

Medium-term trends in the Irish labour market and possibilities for reform

6th Annual Labour Market Conference
22nd May 2018

Dr. Tom McDonnell

Senior Economist

NERI (Nevin Economic Research Institute)

Dublin

Tom.mcdonnell@nerinstitute.net



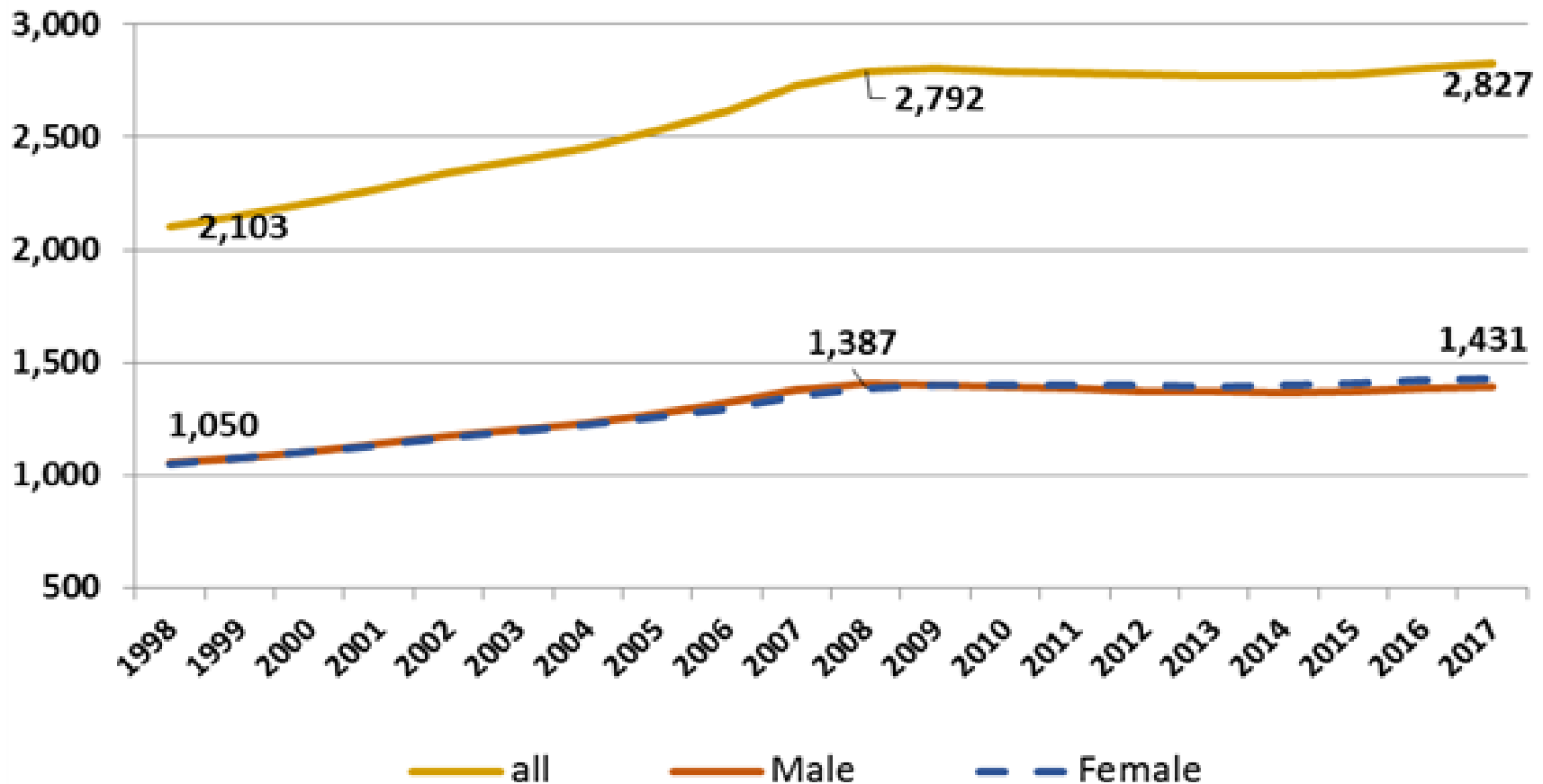
Research for new economic policies

Trends

1. POPULATION AND PARTICIPATION

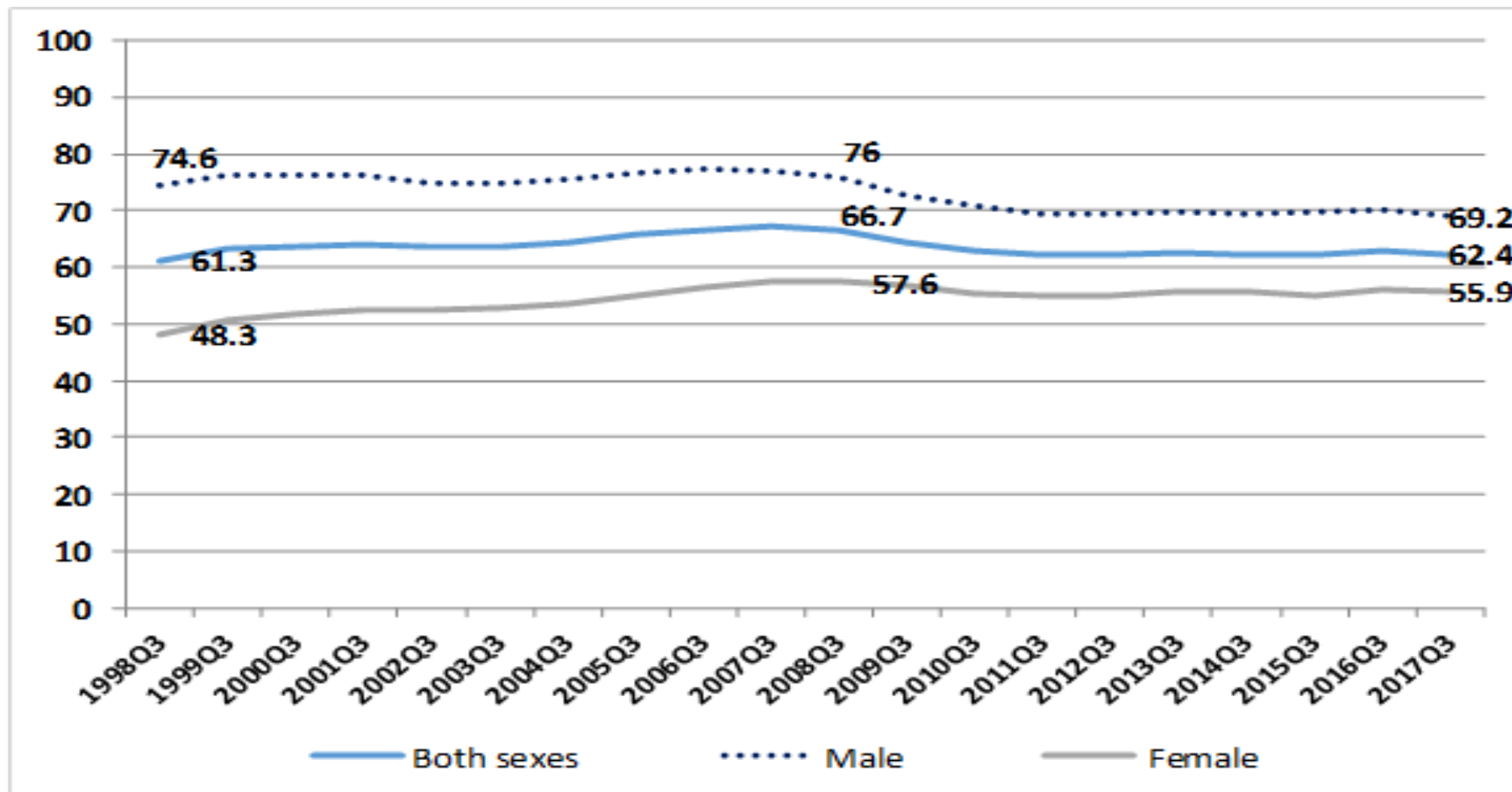
Working Age Population by Gender (000's), ROI, 1998-2017

The 2007-08 crisis halted rapid growth in working age population



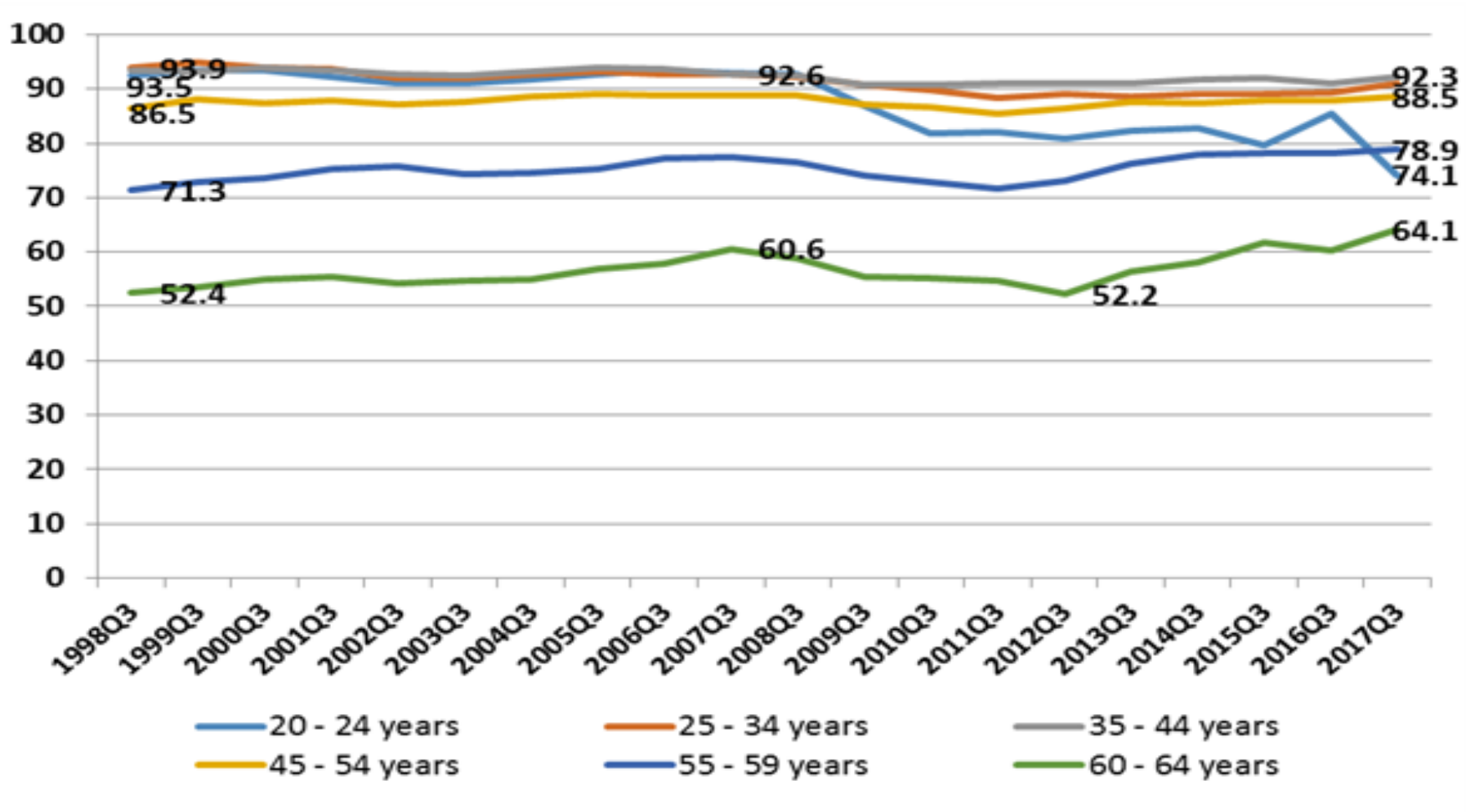
Labour Force Participation (LFP) Rates (ILO) by Gender, ROI, 1998-2017

