



Employment Monitor

Issue #1 ISSN: 1649-4954

Key Points

- The Jobs Gap is 166,200;
- Overall, the economy is 193,100 jobs short of where it was in 2007;
- The CSO's headline unemployment rate for June 2016 was 7.8%, unchanged since the previous month;
- This represents a decrease (seasonally adjusted) of 0.5% over the last four months, and of 1.6% over the last 12 months;
- Almost 47,000 jobs were created in the year to end Q1 2016, for a total of 1,976,500 jobs;
- Long-term unemployment rate remains high at 4.7% overall, and 56% of those unemployed;
- The greatest rise in long-term unemployment in recent years, as a proportion of all unemployment, has been among older workers.
- There was an increase in the Labour Force of 13,600 over the twelve months to end Q1 2016.

Since the beginning of the economic crisis, Ireland has struggled to regain pre-crisis levels of employment. In this briefing – the first of a series of quarterly reports – *Social Justice Ireland* tracks progress in the area of employment generation, measuring Ireland's performance as she strives to reach pre-crisis employment levels.

Much of the discourse relating to employment concentrates on unemployment numbers, and particularly unemployment rates. Such measures are important, but overlook the actual number of jobs in the economy, which is a useful comparator to gauge overall economic performance. They also ignore the fact that since our peak economic performance, Ireland and its labour force has changed. Because of population

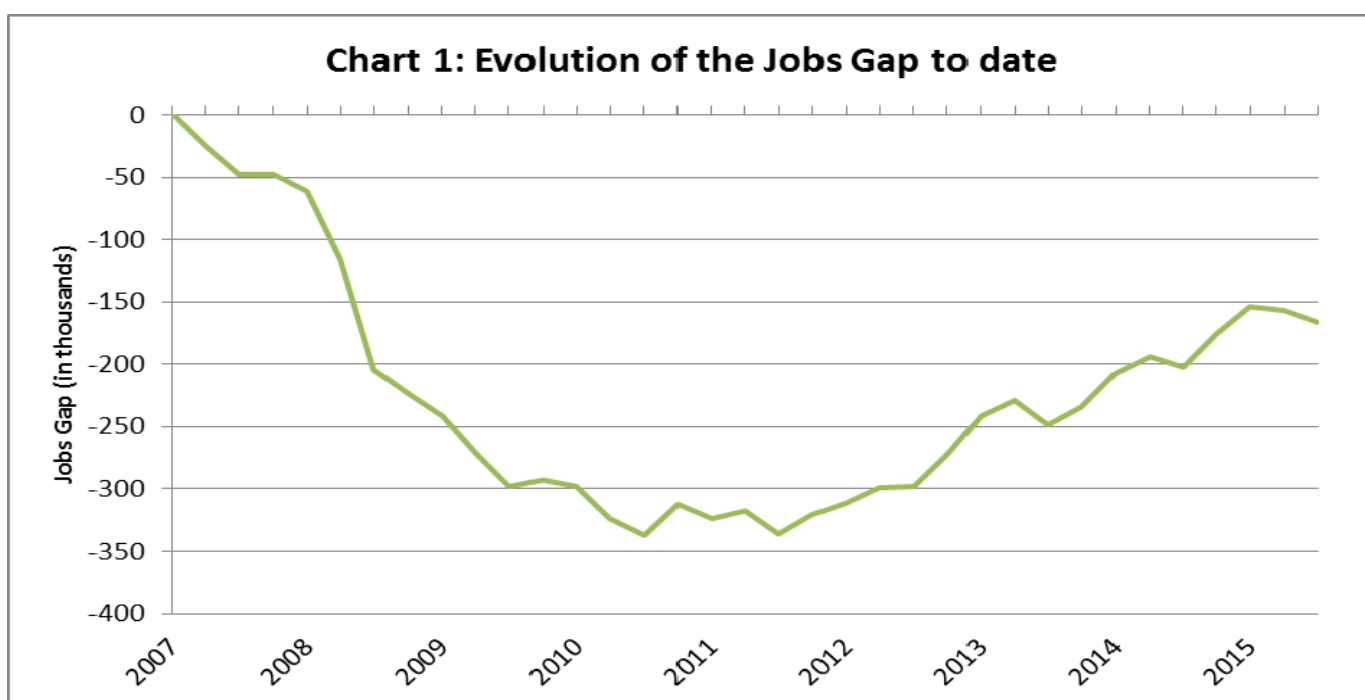
ageing and particularly emigration, Ireland's labour force looks different to how it did in the Autumn of 2007, when the economy had 2,169,600 jobs which was the highest level recorded.

