

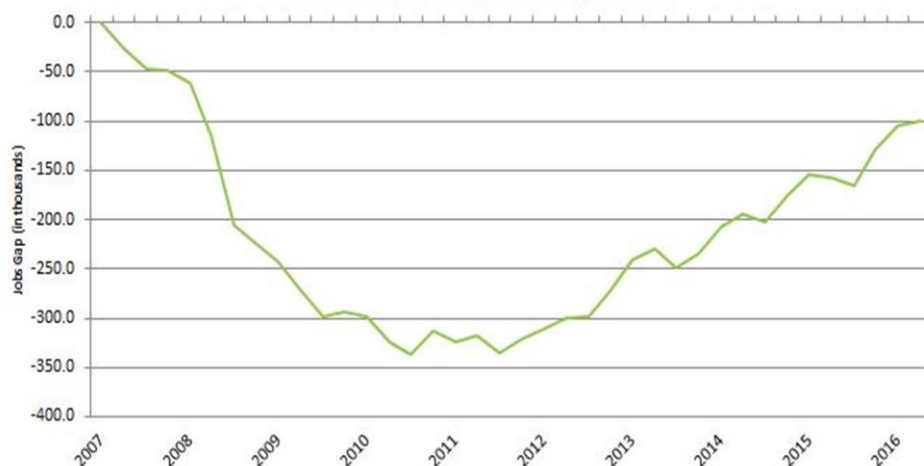
Employment Monitor



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Contents	page
The Jobs Gap	1
Long-term unemployment	3
Regional Trends	4
Brexit and Employment	6

Chart 1: Evolution of the Jobs Gap to Date



Jobs Gap continues to close

However, imbalance in regional employment remains

The Jobs Gap

As noted in previous issues of the *Employment Monitor*, Ireland has struggled to regain pre-crisis levels of employment since the beginning of the economic downturn.

As of the end of December 2016, Ireland has a Jobs Gap of 99,100 jobs. (See boxed text on next page for explanation). Chart 1 (above) illustrates the evolution of the Jobs Gap since Autumn 2007. Over the last five years, the gap has gradually narrowed, aside from occasional seasonal effects.

The purpose of measuring trends in

Note: data in this publication are derived, unless otherwise indicated, from the Central Statistics Office's (CSO) Quarterly National Household Survey (QNHS,) and from the author's own calculations.

Irish employment levels in such a manner is to supplement the discourse on the Irish labour market, moving away from unemployment numbers or rates, and putting focus on the actual number of jobs in the economy, including the number of jobs required to put Ireland on par with our peak economic performance.

This measurement takes account of changes in the make-up of Ireland's population and labour force, as well as migratory trends.

These figures illustrate the scale of the challenge faced by policymakers who are tasked with the goal of achieving full employment.

In 2007, at the time of the labour market's all-time peak performance, there were an estimated 2.17 million people in employment in Ireland.

The Irish labour market has changed in size and profile in the decade since. However, we are closer now to this mark than at any time in the last

Key Points

- The Jobs Gap (taking account of demographic and other changes) is 99,100;
- The economy is 121,500 jobs short of its 2007 peak;
- The CSO's headline unemployment rate for March 2017 was 6.4%, down from 6.6% in February;
- Unemployment has decreased (seasonally adjusted) by 1.9% over the previous 12 months;
- Employment rose by 7,600 in the three months to end December 2016, for a total of approximately 2.05 million jobs;
- This represents monthly jobs growth just a quarter that of the period from April to September;
- Long-term unemployment continues to fall, but is increasing as a proportion of all unemployment;
- Despite positive overall trends across all regions, jobs growth is heavily skewed towards Dublin;
- Increased public investment is required to mitigate the effects of Brexit on employment;

seven years, and last year saw more than two million people employed in this country for the first time since the beginning of 2009.

While such rates of employment growth are welcome, they hide many undesirable features of the Irish labour market, some of which are becoming deeply entrenched.

The January 2017 issue of the *Employment Monitor* highlighted several of these, including:

- Endemic long-term unemployment, particularly among older workers;

Introduction

Social Justice Ireland's Employment Monitor is a quarterly publication examining Ireland's employment situation, including employment numbers, significant labour market trends and other aspects of the macroeconomy. The purpose is to highlight selected trends, with a focus on the policy goals of increasing employment, providing better working conditions, and creating a more just economic model and a fair society.

