

# LABOUR MARKET NOTES

IRISH CONGRESS OF TRADE UNIONS

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## Welcome....

To the first issue of *Labour Market Notes*, a new e-bulletin through which we hope to provide regular updates on key labour market developments, at the European and domestic level. If you want to ensure you receive each issue of *LMN* or have any other observations, contact us at: [info@ictu.ie](mailto:info@ictu.ie) (mark it 'for attention of *LMN*').



## Europe

### Reviewing Progress

Each year the European Commission publishes a review of economic and social developments. At 472 pages long it is not exactly light reading but its advantage lies in the fact that it shows Ireland in a comparative perspective.<sup>1</sup>

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<sup>1</sup><http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7859&furtherPubs=yes>

The review shows that **Ireland had the highest GDP growth in Quarter 2, 2015**, on an annual and a quarter-by-quarter basis. However Irish GDP statistics need to be interpreted with caution due to multinational accounting practices.

Ireland is the leader in employment growth on a quarterly and yearly basis, but this is an indication of the large numbers of unemployed people in the economy as much as anything else. The nearest countries in the employment growth league tables are Spain, Greece and Portugal. Paradoxically Ireland's employment rate is roughly at the EU average.

### Employment

In the EU 28 the number of people in full time jobs fell in each quarter from Q4 2008 to Q4 2013. The five years of decline was reversed in Q1 2014 and **full time employment has grown** in every quarter since. Involuntary part time - which was at 4.9% of those in work in 2009 - peaked at 8.5% in 2012 and in 2015 was at 5.2%.

#### *Rate of Involuntary Part Time Work*

**2009 4.9%**

**2012 8.5%↑**

**2015 5.2%↓**

That is almost at pre-crash levels. Ireland's youth unemployment rate is just on 20% – the same as the EU average, but double our 2008 level. Our activity level is about 70%, which is below the EU average now, having been above the average in 2008.

### Working Time & Labour Costs

A large part of the increase in part time work is due to an increase in involuntary part time work. At an EU level, the decline in hours worked after 2008 was caused by increased part-time employment alongside a reduction in the average number of hours worked by people in full-time employment.

*'develop the capacity of social partners to make an essential contribution to the recovery'*

The increase in the average number of hours since 2013 has been accompanied by an increase in full time employment over the last five quarters.

One important question is whether a gradual increase in hours worked might actually limit the extent of job creation.

Since 2008, several member states, including Ireland, Greece, Spain and Portugal, have seen a **downward adjustment in nominal unit labour costs**. Over the entire 2001-2014 period, Luxembourg had the highest cumulative growth and Germany the lowest.

The report goes on to note that: *“Ireland showed a notable decrease in nominal unit labour cost over the 2008-2014 period, driven by a strong increase in productivity in the face of stagnant nominal compensation per employee.”*

Ireland is one of the group of countries that showed **a strong increase in poverty and social exclusion** between 2008 and 2014. The other countries in this category were Luxembourg, Malta, Spain, Italy, Cyprus, Hungary and Greece.

The Commission makes the following observation, which is of interest: *“In countries where social dialogue needs to be reinvigorated (in particular in a number of Central and Eastern European countries) or in those where it has been weakened due to the economic and financial crisis (Greece, Ireland, Portugal, Spain and Cyprus), efforts to build and develop the capacity of social partners to make an essential contribution to the recovery are thus seen to be priority areas of policy action and intervention.”*

## Self Employment

*“It is easier to under report taxable income when self employed than as a wage earner.” (p.51)*

This is a point that Congress has been making for a long period. Ireland is among a group of five countries (Cyprus, Netherlands Portugal Belgium and the Czech republic) when it comes to self employment. It is the seventh highest in the EU, and slightly above the EU average. However when it comes to the percentage of self-employed who engage another worker – a more reliable indicator of genuine self employment – Ireland is eighteenth from the top. This underpins the argument made by Congress that much self-employment in Ireland is in fact bogus.<sup>2</sup>

As the report notes: *“From a labour market perspective, income tax can be an important factor in influencing whether a person becomes self-employed, continues to work as an employee, disappears into the undeclared economy or becomes inactive.”*

