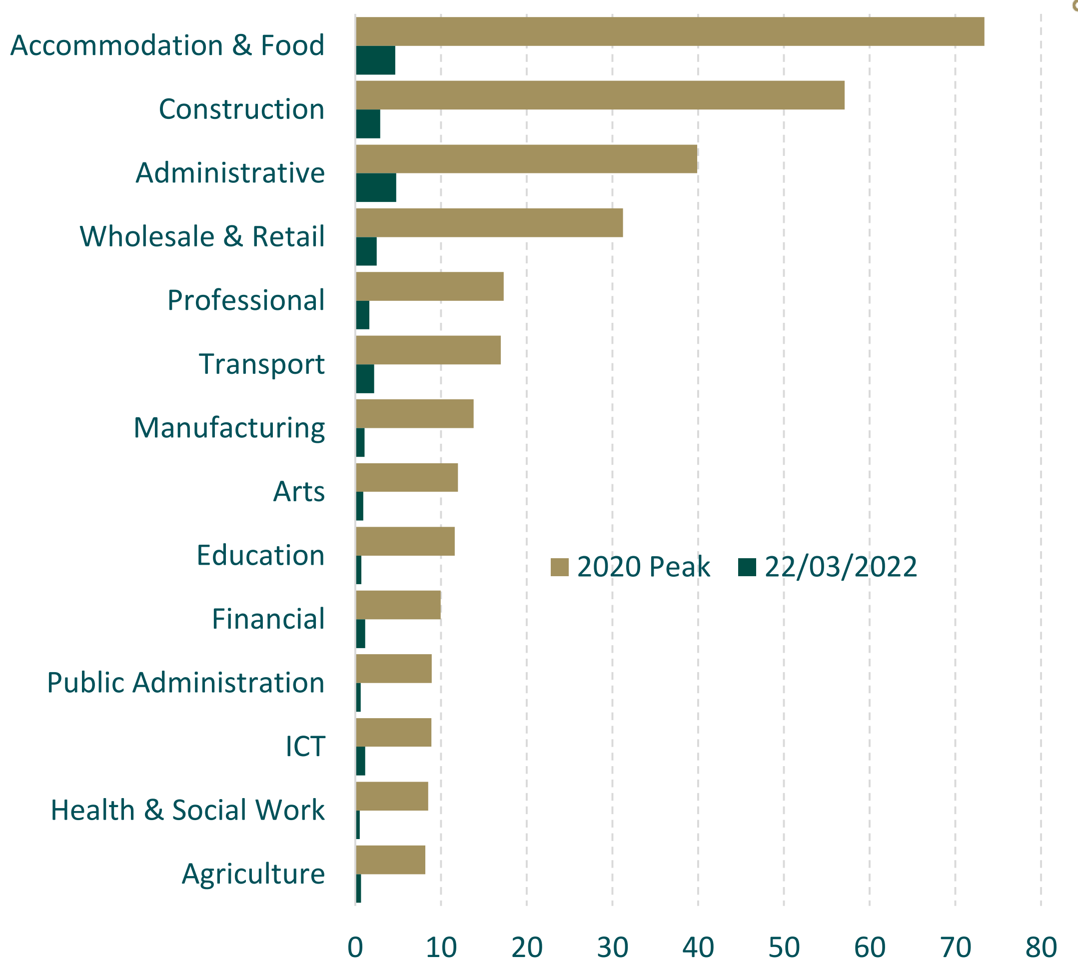


Source: CSO: DFIN analysis.

However, rebound uneven across sectors….

COVID-adj. Employment by sector, index (Q419=100)

