LABOUR MARKET NOTES

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Welcome

To the third issue of *Labour Market Notes*, which provides regular updates on key labour market developments at the European and domestic level. If you want to receive each issue of *LMN* or have any other observations, contact us at: *info@ictu.ie* (please mark it 'for attention of *LMN*').

Great Timing?

One of the features of the recent UK referendum on the EU was the way many workers voted leave. One week before the vote, with impeccable timing, the Commission launched a procedure against France and Germany stating that it *"Considers that the systematic application of the minimum wage legislation by France and Germany to all transport operations touching their respective territories restricts in a disproportionate manner the freedom to provide services and the free movement of goods"*.

The German and French governments introduced procedures to ensure that long distance lorry drivers working through their country are paid the legal minimum wage. This is of particular relevance to the transport and logistics sector where the incidence of exploitation has increased in recent years.

A number of governments protested against this move by Germany and sought the intervention of the Commission. These were the ex-communist countries admitted in 2004. The Irish Government associated itself with this complaint. It has not been possible as yet to determine where the mandate for this action originated. It is difficult to understand any circumstances where the Irish Government would oppose the application of a minimum wage lower than that applying in Ireland (the German minimum wage is €8.50 per hour). (*source: Eurofound*).

Underemployment

If looked at solely in the Irish context, the evolution of under employment from Q2 2011 (when unemployment peaked) to Q2 2016 seems mildly optimistic. The numbers under employed fell by 25% from 124,500 to 93,700. In the same period, the number of part time workers increased by 17.5% from 257,100 to 302,900. However, when looked at in the European context the picture is less rosy as the short note at the following link outlines:

http://ec.europa.eu/social/main.jsp?langId=en&catId=1196&newsId=2535&furtherNews=yes. This considers under employment from a European perspective. It notes how the Netherlands which is often quoted as a model in the area is in fact untypical with most of those in part time work doing so by choice. This note is worth reading in its entirety but one sentence jumps out to the Irish reader:
'The strongest increase in involuntary part-time work took place in another crisis country, Ireland (from 11.5% to 39.2%).'

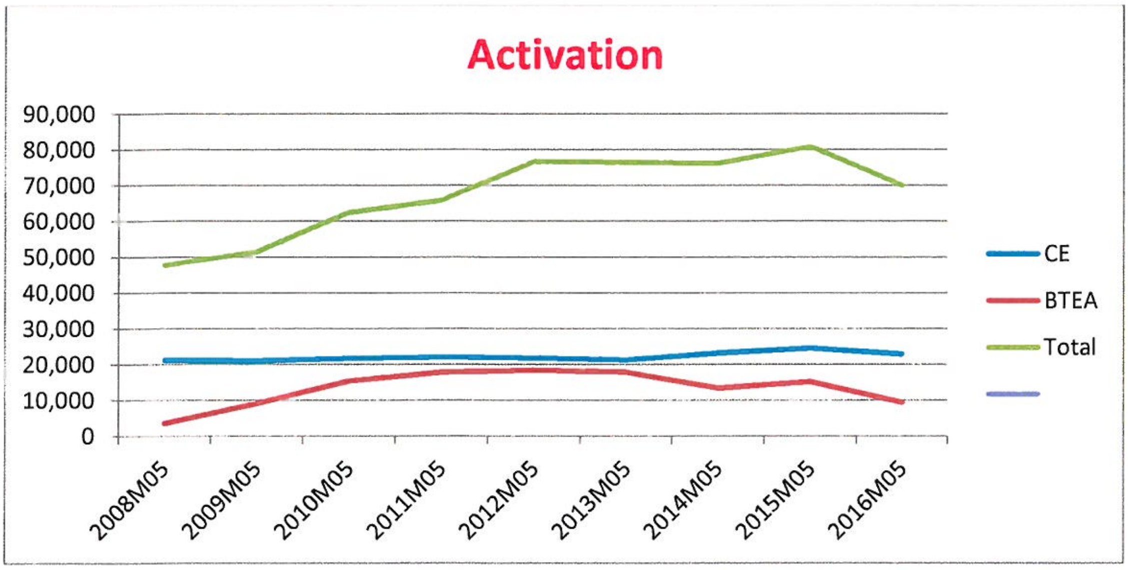
Activation schemes

This term is used to describe a variety of programmes which are designed to serve unemployed people. While they are recorded in each month's live register figures but are not counted as part of the live register. Almost fifty per cent of this category is comprised of two schemes- Community employment and the Back to Education Allowance. CE remained almost constant through the period, while BTEA tripled in size between 2007 and 2010. There are some statistical shortcomings in this figure. The overall figure does not include the 5,000 or so participants on the Rural Social Scheme, the 10,000 or so who are in direct employment due to Job Plus and the unknown number of people who are in the two privatised Job Path programmes, Seetec and Turas Nua.