The Jobs Gap

Each quarter, *Social Justice Ireland* calculates Ireland's Jobs Gap; the number of jobs that the Irish economy needs to create in order to return to peak performance levels while accounting for changes in the population and the labour force. **As of the end of March 2016, Ireland has a Jobs Gap of 166,200 jobs.** Chart 1 (below) shows the evolution of the Jobs Gap since Autumn 2007.

[Note: data in this publication are derived from the CSO's Quarterly National Household Survey and the authors own calculations.]

Chart 1: Evolution of the Jobs Gap to date



Introduction

This report will be a regular output from *Social Justice Ireland*, monitoring the employment situation in comparison to the country’s peak performance and examining other aspects of employment and the macroeconomy. The purpose is to highlight selected labour market trends, with a focus on the Government goal of achieving full employment. Each quarter, we will publish an *Employment Monitor*, detailing the number of jobs that the Irish economy must create to match peak performance levels, adjusting for labour market and demographic developments over time. We will also analyse a different aspect of the labour market each quarter, and make observations and recommendations regarding the prevailing labour market situation. In this issue, the *Employment Monitor* will focus on a major feature of the Irish labour market over the last few years; long-term unemployment.

The Jobs Gap (from page 1)

The trough occurred in Q1 2012 when we were 336,000 jobs from reaching the same levels of employment that were achieved in 2007. This gap has closed gradually ever since, with some brief fall offs along the way, due to seasonal effects.

However changes in population, demographics and the labour market, as well as migratory trends since that time, means that Ireland could reach a similar level of employment with the addition of an extra 166,200 jobs. This may be an achievable figure, if the correct policy approach is taken.

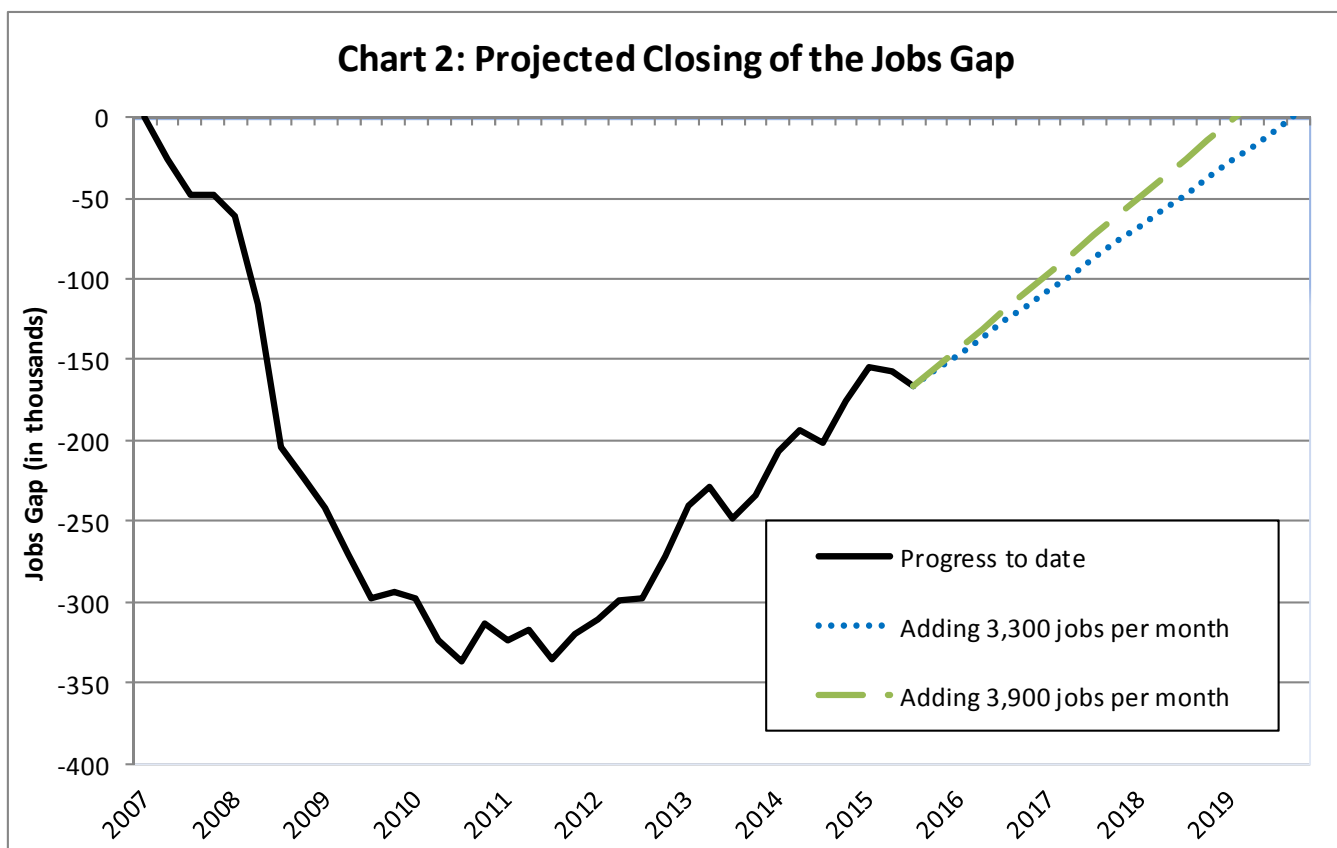
In Chart 2, below, *Social Justice Ireland* forecasts how long it will take to close the gap under two different assumptions of job growth.