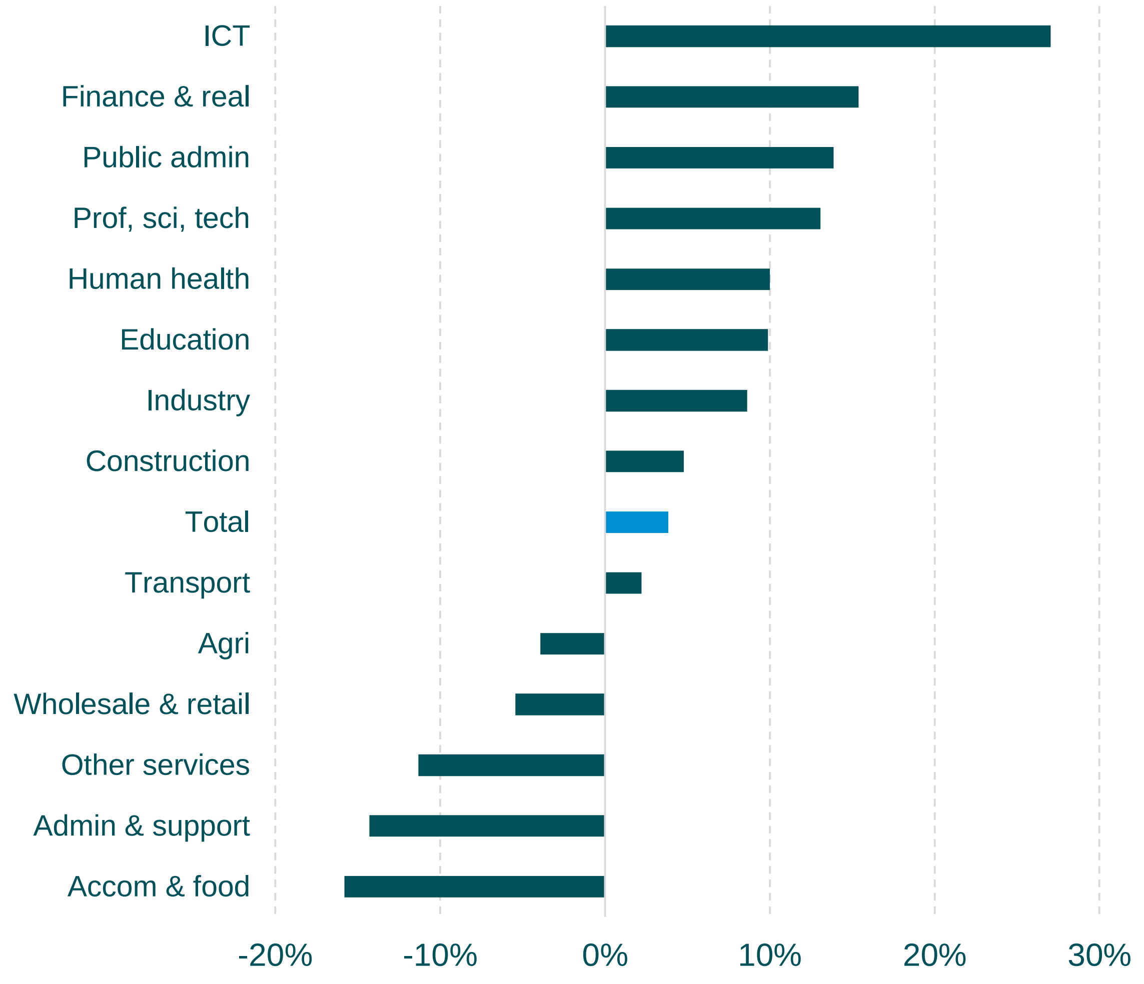
PUP, share of pre-pandemic employment



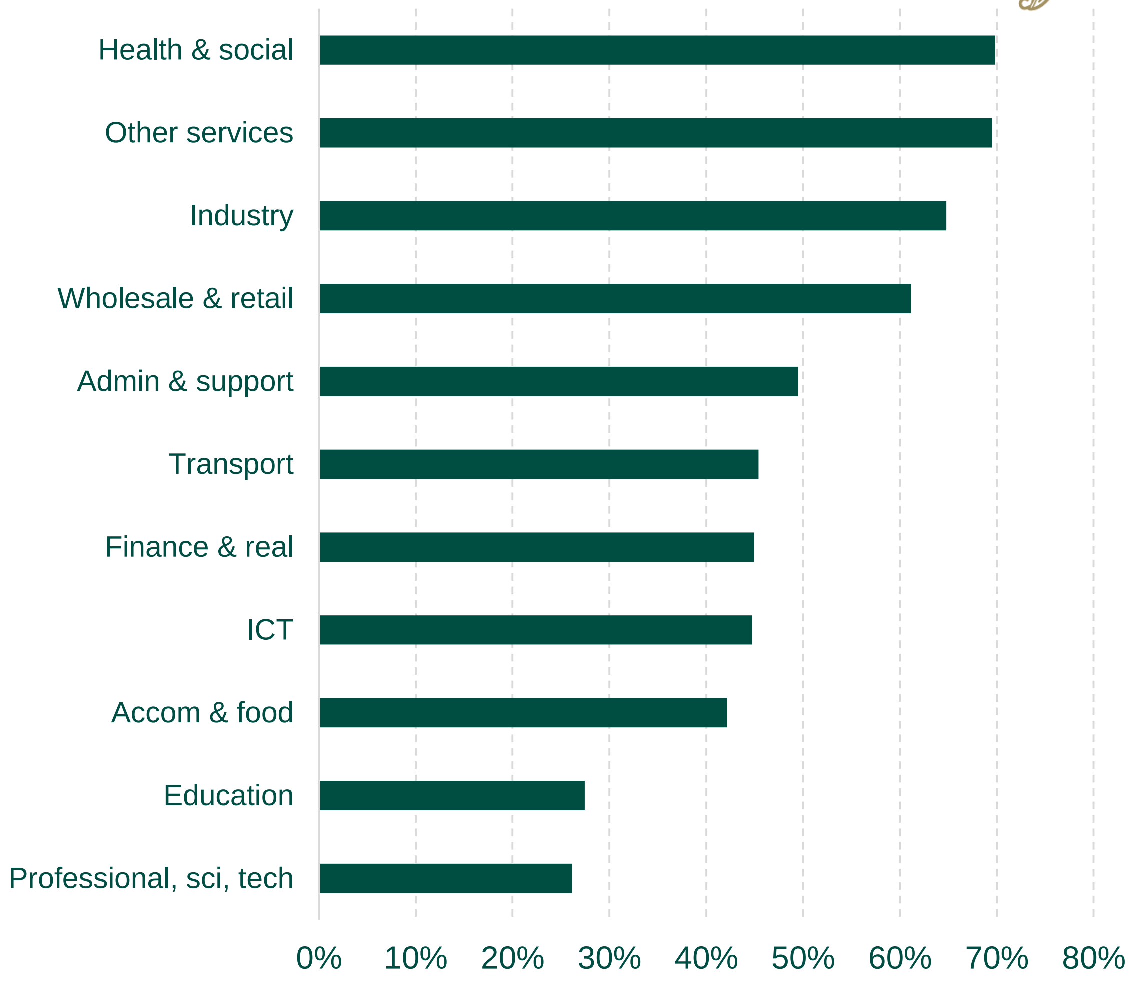
Source: CSO: DSP DFIN analysis.

