



Irish Government Economic and Evaluation Service

Labour Market Synopsis

Issue 1

Overview of the Labour Market

September 2012

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Labour Market Synopsis

Ireland's economy has experienced a considerable contraction since the beginning of the recession in 2008. While the fall in GDP has stabilised and the economy is beginning to recover gradually, it appears the effects of the recession on the labour market will last longer as unemployment currently stands at almost 15%. This paper breaks that figure down into its components and highlights those areas most relevant to the debate around reducing unemployment.

The purpose of this paper is to provide an overview of Ireland's labour market thus better informing policy initiatives aimed at lowering the unemployment rate. The paper will first outline those statistics most pertinent to the debate surrounding labour market activation before further analysing some of the unemployment trends which have emerged since 2007.

The paper is the first in a series providing regular updates on the state of Ireland's labour market and each subsequent issue will provide an additional investigation into a particular topic concerning unemployment in Ireland.

Executive Summary

The current level of employment in the economy is comparable to 2002, with just under 1.8 million people in work. This is over 300,000 fewer than in 2006, the peak year for employment in Ireland. The current labour market can be summarised as follows:

- Unemployment rate is 14.7% (end-Q1 2012).
- The rate of job losses has slowed dramatically, suggesting we have reached or are near peak unemployment. However, even a very minor shock would cause the already high unemployment rate to increase further.
- There is a significant divergence between male and female unemployment rates, 17.7% and 11.5% respectively. Some of this can be explained by the number of jobs lost in the male-dominated construction sector (almost 170,000 jobs lost since 2007).
- The numbers of people classified as long-term unemployed rose from 26,300 in 2007 to 187,400 in 2012. Over 70% of the 200,000 long-term unemployed on the Live Register are men.
- In terms of patterns of unemployment, the regions can largely be broken down into two distinct groups;
 - Stabilising: Dublin, Mid-East, South-West and West
 - Deteriorating: South-East, Mid-West, Midlands and Border
- The Live Register is characterised by its high levels of churn. Some 240,000 people left the Live Register since the beginning of the year for work and other reasons without any fall in the numbers overall.
- Large falls in inward migration have taken place for all nationalities, from almost 110,000 immigrants in 2007 to 42,300 in 2011.

- Numbers deciding to emigrate have risen substantially going from 36,000 to 76,400 over the period 2006-2011.
- The State provides a significant number of activation places:
 - Department of Social Protection: 59,246 (July, 2012)
 - Department of Education and Skills: 457,400

Key Metrics	
ILO Unemployment Rate (Q1, 2012)	14.7%
No. in Unemployment	309,000
No. in Employment	1,786,100
No. in Long-Term Unemployment	187,400
Long-Term Unemployment Rate (%)	10.5%
Male Unemployment Rate	17.7%
Female Unemployment Rate	11.5%
No. on Live Register (August, 2012)	456,256
No. on Live Register (> 1year)	200,140
No. on Live Register (> 3years)	87,197
Unemployment Rate (15-19)	37%
Unemployment Rate (20-24)	27.9
Emigration (2011)	76,400
Immigration (2011)	42,300

Stabilisation in the Unemployment Rate

The unemployment rate remains very high, although there is some evidence that the situation is slowly stabilising.

The ILO unemployment rate at end-Q1 2012 stood at 14.7% with 309,000 people out of work. This rate is high compared with the UK (8%), Eurozone (11.3%) and the US (8.3%).

<i>ILO Unemployment Rate Analysis</i>			
<i>Year (Q1)</i>	<i>UE (000s)</i>	<i>Change YOY (%)</i>	<i>ILO UE (%)</i>
2006	92.9		4.4 %
2007	98.1	5.6 %	4.5 %
2008	109.4	11.5 %	4.9 %
2009	222.8	103 %	10.2 %
2010	275.0	23.4 %	12.9 %
2011	295.7	7.5 %	14.1 %
2012	309.0	4.5 %	14.7 %

(Source: CSO, QNHS Survey)

The table above shows the annual growth in unemployment in Ireland since 2006, which was the peak year for employment rates.