Female LFP was increasing 1pp per year from 1998 to 2007



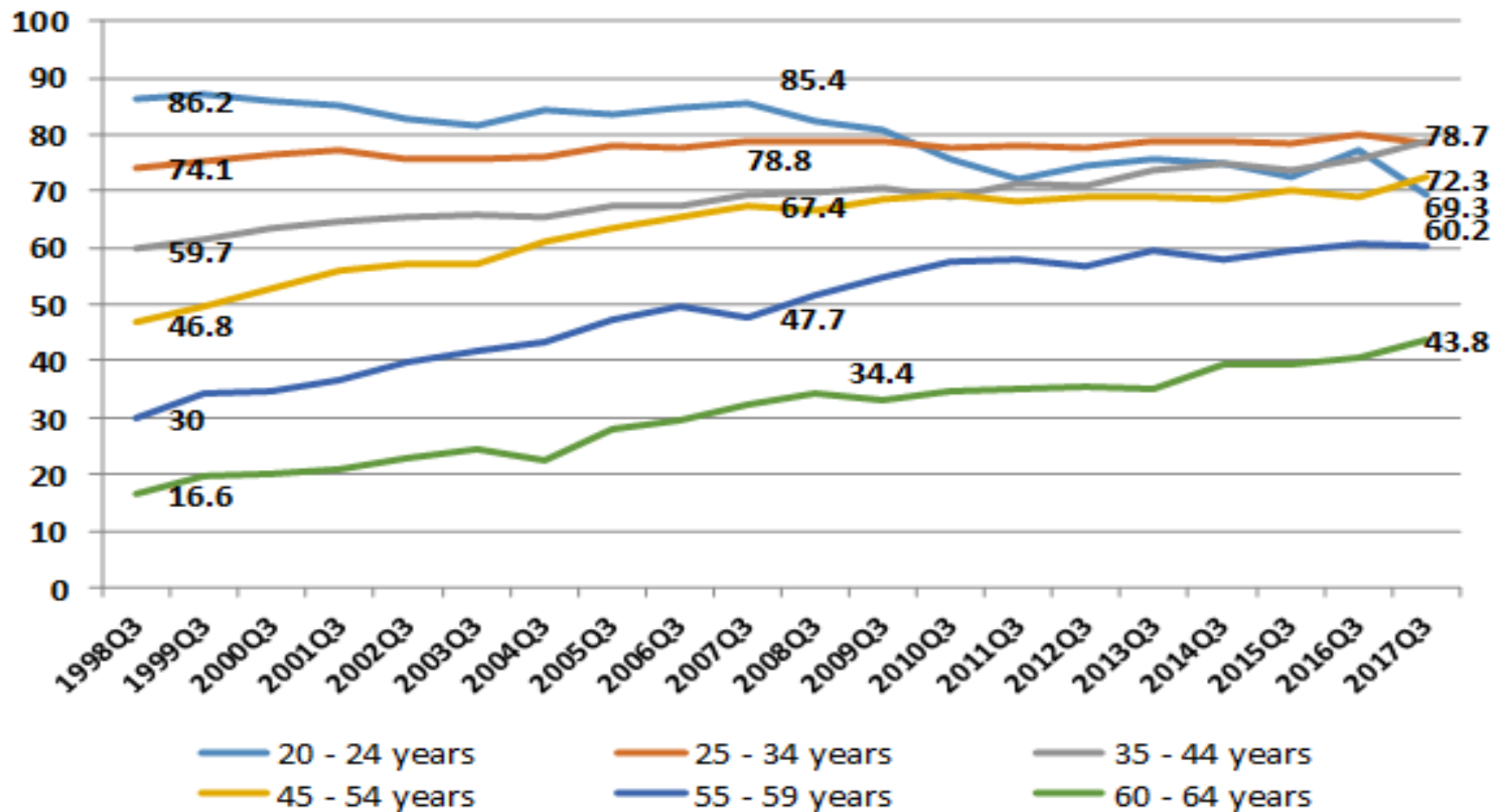
Male LFP Rates by Age, ROI, 1998-2017

Major shifts are for 20-24 years and 60-64 years



Female LFP Rates by Age, ROI, 1998-2017

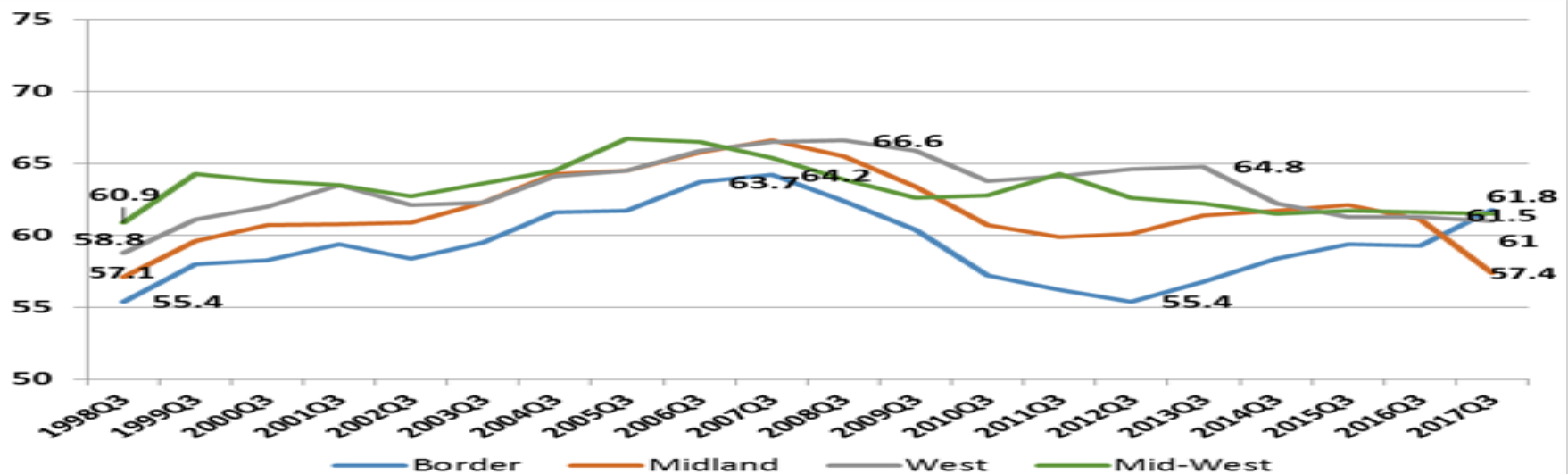
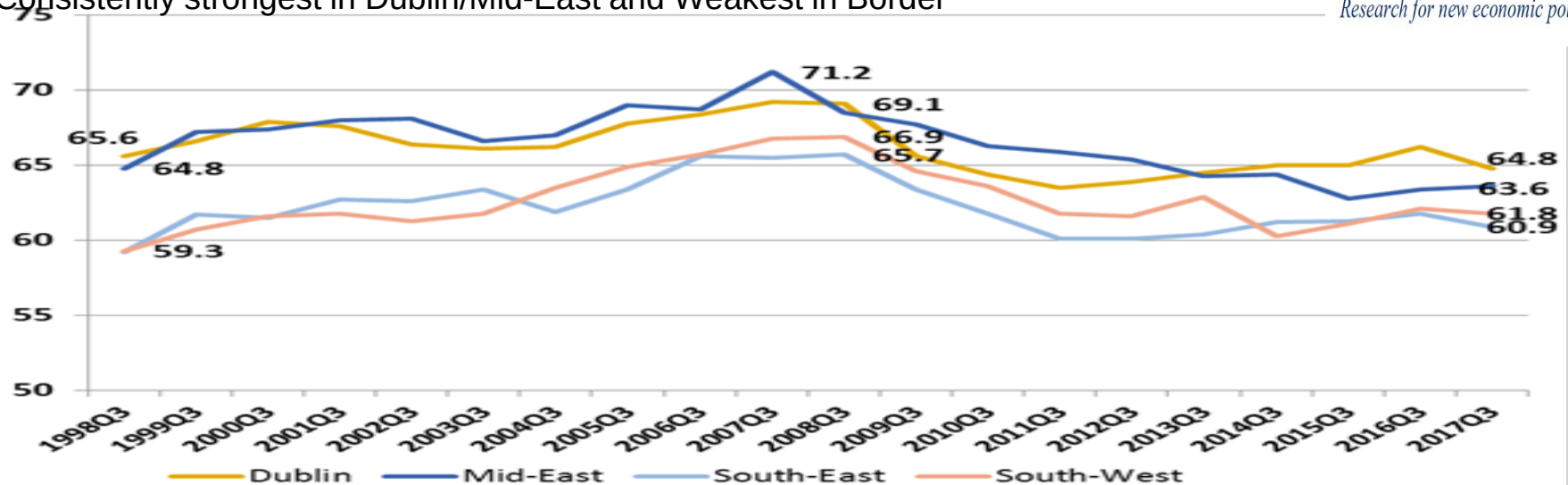
LFP is up over 25pp for 45-54 years, has doubled for 55-59 years and more than doubled for 60-54 years



LFP Rates by Region, ROI, 1998-2017

Consistently strongest in Dublin/Mid-East and Weakest in Border

Research for new economic policies

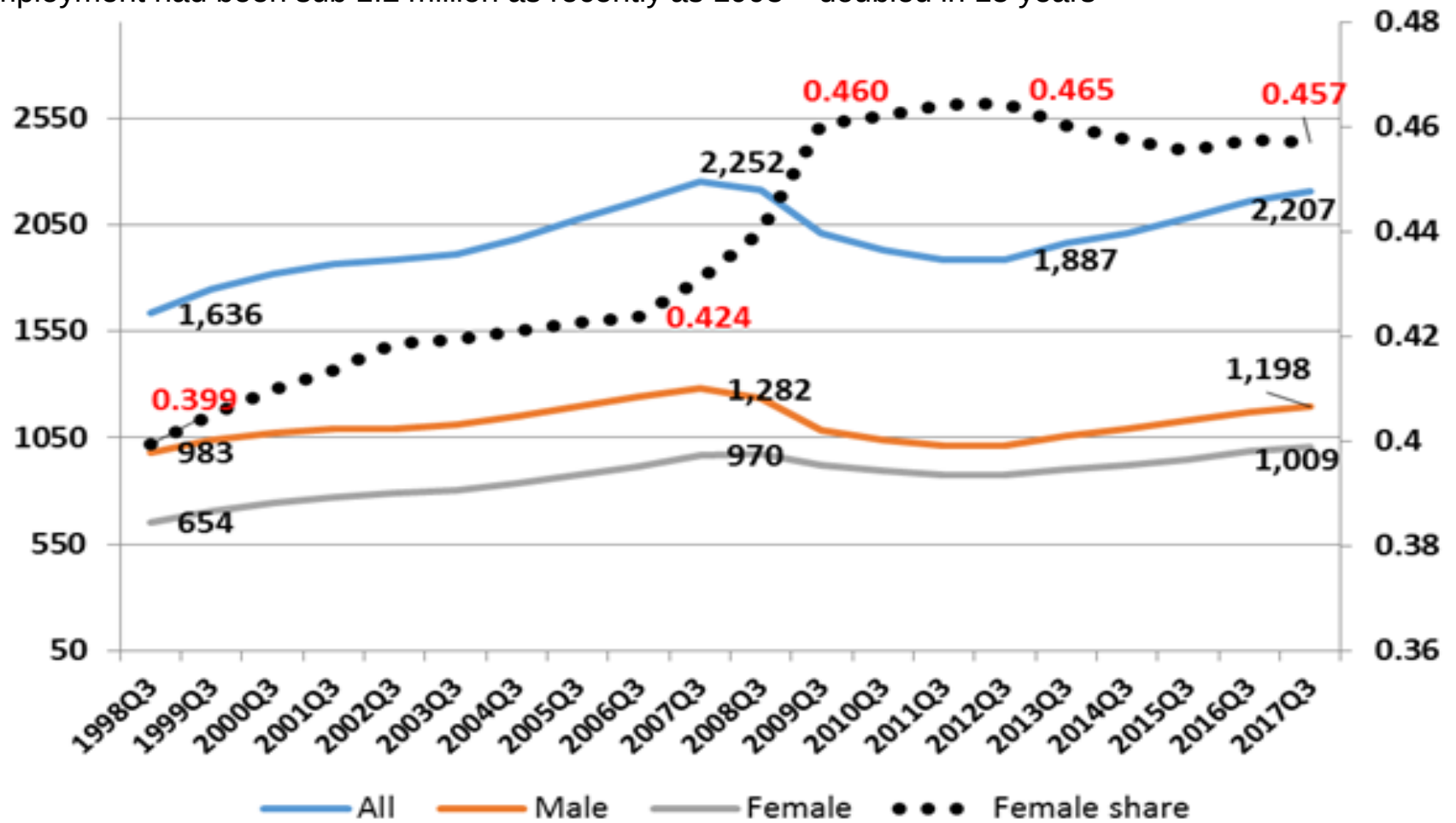


Trends

2. EMPLOYMENT

Total Employment, ROI, 1998-2017

Female share increased over 6 pp between 1998 and 2013;
Employment had been sub 1.2 million as recently as 1993 – doubled in 15 years



Composition of Employment by Employment Status, ROI, %, Q3

Notable shift away from 'assisting relative' - absolute decline

Consistent shift away from self-employment - though no absolute decline

Research for new economic policies

Type	1998	2002	2007	2012	2017	PP shift 1998 to 2017
Self-employed (paid employees)	5.5	5.2	5.4	4.4	4.6	-0.9
Self-employed (no paid employees)	11.4	10.5	10.0	10.9	10.1	-1.3
Employees	81.6	83.1	83.7	83.7	84.7	+3.1
Assisting Relative	1.5	1.1	0.9	1.0	0.6	-0.9

Composition of Population Aged 15 Years and over by Principal Economic Status, ROI, %