Recovery not constrained by labour demand

COVID-adj. Employment by sector, % change from Q419



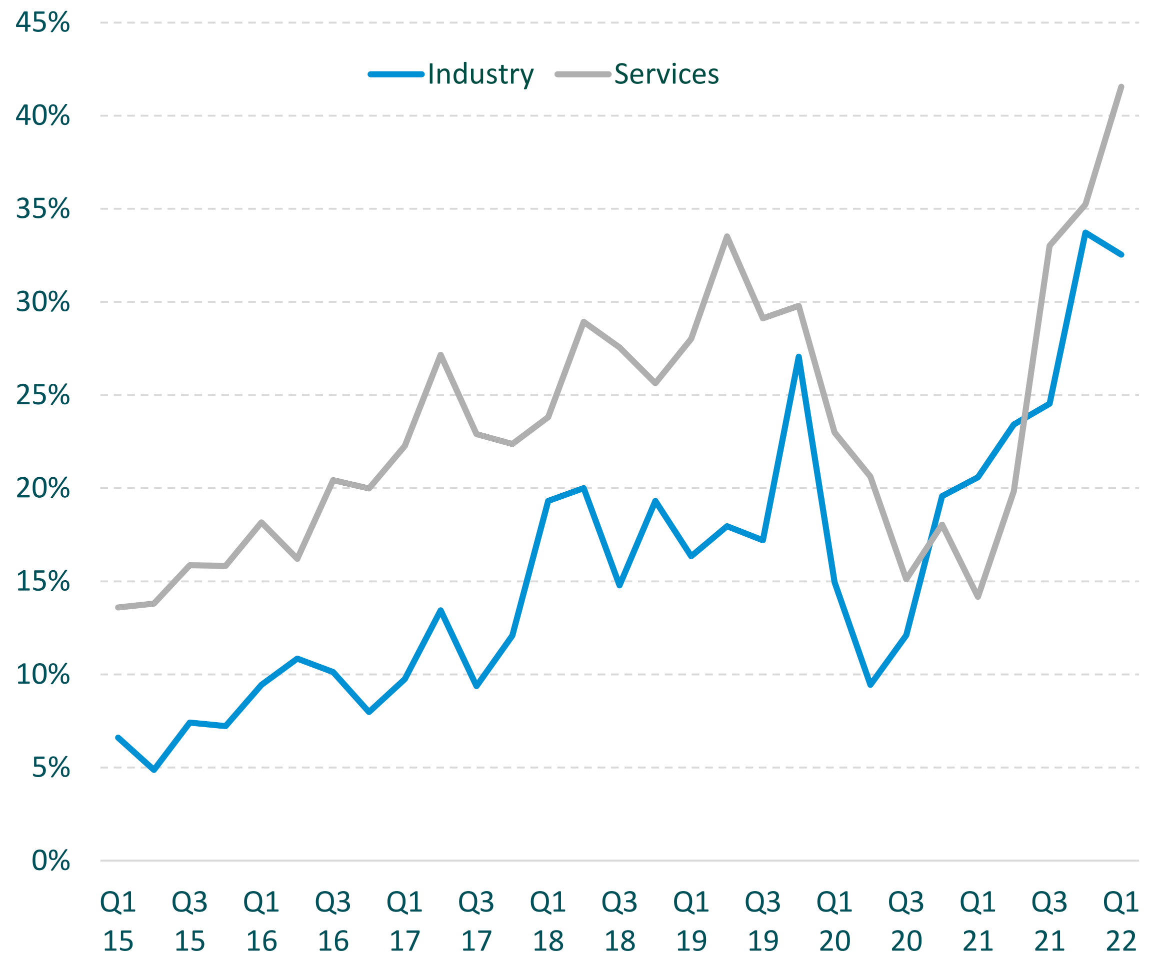
***Indeed* job postings,** per cent change from May 2019