During the period 2008-2010 unemployment (in absolute terms) increased by over 150%. This shock has been followed by smaller but still significant annual increases in unemployment in 2011 and 2012.

<i>Live Register (LR) Analysis</i>			
(August)	2012	2011	2010
Total (000s)	456,256	469,713	466,923
Change MOM	- 4,067	- 571	+ 99
Change YOY	- 13,457	+ 2,790	+ 30,198
Average YTD	441,181	448,131	442,757

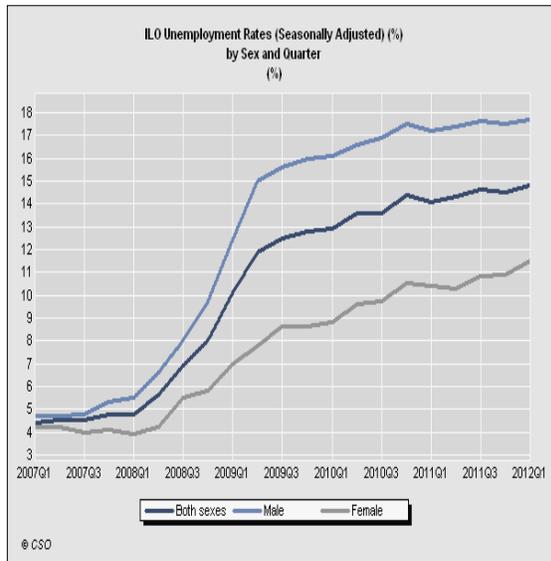
(Source: DSP, Monthly Live Register Memo)

Another economic indicator concerning unemployment is that of the Live Register (LR). The number of people signing-on to the Live Register at end-August 2012 is 456,256. As with the ILO unemployment rate one can observe stability taking hold in that it is marginally lower than that of August 2011 and August 2010. Since August 2011 the Live Register has fallen by 13,457 (2.9%).

It is encouraging that the Live Register has fallen, even if only marginally, from last year. However the fact that the overall figure remains well in excess of 400,000 leaves little room for complacency.

The Live Register and the ILO unemployment rate are both used to assess conditions in the labour market yet there exists a large divergence between the two. The ILO unemployment rate takes account of those describing themselves as unemployed in the Quarterly National Household Survey (QNHS) while the Live Register takes account of those actually claiming unemployment benefits which includes those who are claiming PRSI Credits (34,740 at end-August 2012).

Using the latest unemployment figures available above, the ratio between the ILO unemployment rate and the LR is currently 1:1.47. One could expect - and as in most other European countries – this ratio to read 1:1. Improved activation measures have the potential to see this ratio fall significantly.



Male and Female Unemployment Rate Divergences

<i>ILO Unemployment Analysis</i>		
<i>Unemployment</i>	<i>Male (000s)</i>	<i>Female (000s)</i>
2006	55.4	37.5
2007	60.5	37.6
2008	73.1	36.3
2009	158.4	64.5
2010	194.9	80.2
2011	201.8	93.8
2012	205.4	103.6

(Source: CSO, QNHS)

The construction sector of the economy has traditionally been reliant on a male-dominated workforce (currently at 93.5%) meaning that any downturn the sector experienced was always going to leave this group worst off. As it transpired the downturn in construction was particularly severe and numbers employed in the sector have fallen from 270,000 to just over 100,000. Within the space of 4 years (2008-2011) the number of unemployed males rose by 176%.

Policy initiatives aimed at reducing the unemployment rate should prioritise the need to retrain those who were previously working in construction.

The number of females unemployed has dramatically risen too, from 37,500 to 103,600.