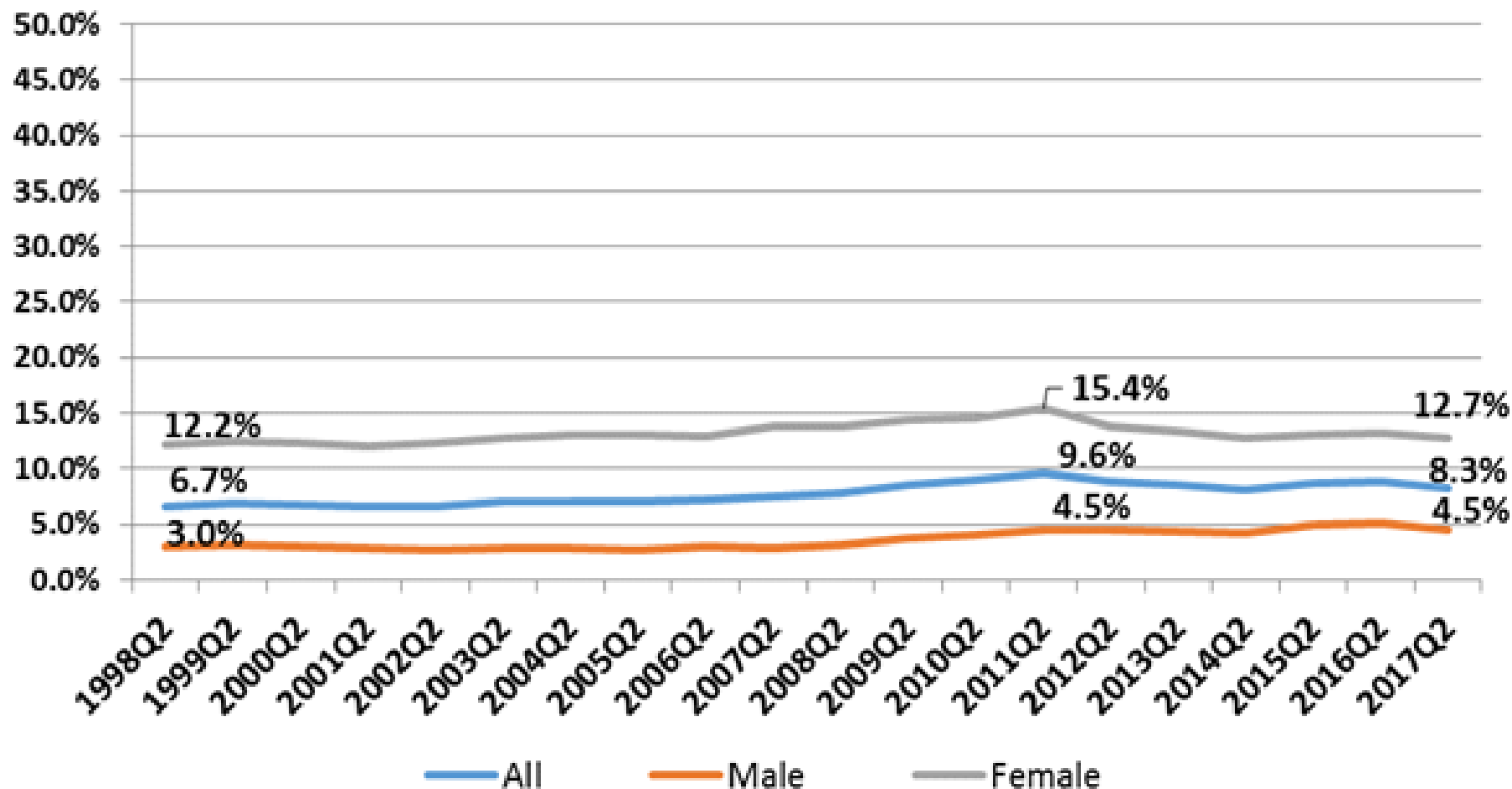
Only negative shift is – 'engaged on home duties' – declines from 1 in 5 to 1 in 11

Largest positive shift is for 'retired' – increases from 1 in 11 to more than 1 in 7

Type	1998	2002	2007	2012	2017	PP shift 1998 to 2017
At work	52.7	56.6	60.0	49.9	55.5	+2.8
Unemployed	5.3	4.1	3.7	10.7	5.5	+0.2
Student	9.9	9.9	9.1	10.6	10.3	+0.4
Engaged on home duties	20.3	17.8	14.9	14.0	8.9	-11.4
Retired	8.9	8.5	8.7	10.8	14.7	+5.8
Other	2.9	3.1	3.6	4.0	5.1	+2.2

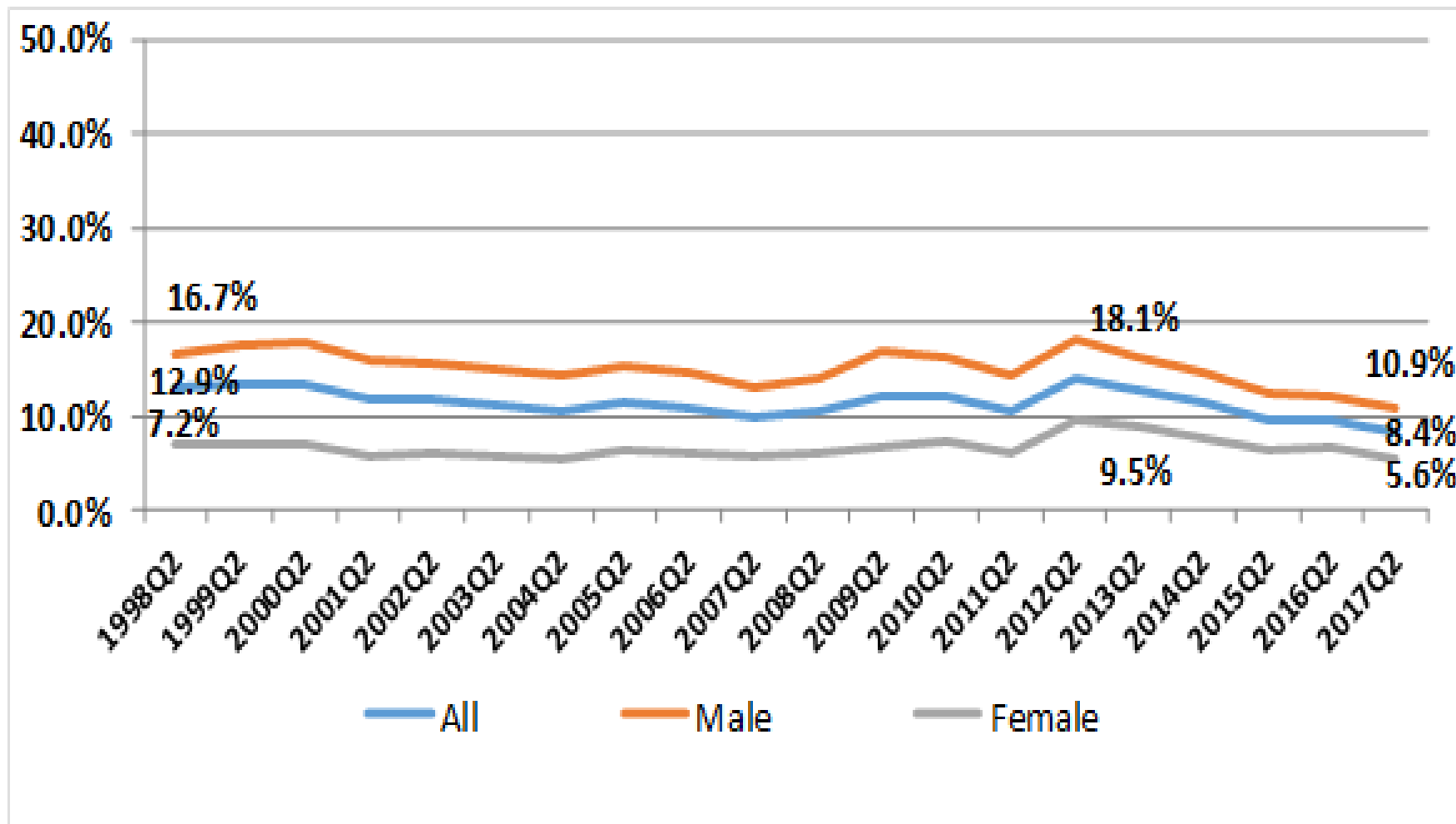
Low Hours (under 20) as a Share of Employment, ROI, 1998-2017

'Low Hours' became more prevalent between 1998 and 2011 – much higher incidence for females



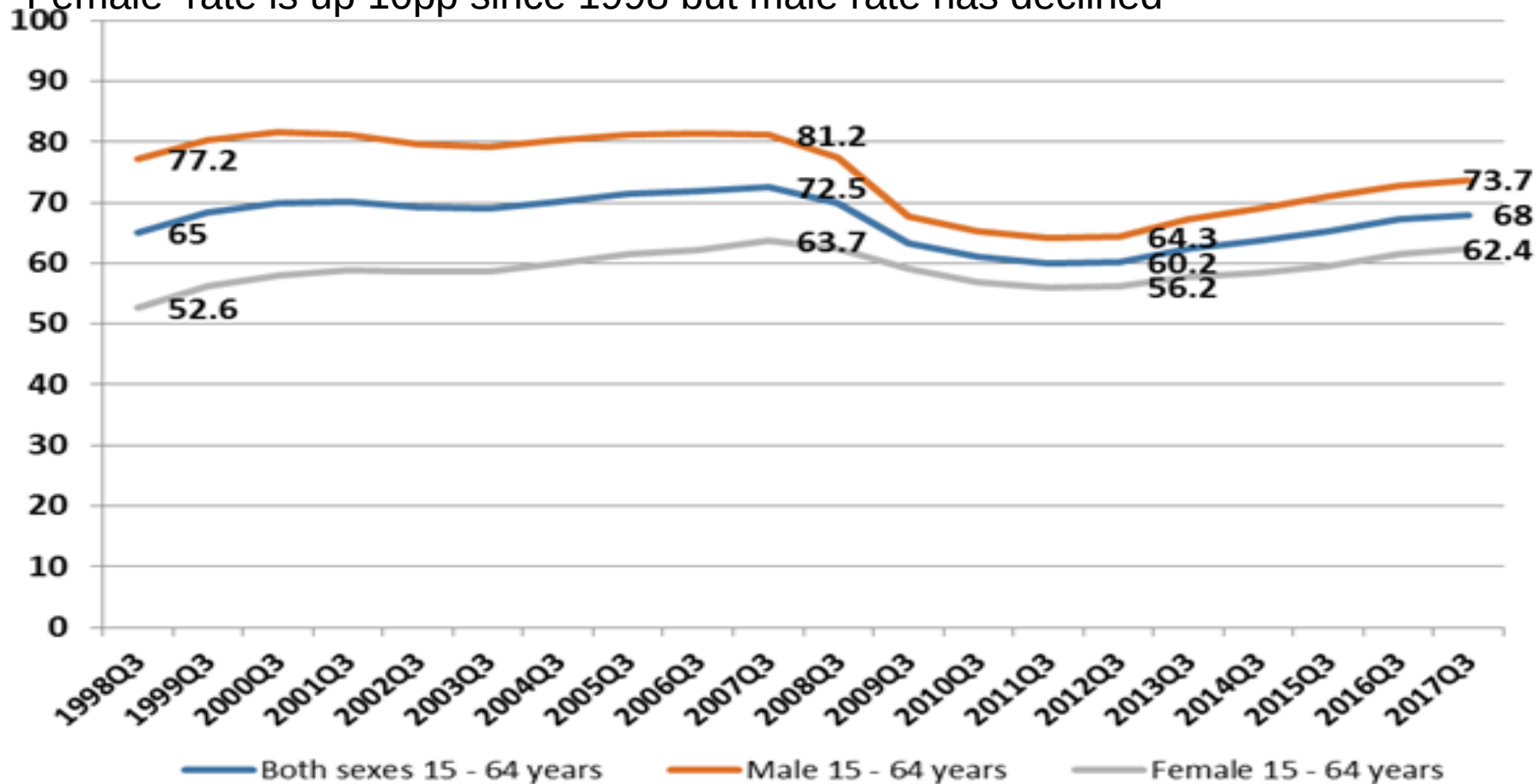
Variable Hours as a Share of Employment, ROI, 1998-2017

