

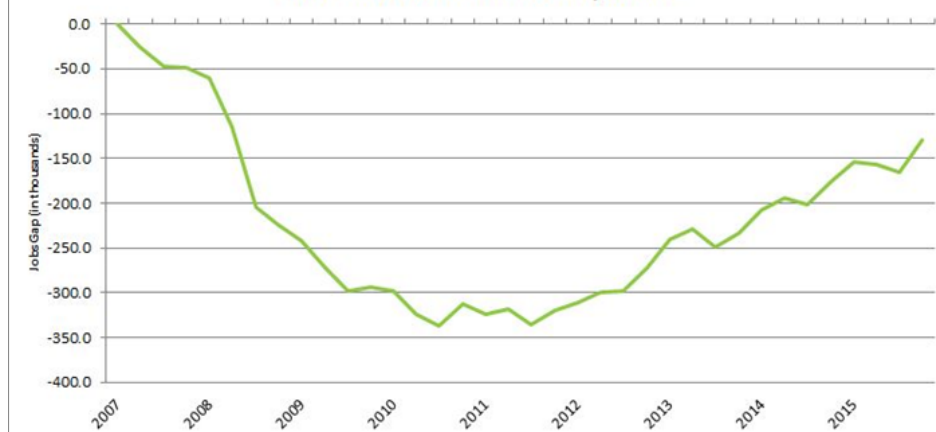
# Employment Monitor



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Chart 1: Evolution of the Jobs Gap to Date



## Jobs Gap widening

Rural areas at significant disadvantage, as main job creation focussed on Dublin and surrounding areas.

*Note: data in this publication are derived from the Central Statistics Office's (CSO) Quarterly National Household Survey (QNHS) and the authors own calculations.*

### The Jobs Gap

As noted in Issue #1 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 June 2016, Ireland has a Jobs Gap of 129,300 jobs.** Chart 1 (above) shows the evolution of the Jobs Gap since Autumn 2007. Since early 2012, the trend has been broadly positive, with some brief fall-offs along the way due to seasonal effects.

In using this measure of progress in the labour market, *Social Justice Ireland* aims to supplement the discourse on employment by

concentrating not on unemployment numbers or rates, but on the actual number of jobs in the economy, and more importantly, the number of jobs required to match our peak economic performance.

We do this using a method that takes account of changes in the make-up of Ireland's population and labour force, and migratory trends.

The results illustrate that a return to full employment is within the reach of policy makers if the correct choices are made.

In Chart 2, overleaf, we forecast how long it will take to close the gap under two different assumptions of job growth.

## Key Points

- The Jobs Gap is 129,300;
- Overall, the economy is 154,700 jobs short of where it was in 2007;
- The CSO's headline unemployment rate for August 2016 was 8.3%, showing no change from July;
- This represents a decrease (seasonally adjusted) of 0.8% over the previous 12 months;
- Employment rose by 38,400 in the three months to end June 2016, for a total of 2,014,900 jobs;
- This is the first time since the end of 2008 that more than 2 million people have been in employment;
- Long-term unemployment is below 100,000 people for the first time in 7 years, but still makes up more than half of those unemployed;
- The long-term unemployment rate remains high at 4.4 % overall;
- Regional trends show a continually high disparity between the employment situations in different parts of the country.

The dotted blue line assumes the economy will add **4,000** 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 **March 2019**.

## Introduction

This report is the second issue of what will be a quarterly 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 macro-economy. 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 regional employment trends.

The dashed green line assumes a more optimistic rate of **4,700** 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 2018**.

These are timeframes of approximately **11 years 1 month**, and **11 years 6 months** respectively since the downturn in employment numbers began.

A surge in job creation in Q2 2016, with the number of people in employment rising by 38,400, has led to an increasingly optimistic projection by these measures.

The Irish Government has set a target of 2018 to achieve what it terms "full employment". Our projections suggest that this employment target is achievable if the current rate of job creation is maintained. However, that may be optimistic given the absence of the kinds of policy interventions required to sustain this kind of job creation for the medium-term.

Strong domestic demand – itself a result, in part, of strong employment growth and inflation so low as to be insignificant – should be enough to provide a tailwind for job creation. Recent figures indicate that retail sales, excluding motor vehicle registrations, are up 2.7% on the same period last year.