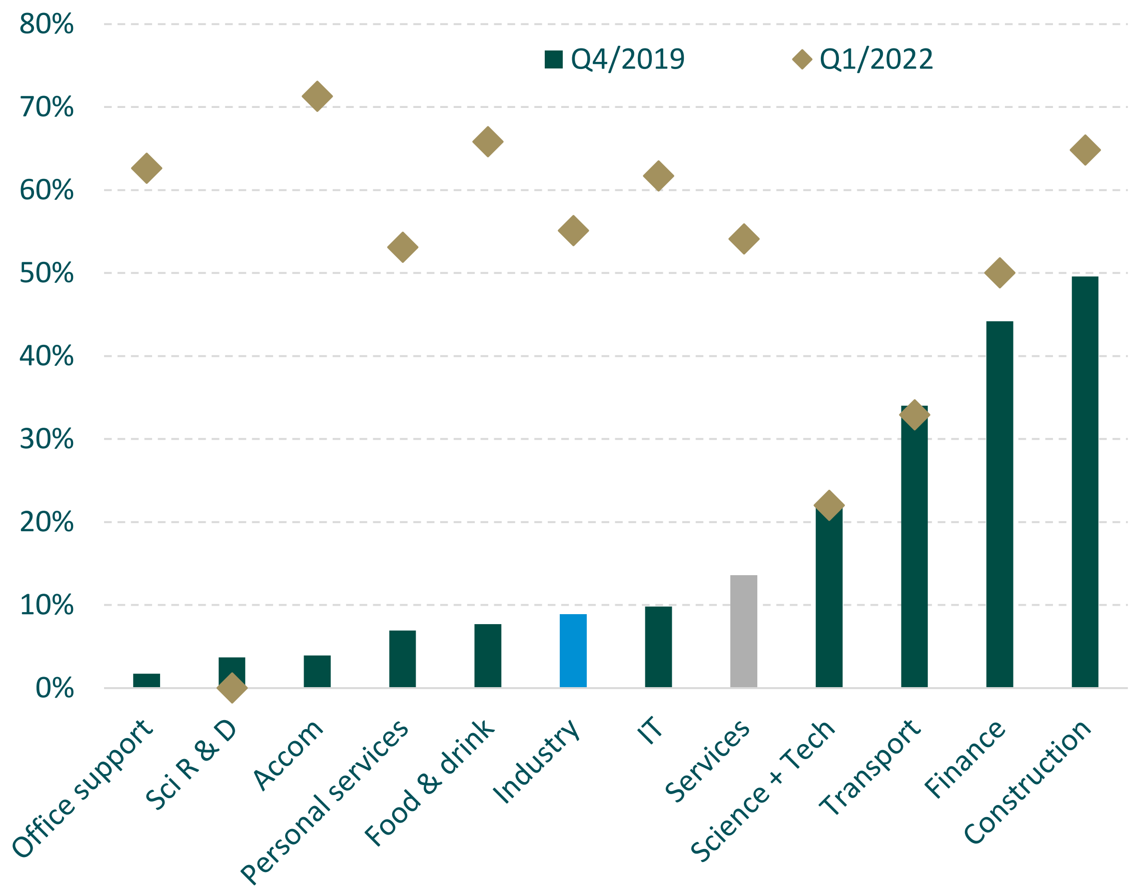
Source: DSP, CSO, Indeed.com

Instead, labour supply is emerging constraint…

Vacancy to unemployment ratio by sector, per cent



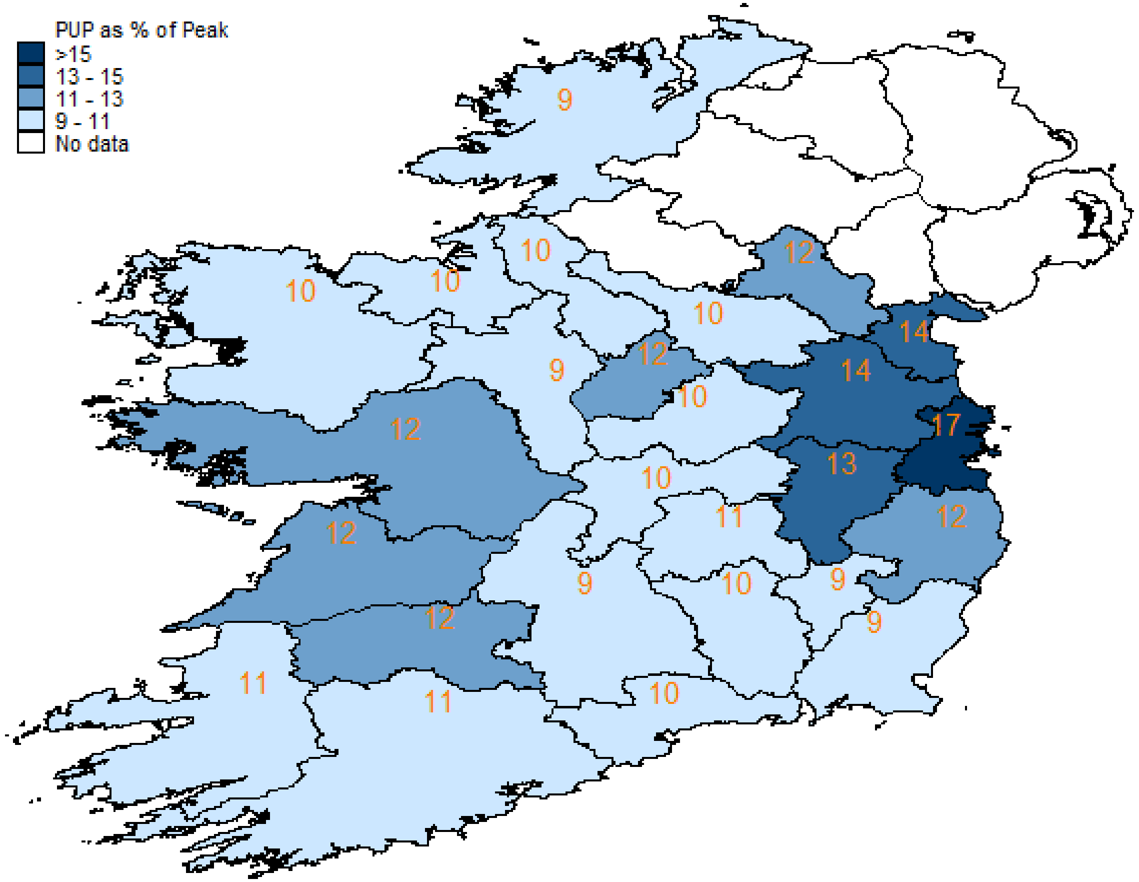
Firms reporting labour shortage as constraint per cent



