

Key Points

- There was an increase of 62,100 in the number of people employed in Ireland in the 12 months to the end Q1 2018, with falling levels of part-time employment and increasing full-time jobs;
- Unemployment in June 2018 was 5.1%;
- Long-term unemployment fell from 3.7% to 2.1% in the year to Q1 2018, and now accounts for 37.7% of all unemployment;
- Beneath the headline numbers on Ireland's impressive labour market performance lie some interesting sectoral trends;
- Despite a significant increase in employment in the sector, employees in Accommodation and Food Service are the lowest paid in the Irish economy, with the highest concentration of minimum wage employment and a large cohort earning below the Living Wage.
The Average number of paid hours per worker in the sector is also falling.
- Employment in Construction is still 34% down on 10 years ago, though there have been large and welcome increases in the last six years or so;
- Ireland's impending demographic changes mean that the need for additional employees in areas like health, social work, social care etc. will need to increase significantly. Yet certain factors, including rates of pay, are making this sector less and less appealing as a career.
- A system of Basic Income would help facilitate a society where more carers are needed.
- The Information & Communication sector could be argued to be the healthiest performer in the economy with the 2nd largest jump in Average Hourly Earnings over the last decade (leaving it 3rd highest overall), and the 4th largest jump in employment.

The Irish labour market continues to improve, with Ireland – on a year-on-year basis – moving closer to matching its peak level of employment, achieved in Autumn of 2007.

According to the most recently released Labour Force Survey (Q1 2018) there was an increase in employment of 2.9 per cent or 62,100 in the 12 months ending Q1 2018, putting total employment in Ireland at 2,220,500.

While this is a notably slower rate of annual growth compared to the previous quarter, or indeed compared to the same period in 2017, it is still a very impressive performance.

This is particularly so given that this increase is being driven by increasing full-time employment. Full-time employment increased by 72,000 (+4.3%), while part-time employment fell by 9,900 (-2.1%).

Unemployment fell by 30,500 in the year to Q1 2018. The total number of persons unemployed stood at 132,900 at end Q1 2018, which was the 23rd quarter in succession where unemployment declined on an annual basis.

The headline unemployment rate in June 2018 was 5.1 per cent, while the long-term unemployment rate decreased from 3.7 per cent to 2.1 per cent over the year to Q1 2018.

Long-term unemployment accounted for 37.7 per cent of total unemployment in Q1 2018 and is falling.

As Ireland continues its impressive rate of job creation, *Social Justice Ireland* uses this publication to look behind the numbers, highlighting situations and trends that do not receive the same attention as headline numbers and rates.

Employment Monitor is a quarterly briefing from *Social Justice Ireland* 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 and make recommendations with a focus on the policy goals of increasing employment, providing better working conditions, and creating a more just economic model and a fairer society.

In this issue we look at how the benefits of Ireland's recovering labour market are being experienced differently across selected sectors of the economy.

In recent issues, we have highlighted:

- The distribution of low paid employment in the economy, and the extent to which the National Minimum Wage is so far below what is required to achieve a socially acceptable standard of living in Ireland;
- The increasing instance of low pay and precarious work in the Irish economy;
- The barriers to employment faced by people with a disability in Ireland;
- The regional distribution of the gains of Ireland’s economic growth, in terms of job numbers and labour market participation.

An area of importance which has not been receiving the required attention from policymakers and commentators is the extent to which there has been a disparity in performance between certain sectors of the economy.

These trends say something of the structure of Ireland’s economy and many are worthy of comment, given how some of these sectors relate to a number of the social crises faced by Ireland at present, as well as Government’s ability to tackle them. For example, the well-documented fall in employment numbers in the Construction sector is now especially problematic given the shortage of supply that is at the heart of Ireland’s housing crisis.

In this issue of *Employment Monitor*, we analyse the different sectors of the Irish economy under the

headings of:

- Employment Numbers;
- Average Hourly Earnings;
- Average Hours Worked.

Data on these areas are available from the CSO from the beginning of 2008, allowing us to analyse trends across the different sectors almost from the onset of the financial crisis to the beginning of 2018 (or the end of 2017, depending on the dataset).