The dotted blue line assumes the economy will add **3,300** jobs per month, which is the average

monthly rate of job creation since Q4 2012 when Ireland experienced year-on-year jobs growth for the first time since the downturn began. At this rate, the Jobs Gap is projected to close in **June 2020**.

The dashed green line assumes a more optimistic rate of **3,900** jobs per month, the average monthly rate of job creation over the past year. Under this assumption the economy is projected to return to pre-recession employment levels by **October 2019**.

These are timeframes of approximately **12 years**, and **12 years 9 months** respectively since the downturn in employment numbers began, and they serve to highlight just how far we are away from where we need to be, and how far the policy response has been from the reality of the situation. The experience of the 1980s showed the dangers



Long-term Unemployment

and long-lasting implications of an unemployment crisis characterised by high long-term unemployment rates. It remains a major policy failure that Ireland's level of long-term unemployment has been allowed to increase so rapidly in recent years. Furthermore, it is of serious concern that to date Government policy has given limited attention to the issue.

In order to generate the number of jobs needed to meet demand, *Social Justice Ireland* believes support for a sustained investment programme is required. Ireland's level of public investment as a percentage of GDP is the second lowest in the European Union; it is next to impossible to meet macroeconomic goals like full employment, not to mention infrastructural maintenance or social goals like adequate housing, healthcare, education services, or even rural broadband, without adequate public investment. *Social Justice Ireland* has consistently maintained this, and calls again for policy makers to acknowledge this.

We also require an approach that acknowledges developments in the labour market such as long-term unemployed workers becoming discouraged, young people staying longer in the education system than they would wish to, or people taking up activation programmes because of a lack of job opportunities in their area. Investment in broadband, housing, lifelong learning and childcare services are key to closing the jobs gap and promoting a more balanced spread of employment throughout the regions.

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At the end of June, an article in the *Financial Times* which analysed Dublin's post-Brexit prospects of attracting financial services firms from the City of London referred three times to Dublin's current inadequate housing situation as a negative point. There can be no doubt that a lack of public investment, especially in the area of housing, is tempering Ireland's employment prospects.

In this issue, the *Employment Monitor* will focus on a major feature of the Irish labour market over the last few years; long-term unemployment. Long-term unemployment has consistently accounted for at least half the number of people unemployed since late 2010. As the recovery continues and the economy adds jobs, the unemployment rate continues to decline from its peak of 15.1 per cent (seasonally adjusted) through November-January 2012. The current unemployment rate of 7.8 per cent is only 3.2 percentage points higher than on the eve of the economic downturn. However, there are still 169,100 unemployed people in Ireland; around 100,000 of whom are classified as long-term unemployed, having been without a job for longer than 12 months.

The dramatic turnaround in the labour market after 2007 contrasts with the fact that one of the major achievements of the preceding 20 years had been the increase in employment and the reduction in unemployment, especially long-term unemployment. In 1991 there were 1,155,900 people employed in Ireland. That figure increased by over one million to peak at 2,169,600 in mid-2007. Overall, the size of the Irish labour force has expanded significantly and today equals over 2.18 million people.