Despite this, it is still difficult to see the rate of 4,700 jobs per month being maintained. The CSO recently reported an average monthly increase in employment of nearly 13,000 jobs in Quarter 2 of this year alone; a rate that will certainly be impossible to sustain under the prevailing economic

conditions.

Factors that have been a boon to job creation in Ireland over the last 12 to 18 months, such as a weak Euro, will be tempered by the result of June's Brexit referendum and the resulting fall in the value of Sterling; by the uncertainty surrounding the future for exporting firms; and by a subsequent fall in investment, at least in the short-term.

The Nevin Economic Research Institute (NERI) has projected that the unemployment rate should fall below 7% in early 2018, which provides a more realistic projection of developments in the labour market. This is progress, but still a very long way from the government-stated target.

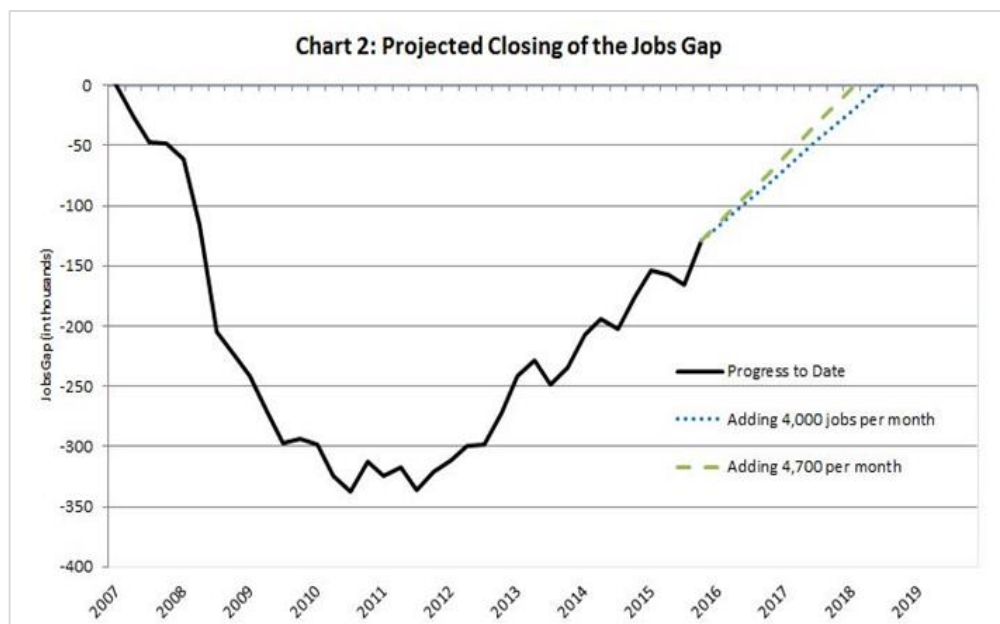
To meet any kind of ambitious target for continued job creation – particularly given the uncertain economic climate – an increase in Ireland's level of public investment is required. As noted in the previous edition of this Monitor, Ireland's level of public investment as a percentage of GDP is the second

lowest in the European Union and has been at historically low levels for several years.

This has created an investment gap which, aside from being difficult to close on an annual basis, has only exacerbated the already-significant infrastructure deficit in Ireland compared with the most developed Western European economies; i.e. the countries that Ireland should be striving to emulate.

*Social Justice Ireland* welcomes the positive employment trends of recent years, and particularly of recent months, but it is clear that there is still significant slack in the labour market. To generate the number of jobs needed to meet demand, a sustained investment programme is required. This would achieve a number of things, including:

- assisting in achieving the broad macroeconomic goal of full employment;
- allowing us to conduct required infrastructural maintenance;
- helping to meet social goals like



adequate housing, an accessible healthcare system, decent education services, and our environmental obligations;

- creating an environment more conducive to economic development through investment in things like rural broadband, as well as in public transport and other necessary capital infrastructure.

None of these things are possible without adequate public investment. *Social Justice Ireland* has consistently maintained this, and calls again for policy makers to acknowledge this.

Much of this aforementioned labour market slack is made up of underemployment – people who are working part-time and who would like more hours but cannot access them – and “hidden unemployment”; people who are not actively seeking unemployment, but who would re-join the workforce if the job market were in a stronger position. This might also include people who are remaining in education longer than they would like to.