Notable downward shift since 2012



Employment Rate (15-64), ROI, 1998-2017

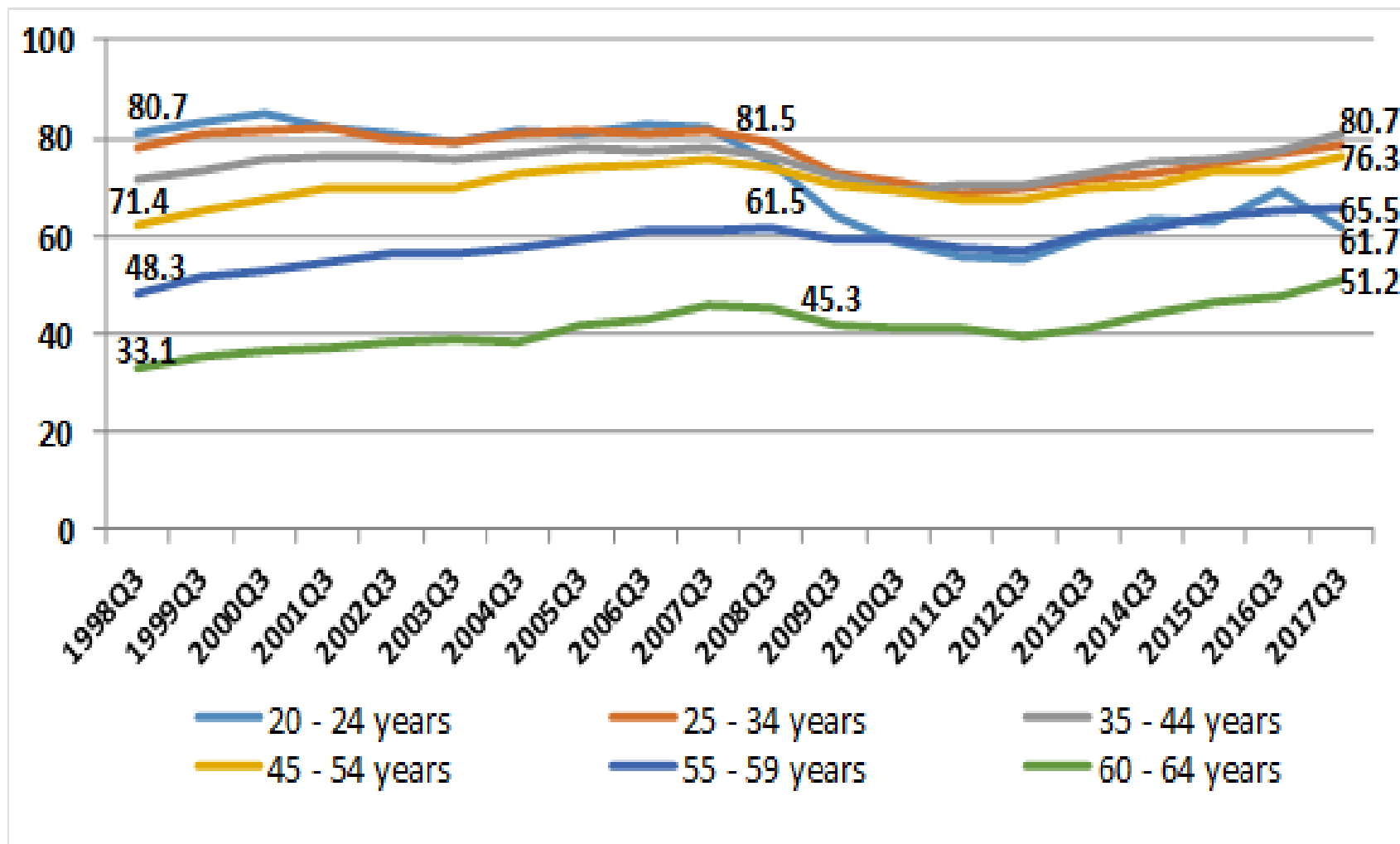
Sharp drop for males between 2007-09 (construction sector);
Female rate is up 10pp since 1998 but male rate has declined



Employment Rate by Age, ROI, 1998-2017

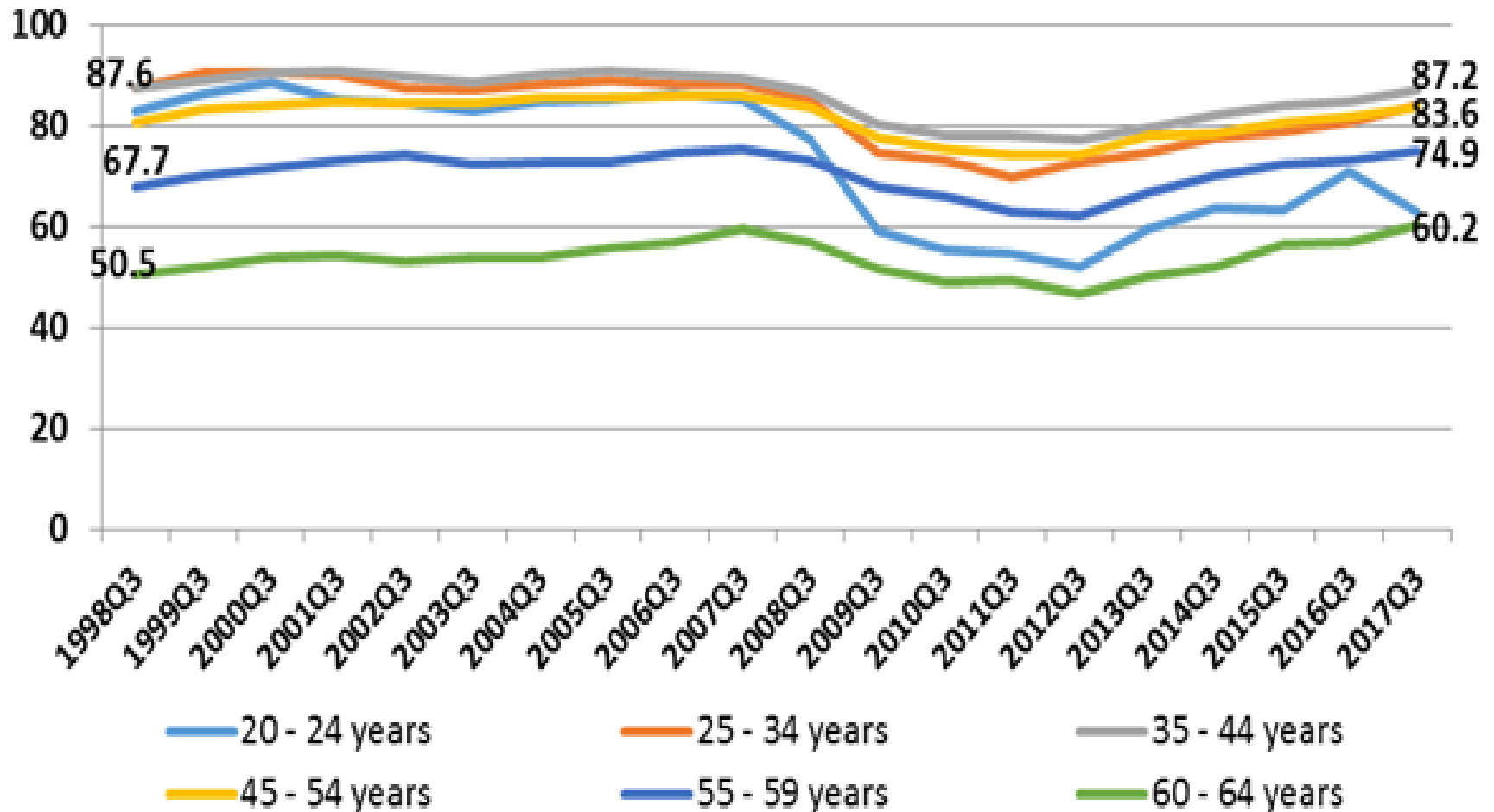
Research for new economic policies

Major shifts are for 55-59 and 60-64 group (up) and 20-24 group (down)



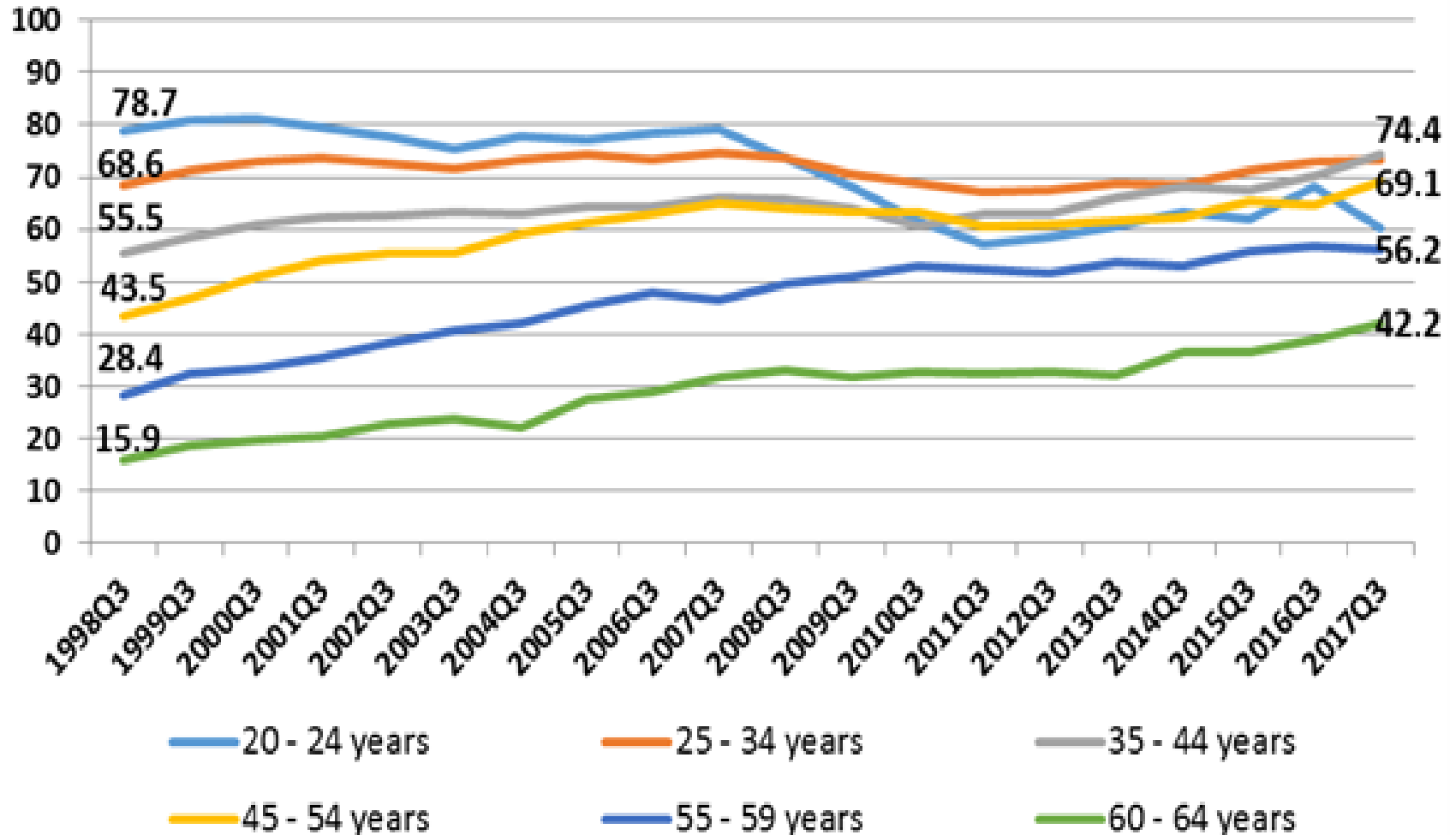
Male Employment Rate by Age, ROI, 1998-2017

Note decline for 20-24 years



Female Employment Rate by Age, ROI, 1998-2017

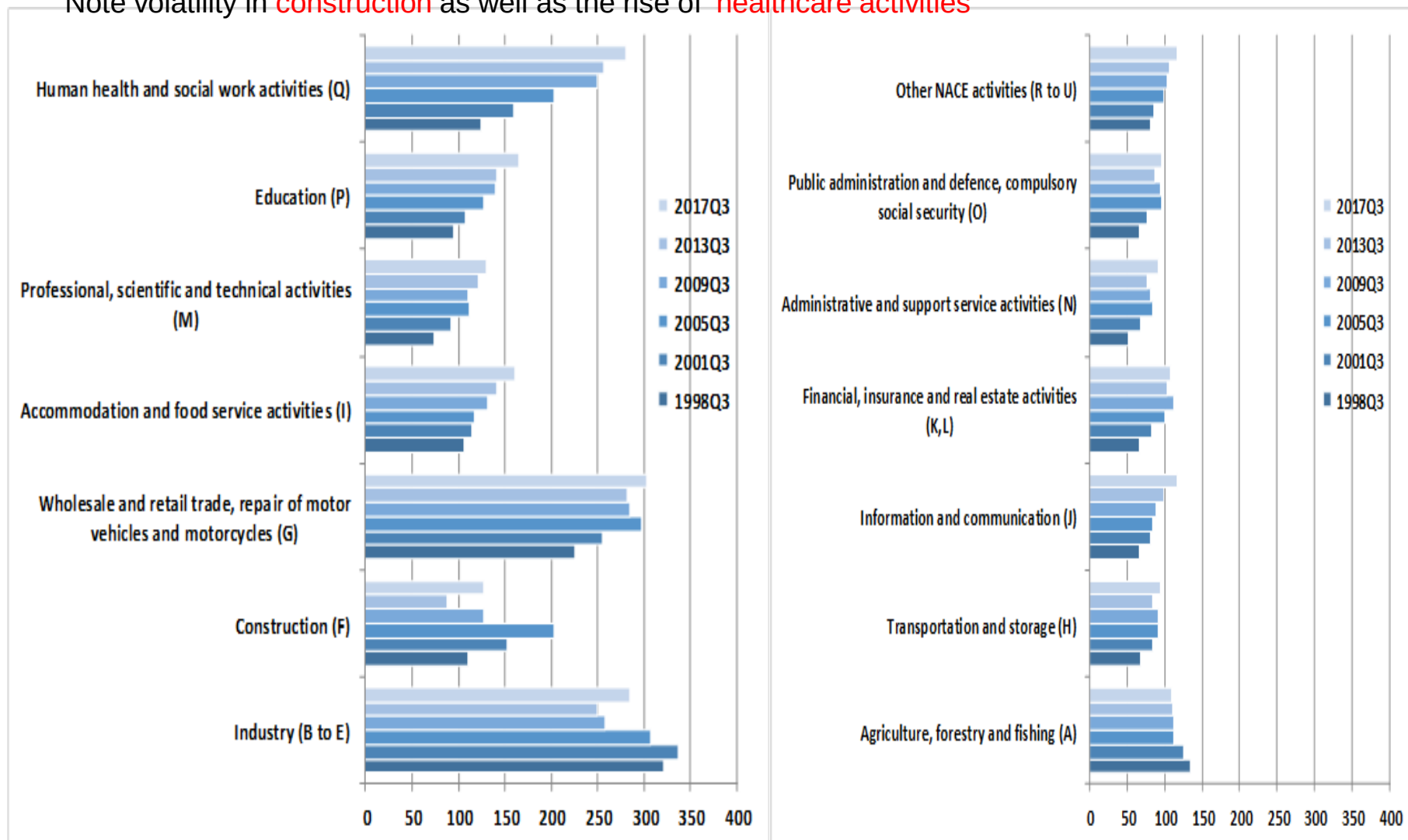
Substantial increases for older cohorts



Sectoral Employment, ROI, 1998-2017

Wholesale/retail has replaced **industry** as the largest sector – hollowing out of the middle
Note volatility in **construction** as well as the rise of **'healthcare activities'**