Female employment has proven slightly more resilient, owing largely to the sectors of the economy in which the female labour force contributes most and to the fact that labour participation rates

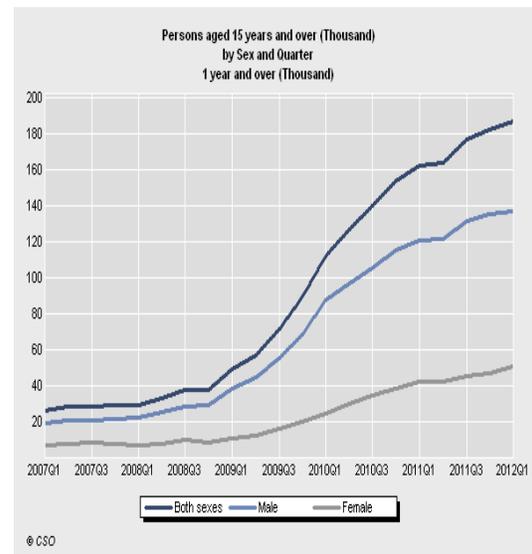
are lower among women. Female participation rates have remained static at 52.4% throughout the recession. Male participation rates on the other hand have fallen from a peak of 74.3% to 67.5% and remain still well in excess of their female counterparts.

Live Register figures produce similar trends as the ILO unemployment rate in that a large divergence exists between the male and female cohorts. In August 2012 there were 287,462 males (62.4%) and 173,333 females (37.6%) on the Live Register.

Long-term Unemployment

A challenge currently facing policymakers is the number of people in long-term unemployment. The lasting effects of long-term unemployment include lower chances of returning to the labour market, lower future earnings potential and increased incidence of poor health for those affected (Junankar, 2011).

Since the onset of the recession there has been a large increase in the number of people considered long-term unemployed, i.e. economically active and unemployed for more than 1 year.



(Source: CSO, QNHS)

The figure for long-term unemployment now stands at 187,400. This represents a 600% increase over the period 2007-2012.

Over 60% of Ireland's unemployed have been out of work for over a year. Three-quarters of these are men.

There are currently over 200,000 (141,905 males) claimants on the Live Register who have continually been

signing-on for more than 1 year. This is a 4.8% increase on August 2011. This group can be further broken down into the 51,804 (36,484 males) people signing-on for 2-3 years and the 87,197 (65,215 males) people signing-on for more than 3 years. The long-term unemployment rate stands at 10.5% against a Euro area rate of 4.6% (Source: Eurostat).

This figure too shows signs of stabilisation in that the rate of annual increase, while still high at 24.6%, has fallen off significantly from its peak. Also, given that over 60% of unemployed are long-term, this too may point towards signs of stabilisation as “new entrants” hold a smaller proportion of unemployment.

Unemployment Variances between the Regions (NUTS III)

Differences in unemployment rates between the State’s regions have become evident since the onset of the downturn. Some regions are fairing better than others and evidence of employment growth can be found in certain sectors. A breakdown of regional unemployment rates is as follows:

<i>Regional Unemployment Distribution: Unemployment Rate</i>					
Region:	2008 (Q1) %	2009 (Q1) %	2010 (Q1) %	2011 (Q1) %	2012 (Q1) %
Border	5.8	11.7	11.2	13.1	15.0
Midland	4.9	11.7	14.8	16.4	18.1
West	5.5	11.0	13.3	16.0	15.9
Dublin	4.7	8.9	11.0	12.5	13.1
Mid-East	3.5	9.2	13.1	12.7	12.5
Mid-West	5.2	11.4	14.9	15.5	15.8
South-East	5.8	11.1	17.4	17.2	19.7
South-West	4.5	9.9	12.1	13.6	13.2

(Source: CSO, QNHS)

The regions performing better are those exposed to high value-added sectors such as ICT which are already leading industries in terms of exports.