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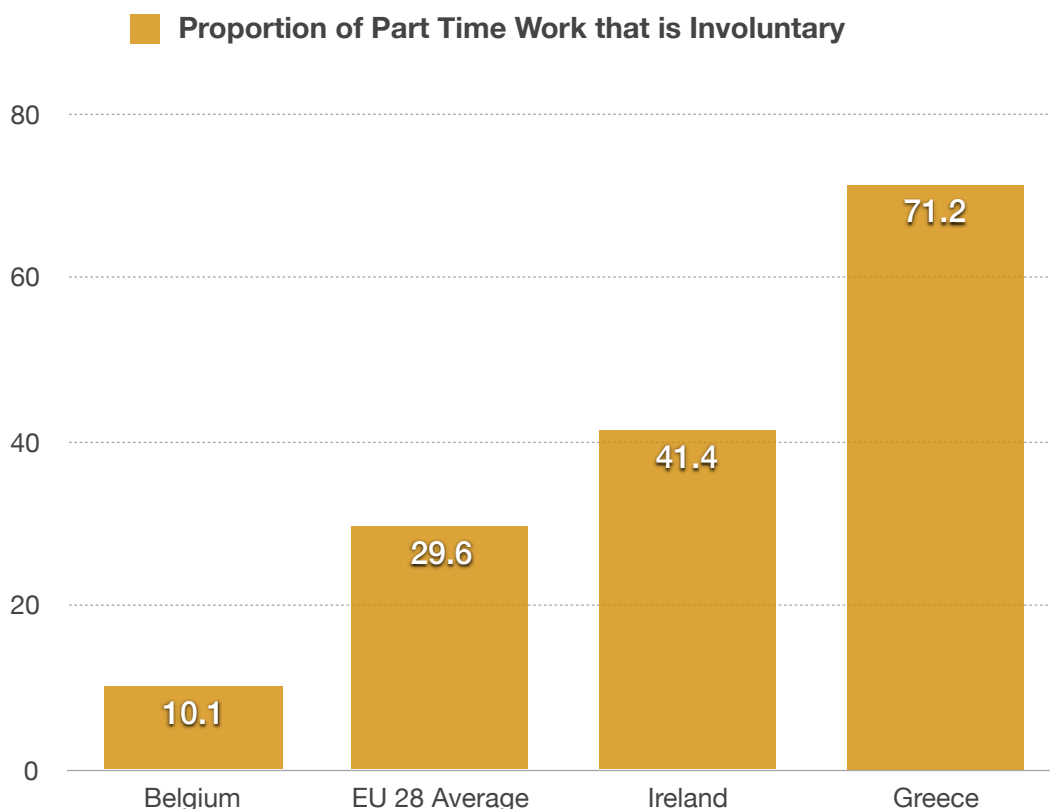
<sup>2</sup> <http://www.ictu.ie/publications/fulllist/false-economy-the-growth-of-bogus-self-employment/>

## Temporary & Part Time Employment

Ireland is at the lower end of the scale when it comes to temporary employees in the total number of employees aged 15-64, **with a figure of at 9.3%** compared to an EU **average of 14%**.

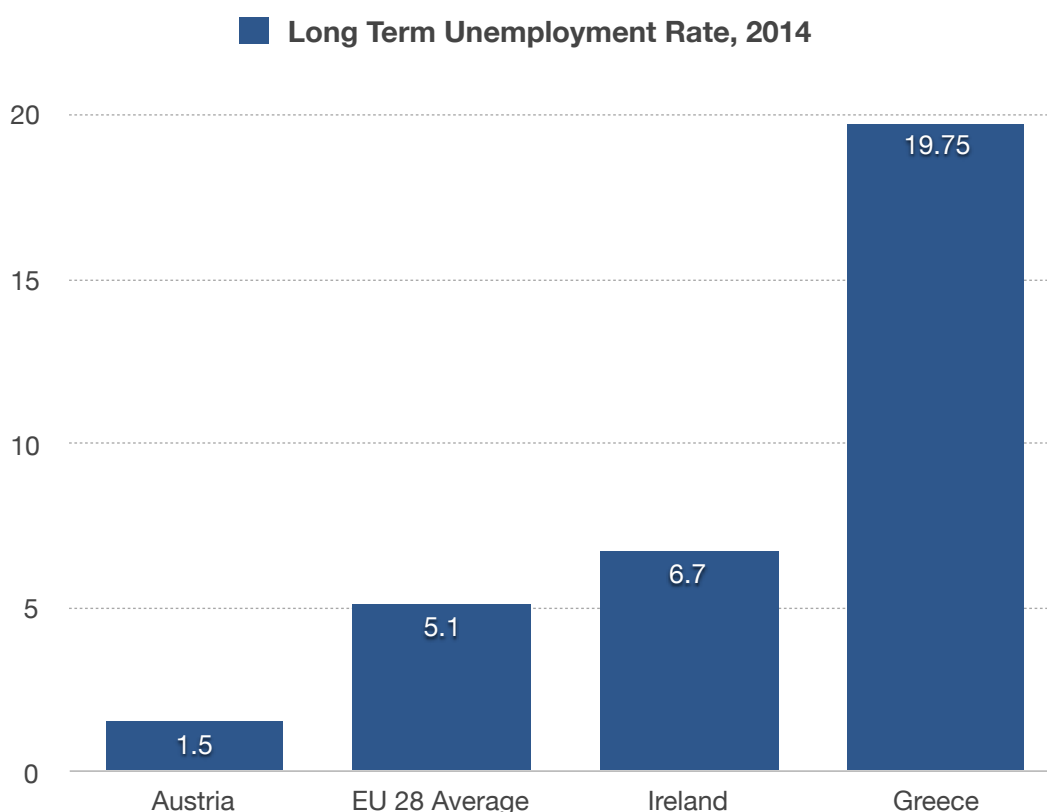
In the EU 28 most temporary workers are involuntary – approximately 65%. In Ireland the figure is 61%. The share of part-time employment in Ireland at 23 % is slightly above the EU average, whereas the proportion of part-time work which is involuntary – at 41% - is more than 10 points above the EU average (see table below).