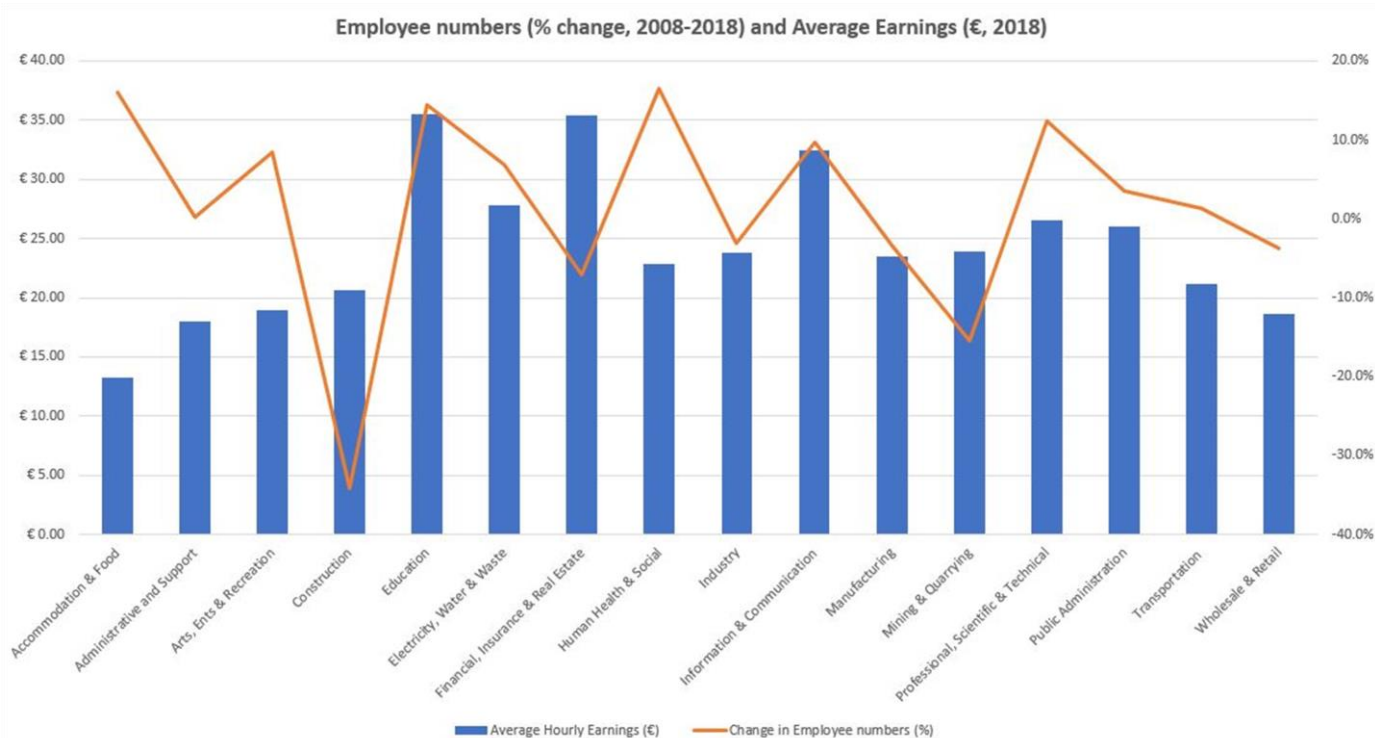
Here we have listed some of the most notable findings.

Employment Numbers

- The sectors experiencing the greatest increases in employment between the beginning of 2008 and the end of 2017 were Human Health & Social Work (+16.6%); Accommodation & Food Services (+16%); Education (+14.5%); Professional, Scientific & Technical Activities (+12.4%); and Information & Communication (+9.7%).

The national average over the period was 1.4%.

- Interestingly, while Human Health & Social Work was the best performing sector by this measure from 2008 to 2017, it was among the worst performing when measured from 2012 or from 2015 to the present.
- The greatest decrease in employment between the beginning of 2008 and the end of 2017 was



unsurprisingly in the construction industry (-34.2%). Employment in Mining & Quarrying fell by 15.5%, and in Finance & Insurance by 7.4%.