Research for new economic policies



Composition of Employment by Economic Sector

Seasonally Adjusted, Q3 ROI, %

Shift away from 'industry', 'agriculture' and towards 'health', 'education'

Type	1998	2002	2007	2012	2017	PP shift 1998 to 2017
Agri,culture, forestry, fishing	8.4	6.5	5.0	5.8	5.0	-3.4
Industry	20.1	17.5	14.3	12.4	13.0	-7.1
Construction	6.9	8.5	10.5	4.4	5.8	-1.1
Wholesale & Retail	14.1	14.3	14.6	14.7	13.8	-0.3
Transportation & Storage	4.2	4.7	4.0	4.4	4.3	+0.1
Accommodation & Food Services	6.6	6.1	6.4	6.6	7.4	+0.8
Information & Communication	4.1	4.3	3.7	4.9	5.4	+1.3
Financial, Insurance & Real Estate	4.1	4.5	5.0	5.5	4.9	+0.8
Professional, Scientific/Technical	4.6	5.0	5.7	5.7	5.9	+1.3
Admin & Support Services	3.2	3.6	4.5	4.1	4.2	+1.0
Public Admin & Defence	4.2	4.5	4.5	4.7	4.4	+0.2
Education	5.9	6.0	6.2	7.4	7.6	+1.7
Human Health & Social Work	7.8	9.3	10.6	13.7	12.8	+5.0

Composition of Employment by Occupational Group, ROI, %

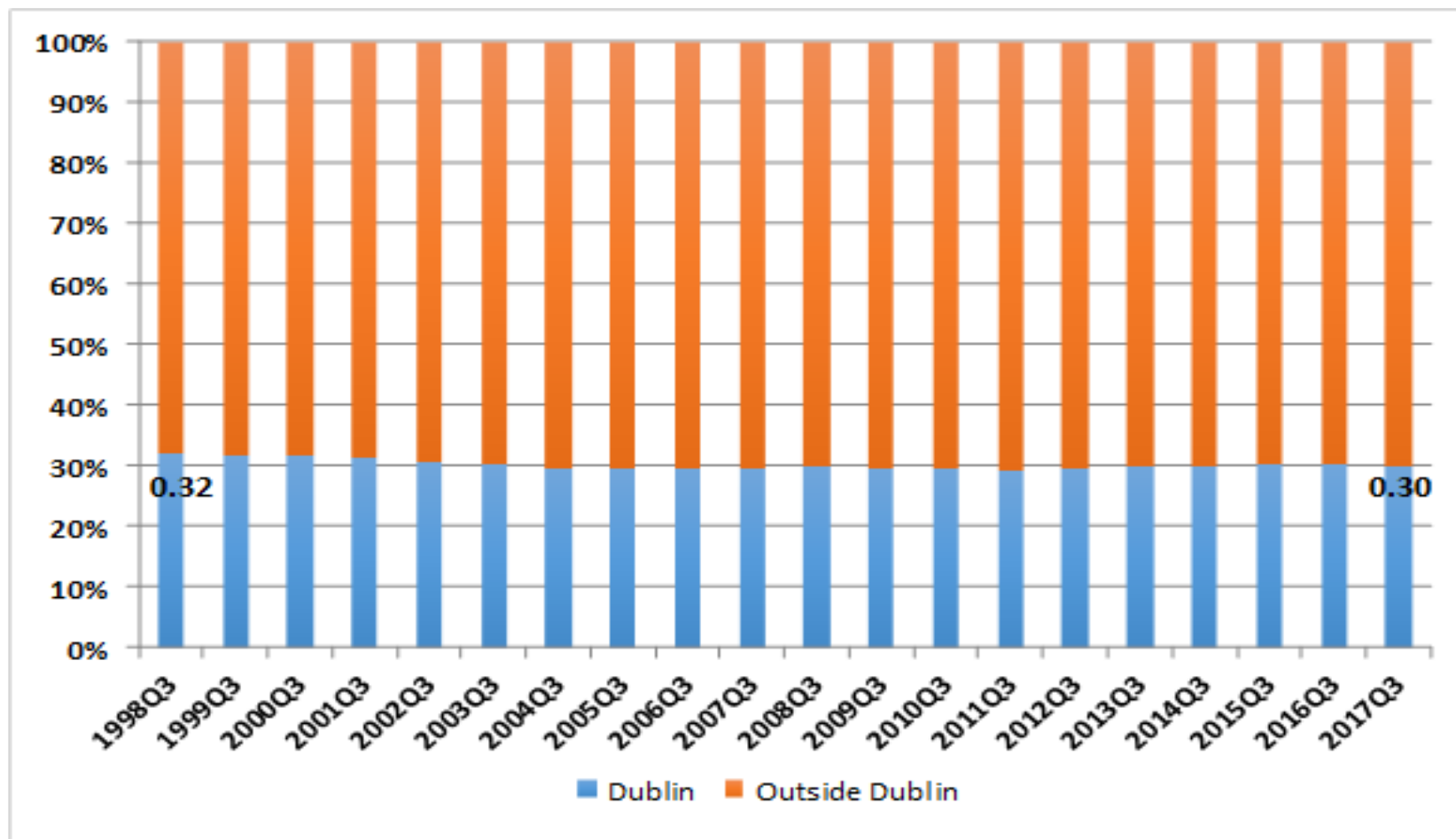
Shift away from 'skilled trades' and towards 'professional'

Research for new economic policies

Type	2007	2012	2017	PP shift 2007 to 2017
Managers/Directors/Senior Officials	6.3	7.9	8.8	+2.5
Professional	15.0	18.7	19.9	+4.9
Associate Professional & Technical	9.3	11.3	12.3	+3.0
Administrative & Secretarial	12.0	11.0	9.6	-2.4
Skilled Trades	19.8	14.6	14.2	-5.6
Caring, Leisure & Other Services	6.8	8.0	8.0	+1.2
Sales and Customer Services	8.8	9.3	7.9	-0.9
Process, Plant & Machine Operatives	7.6	7.3	7.5	-0.1
Elementary	14.1	11.6	11.1	-3.0
Other/Not Stated	0.3	0.4	0.5	+0.2

Proportion of Employment in Dublin and outside Dublin, ROI, 1998-2017, %

Narrative that employment growth in Dublin is outperforming the rest of ROI is not borne out.....



Composition of Employment by Region, ROI, %

Surprisingly there has been a compositional shift away from the regions with the 4 largest cities.....2nd
most positive shift has been in the Border region – a peace dividend? – will Brexit reverse it?

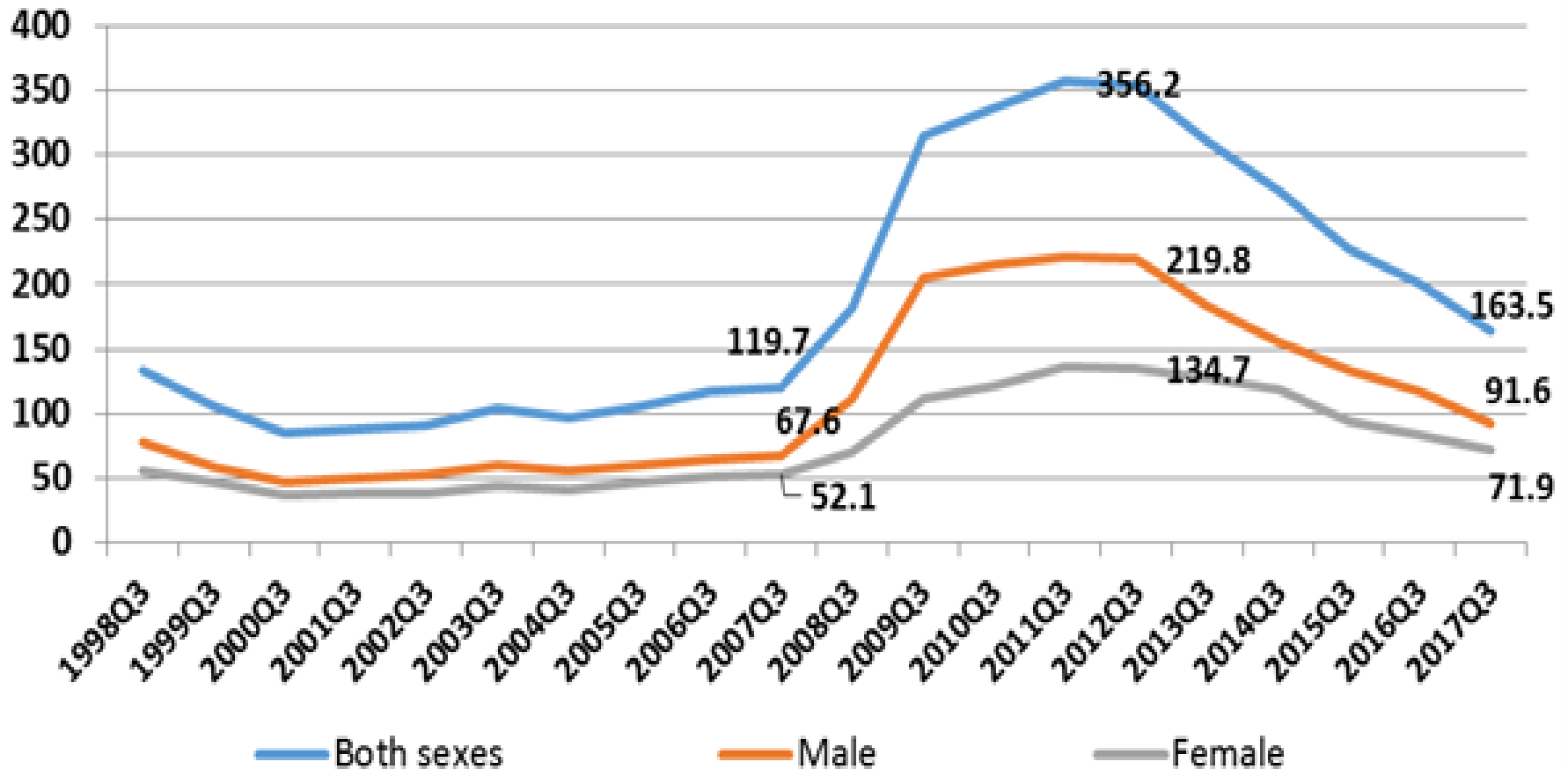
Type	1998	2002	2007	2012	2017	PP shift 1998 to 2017
Border	9.7	9.8	10.2	9.5	10.8	+1.1
Midland	5.2	5.4	5.9	5.7	5.4	+0.2
West	9.3	9.5	9.6	10.0	9.2	-0.1
Dublin	32.0	30.7	29.6	29.6	30.1	-1.9
Mid-East	10.5	11.1	11.7	12.1	11.8	+1.3
Mid-West	8.7	8.6	8.0	8.2	7.9	-0.8
South-East	10.1	10.5	10.4	10.0	10.3	+0.2
South-West	14.6	14.4	14.7	14.9	14.4	-0.2