Stabilising: Dublin, Mid-East, South-West and West

It would appear from the data that unemployment in this group is stabilising. While Dublin suffered a

marginal increase in unemployment (0.6%) over the past 12 months it is still below the national average of 14.7%

The South-West and Dublin have traditionally attracted large amounts of Foreign Direct Investment (FDI) and continue to do so. Much of this is attributable to the higher levels of investment in human capital in these regions.

The economy of the Mid-East is buffeted by its proximity to Dublin which ensures that more employment opportunities exist as is demonstrated by its employment rate of 12.5%, the lowest in Ireland. The West is included in this group despite having a high unemployment rate of 15.9%. The West previously enjoyed some of the lowest unemployment rates throughout the State and this rate fell marginally over the past year. Caution has been taken when deciding to categorise the West as stabilising given that its unemployment rate still remains well above the national average.

The regions are well positioned to take advantage of Ireland's export-led recovery given their higher concentration of exporting industries.

These sectors, especially ICT, are leaders in increasing productivity and are less labour-intensive than those which serve primarily the domestic market. Domestic demand will remain restrained for some time to come and a retraining of the unemployed labour force will have to be concentrated on exporting sectors.

Deteriorating: Border, Midlands, South-East and Mid-West

Those regions which are encountering more challenges (Border, Midlands, South-East, and Mid-West) are those which were left most exposed by the downturn.

Much of the increases in construction-related unemployment were front-loaded in the years following the downturn and were concentrated most in those areas heavily invested in the industry. Long-term unemployment is obviously most likely to affect this group of workers and those regions.

Policy needs to adjust to the challenges that potential "unemployment black-spots" present in specific regions and cities across the country to ensure that opportunities for work, education and training are identified as a priority.

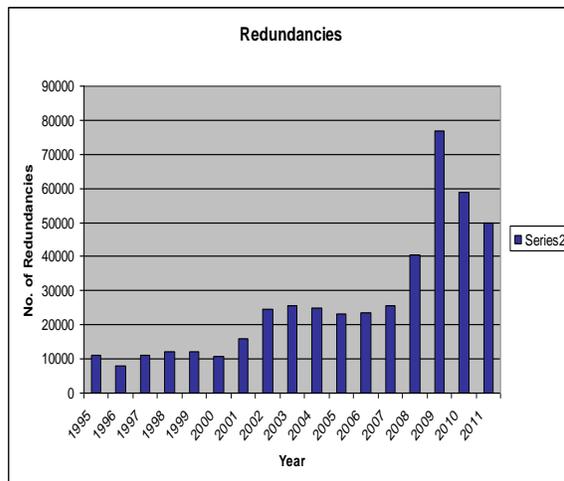
Churn within the Labour Market

It is important to recognise that the labour market is not static. The overall number of those signing-on is broadly stable but the Live Register experiences large inflows and outflows of people:

- 71% of those who left the Live Register in June 2012 had been signing-on for less than one year.
- 81,000 people have left the LR for work whilst another 159,000 have left the LR for other reasons since the beginning of 2012.

Notified redundancies, vacancy levels, and work permit visas give us some indication of actual demand for labour.

Over the period 2000-2007 annual redundancy levels averaged 21,800. Annual redundancies crept up and consistently remained above the 20,000 level yet the volume of job creation was such that small increases in redundancies were not viewed as a significant problem.



(Source: DSP, Monthly Redundancy Statistics)

From the chart above it is clear that the number of redundancies rose rapidly

from 2007 onwards and peaked in 2009 at almost 80,000. While the numbers have since fallen back, they are still very high by recent historical norms.

Redundancies remain at high levels but, like the other labour market indicators, appear to be on a trajectory of stabilisation rather than further annual increases. A 35% fall in redundancies has taken place since 2009 and further falls can be expected to take place this year. 20,300 redundancies have been announced between January and July this year while over the same period last year that figure stood at 29,509 (45% higher).

However a clearer idea of the flows into and out of unemployment can be found by comparing redundancies with vacancies arising in the economy. In doing so, inferences can be drawn from contrasting the increases in labour supply with an overview of the labour demanded within the economy through studying the jobs advertised.