*Social Justice Ireland* also welcomes the fall in both absolute numbers of long-

term unemployed (now below 100,000 people for the first time in seven years) and in the percentage of unemployed people that are long-term unemployed (now 51 per cent, down from 60 per cent just over a year ago).

However, these numbers are still too high, and are a direct result of the lack of targeted measures required to tackle this cohort of the unemployed.

In Issue #1 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.

As noted on previous occasions, one of the lessons of the 1980s has been the dangers and long-lasting implications of an unemployment crisis characterised by high long-term unemployment rates of the kind being currently experienced. The policy response has, thus far, been insufficient.

### Regional Employment Trends

Since the beginning of the downturn in 2007, regional variances in employment have been consistent, 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.

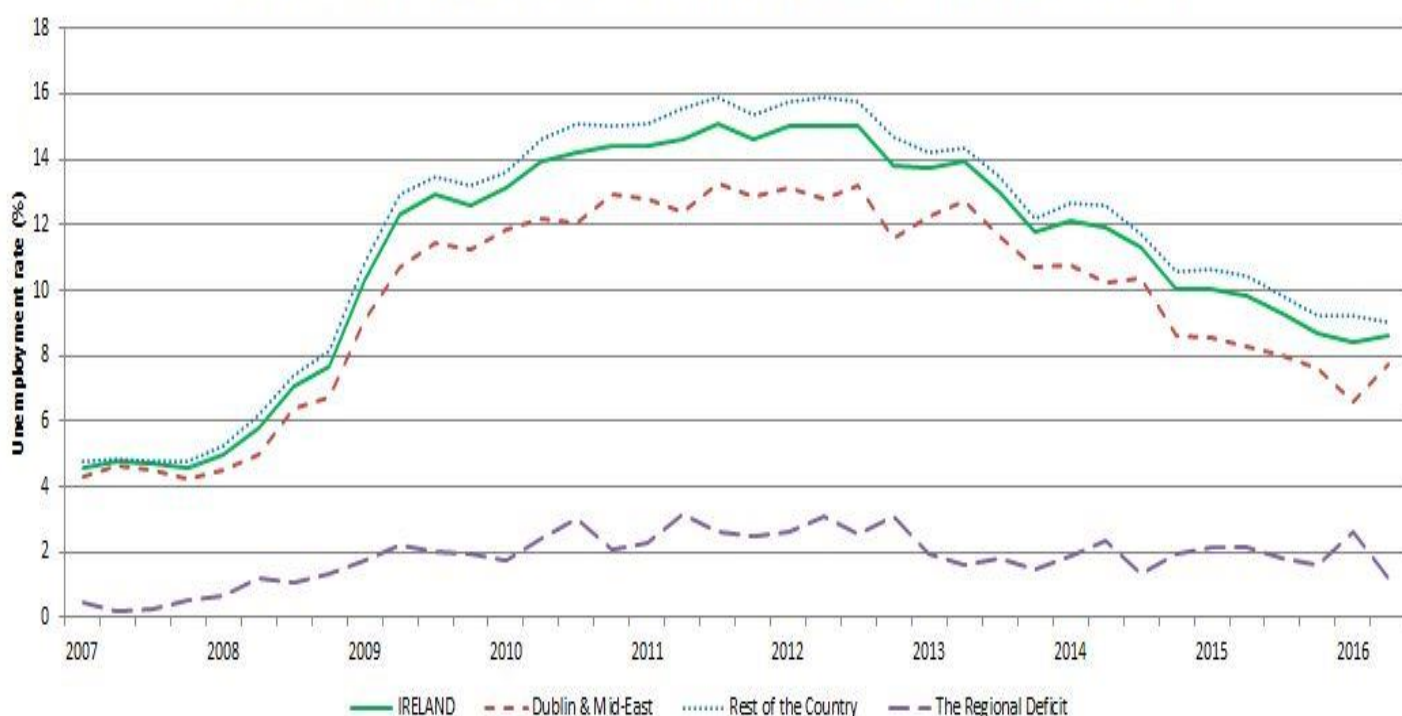
This is not by design, but more due to the failure of successive governments to recognise the need for a nuanced approach to employment creation; one that accounts for the differing needs of each part of the country.

Employment statistics from the CSO's QNHS illustrate significant regional disparities over the last decade or so. In the period Q3 2007 (when unemployment in Ireland first began to decline) to end Q2 2016, employment in the Border, West and South-West regions has fallen by more than 10 per cent, compared to a fall of approximately 3.6 per cent in Dublin.