Each quarter we publish a briefing detailing the number of jobs that the Irish economy must create to match peak performance levels, adjusting for labour market and demographic developments. We also analyse different aspects of the labour market each quarter, and make observations and recommendations regarding the prevailing situation. In this issue, the *Employment Monitor* analyses regional trends in employment.

- High levels of underemployment (people working part-time hours who would take full-time work if it were available);
- A high incidence of dependency on state income supports among employees;
- An increased number of discouraged workers leaving the labour force;
- A growth in precarious employment;
- A rate of low-pay in the labour force that is well-above the EU average;
- A significant number of workers earning below the Living Wage.

Later in this issue, we look at another problem facing the labour market in

Ireland, namely the uneven spread of employment growth, and the negative effect that this is having on Ireland's growth prospects.

Employment Trends

Despite the quarterly rate of jobs growth slowing significantly since earlier in 2016, the most recent QNHS data shows that 2016 produced the strongest year-on-year employment growth for 10 years.

2006 was the most recent year that saw an increase in employment greater than the 65,100 estimated for the 12 months to the end of 2016.

Such trends – as well as Ireland's strong economic fundamentals (Department of Finance, 2017) – are very welcome. However, *Social Justice Ireland* remains concerned with several aspects of how the labour

market has been developing, and about several features which – while at first seeming to be temporary consequences of the economic crisis which began in 2007/8 – appear to be becoming structural features of the Irish labour market.

Headline employment numbers are useful, but they tell us little about who is benefiting from the illustrated trends or, conversely, which groups are being left behind.

A change of narrative is required. Improving headline employment figures are important, but the drive for stronger job creation should not come at the cost of diminishing job quality, nor should broad macroeconomic improvements benefit only those living in certain parts of the country.