However, in the period since 2007 emigration has returned, resulting in a decline in the labour force. Initially this involved recently arrived migrants returning home but was then followed by the departure of native Irish. CSO figures indicate that during the first quarter of 2009 the numbers employed fell below two million and that the level continued to fall until achieving consistent growth in 2013. By the end of 2015 there were just over 1.98 million people employed.

Addressing a crisis such as this is a major challenge. However, it is clear that reskilling many of the unemployed, in particular those with low education levels, will be a key component of the response.

Previous experiences, in Ireland and elsewhere, have shown that many of those under 25 and many of those over 55 find it challenging to return to employment after a period of unemployment. This highlights the danger of the aforementioned large increases in long-term unemployment and suggests a major commitment to retraining and re-skilling will be required. In the long-run Irish society can ill afford a return to the long-term unemployment problems of the 1980s.

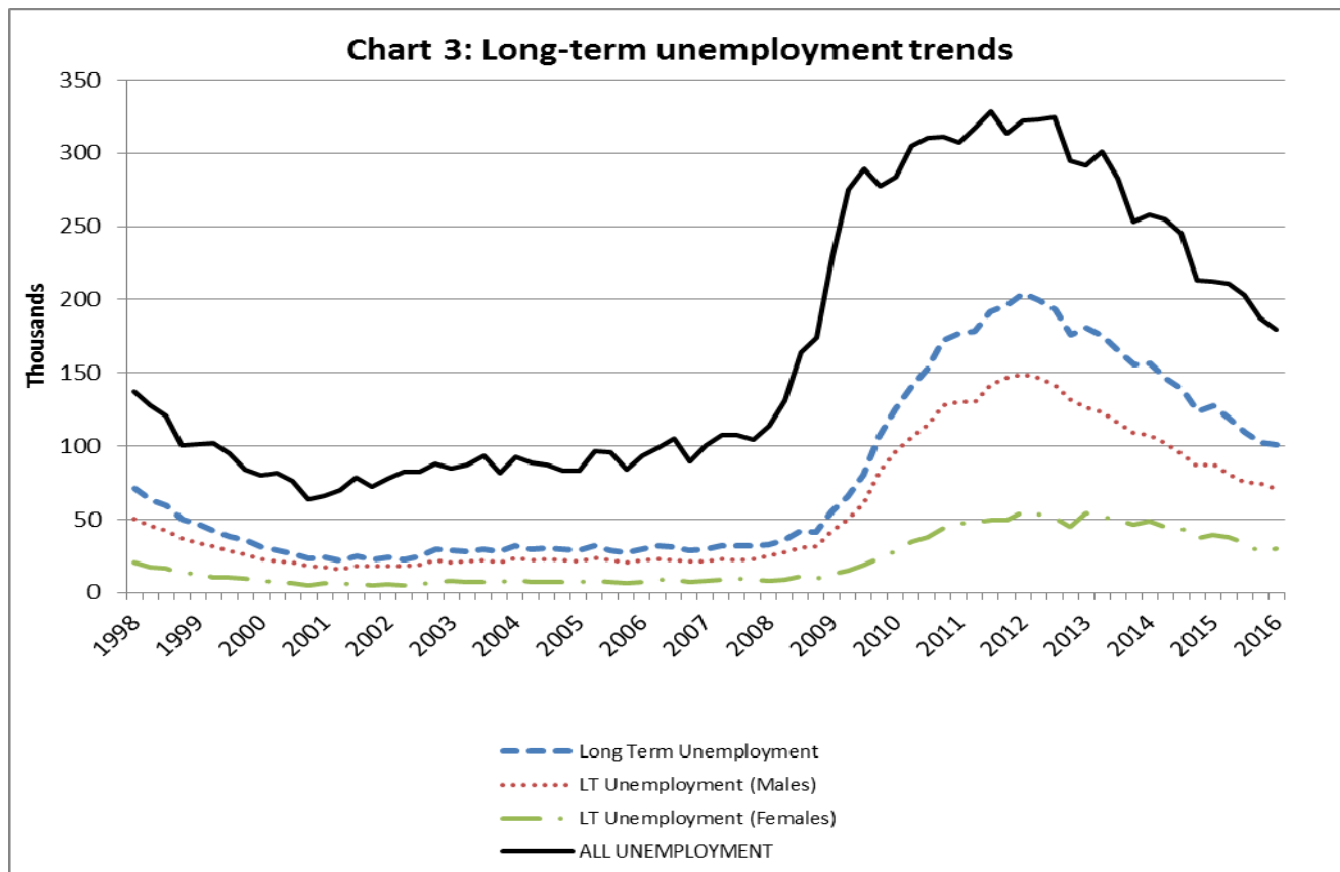


Chart 3 (above) illustrates the key trends in long-term unemployment over the last 18 years. The extended timeframe gives a real insight into the extent of the problem; we have not seen long-term unemployment on this scale for almost two decades.

Most of the unemployed, who had been employed in 2007 and before it, are seeking to return to a full-time job with just over 6 per cent of those unemployed in 2015 indicating that they were seeking part-time employment.

The impact of the unemployment crisis has been felt right across the age groups with younger age groups seeing their numbers unemployed consistently fall since 2011 – a phenomenon not unrelated to the return of high emigration figures over recent years.

Some notable trends highlighted by Chart 3 include:

- Long-term unemployment rose much faster for men than it did for women since 2007, due in great part to the collapse of the construction industry, and a loss of manufacturing jobs;
- While on the eve of the recession, the long-term unemployed made up just 30 per cent of all those unemployed, this peaked at 63 per cent of all unemployment in Q1 2012. It has since fallen to approximately 56 per cent;

- Prior to the recession, you have to go back to 1998 to find the last time that more than half of unemployed people were long-term unemployed.