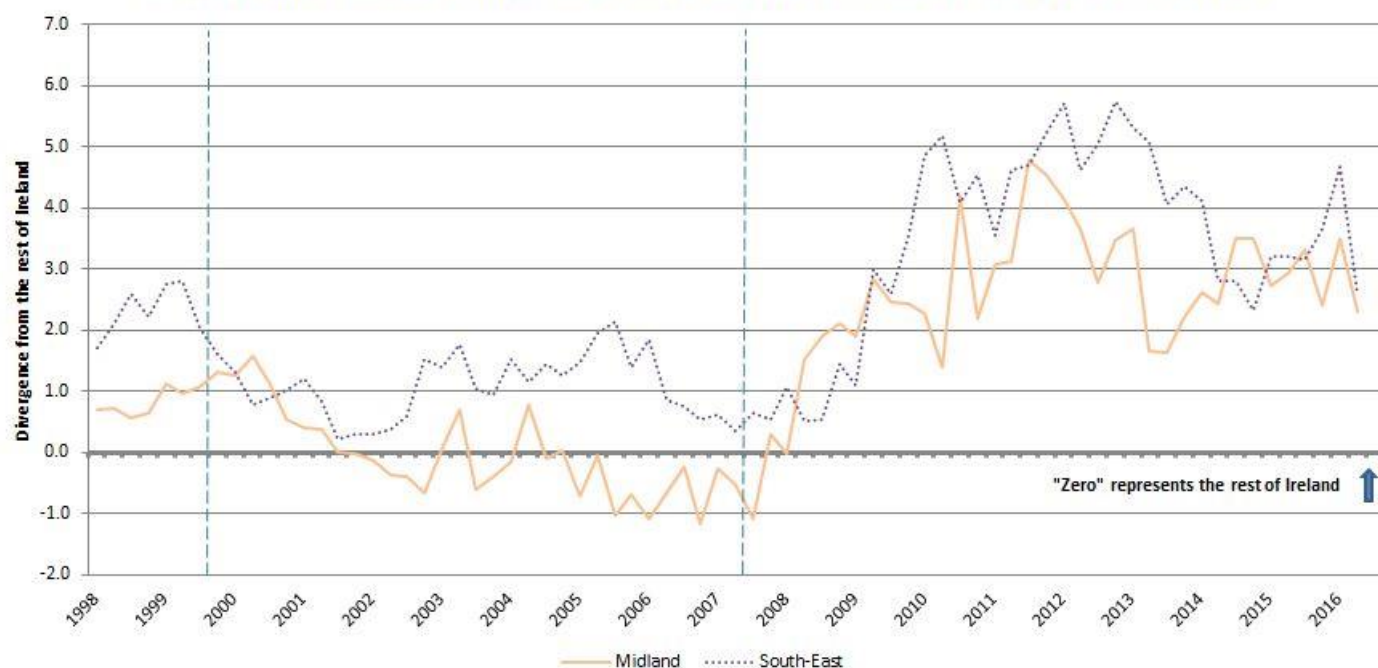
More than 62 per cent of Ireland's rise in employment over the past 12 months is accounted for by just four counties; Dublin, Meath, Kildare and Wicklow.

There is also a trend of falling agency-assisted employment (jobs created with assistance from the Industrial Development Authority (IDA) or

Chart 3: The "Regional Deficit": the difference between unemployment in Dublin and the rest of Ireland



**Chart 4: Unemployment %: divergences between Midland and South-East regions, and rest of Ireland**



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 (FDI) beyond the urban centres. It also points to the need for a strategy focused on supported rural micro-enterprises and rural entrepreneurs.

It would be unfair to say that Dublin and the east were purposefully prioritised during the recession; both regions suffered greatly during the downturn. But following the economic upswing, the creation of employment in these parts of the country greatly accelerated in comparison to some other parts, particularly over the last two years.

In contrast, the West, and particularly the South-East and Midland regions are suffering from the highest unemployment rate, each with a rate notably higher than the national average. Overall, comparing unemployment in Dublin and the Mid-East region 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 and the east – has been fairly consistently at or above 2% since early 2009.

Indeed, 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 3 (previous page) illustrates some trends in the unemployment rate, with the Regional Deficit highlighted.