Chart 2: Long-term unemployment as a percentage of total unemployment

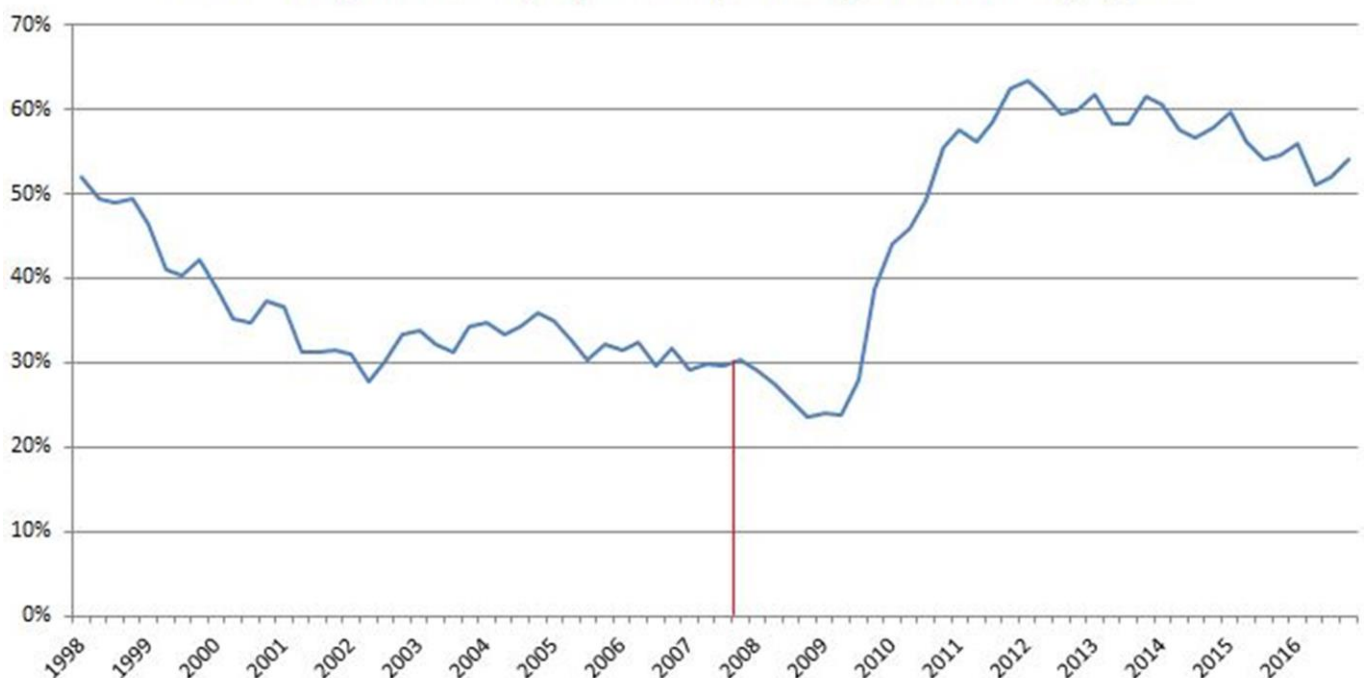
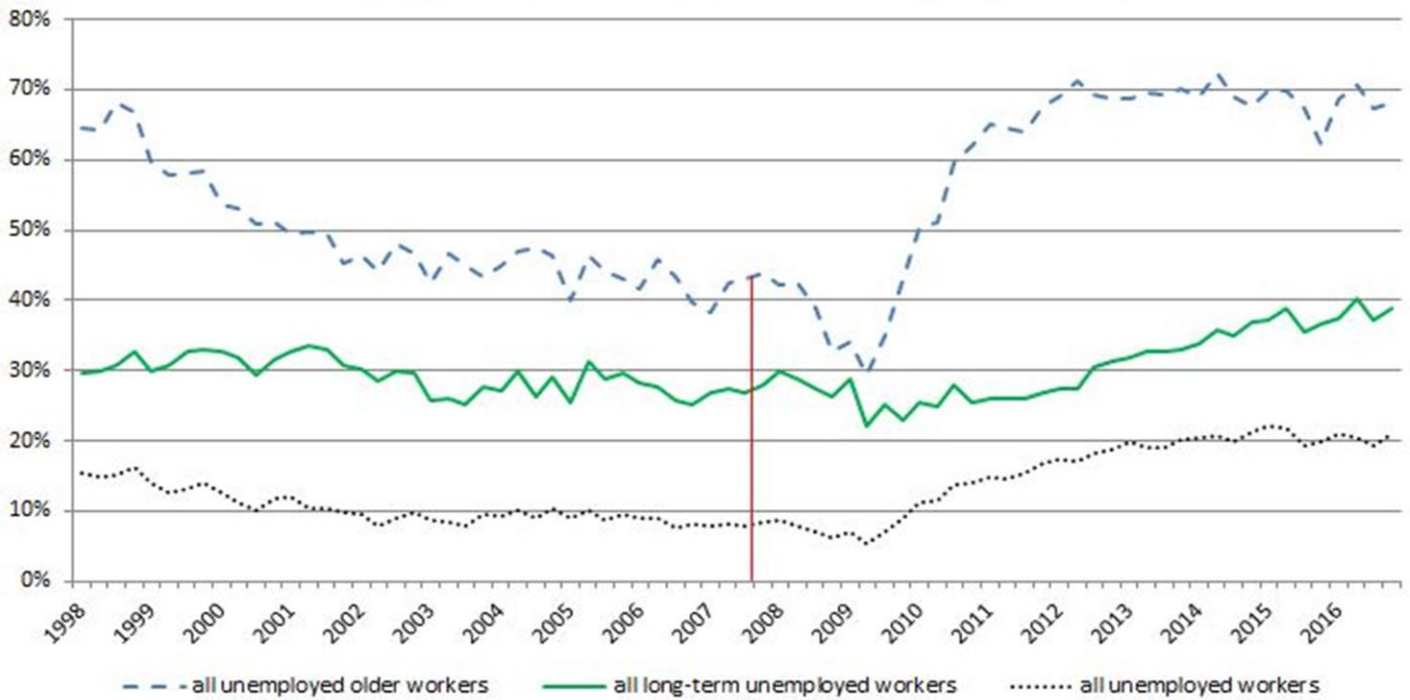


Chart 3: Long-term unemployed older workers (45+) as a % of ...



The January 2017 issue of the *Employment Monitor* highlighted a number of issues related to job quality and security. Policymakers must do more to ensure that employers provide their employees with an income that allows a minimum acceptable standard of living.

They must also ensure that jobs growth is spread more evenly across the country.