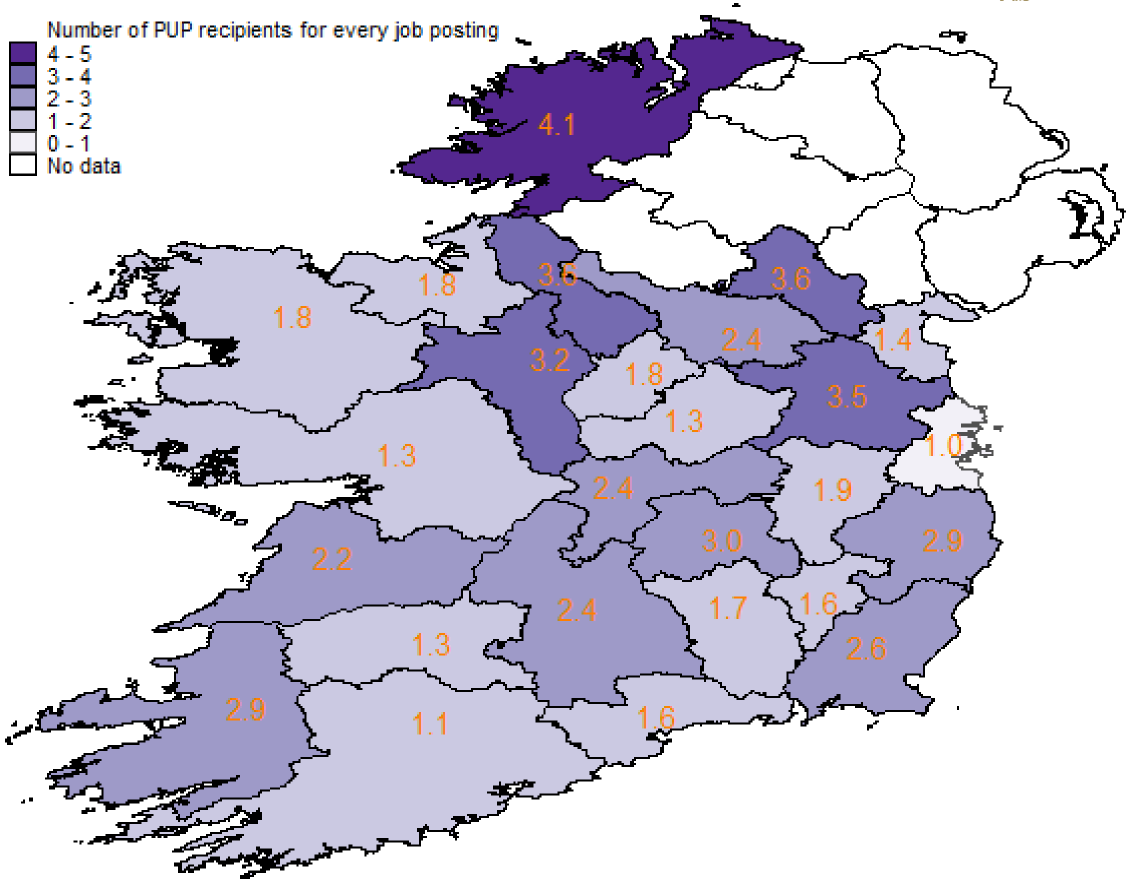
Source: CSO, EU Commission survey. DFIN analysis
Note: Persons who reply ‘not stated’ to previous sector of employment are not included in the respective VU ratios.