The Graph here shows how the schemes expanded quickly after the crash in 2008. The fall between May 2015 and May 2016 is as follows:

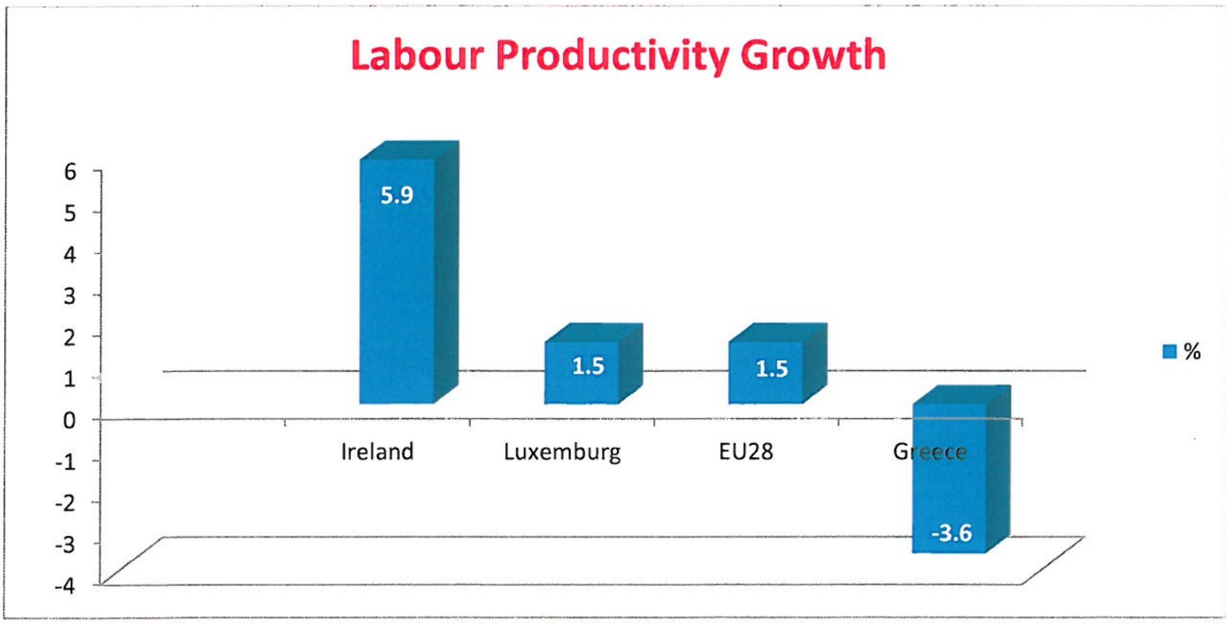
FALL BETWEEN MAY 2015 AND MAY 2016	
All Activation	-13.5%
Community Employment	-9.3%
Back to Education	-39%
Short-term Unemployed	-10%
Long-term Unemployed	-13%

The rate of decline of all labour market activation programmers is approximately the same as the rate of decline long-term unemployment.



Productivity and Unit Labour Costs

According to ESSQ (European Employment Social Situation Quarterly) in the first quarter of 2016 Ireland and Romania recorded the strongest productivity growth. Ireland growth rate was 6.1%. This was caused by an increase in investment. When combined with modest earnings growth. Across the EU and the Euro Area, productivity growth was virtually static. The combination of a modest increase in labour costs and high productivity growth means that Ireland recorded the greatest decrease in nominal labour costs in the Euro Area.



Mind the Gap – in the data

They say that what isn't measured can't be managed. Here we focus on the EU *Employment and Social Situation - Quarterly Review*, which contains datasets from which Irish data is missing. For example, in the summer 2016 edition there are two fascinating charts for which data is missing for Ireland and a number of other member states:

1. **Average number of actual weekly hours of work in main job - full-time, EU, EA and Member States.**

2. **Average number of actual weekly hours of work in main job – part -time, EU, EA and Member States.**

Another missing measure which would be of interest to Irish readers would be **Financial distress (1 income quartile households) in the EU Member States, 2016Q1 -** Ireland is the only one of the 27 Member States not to have this data.

What is seasonal adjustment?

Seasonal adjustment is a statistical technique that attempts to measure and remove the influences of predictable seasonal patterns to reveal how underlying trends change from month to month. The size of the labour force, the levels of employment and unemployment, and other measures of labour market activity fluctuate due to events such as the tourist season, major holidays, the pre-Christmas shopping boom and school holidays. Because these events follow a more or less regular pattern each year, their influence on statistical trends can be eliminated by seasonally adjusting the statistics from month to month. These seasonal adjustments make it easier to observe the underlying trend.

How can we compare ourselves with other EU member states?

European statistics are the responsibility of Eurostat, whose main responsibilities are to provide statistical information to the institutions of the European Union and to promote the harmonisation of statistical methods across its Member States and candidates for accession as well as EFTA countries. It is likely that UK statistics will remain within a Eurostat format after the UK leaves the EU.

One of the most important Eurostat products from a union point of view is *the Survey of Income and Living Conditions (SILC).* This is an annual survey of a selection of approximately 10,000 households which measures such indicators as poverty. The issues covered include poverty, income and income distribution.

Below is a chart showing the evolution of average incomes from 2008 to 2014. There are two averages here – the mean which is a simple mathematical average and the median which is the most frequently occurring category. Mean incomes reached their bottom point in 2012, whereas median incomes did not bottom out until 2013. Thus for the majority of income earners, the recovery in income was a year later in arriving.