Trends

3. UNEMPLOYMENT

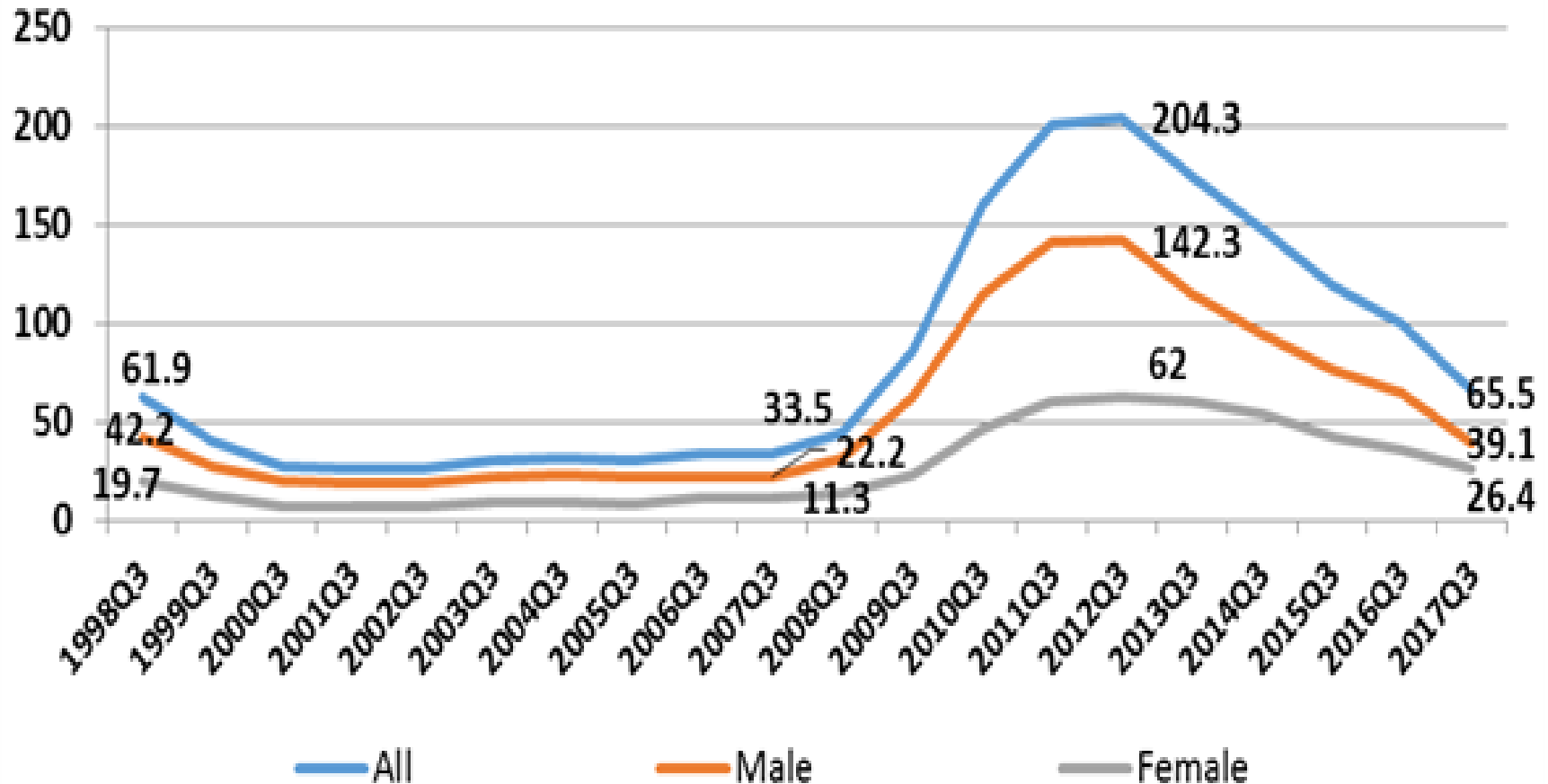
Total Unemployment (000's), ROI, 1998-2017

Consistent decline since 2012 but still well up on pre-2007 levels



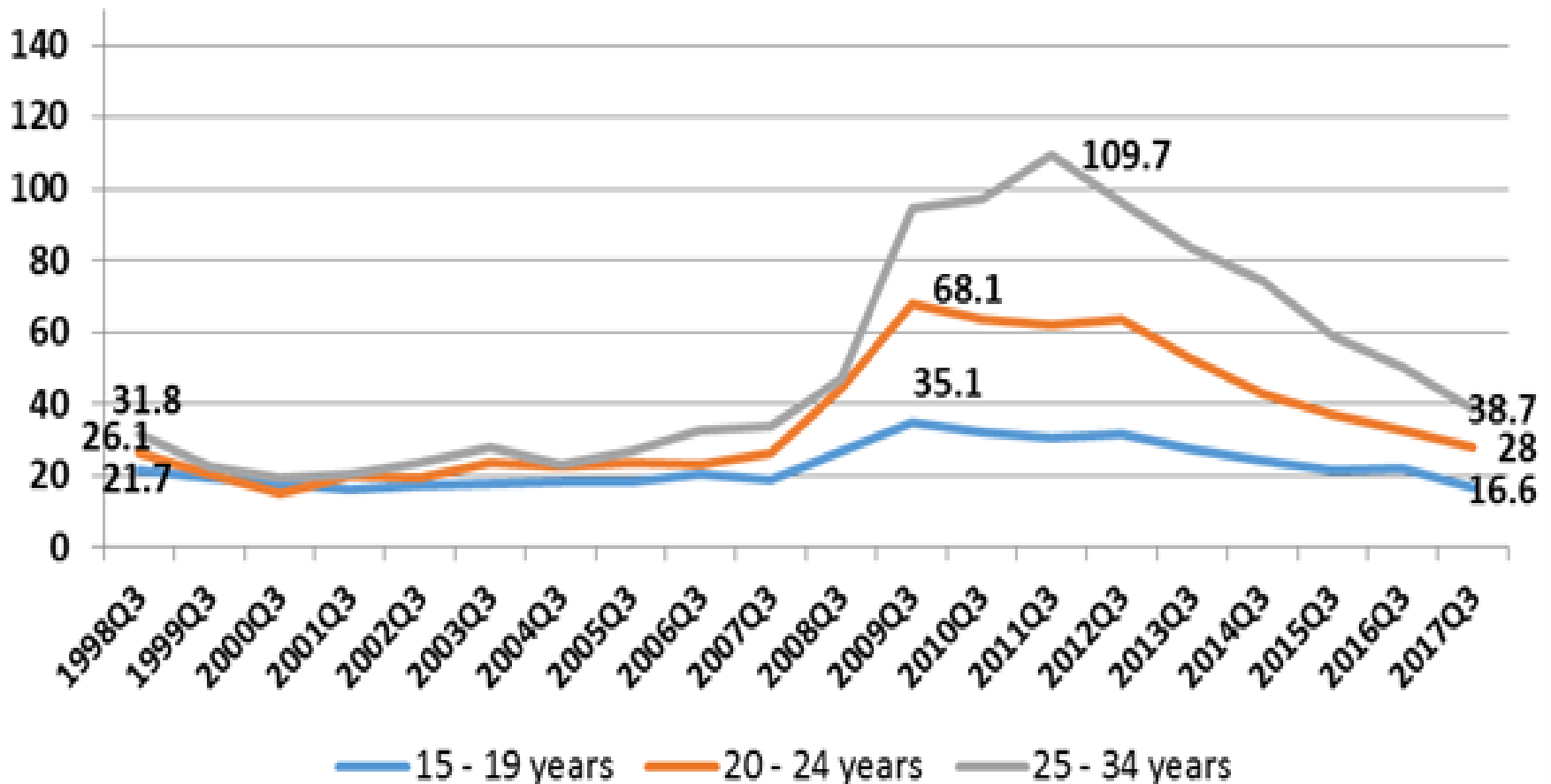
Long-term Unemployment (000's), ROI, 1998-2017

Twice as high as pre-crash levels but declining rapidly



Youth Unemployment (000's), ROI, 1998-2017

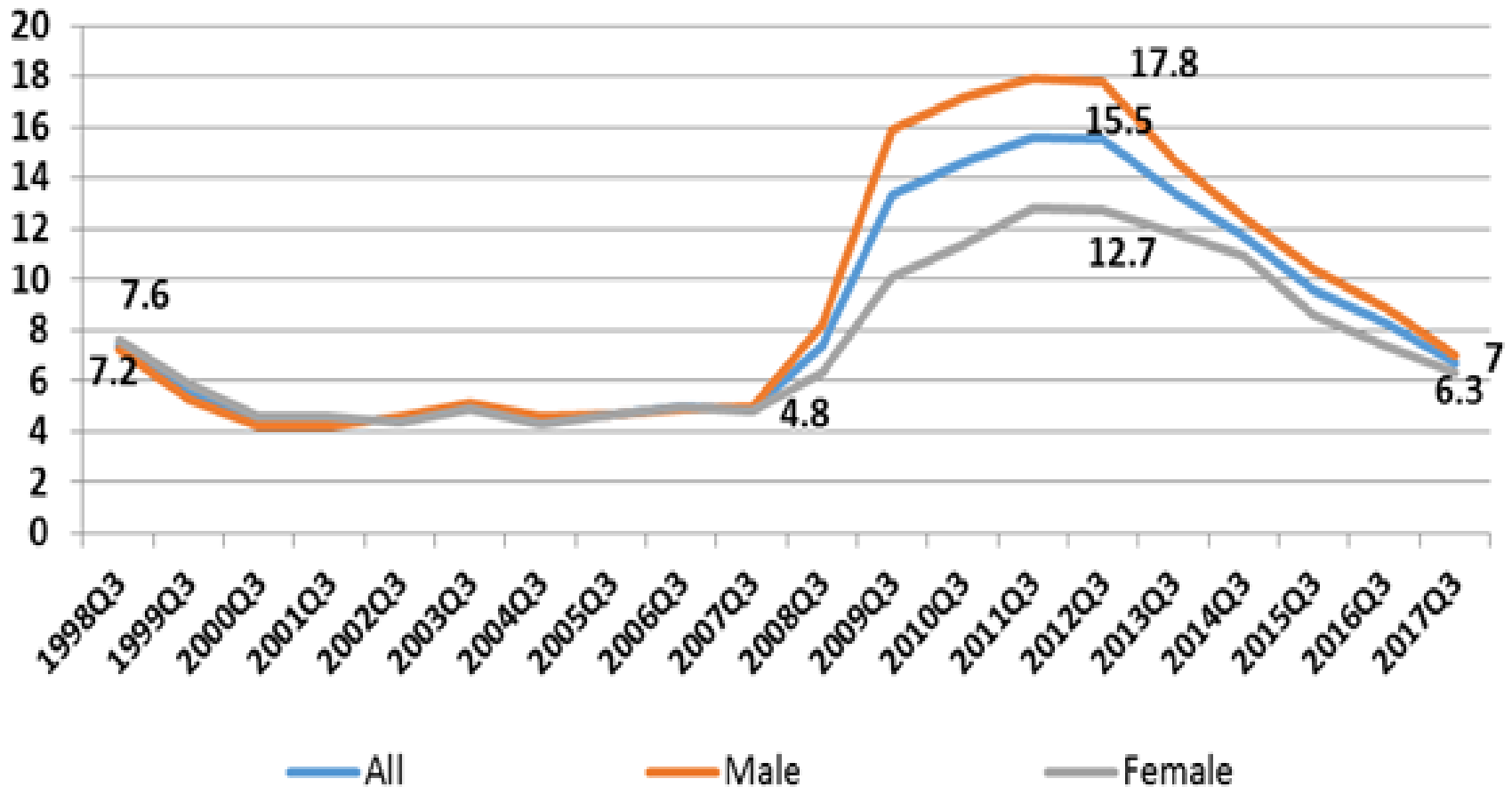
Declining rapidly and almost down to 1998 levels