The peak year for vacancies was 2007 where an average 8,000 jobs a month were advertised on irishjobs.ie and a further 10,000 a month with FÁS. The decline came in Q1 2008 and continued its sharp contraction through 2009 where vacancies fell well below their peak. Total vacancies averaged between 4,000 and 6,000 between November 2010 and November 2011.

Over the course of the past 2 years however vacancies have increased marginally and stabilisation can be observed. This tentative recovery should be considered encouraging yet distributional issues arise in what industries vacancies are appearing.

Occupations such as managers and professionals are experiencing expansion in employment opportunities although this growth cannot be seen as robust. Strong performance *relative to other occupations* was recorded for professional roles in the ICT and health sectors especially – both skills intensive industries.

Sales, marketing and customer service are represented most with vacancies in ICT, engineering and utilities, accountancy/financial services, and production/manufacturing also arising.

Job advertisements for those with lower skill-sets are increasing (at marginal rates) but these increases are confined to small segments of the labour market such as process operatives and carers. A Third Level Degree is a minimum requirement for many of the vacancies advertised although the vast majority are employers looking for 2-6 years experience also.

Minimum Education and Experience Required by Employers		
<i>Occupation</i>	<i>Education (3rd-level degree)</i>	<i>Experience (2-6 years)</i>
<i>Managerial</i>	22%	55%
<i>Professional</i>	41%	74%
<i>Associate Professionals</i>	25%	70%
<i>Administrative</i>	18%	59%
<i>Skilled Trades</i>	30%	60%
<i>Caring</i>	16%	40%
<i>Sales</i>	14%	36%
<i>Operative</i>	29%	58%

Source: SLMRU 2011 Vacancies Overview

At the forefront of employment demand are highly skilled occupations which, if

not filled through the Irish labour market, can at times be more readily sourced from foreign countries. An examination of labour permits granted demonstrates this point.

So far this year a total of 2,783 applications were made by either companies or persons wishing to work in Ireland. 1,843 of these permits were granted on the basis that the skills these people bring could not be sourced from within the Irish labour market. Below are the application statistics from some of the most prominent host nations:

Employment Permit Analysis			
<i>Country</i>	<i>New</i>	<i>Total</i>	<i>Granted</i>
<i>Brazil</i>	49	147	81
<i>China</i>	97	139	47
<i>India</i>	752	961	837
<i>USA</i>	300	360	336
<i>Australia</i>	31	39	33

(Source: Department of Jobs, Enterprise and Innovation)

Employers make the argument that the indigenous workforce does not have the requisite skills required to perform these roles.

A sectoral breakdown of employment permits granted highlights the difficulties companies claim to be having in filling vacancies.

Using 2011 data, employment permits for managerial roles amounted to 200, or 6% of all new permit applications made by non-EEA residents. The vast majority of these were related to the ICT, manufacturing and financial services sectors. Over half of these permits were

granted to USA nationals and 40% came in the form of intra-company transfers.

and 11% other (e.g. accountancy, secondary school).

Professionals and associate-professionals were also sourced from abroad where DJEI issued in excess of 2,100 employment permits to these occupations in 2011. The vast majority of these permits were granted in the ICT and health sector.

Student Visas

Student visas are important in terms of their affect on the supply of labour. Visas may be granted to students who are undertaking a full-time degree course within the Republic of Ireland but they also receive certain work entitlements with this. Students holding a visa may take up *casual* employment for up to 20 hours per week during term time and 40 hours per week during vacations.

The number of student visas issued far outweigh those offered by the DJEI. There are also no provisions made - unlike those issued by DEJI - to address skills gaps existing within certain sectors of the economy which may displace workers in lower skills-intensive industries.

The number of non-EEA national students registered to study in the State is approximately 32,500 or 25% of the total number of non-EEA nationals with permission to remain in the State (Source: Department of Justice and Equality).