- The rapid growth in the number and rates of long-term unemployment are also highlighted in chart 3. The number of long-term unemployed was less than 32,000 in 2007 and has increased since, reaching 196,100 in 2011 before falling again to around 100,00 at the end of March 2016.
- For the first time since the 1990’s, the QNHS data for late 2010 indicated that long-term unemployment accounted for more than 50 per cent of the unemployed. At the end of March 2016 the long-term unemployed still represent 56 per cent of the unemployed.

“You have to go back to the 90s to find the last time more than half of unemployed people were jobless for more than a year”

Who are the long-term unemployed?

In many ways, the recession has been very difficult for many young people in Ireland, and it is true that youth unemployment in Ireland is higher than the average; currently 15.3 per cent, down from a high of 31.3 per cent in June 2012.

However, according to the CSO, the group most affected by the increase in long-term unemployment has been older workers. Where people aged 45 or older lost their job, they were much more likely to find themselves unemployed one year later than the younger age cohorts measured.

Chart 4 (below) shows trends for long-term unemployed older workers, proportionate to; all unemployed workers; all unemployed older workers; and all long-term unemployed workers.

From the chart, we can see that:

- The proportion of long-term unemployed people that are aged 45+ has grown from 27 per cent at the beginning of 2007 to 36.5 per cent, up more than two fifths on nine years ago;

- The proportion of all unemployed people made up of older workers that are long-term unemployed rose from 5 per cent in Q2 2009 to 22 per cent last year. It is currently at 21 per cent;
- Amongst long-term unemployed workers, the percentage that is among this older cohort rose from 22 per cent in Q2 2009 to 39 per cent last summer. It now sits just below that, at 38 per cent;
- Older long-term unemployed workers as a percentage of all unemployed workers is higher than it has been since the mid-90s, having almost halved during the boom years.

However, the most significant trend has been in the percentage of older unemployed workers that are without a job for more than a year. **This has grown from 29 per cent in Q2 2009 to 69 per cent today.** (At one point in 2014 it stood at 72 per cent). This highlights the added difficulty for older people in finding new employment if they lose their job, and identifies a key policy issue which needs to be addressed urgently.