- Measured since 2012, however, when the recovery in employment began tentatively, employment in Construction has increased by 62%, while it has increased in the Accommodation & Food Services sector by 50% in the same period.

The increase in the construction industry was from an abnormally low base and was essentially a recovery from a severe employment shock and therefore to be somewhat expected.

Average Hourly Earnings

- Between 2008 and 2018, the Information & Communication sector could be argued to be the healthiest performer. It saw the 2nd largest jump in Average Hourly Earnings over the period, rising by 18.5% over the 10 years measured. This was behind only Arts Entertainment & Recreation. Employment in Information & Communication has increased by more than 30% since the beginning of 2012.
- Information & Communication was the 3rd highest paid sector measured by Average Hourly Earnings (€32.46 per hour), behind Finance & Insurance (€36.69) and Education (€35.53).
- The biggest decreases in Average Hourly Earnings were in Electricity, Water Supply & Waste Management (-9.7%) and in Public Administration & Defence (-6.3%). Human Health & Social Work (-1.3%) was the other sector to see a decrease.
- The largest increases in Average Hourly Earnings – both when measured since 2012 and since 2015 – have been in the areas of Real-Estate Activities, and the Financial and

Insurance sectors.

Trends of note

As noted, the construction industry was hit hard by the recession. This will be news to nobody.

Employment in this sector fell from approximately 146,700 in 2008 to approximately 52,600 five years later. This was a fall of 64 per cent, and while the recovery has been strong, the current number is still 34 per cent down on 10 years ago, with 96,600 employees in construction at the end of 2017.

More positively, Average Hourly Earnings in the Construction sector rose by more than 2 per cent in each of the last three years.

The Irish Government faces a challenge in delivering on its commitment to construct social housing on a large scale in the coming years, while in the private

sector, residential property prices are increasing at a rapid rate. (In the year to April 2018, the increase was 13 per cent).

Coordinated policies to encourage young workers to enter/re-enter the construction industry will be important to ensure that housing policy goals are not missed due to lack of industry capacity.

As already noted, the big jump in the numbers employed in the Accommodation and Food Services sector has been

impressive.

However, the sector performs considerably worse in the area of Average Hourly Earnings, with this metric increasing by just 5.8 per cent over the last 10 years – well below the national average of 8.1 per cent. It is also still the lowest paid sector in the entire economy by this measure, with an Average Hourly Earnings rate of €13.23 per hour.

This low rate is unsurprising. In Issue #5 of *Employment Monitor* we highlighted the fact that the Accommodation and Food Service sector accounted for a quarter of all minimum wage employment in the State at the end of 2016, despite representing just 7.6 per cent of employees.

One third of all workers within the sector earned the minimum wage; the highest concentration of minimum wage employment in the economy. It is estimated that overall one half of employees within



the sector earned below the Living Wage in 2017.

On top of this, the hospitality sector had the second lowest number of paid hours per worker in 2018, at just under 25 hours per week. Only Education had less, though this is due to the nature of the work and so is not a policy concern.

Despite the increasing number of employees in the hospitality sector, average hours worked have fallen by more than 3 hours per worker per week, from 27.8 to 24.6. With the exception of Mining & Quarrying, this was the only sector where paid hours per worker fell in the last three years.

All this raises questions about the ability of workers within the Accommodation and Food Service sector to earn sufficient money to achieve a minimum essential standard of living.

Although the area of Human Health and Social Work saw an increase in Average Hourly Earnings of 3.4 per cent per week since 2015, it is still down 1.3 per cent overall in the 10 years to the end of Q1 2018 (and down by 2.1 per cent since Q1 2012).

While the sector saw the largest proportionate increase in employment if measured from 2008, since the economy began recovering (2012) the rates of increase have been among the lowest in any sector, suggesting that when people have other options, a career in the sector is less appealing.

In the period analysed, the sector has gone from being the 8th highest paid economic sector to the 12th, falling below the national average.

As already noted, the largest increases in Average Hourly Earnings, both when measured since 2012 and since 2015, have been in the areas of Real-Estate Activities, and the Financial and Insurance sectors.

These sectors also saw the biggest decreases in earnings in the four years from 2008 to 2012, so it is unsurprising that they would be restored somewhat during the economic recovery.