Broken down by education sector, 37% of students are pursuing Higher Education (Degree Programme) study, 29% are taking language courses, 23% further education (non Degree) courses

Effects of Migration on the Labour Market:

Immigration

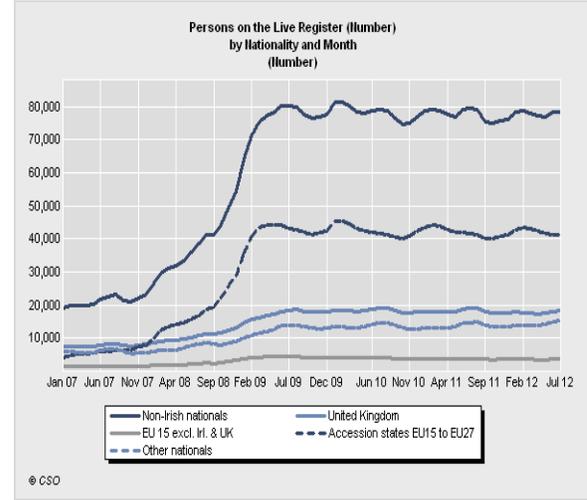
Inward migration to the Irish economy has lessened substantially since 2007 when almost 110,000 migrants moved to Ireland. The accession of EU15-27 countries into the European Union brought with it an influx of migrants from new Member States seeking employment in a buoyant economy. 82% of immigration in 2007 concerned migrants that were non-Irish nationals. Inward migration for all nationalities stood at 42,300 in 2011.

Between 2007 and 2011, large falls have been recorded in immigration. Examples of these declines include the UK (-74%), EU15 (-54%), EU15-27 (-81%) and the US (82%).

Inward Migration Analysis					
000	Ire	UK	EU 15	EU15-27	USA
'06	19	10	13	49.9	1.7
'07	20	5	10	52.7	2.8
'09	16	7	9	33.7	2.0
'10	18	4	9	13.4	1.1
'11	13	3	4	5.8	0.3
'12	17	3	6	9.0	0.3

(Source: CSO, QNHS)

Nationality Breakdown of the Live Register:



(Source: CSO, QNHS)

As can be seen in the graph above, large increases have taken place in the numbers of foreign nationals on the Live Register. Different unemployment rates are found among the different nationalities of Ireland's labour force.

The unemployment rate for Irish nationals is currently 14.2%. Unemployment rates for non-Irish nationals such as the UK (23.5%), EU15 (9.7%), EU15-27 (18.5%) and Other (18.2%) vary significantly from the national average.

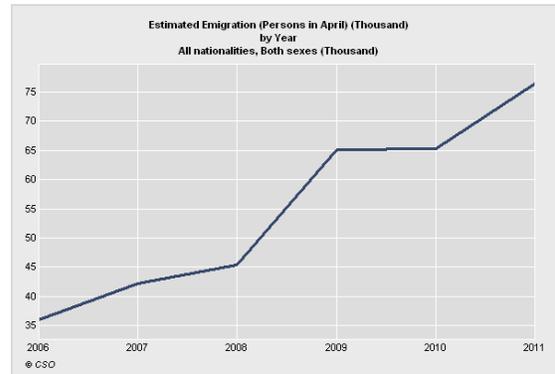
The total number of foreign nationals on the Live Register stands at 78,422. This is a 310% increase on the same figure for the beginning of 2007. The UK had been the most represented foreign nationality on the Live Register comprising 39% of total foreign nationals in 2007.

<i>Nationality Analysis of Live Register</i>			
Host Nation	No. (000s)	Prop to FN	Prop to LR
EU15	3,756	4.8%	0.8%
United Kingdom	18,290	23.3%	4%
EU15-27	41,167	52.5%	8.9%
Other	15,209	19.4%	3.3%
Non-Irish nationals	78,422	100%	17%

(Source: CSO, QNHS)

Emigration

Trend in Emigration Rates:



(Source: CSO)

The correlation between youth unemployment and the increasing rates of emigration is a concern which cannot be ignored. Those encountering difficulties in finding employment in the Irish economy are increasingly going abroad in search of work.