Geographical mismatches have likely eased

PUP recipients by County, as percentage of peak



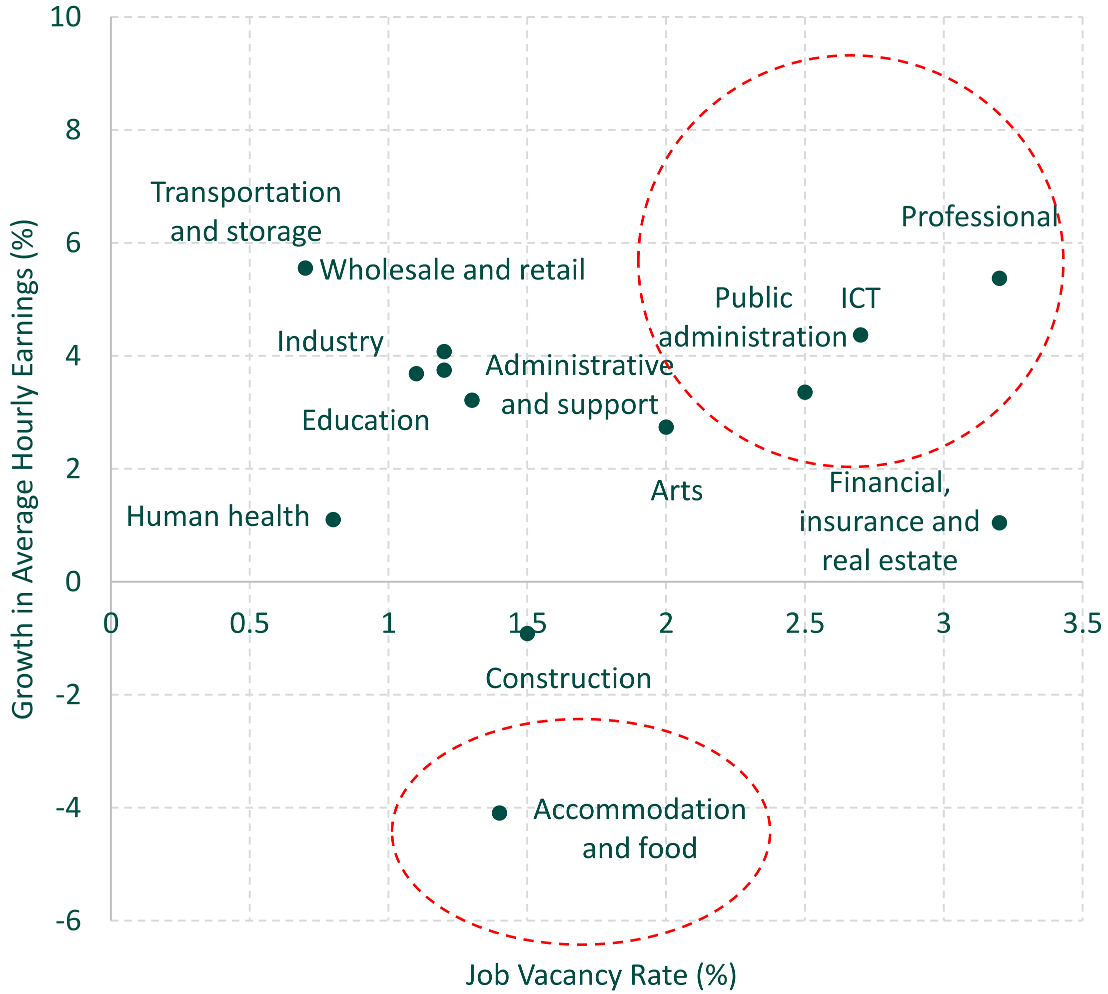
PUP recipients per job posting, level



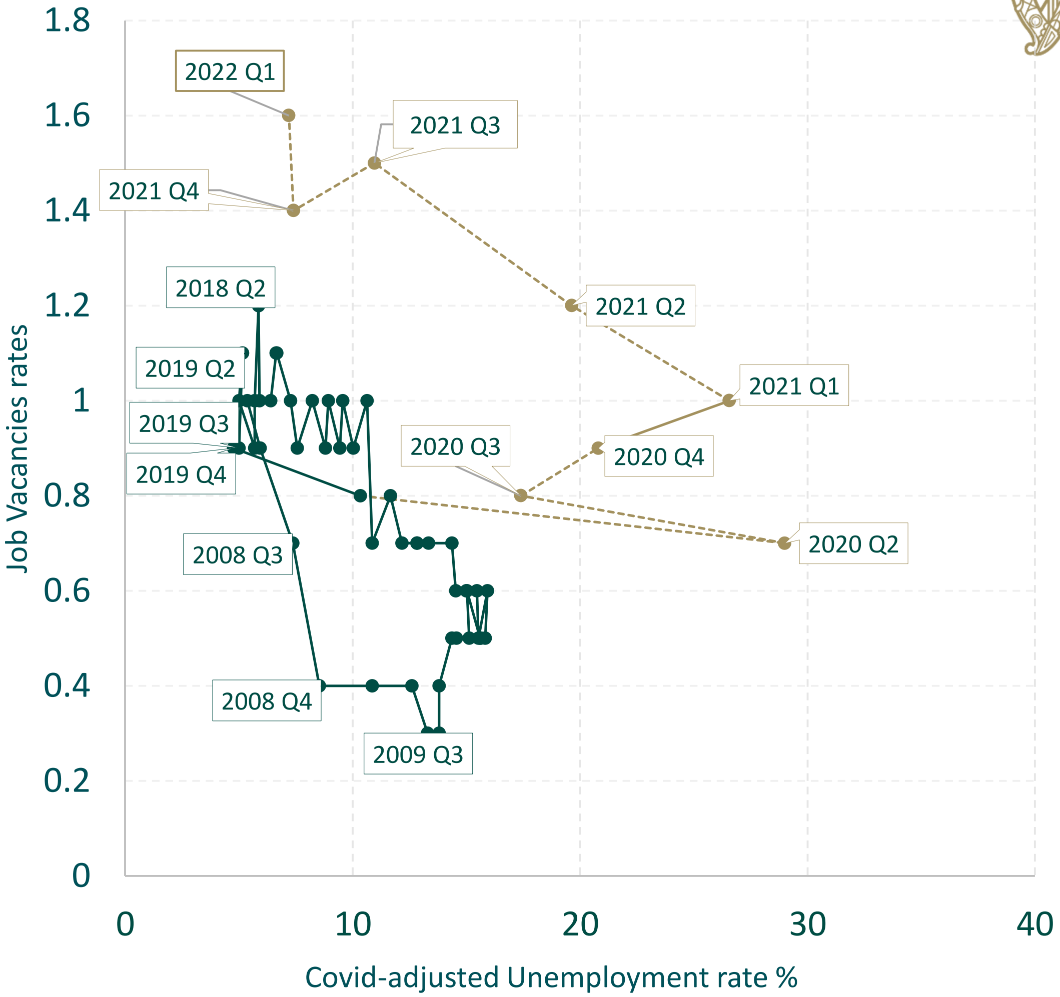