As employment numbers continue to improve, issues relating to the quality of employment, adequacy of income, and a fairer spread of economic gains, amongst people and regions, must figure more prominently in the policy discussion.

Just over 92,000 people are currently working part-time hours, but would take full-time employment if they could find it. Medium-term trends suggest that this number is artificially low, given the time of year the sample was taken, and that seasonal effects may see this number rise closer to 100,000 in the Spring.

Some of this part-time work gives rise to increased dependency on state income supports. As noted in the January 2017 issue of the *Employment Monitor*,

approximately 13 per cent of people in part-time employment are in receipt of (reduced) Jobseekers allowance benefit. This is more than double the rate from ten years ago.

Long-term Unemployment

Unemployment figures – and notably long-term unemployment numbers – exclude the 80,000 or so individuals in public activation schemes. This serves to grossly understate the extent of the problem.

Long-term unemployment *appears* to be falling. (The exclusion of these individuals on activation schemes makes it difficult to get an exact measure on the phenomenon).

However, the proportion of unemployed people who are unemployed for more than one year remains stubbornly above 50 per cent – where it has been since 2010 – and the rate increased at the end of 2016 (see Chart 2, previous page; the vertical red line indicates Ireland’s peak employment performance).

This highlights a problem which is hidden by the impressive growth in absolute employment numbers; these jobs are being taken disproportionately by individuals who are “job-ready”, or in a position

to get back into employment once jobs become available.

This is unsurprising, given the policy focus. But the approach being taken leaves a large and vulnerable cohort struggling over a longer period, and creates some serious problems:

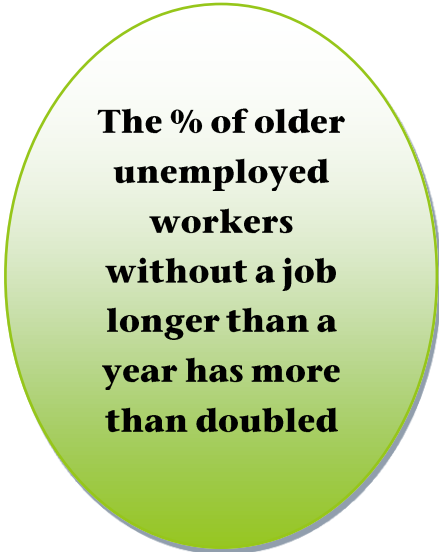
- Long-term unemployment is very difficult to reverse. The longer people are away from work, the harder they generally find it to break back into employment;
- There are significant mental health issues associated with long-term unemployment. People are also at greater risk of bad health, and often there is a deterioration in skills and of self-confidence, leading to an erosion of human and social capital over time (Petrongolo, 2013);
- 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.

In the July 2016 issue of this publication, we addressed long-term unemployment in detail, with particular focus on the fact that older

workers were by far the worst affected.

Chart 3 (previous page) illustrates the extent to which this is the case. (The vertical red line indicates Ireland's peak employment performance). This chart shows that:

- The proportion of long-term unemployed people that are aged 45 and older has grown from 25 % at the end of 2006 to 39 %, up by half on a decade ago;
- The proportion of all unemployed people made up of older workers that are long-term unemployed has risen from 5 % in Q2 2009 to its current level of 21 %, increasing by a factor of four;
- Older long-term unemployed workers as a percentage of all unemployed workers is higher now than at any time in the last two decades, having almost halved during the boom years.



The % of older unemployed workers without a job longer than a year has more than doubled

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 68 per cent today. (At one point in 2014 it stood at 72 per cent).

Another way of understanding this is that if an older person loses their job, they are now *more than twice as likely* to still be without a job twelve months later than they would have been in 2009.

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.

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.

The trends discussed seem to confirm 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.

Regional Employment Trends

Since the beginning of the downturn in 2007, regional variations in employment rates and trends have been conspicuous, with certain regions experiencing an employment situation notably worse than the rest of the country.

This is due in part to economic and other policies that have favoured job creation conditions in certain parts of the country, particularly in and around Dublin.

This illustrates an underlying failure of successive governments to recognise the need for a nuanced approach to employment creation; one that accounts for the differing needs of each part of the country.