The emigration rates have expanded by 110% over the period 2006-2011. Last year a total of 76,400 residents in Ireland decided to emigrate, the majority of those were Irish nationals.

The overall trend in emigration is that it is high and characterised by young males. In addition, the decline in employment available in Ireland has resulted in large numbers who originally migrated in better times deciding to return to their home country.

Of those choosing to emigrate, the 15-24 and 25-44 age categories accounted for 43% and 45% respectively. The large numbers of younger people deciding to leave Ireland may be as a result of the high levels of youth unemployment currently prevailing in the economy. The unemployment rate for the age groups

15-19 and 20-24 year olds is 37.0% and 27.9% respectively

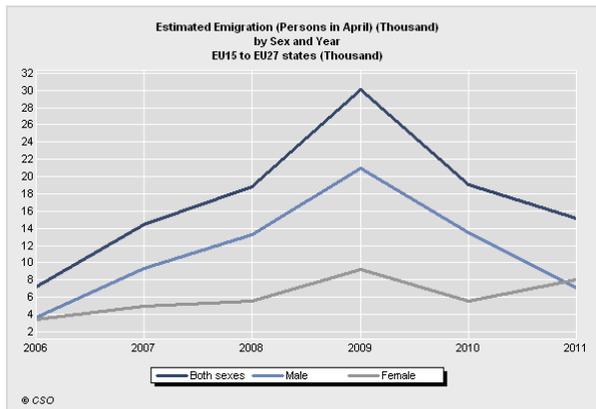
Emigration Analysis:

Year	Emigrants	% Male
• 2006 -	36,000	51.94%
• 2007 -	42,200	55.92%
• 2008 -	45,300	60.92%
• 2009 -	65,100	59.90%
• 2010 -	65,300	61.86%
• 2011 -	76,400	50.65%

(Source: CSO)

Emigration rates for all nationalities have risen over the last number of years.

EU15-27 emigration rates:



(Source: CSO)

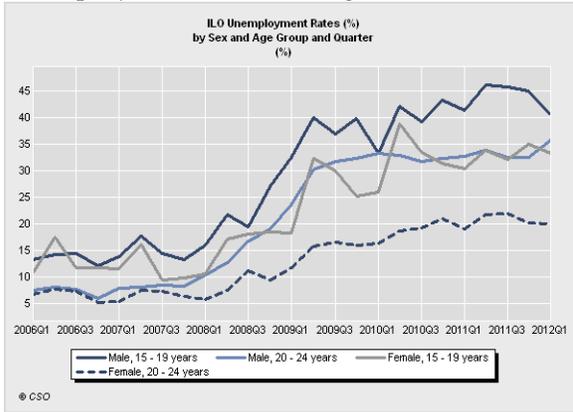
Youth Unemployment

It is necessary to evaluate the usage of the youth unemployment rate before becoming overly alarmist. The younger cohort is much more likely to stay in education rather than join a labour market with few opportunities. The more who decide to remain in full-time education, the smaller the size of the labour force relating to this group, and thus the higher the unemployment rate.

Use of the unemployment ratio may be more appropriate for this age-group as it relates unemployment of 15-24 year olds to the *total population* of 15-24 year olds. The unemployment ratio for 2011 was 11.2% (Source: Eurostat). The corresponding EU27 ratio is 9.1%. The youth unemployment ratio is therefore high and an analysis of youth unemployment rates can demonstrate the size of the problem.

Various age-groups within the labour force are currently experiencing differing fortunes with the recession taking its toll most on the younger contingent. At end-Q1 2012 the ILO unemployment rate for 15-19 year olds and 20-24 year olds was 37% and 27.9%. The figures once again correlate to the broader labour market data in that male and female rates show marked differences.