Unemployment rate (15-64), ROI, 1998-2017

UR has averaged over 10% since 1983

UR is now below 6% - difficult to estimate NAIRU for a small open economy



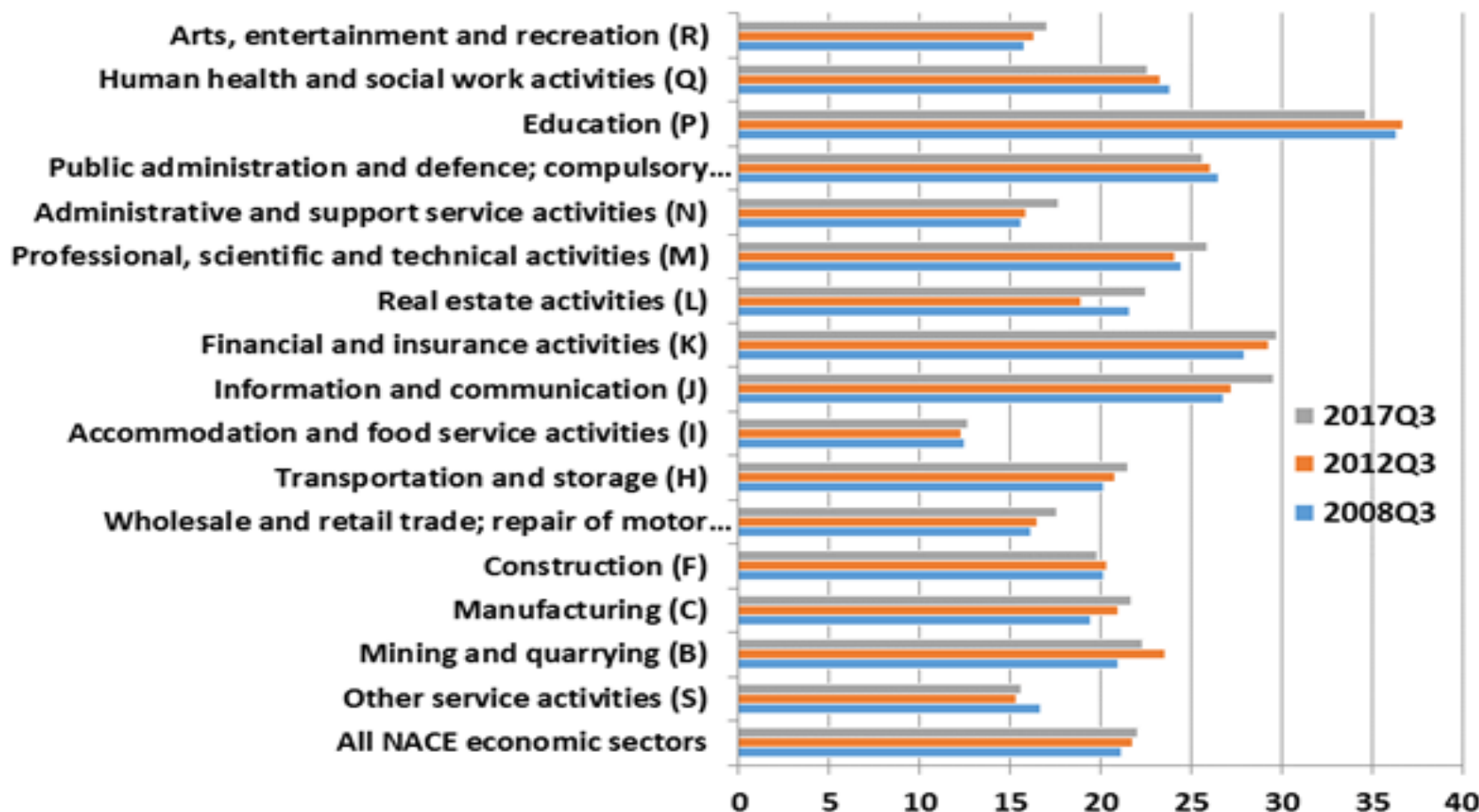
Trends

4. EARNINGS

Average Hourly Earnings by Economic Sector, ROI, 2008-2017, €

Nine year earnings growth = 4.4%

Accommodation and food services is the lowest paid sector – highest is education

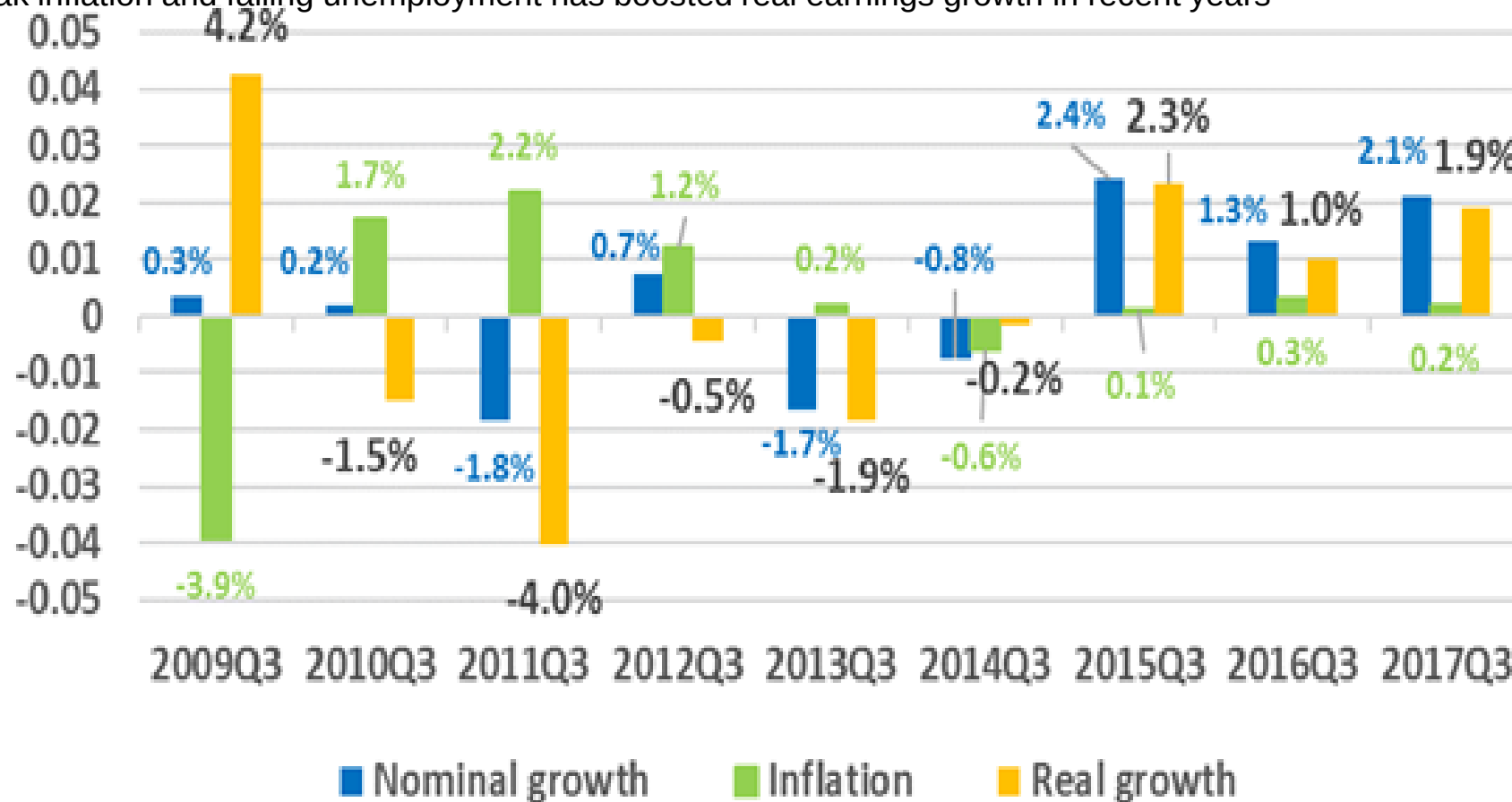


Real Average Weekly Earnings, 2008-2017

Research for new economic policies

Real weekly earnings fell in each of 2010-2014;

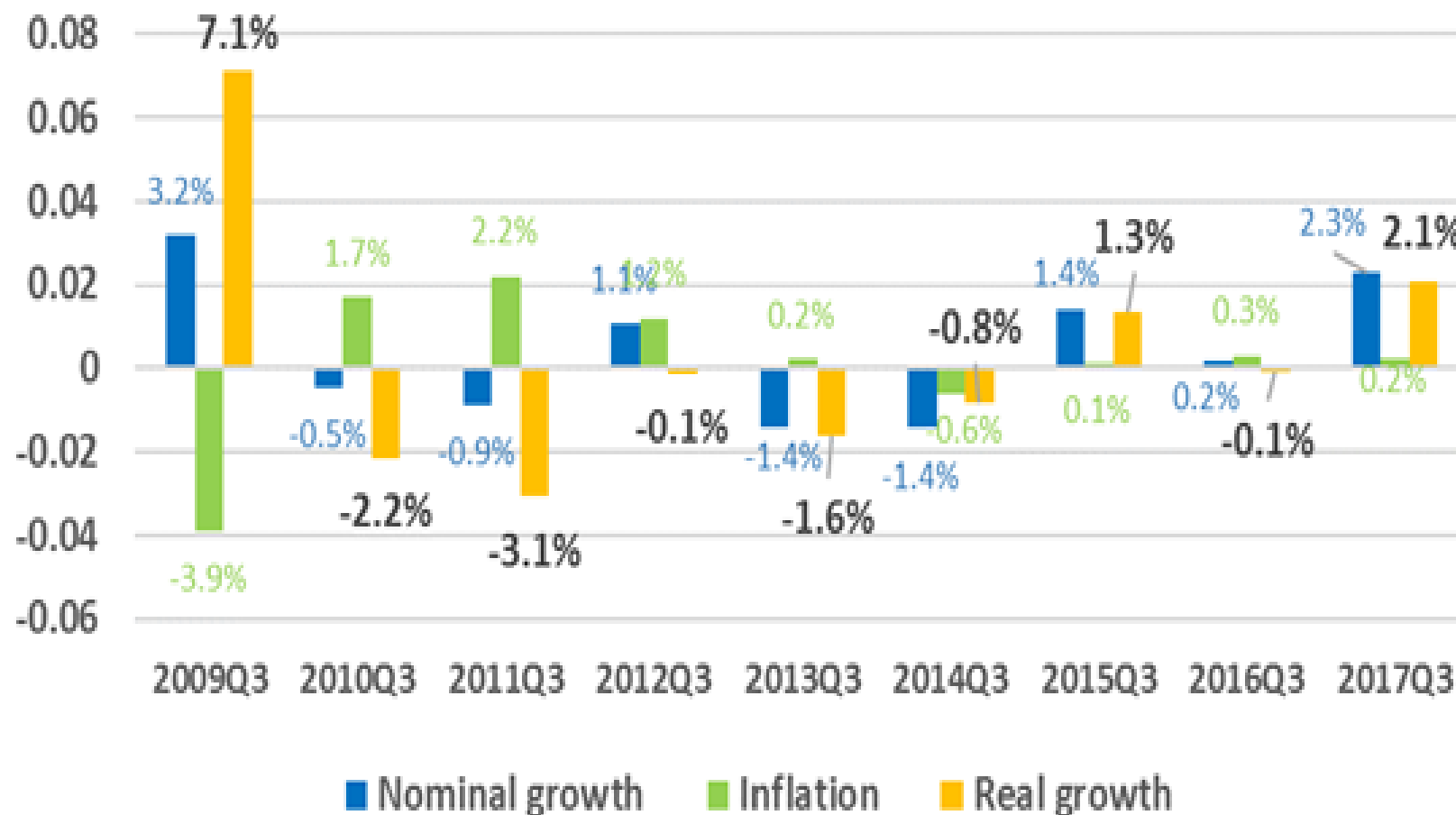
Weak inflation and falling unemployment has boosted real earnings growth in recent years



Real Average Hourly Earnings, 2008-2017

Research for new economic policies

Real hourly earnings fell in each of 2010-2014 and again in 2016 (Q3 basis)