Employment statistics from the CSO's QNHS illustrate significant regional disparities over the last decade. In the period from Q3 2007 (when employment in Ireland first began to decline) to the end of 2016, per capita employment in the Border, West and South-West regions fell at a rate more than 50 per cent greater than the national average, and more than five times as fast compared to Dublin.

While job creation in the West has picked up significantly over the last year, it was previously growing at

such a low rate that even now the rate of job creation in the West in the last 24 months is half that of the capital.

Dublin and the east suffered greatly during the recession. But following the economic upswing of the last few years, the creation of employment around the capital greatly accelerated in comparison to some other parts of Ireland. At one point last year, Dublin, Meath, Kildare and Wicklow combined were producing more than 60 per cent of the jobs being created in the country.



Employment in the Border, West and South-West regions has fallen 5 times faster than Dublin

In contrast, the South-East (9.4%), Border (8%), Midlands and West (both 7.9%) regions are suffering from the highest unemployment rates in Ireland; each with a rate notably higher than the national average of 6.7%.

Comparing unemployment in Dublin to the rest of the country shows a significant divergence. This "Regional Deficit" - the extent to which the unemployment rate is greater in the rest of the country than in Dublin - has been fairly consistently at or above 2 per cent since early 2009 for the Midlands and South-East regions.

Also, jobs growth per capita in the West since the end of 2012 has been less than a quarter that of Dublin, while year-on-year jobs growth has actually been negative at several points in the last two years.

Chart 4: Unemployment % divergences - selected regions vs Dublin

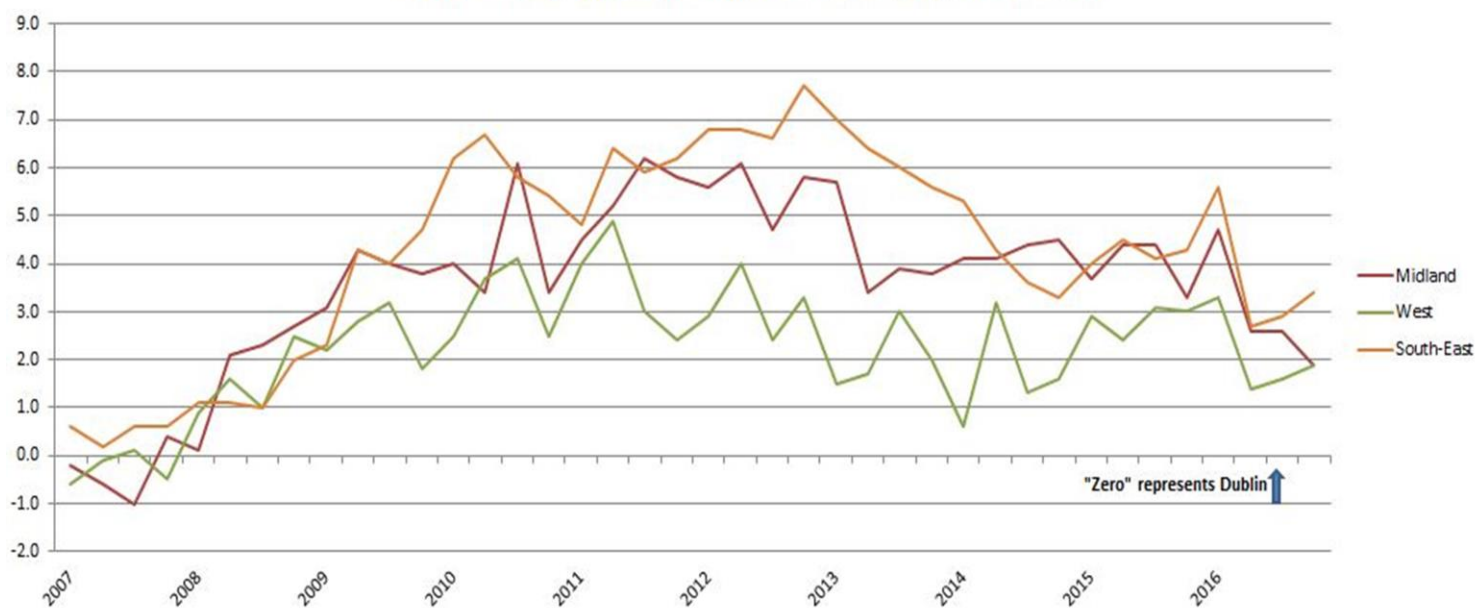


Chart 4 (above) illustrates this regional deficit, comparing rates of unemployment in the West, Midland and South-East regions since 2007 with those of the capital.