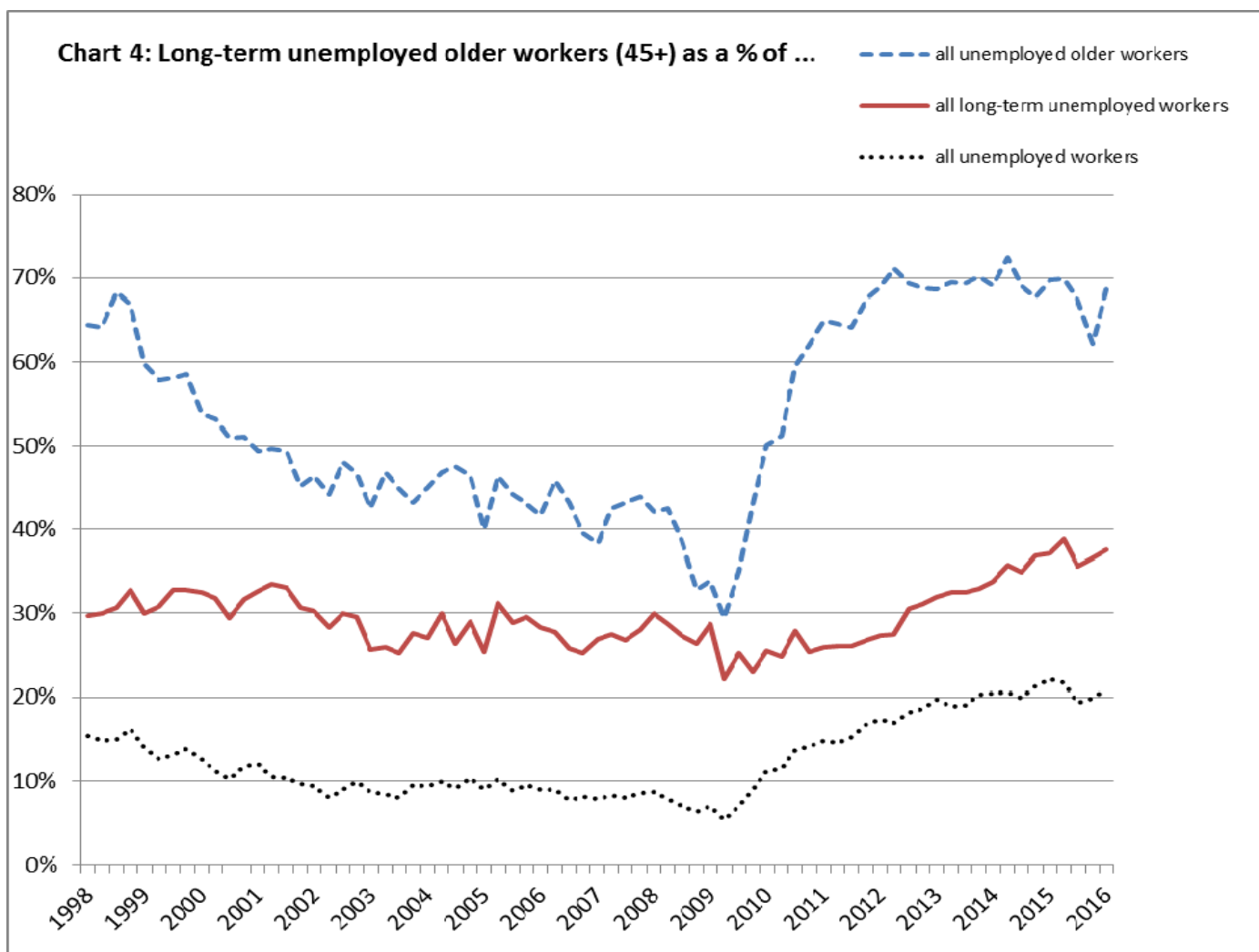
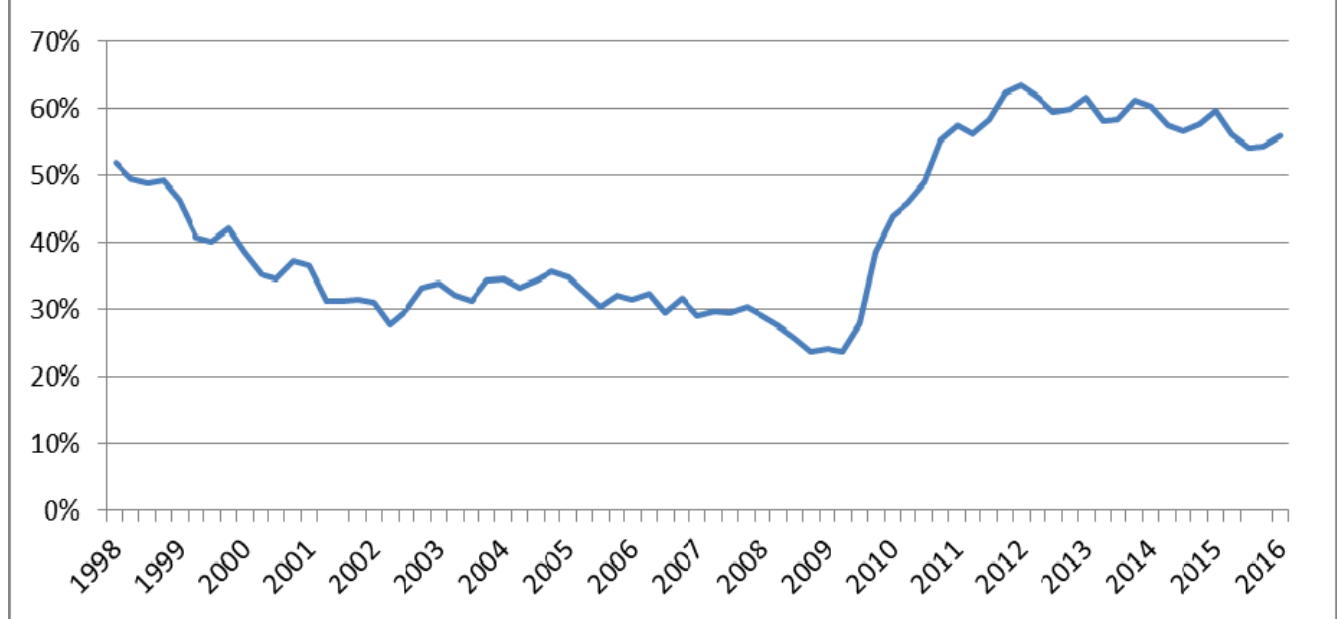