Source: CSO, Indeed.com

Tighter labour market = wage pressures; and evidence of less efficient job matching

Earning and sectoral vacancy, YOY Q1 2022



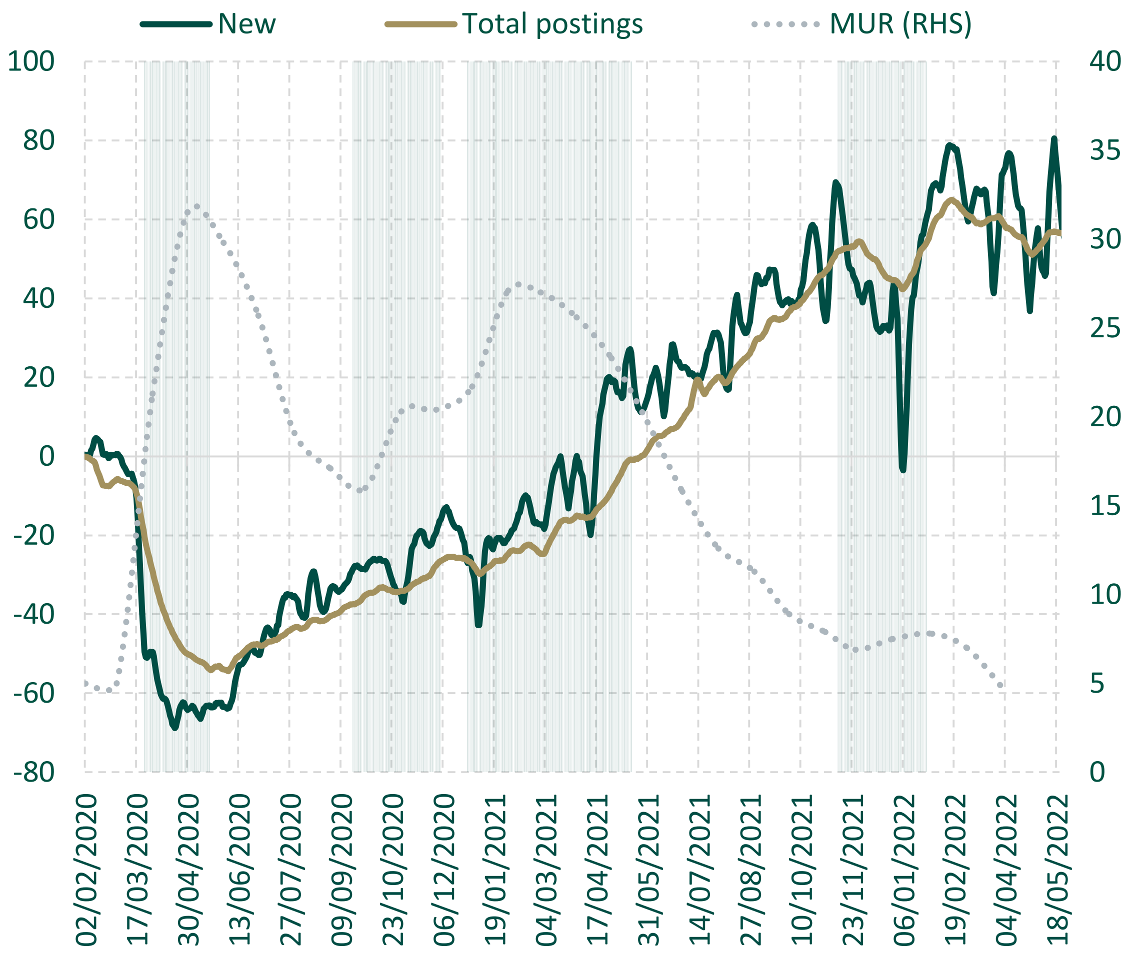
Beveridge curve, change UR & vacancy rate