Ireland has some of the least strict employment protection legislation in the EU. Given that much of this legislation derives from EU directives this highlights a minimalist approach among successive Irish Governments in transposing these directives into national law.



## Long Term Unemployment

From having one of the lowest rates of Long Term Unemployment (LTU) in 2008 (1.9%), Ireland went to having the fourth highest peak figure in the 2008-2014 period (9.1%, or 3.9% above EU average). We currently have an LTU rate of 6.7% or 1.6% above the EU average (see table below). In terms of targeting, Ireland and Finland are the countries that have the highest proportion of active labour market expenditure devoted to LTU.



## Skills

The report notes that “the highest incidence of over-qualification (as a percentage of high-skilled workers) is found in Spain, Cyprus, **Ireland** and Estonia.”

It continues: “In Lithuania, Cyprus, Estonia, Finland, Ireland, Spain and Latvia, customer service clerk jobs are predominantly taken up by high-skilled (HS) individuals. In Austria, the Czech Republic, Sweden, Italy and Germany, they are mostly taken up by individuals with an upper secondary qualification.”

## Social Protection System

During 2014, non-cash benefits continued to decline in some member states (Ireland, Greece, Spain, Cyprus, Croatia and Slovenia), while cash benefits actually recorded real increases in all member states except Ireland.

In terms of public pensions Ireland scores lowest on a number of measures. In terms of Pension expenditure per head of population aged 65 and over (in 2010, as a share of GDP per capita) Ireland was one of the five countries recorded as low – together with Romania, Bulgaria, Estonia and Latvia. At the same time, Ireland recorded a large negative change in real pension expenditure per population aged 65 and over (2010-2012)

Ireland was at the opposite end of the spectrum on health and disability expenditure with 2010 per capita expenditure recorded as high, along with Denmark Finland Sweden Netherlands Germany and France, while being unique in recording a large positive change in real expenditure per capita (2010-2012).

## Family Policy

In terms of family policy the report observes that: *“The best outcomes in terms of both low poverty risk and high relative and absolute employment are found in Sweden, Denmark, the Netherlands and Slovenia. Austria, Luxembourg, Cyprus, France, Belgium, Germany and Finland also reach good outcomes, but they are more often characterised by mothers’ labour market attachment being weaker.”*

Ireland and the United Kingdom are characterised by the high share of children living in households with very low work intensity and a relatively high share of children in severe material deprivation. On **childcare costs** the report notes that **Ireland and the United Kingdom stand out** as countries where secondary earners with children are especially penalised.

The issue of ‘high cost, low wage’ care is examined in greater detail in the new Congress report on childcare, *Who Cares?*<sup>3</sup>

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<sup>3</sup> <http://www.ictu.ie/publications/fulllist/report-on-childcare-costs-practices-congress-2016/>

## *Ireland*

### *New Solas Research*

In a separate development the skills and labour market research unit of Solas has undertaken research on the demand for skills in the economy in the medium term. In the year to Q3 2015 four key categories - professionals, managers, personal services and operatives - had growth rates of between 5 and 7%. Associate professionals had a growth rate of 4% while skilled trades and sales had growth rates of approximately 2%. Two categories - elementary occupations and administration - declined by 0.5% and 2% respectively.

### *Unemployment Rate by Age Group*

In Q3 2015 the unemployment rate for those with a higher secondary or post secondary education was 21% for those under 25, 10% for those between 25 and 54 and 6% for those aged over 55.

For those with a third level qualification the unemployment rate was 15% for those under 24, it was 6% for those between 25 and 54 and 4% for those aged over 55. These figures illustrate the difficulties which young people face in entering the labour market.

### *Difficult to Fill Vacancies*

ICT Professionals and associate professionals; Engineers; Scientists; Business and Finance, especially risk analysis and data analytics; Clerical Multilingual; Skilled Trades – toolmaking welders steel erectors chefs butchers; Sales – Technical, Multilingual and Online; Operatives – CNC Operators, Specialist Equipment Drivers.

A number of occupations are classified as having retention issues – or to put it plainly, wages and conditions are bad and people leave. These include chefs and butchers (mentioned above) together with care workers and waiters.