Chart 5: Long-term unemployment as a percentage of total unemployment



Addressing long-term unemployment

A policy focus on economic growth and job creation alone lacks the nuances required to deal with some of the most pressing needs within the labour market. Focusing on reducing headline numbers of unemployment does little to assist those in long-term difficulty.

Most of the measures introduced in Ireland, and indeed across Europe, in recent years to help the unemployed are mainly targeted at those who are “job-ready”; in a position to get back to work once jobs are available. As the economy picks up, those who have the skills to get work do so quickly. This leaves a cohort struggling over a longer period, and creates some serious problems:

- Long-term unemployment is very difficult to reverse. The longer people are out of employment, the harder they generally find it to break back into employment;
- There are significant mental health issues associated with long-term unemployment. People are also at greater risk of bad health, and very often there is deterioration of skills and of self-confidence. That all adds up to an erosion of human and social capital over time;
- Long-term unemployment exposes people and families to some serious financial effects, such as poverty and deprivation, home-repossession, and

deepening levels of social exclusion. It is important to remember that behind each statistic related to long-term unemployment is a person or family experiencing genuine human suffering.

The trends discussed seem to confirm is that while it’s true for all age groups that the longer one is away from employment, the harder one generally finds it to break back into it, this is particularly so for older workers who in addition to the problems all workers experience:

- May find themselves the subject of age-related discrimination;
- May not be in a position to go abroad to find work like many young people do;
- May find themselves in a situation where their skills have become obsolete;
- May find it more difficult to return to education, or engage in re-skilling programmes.

And herein lies the fault in the policy response. Measures put in place have often been too limited or too narrowly focused to assist those out of work for long periods. To properly support the long-term unemployed, the range of supports provided must be broadened.

This might include adapting policies to encourage employers to take on individuals through financial incentives, or labour market inclusion efforts like start-your-own business schemes.

Social Justice Ireland is sceptical of employment activation schemes that involve the outsourcing of responsibility to private contractors.

The percentage of older unemployed workers without a job for more than a year has more than doubled since 2009

Recommendations

Employment challenges can be either cyclical or long-term in nature, and a range of policy interventions are required to deal with each scenario. *Social Justice Ireland* believes that there is still ample room for targeted policy interventions to hasten the recovery and return the labour market to a position of strength and fairness. Positive trends in jobs growth are welcome, but the rate of job creation could, and should, be improved by concentrated efforts from policy makers.

As already noted, Ireland's level of public investment is far too low to achieve what should be the main macroeconomic and social goals, and this is something that must be rectified with urgency. The cost of public borrowing has never been lower, and investment in productive assets would create future revenues well in excess of borrowing costs. Future generations will not understand why we are not finding ways to grasp this opportunity.