During this period, the unemployment rates across these three regions deviated significantly from the national average and particularly from the situation in Dublin.

(or by two-fifths in the South-East).

These three regions have begun to experience employment growth in the past 24 months, though not at a rate sufficient to undo the damage done between 2007 and 2012, and certainly not sufficient to bridge the gap to other regions in Ireland.

As highlighted in Table A (left) the Midland, West and South-West regions have seen huge falls in employment, in comparison to the national high-point in 2007, while Dublin and the areas closest to it have been much less severely affected.

However, it is the key statistics on the Border region that are among the most stark:

- Employment has fallen by 11% in the last ten years;
- This rate is almost twice the national average, and six times that of Dublin;
- The unemployment rate is a third greater than in the capital;
- Employment has grown by just 1.3% in the last 12 months, compared with a national rate of 3.3%.

Despite the huge drop in the numbers employed in the region, there is no commensurate increase in unemployment numbers.

Instead, we see a labour force that has fallen by 2.5 times the national rate (or an incredible 30 times that experienced by Dublin) as people in the region deal with widespread lack of employment opportunities in the manner they always have: emigration.

Similar trends are playing out in the West where employment has fallen by 9.1 per cent over the last ten years; 60 per cent higher than the national rate and more than five times that of Dublin. Employment growth has been half that of the Dublin area in the last two years, though that rate has begun to speed up. However, similar to the Border region, the labour force has fallen at 20 times the rate in Dublin.

The perception that these regions are being disproportionately hurt by emigration is confirmed by the statistics in Table B (next page).

These trends point to a development strategy that did not take balanced regional development into account, and focused instead on economic growth without taking into account the nuances required to ensure all areas of the country benefit from the recovery.

Aside from creating regional employment deficits and precipitating emigration from many rural areas, this has led to quite the

**Table A
(since Q3 2007)**

Region	change in employment
Border	-11.0%
Midland	-4.8%
West	-9.1%
Dublin	-1.7%
Mid-East	-5.5%
Mid-West	-5.2%
South-East	-4.9%
South-West	-8.6%
Ireland	-5.6%

The current gaps are still significant, with the unemployment rate currently 3.4 (South-East) and 1.9 (Midlands and West) percentage points respectively higher than in the capital, while in comparison to the national unemployment rate, they are greater by approximately a fifth

Table B: changes (since Q3 2007) in Labour Force (LF) and Participation Rate (PR)

Region	LF	PR
Border	-9.1%	-8.8%
Midland	-0.5%	-8.9%
West	-6.0%	-6.9%
Dublin	-0.3%	-4.2%
Mid-East	-4.1%	-11.9%
Mid-West	-4.9%	-5.8%
South-East	-0.6%	-5.4%
South-West	-6.9%	-9.7%
Ireland	-3.6%	-7.1%

opposite problems in the east of the country and in the major cities.

There, high demand for accommodation in many cities has driven rents to an all-time high in many instances (Daft, 2016), led to increased traffic congestion, and imposed a higher cost of living in urban areas.

The entire country stands to benefit from a more balanced approach to employment generation.

Social Justice Ireland has previously noted a trend of falling agency-assisted employment (jobs created with assistance from the Industrial Development Authority or Enterprise Ireland) in rural areas and in certain regions that is a cause for concern.

Amongst other things, this trend highlights the barrier that a lack of an adequate rural broadband network, services and integrated transport presents to agencies in attracting foreign direct investment beyond the urban centres. It also points to the need for a strategy focused on supported rural micro-enterprises and rural entrepreneurs.

The rollout of Ireland's rural broadband strategy has faced repeated delays as a result of under-resourcing and under-prioritisation. Rural regions of Ireland have no hope of catching up with urban centres in

areas like entrepreneurship, innovation and job creation without access to high quality broadband.

Social Justice Ireland welcomes many of the initiatives included in the *Action Plan for Jobs*, but is concerned that the measures included do not reflect an acknowledgement of the extent of the problem.