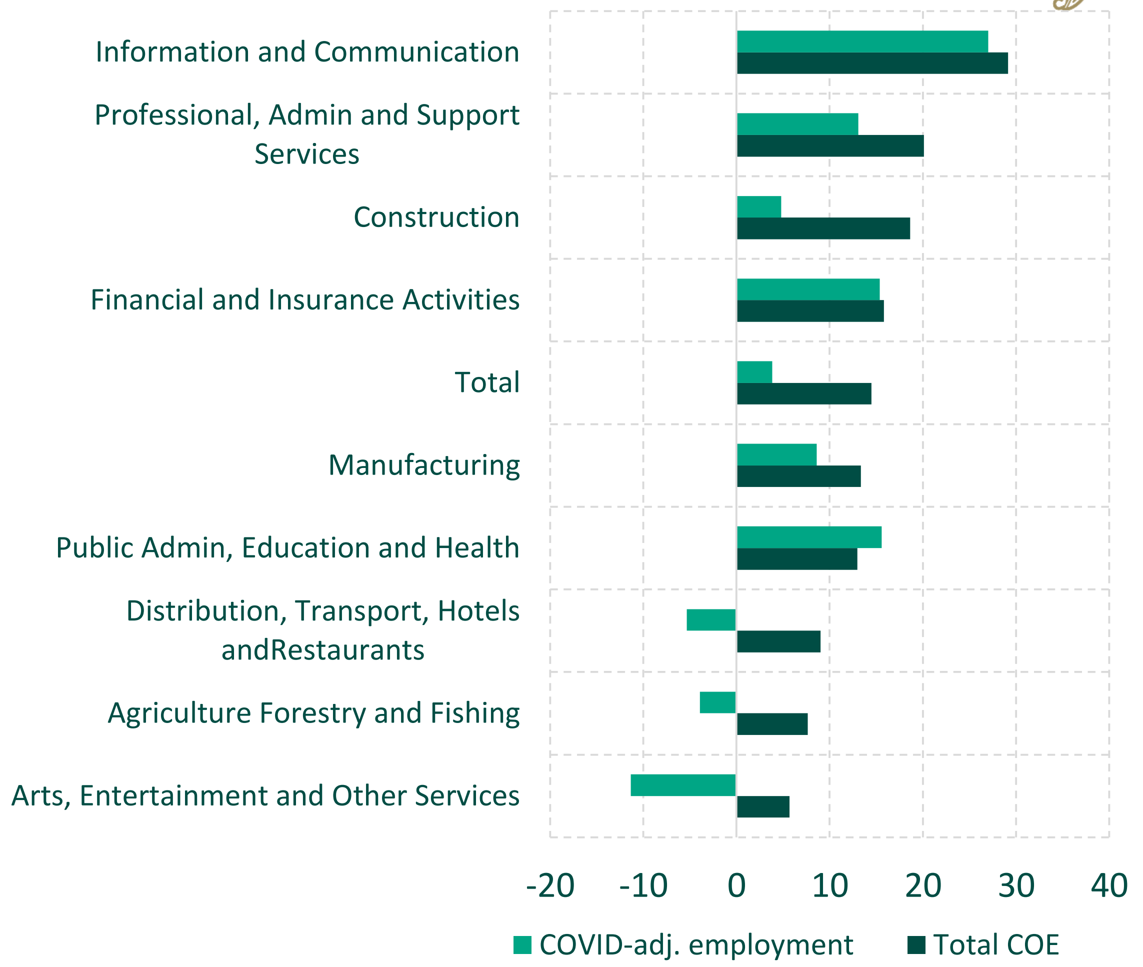
Source: CSO, DFIN analysis.

Demand for labour continues to be robust, and evidence of underlying wage growth

Indeed job postings (SA), % change from Feb 20



Employment and Total COE, % change from Q419



Source: Indeed, CSO.

Summary

- Labour markets transitions significantly different from previous crisis
- Rapid recovery driven by youth and female participation, suggest minimal scarring
- Recovery uneven with supply of labour emerging as key constraint in certain sectors
- Mismatches evident and acute in some sectors, labour market continuing to tighten
- Persisting mismatches/tightness a risk factor for increasing wage pressures

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Questions