Unemployment Rate Divergences:



(Source: CSO, QNHS)

The unemployment rate for this segment consistently underperforming relative to other age-groups has traditionally been the case. But the degrees to which we are seeing contrasts emerge are what give cause for concern. The following is a table which tracks the unemployment rates for those age groups most comparable to younger workers:

Age Distribution of Unemployment				
<i>Quarter, Year</i>	<i>15-19</i>	<i>20-24</i>	<i>25-34</i>	<i>35-44</i>
<i>(UE Rate, %)</i>				
<i>Q1, 2006</i>	12.2	7.1	4.7	3.4
<i>Q1, 2007</i>	12.8	6.7	4.6	3.8
<i>Q1, 2008</i>	13.5	8.3	5.1	4.1
<i>Q1, 2009</i>	25.6	17.8	11.6	8.6
<i>Q1, 2010</i>	30	24.9	14.2	11.6
<i>Q1, 2011</i>	35.7	25.9	16.5	12.6
<i>Q1, 2012</i>	37	27.9	16.6	13.2

(Source: CSO, QNHS)

Only those aged between 35 and 44 are seeing unemployment rates below the national average. 15-19 year olds in employment has fallen 63% from 69,300 to 25,200 between 2007 and 2012. Employment of 20-24 year olds stood at

244,600 pre-crisis and has fallen 56.5% to 106,400.

The increase in unemployment for 15-19 year olds can to a large degree be explained by the lack of demand for the unskilled labour which experienced growth in those areas of the economy now struggling. As a result, younger workers have withdrawn their labour from the market and participation in the labour force has fallen substantially. The ILO participation rate for 15-19 year olds has fallen from 26.6% in 2006 to 14.8% in 2012. This group shrunk by 58,700 (59.5%) since Q3 2007.

Perhaps in anticipation of the skills-biased recovery expected to take place more people are returning to education. Those over the age of 15 and defining their principal economic status as “student” have grown 6.7% from 356,100 to 379,900 between 2007 and 2012.

Whilst understanding that some of those who were unemployed and under the age of 19 have now moved into the 20-24 year old category, the substantial increase in unemployment within group cannot be overlooked.

Activation Places

The Exchequer funds significant numbers of training, education and activation places mainly through the Department of Social Protection and the Department of Education and Skills which are outlined in the tables below.

The OECD¹ have highlighted that the most effective activation programmes involve Job-search assistance or “work-first” strategies which often have a large impact and their cost is relatively low. Long-term labour market programmes, such as training and job creation measures, often have little or negative short-term effect on employment outcomes which has been the case with schemes such as Community Employment.

Department of Education and Skills: Training and Education Places

Training and Education Places(1)	
Fás places ²	87,000
Skillnets	8,000
Labour Market Activation Fund	6,500
Full-time further education	50,000
Part-time further education	130,000
Third level places	170,000
Springboard	5,900
Total	457,400

Source : Pathways to Work February 2012

Department of Social Protection : Activation Places 2012

	31 July 2012
Back to Work schemes:	
Back to Work allowance scheme – Employee strand.	43
Back to Work Enterprise allowance scheme – self employed strand.	11,047
Short-term Enterprise Allowance	1,154
Total Back to Work payments	12,244
Other Activation Programmes:	
DSFA Part-time Job Incentive	190
TÚS - Community Work Placement Initiative	4,473
JobBridge - National Internship Scheme	4,995
	9,658
Community Employment Schemes (excl Supervisors)	
FAS full time training for the unemployed	21,459
	7,356
Back to Education Courses:	
Vocational Training Opportunities Scheme (VTOS)	5,000
Back to Education Allowance ***	3,529
	8,529
TOTAL	59,246

Source: Department of Social Protection

¹ OECD LABOUR MARKET PROGRAMMES AND ACTIVATION STRATEGIES: EVALUATING THE IMPACTS 2005