Brexit and Employment

With the triggering of Article 50 on March 29th, the process of the United Kingdom leaving the European Union formally began.

There are major concerns about how Brexit will affect economies both north and south of the border. It stands to reason that the worst affected areas will be the ones closest to the border, which, it has already been illustrated, are the ones who have struggled most to generate employment in the years since the economic crash of 2007/8.

“The border-counties are most likely to be affected negatively by Brexit. This region has already seen an 11% fall in employment in the last decade, with a falling labour force and employment growth of around a third of the national average in the last 12 months”

One of the industries expected to be worst hit by Brexit-related job losses is agri-foods; an industry in which more than 80 per cent of jobs are based in “the regions” and one on which rural communities are particularly dependent upon.

There are major concerns around the potentially negative effect of customs checks, currency fluctuations and tariffs, not to mention logistical effects on the movement of goods through what may well be a hard border.

This is before account is taken of the effects on the thousands of people

that cross the border every day going to and from work.

Last month, a report from the National Competitiveness Council (NCC) (2017) noted that failure to invest sufficiently in infrastructure, and our under-resourced education system, pose risks post-Brexit.

The NCC noted that while Ireland ranks favourably against the UK in international competitiveness rankings, “the country's strong macroeconomic performance may have led to an overstating of our underlying position”. This has possibly led to insufficient attention being given to clear deficits evident in infrastructure and investment in skills and innovation.

Brexit poses a very real threat to Ireland's economic wellbeing, particularly in the regions. *Social Justice Ireland* is concerned that not enough is being done by policymakers to anticipate the effects of Brexit on employment in Ireland, or sufficient steps being taken to mitigate these effects.

In addition to highlighting a need for increased capital investment spending and funding for the education sector, the NCC report was also resistant to any move which would narrow Ireland's tax base.

Social Justice Ireland agrees, and notes the hard lessons learned in the aftermath of the crash of 2007/8, when around a quarter of Ireland's exchequer revenue disappeared almost overnight.

The key lesson is the need to ensure the country's fiscal position remains sustainable. This should be done by broadening the tax base. This would increase funds available for capital expenditure in areas that will increase Ireland's long-term productive capacity whilst also protecting exchequer revenue against external shocks.

An estimated €39 billion worth of goods and services were traded between the UK and Ireland in 2016, supporting more than 700,000 jobs

in Ireland. Economic disruption is inevitable, and while the effects will vary across industries, the consensus likely net effect will be a decrease in employment. Investment in productive economic and social infrastructure, particularly in the regions most likely to be affected, is the policy measure most likely to mitigate the negative effects of Brexit.

Conclusion

While there are many good-news stories in the area of employment generation – there has been a fall in the unemployment rate in *all* regions, year-on-year and over the last 24 months – the overall theme of the data from the Central Statistics Office is that the benefits are being strongly skewed towards the greater Dublin region.

Unbalanced economic growth hinders Ireland’s overall economic potential. This imbalance is detrimental to the regions, but also to the greater Dublin area, as great strain is put on the capital’s housing, education and transport infrastructure.

A sustainable society requires balanced regional development. The proportion of the population of Ireland living in and around the capital city is already very high by international standards, and is growing. Dublin already accounts for half of all economic output in Ireland (National Planning Framework, 2017). Yet we are continuing to model our growth path, and design our public services, in a way that encourages, rather than discourages, such concentration.

By continuing to locate a disproportionate amount of our best health, education, and cultural institutions in Dublin we are driving a model of development that precludes the kind of regional balance required for Ireland to thrive. This must change.

Government recently concluded the consultation process for the *Ireland 2040* strategy. *Social Justice Ireland*, in our submission to the Department of

Housing, Planning, Community and Local Government on the matter, recommended that the strategy include provisions to ensure that economic growth is more evenly distributed throughout the country.

Among the issues that must be taken into consideration are the development of an adequate rural broadband network, integrated public transport throughout the regions, and the development of regional economic and social hubs.