However, these increases also speak to the part of the

nature of Ireland's recovery and some socially undesirable trends emerging, as property prices boom again in the absence of the required supply.

(Interesting, between Q1 2013 and Q1 2015, employment in the Real Estate Activities sector increased by 66%, though there has been a subsequent fall in this number).

Policy recommendations

1. Investment in capital projects must be accompanied by policy measures to ensure capacity within the construction industry to meet Ireland's social needs.
2. Government should reconsider its priorities for tax-based employment incentives, particularly in the Accommodation and Food Service sector.
3. Policymakers must begin planning for Ireland's oncoming demographic changes, and the additional burden that these will place on the health and caring sectors of the economy.

As noted, the capacity of the Irish construction sector has the potential to cause problems for Government when it comes to implementing a number of its socially important plans in the

coming years, including *Rebuilding Ireland*.

The announcement earlier this year of the **National Development Plan is important as it provides an element of certainty** for those considering a career in the Construction sector – they know that there is a medium-to-long-term plan for infrastructure investment in this country that will require their skills.

Policymakers must ensure **the necessary level of availability of skills programmes** to attract young people entering the labour force to the Construction sector. Provision must also be made to allow many of those who left construction during the downturn to **re-enter, re-skill and/or up-skill so they can use new technologies and methods** introduced to the industry in the last decade.

Social Justice Ireland again calls into question the continued subsidising of the Accommodation and

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Food Services industry through the reduced second rate of VAT (9 per cent, as opposed to the normal rate of 13.5 per cent) that applies to the sector.

This policy was a response to a downturn in activity and visitor numbers after the international financial crisis.

It is perfectly acceptable that governments should use tax-based policy measures to incentivise employment creation, but we question the wisdom directing such incentives at an industry where so many employees are not paid an amount sufficient to reach a minimum essential standard of living. Irrespective of the merits of this policy at the time of implementation, the argument that the sector still needs fiscal support is limited.

Social Justice Ireland proposes that the standard VAT rate should be restored for the accommodation sector in Budget 2019 as part of a two-year process to phase out this reduced VAT rate for the hospitality sector altogether.

Given that a very sizeable share of the turnover in this sector accrues to a very small number of large employers, it is likely that the majority of the current subsidy, worth around €500m each year, is accruing to large hotel chains in Ireland's bigger towns and cities – currently the businesses least in need of this money. Many smaller businesses in the sector have small turnovers, exempting them from VAT, and so do not benefit from this policy.

Social Justice Ireland has been pointing out for years that Ireland's impending demographic changes mean that spending (and the accompanying need for additional employees) in areas like health, social work, social care etc. will need to increase significantly.

Family Carers Ireland estimate that Ireland will need to double the number of people in caring roles between now and 2030. Yet this sector is becoming less and less appealing as a career.

Policymakers need to consider how to make careers in these sectors more appealing to young Irish people. They will also need to consider policy measures which facilitate the kind of society and economy where those who choose to leave their jobs for a period to care for ill or elderly relatives have the kind of flexibility needed to enable them to do so.

Social Justice Ireland has long advocated for a system of Basic Income, which would facilitate such a society, as well as ensure that all work, including caring work, is valued by society.

Recent Publications and Research

Budget Choices – Budget 2019 Submission (June 2018)

Ireland vs the EU28 – Monitoring Ireland's Performance Towards Achieving the SDGs (April 2018)

Social Justice Matters- Annual Socio-Economic Review (April 2018)

Employment Monitor #7 (March 2018)

A Universal State Social Welfare Pension for Ireland (March 2018)

Sustainable Progress Index 2018 (February 2018)

Employment Monitor #6 (December 2017)

Society Matters – Reconnecting People and the State (November 2017)

Budget 2018 – Analysis & Critique (October 2017)

Fairness in Changing Income Taxes – Seven Options Compared (October 2017)

Fairness in Changing Income Taxes (October 2017)

Employment Monitor #5 (September 2017)

National Social Monitor (September 2017)

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Social Justice Ireland is an independent think tank and justice advocacy organisation that seeks to build a just society. We provide independent social analysis and evidence-based policy proposals, with the aim of creating a sustainable future for every member of society and for societies as a whole.

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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