Investment in human capital and our social infrastructure and services are key to ensuring that Ireland can deliver sustainable employment for all those who are seeking employment. Investment in broadband, lifelong learning, housing, training and skills development and childcare services can deliver more sustainable employment and a more balanced regional spread of employment.

It is worth noting that at the end of 2007, just as the economy was about to falter, the CSO noted the number of long-term unemployed people at just under 32,000. This is a very small number as a percentage of the overall labour force, and policy makers would do well to note it when considering what kind of initiatives they might institute to deal with the current situation. The vast majority of people who are unemployed are not voluntarily so, and this is highlighted by the fact that the num-

bers of people experiencing long-term unemployment increased by a factor of more than six over the course of the recession.

The scale and nature of the long-term unemployment situation deserves far greater attention than it has been given. The policy response has been limited, and not sufficiently targeted to deal with the problem. We have one of the highest rates of long-term unemployment in Europe, and there is a major risk that as the economy continues to recover, a large cohort of people, particularly older workers, will be left behind permanently.

We have structured our society in such a manner that the only way most people can live life with dignity is by having paid employment, or by living in a household where someone is in paid employment. Yet the only time we have had full employment in this country, it could be said to have been something of an economic miracle. (Others might say "economic mirage"). The foundations on which it was based were wholly unsustainable, and as soon as the bottom fell out of the property market, full employment (and to a great extent a genuine aspiration for full employment) disappeared.

Consequently, *Social Justice Ireland* is of the opinion that, given the persistently high numbers of unemployed and long-term unemployed in society, and given the possible slow-down in jobs growth as a result of prevailing international factors, including the United Kingdom's impending exit from the European Union, there is a need to look beyond jobs to a reform of how work, income, welfare and taxation interact, with the aim of creating a society that is more egalitarian, and where everyone has sufficient income to live life with dignity and can access meaningful work.

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Policy Proposals

In our recent Budget Choices document **Social Justice Ireland** proposes a range of initiatives that Government can make to address issues of employment and unemployment. These include:

- A significant infrastructure investment programme.
- Resource the up-skilling of those who are unemployed and at risk of becoming long-term unemployed through integrating training and labour market programmes. Also maintain a sufficient number of active labour market programme places for those who are unemployed.
- Adopt policies to address youth unemployment. In particular, these should include education and literacy initiatives as well as retraining schemes.
- Recognise the scale of long-term unemployment and adopt targeted policies to address this.
- Publish a rural and regional employment and economic development policy statement and incorporate it into all national employment and economic strategies.
- Ensure that new jobs have reasonable pay rates and adequately resource the labour inspectorate.

- Reduce the impediments faced by people with a disability in achieving employment. In particular, address the current situation in which many face losing their benefits when they take up employment.
- Recognise the right to work of all asylum seekers whose application for asylum is at least six months old.
- Reform the taxation system to address the working poor issue by making tax credits refundable. This would cost €140m in a full year.
- Increase the PAYE tax credit by €6.50 a week. This would cost €407m in a full year.

Our *Budget Choices* document also features other suggestions for a sustained investment programme which would greatly enhance Ireland's social infrastructure and productive capacity. Our proposals would create the conditions for an innovative society and thriving economy with decent public services in a sustainable environment.

We urge policy makers to adopt these measures as part of a framework for a just and fair society.

Recent Publications and Research from Social Justice Ireland

Poverty, Deprivation and Inequality - Policy Briefing (July 2016)

Choices for Equity and Sustainability - *Annual Socio-Economic Review* (April 2016)

Ireland and the Europe 2020 Strategy - *Shadow Report* (January 2016)

Measuring Up? - *Ireland's progress: past, present and future* (November 2015)

Europe: A Union for the Powerless as well as the Powerful? - Review of the Social Situation in Europe and Considerations for a More Sustainable and Inclusive Future (September 2015)

All of these and many more of our publications are available on our website at www.socialjustice.ie
Printed copies can be purchased from the Social Justice Ireland offices.

Acknowledgement

This work has been partly supported by the Scheme to Support National Organisations via the Department of the Environment, Community and Local Government and Pobal.



Social Justice Ireland is an independent think-tank and justice advocacy organisation committed to working to build a just society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected.

Membership of Social Justice Ireland is open to individuals and groups who share these objectives. We are always keen to hear from new members. Full details of what membership entails and how to join can be found at www.socialjustice.ie/members.

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