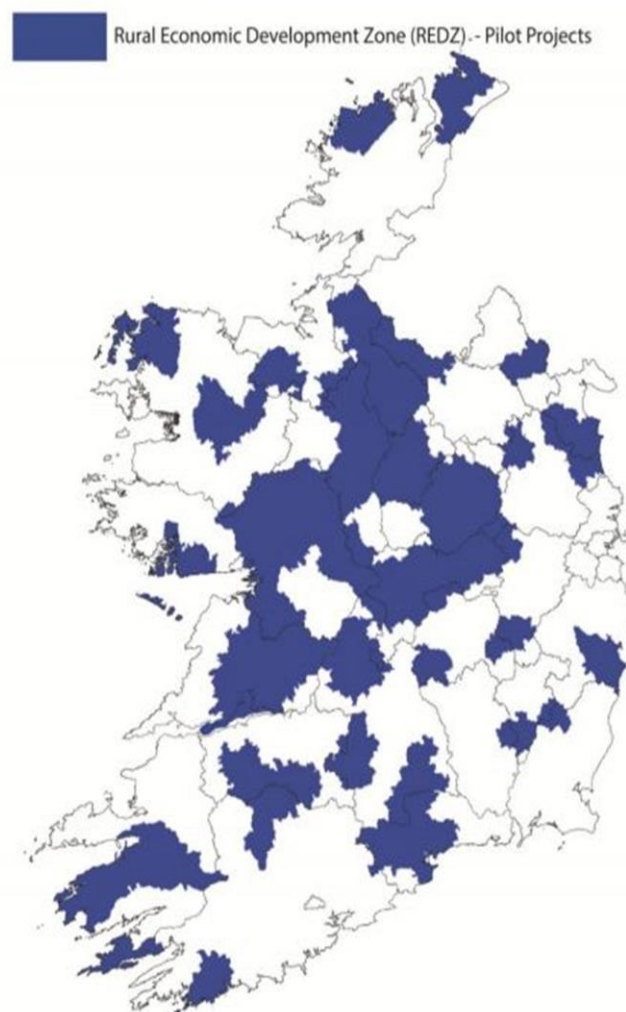
One approach to consider is using ‘functional territories’ as a key component of *Ireland 2040* (Walsh et al, 2016). Regional Economic Development Zones would be designed around functional territories (i.e. areas of social and economic activity) as opposed to being bound by traditional administrative boundaries.

Using functional territories could be a useful means of developing Ireland’s regional cities and connecting them with larger urban centres, smaller towns, and rural villages and their hinterlands. This can help to develop viable markets, maintain institutions and services, and promote sustainable and thriving regions, towns and villages.

Spatial development and planning are key to employment policy. Well-developed policy can create a better balanced spread of Ireland’s economic development, with accompanying benefits in other sectors.

Greater balance would have positive consequences for all areas of Ireland – including those currently benefiting from stronger employment growth – with less strain being placed on the housing and transport infrastructure.

Figure 5: Funded Projects under the Pilot Phase of the Rural Economic Development Zone (REDZ) Programme



Policy Proposals

Social Justice Ireland's annual Socio-Economic Review, published in April 2017, proposes a number of additional initiatives in relation to employment, including:

- Resourcing the up-skilling of those who are at risk of becoming long-term unemployed through integrated training and labour market programmes;
- Recognising the scale of long-term unemployment and adopting targeted policies to address this;
- Implementing a new programme targeting those who are in very long-term unemployment (i.e. 5+ years);
- Adopting policies to address youth unemployment;
- Reducing the impediments faced by people with a disability in achieving employment;
- Implementing a strategy to move the statutory minimum wage towards the Living Wage of €11.50 per hour.

Apprenticeships and traineeships have the potential to address regional long-term unemployment and should be made more widely available.

We also used the opportunity to call, again, for a significant infrastructure investment programme. The book features several 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 as part of a new Social Contract for Ireland's new century.

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

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Recent Publications and Research from Social Justice Ireland

A New Social Contract for a New Century - Annual Socio-Economic Review (April 2017)

Fairness and Tax Reform – Policy Briefing (April 2017)

Ireland and the Europe 2020 Strategy – A Review (March 2017)

Sustainable Progress Index 2017 (February 2017)

Employment Monitor – Issue 3 (January 2017)

Europe: The Excluded Suffer while Europe Stagnates (January 2017)

Basic Income – Radical Utopia or Practical Solution? (November 2016)

Budget 2017 – Analysis & Critique (October 2016)

Fairness in Changing Income Taxes (Sept 2016)

National Social Monitor (September 2016)

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

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.



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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