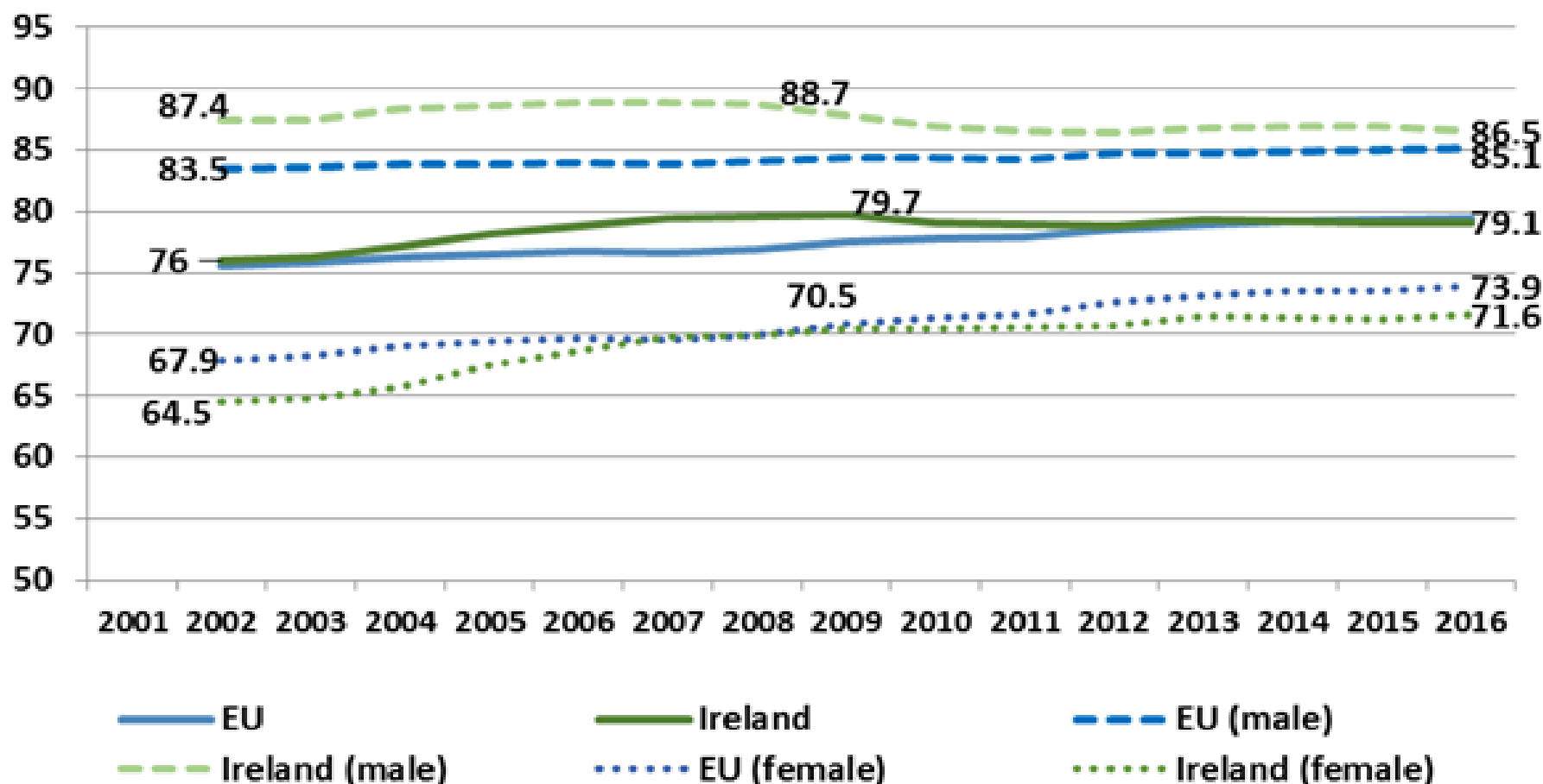


Trends

5. COMPARATIVE PERFORMANCE

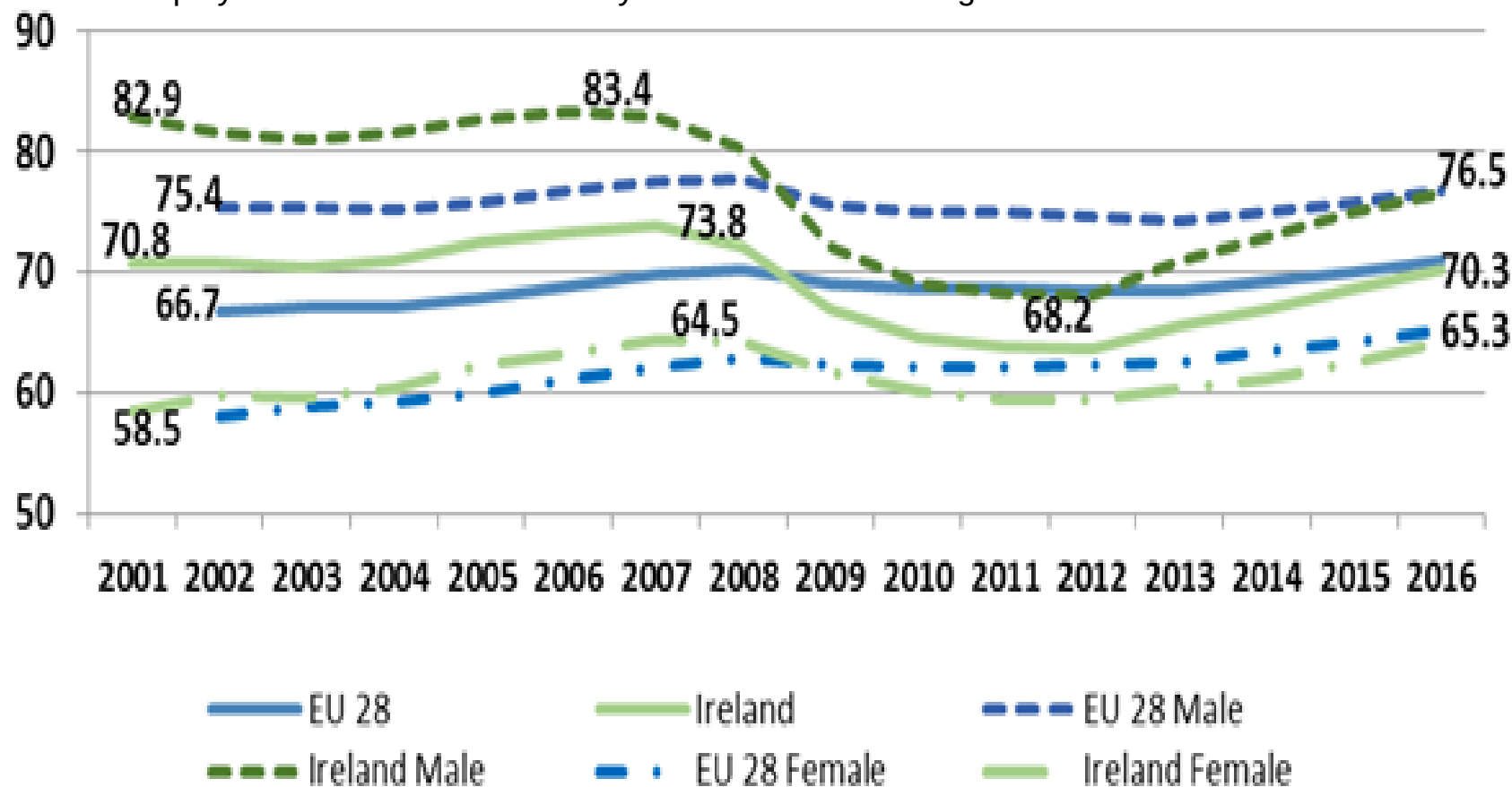
Participation rate (20-64), ROI and EU, 2001-2017

Female LFP lags the EU average – female specific barriers to LFP in Ireland? – cost of childcare?



Employment Rate (20-64), ROI and EU, 2001-2017

Pre-crisis over performance by male employment rate is reversed by the crash – now above EU average
Female employment rate has more closely tracked the EU average



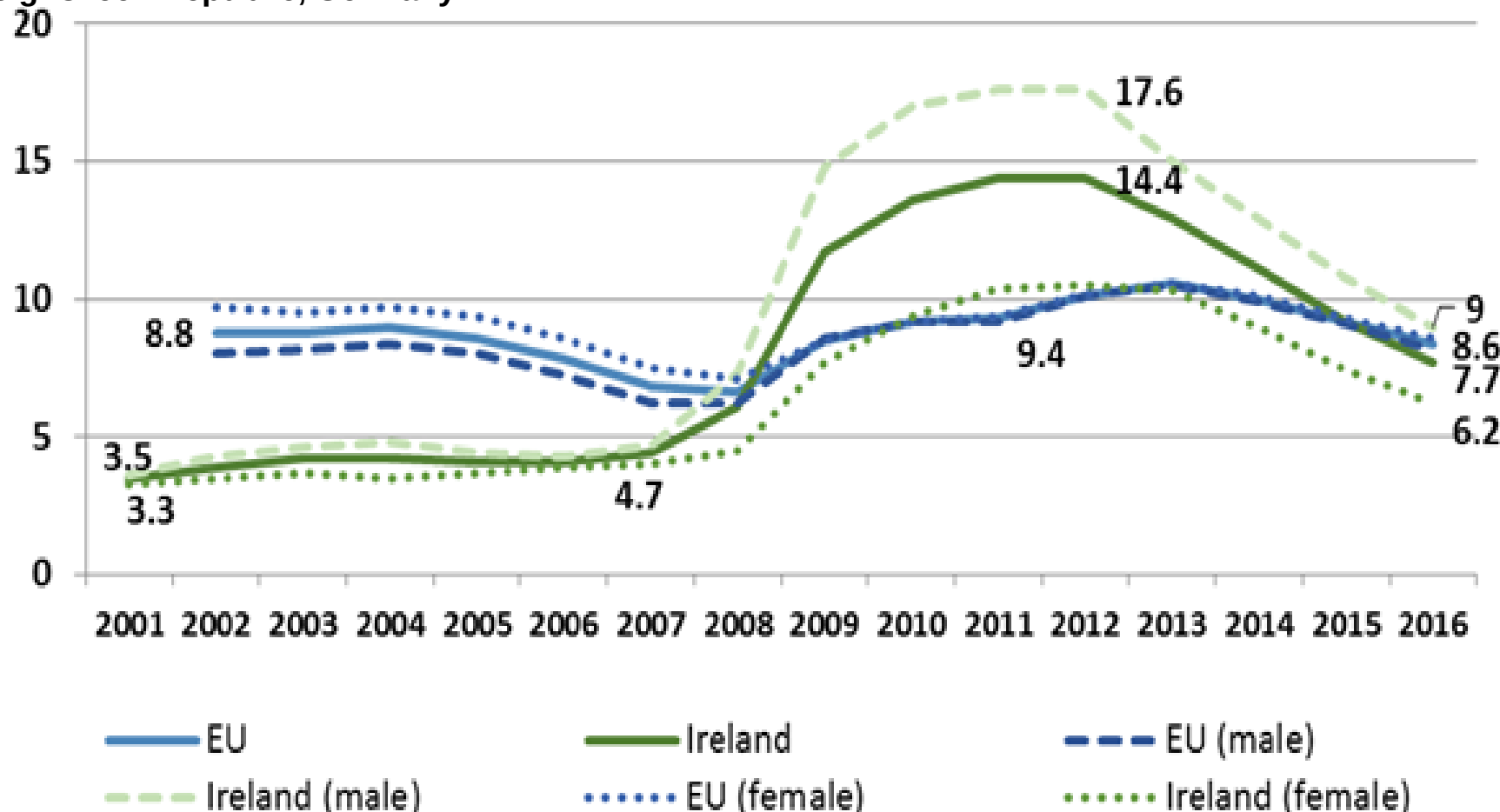
Employment Rates (20-64), ROI and Selected Countries, %

Ireland significantly underperforms the rest of Northern Europe –
Are there Ireland specific barriers to employment? Why is Ireland different?

	2008	2012	2016
Iceland	85.3	81.8	87.8
Sweden	80.4	79.4	81.2
Germany	74.0	76.9	78.6
United Kingdom	75.2	74.1	77.5
Netherlands	79.7	75.4	77.1
Ireland	73.5	64.4	71.4
Poland	65.0	64.7	69.3
Spain	68.5	59.6	63.9
Italy	62.9	60.9	61.6
Greece	66.3	55.0	56.2

Unemployment rate (20-64), ROI and EU, 2001-2017

Ireland has moved below the EU average but still underperforms the best performers
e.g. Czech Republic, Germany



Unemployment Rates (20-64), ROI and Selected Countries, %

Significant between country differences – Northern vs Southern Europe

	2008	2012	2016
Iceland	2.2	5.3	2.8
Germany	7.5	5.4	4.1
United Kingdom	4.8	6.9	4.3
Netherland	2.4	5.2	5.5
Poland	7.0	10.0	6.1
Sweden	5.1	7.1	6.3
Ireland	6.1	14.4	7.7
Italy	6.4	10.3	11.5
Spain	10.6	24.3	19.3
Greece	7.7	24.3	23.5

Nominal Wage Trends, ROI and Selected Countries, €

Recent wage growth has been comparatively weak in Ireland

	2004	2008	2016	Change: 2004-16, %
Denmark	26.5	30.3	36.2	36.6
Belgium	20.6	23.9	28.4	37.9
Ireland	22.2	24.8	26.2	18.0
Netherlands	20.8	22.9	26.2	26.0
Finland	19.1	20.9	25.9	35.6
Sweden	19.4	21.2	25.7	32.5
Germany	20.3	21.8	25.6	26.1
Austria	18.5	19.5	24.1	30.3
France	18.8	20.9	23.8	26.6
United Kingdom	17.7	17.7	22.3	26.0
Italy	15.6	18.2	20.2	29.5
European Union	14.9	16.4	19.3	29.5

Nominal Labour Cost Trends, ROI and Selected Countries, €

	2000	2008	2016
Denmark	27.0	34.6	42.0
Belgium	27.0	32.9	39.2
Sweden		31.6	38.0
France		31.2	35.6
Netherlands	23.0	29.8	34.3
Finland	22.1	27.1	33.2
Germany	24.6	27.9	33.0
Austria		26.4	32.7
Ireland	19.7	28.9	30.4
Italy	19.7	25.2	27.8
United Kingdom	19.7	20.9	26.7
European Union	16.7	21.5	25.4

Trends

6. TAKEAWAYS?

Takeaways

- Employment has doubled since the early 1990s
- Compositional shift away from industry and agriculture and towards health/education
- Only small compositional shifts between regions
- Increasing female share of employment and increasing employment rates for older women
- Female LFP trails EU average
- Employment rate is well below that of other Northern European countries

Possible lessons

- Cost of childcare is a barrier to LFP by lone parents and 2nd earners
 - Gender dimension to this
- Decline of industry/manufacturing is associated with decline in productivity growth in Western Economies and a hollowing out of the labour force (polarisation)
 - Can we articulate a 21st century industrial and enterprise policy?
 - The German model may not be replicable
 - National Systems of Innovation approach? Entrepreneurial state?
- Volatility of employment/unemployment - has been higher than the EU average
 - Exacerbates hysteresis with implications for the human capital base)
 - May be a feature of small open economies
 - Can be ameliorated with countercyclical fiscal policy and macro-prudential regulation
 - Caution needed re tax cuts and weakening of financial regulation!