Chart 4 (above) illustrates trends in the unemployment rates in the Midland and South-East regions since 1998, compared to the rest of the country. The dashed lines show the period between the end of 1999, when the rate of unemployment in the state fell below 5% for the first time, and Autumn of 2007 when the downturn in employment began.

During this period, the unemployment rates across these two regions converged on the national average to the extent illustrated above, before deviating significantly. The current gaps are significant, with the unemployment rates currently 2.6 per cent (South-East) and 2.3 per

cent (Midland) higher than the rest of the country, while in comparison to the national unemployment rate, they are greater by approximately a quarter.

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 (see table below).

Region	% fall in employment since 2007
Border	-11.3%
Midland	-8.7%
Dublin	-3.6%
Mid East	-5.2%
Mid-West	-9.1%
South-East	-5.4%
South-West	-10.1%
<b>State</b>	<b>-7.1%</b>

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.



Per capita employment growth in Dublin over the past 12 months has been:

- Twice as fast as in the Border region
- More than 4 and a half times as fast as in the West
- More than 8 times as fast as in the Midlands
- More than 5 times as fast as in the South-West

Aside from creating regional employment deficits and precipitating migration from rural areas, this has led to problems at the opposite end of the scale in the east of the country. High demand for accommodation has forced rents to a level higher than even during the Celtic Tiger years, created increased traffic congestion, and imposed a higher cost of living in Irish cities, especially in Dublin. The entire country stands to benefit from a more balanced approach to employment generation.

### Regional Economies

A study of rural areas across Europe (ECORYS, 2012:26) identified the key barriers to growth in rural economies as being demographic evolution and migration, inferior infrastructure, and the sectoral structure of the economy.

Many rural dwellers are involved neither directly nor indirectly in agriculture. So alternative enterprises, developed in conjunction with a thriving agricultural sector, are required to improve the quality of life in, and prospects for, rural communities, particularly those that are not close to Ireland's large population centres.

Across Europe the secondary and tertiary sectors are now the main drivers of economic growth and job creation in more rural regions. These sectors support activities such as tourism, manufacturing, and business services, and must be part of any development strategy for long-term sustainable regional economic growth.

The challenge is to ensure that rural economic development fosters economic diversification and development in rural areas, while supporting farming and other traditional rural economic activity. However there is a mismatch between a Government policy aimed at attracting FDI and export-led industry, and rural areas which are dominated by micro-businesses and small and medium sized enterprises. Approximately 90 per cent of enterprises outside major population centres employ ten people or less (Walsh & Harvey, 2013).

This mismatch was acknowledged by the IDA in 2014 when it committed to a greater regional dispersal of FDI investment in its 2015-2019 strategy. However, a reliance on FDI alone to generate employment in rural areas will not create the sustainable employment required in these areas. A focus on rural niche investment and supporting rural start-ups is also required.

Areas that *Social Justice Ireland* has previously highlighted as possible drivers of rural job creation are:

- social enterprise and social services (e.g. childcare and elder care);
- tourism
- "green" products and services;
- cultural and creative industries;
- development of better, more accessible transport.

### Regional and Rural Needs

There must be an acknowledgement that rising costs and certain Government revenue-raising measures can hit rural businesses and communities disproportionately in comparison to their urban counterparts. A good example of this is the fact that fuel is often a greater cost for rural businesses and who need to transport goods or produce greater distances.

Small rural firms and rural entrepreneurs need to be supported in developing their businesses and in overcoming the spatial disadvantage associated with being based away from major population centres.

As well as this, the key needs of rural entrepreneurs include:

- More locally-led, patient, committed capital;
- Better communication between national, regional and local actors to ensure the needs of entrepreneurs can be met;
- Integrated public transport serving rural Ireland;
- Reliable high-speed broadband.

The failure to invest adequately in Ireland's rural broadband network has hampered technological progress outside the major population centres, and *Social Justice Ireland* has repeatedly argued that this is the main impediment to entrepreneurship, innovation and employment creation in rural Ireland.

Tom McDonnell (2013) of NERI has argued that broadband access is of particular importance to economic growth, as it boosts the productivity of innovation effort across a wide range of economic sectors.

Professor Sean Ó Riain (2013) of Maynooth University has argued that weak state investment in broadband in Ireland has constrained the diffusion of new technology industries capabilities into the broader private sector. Such are the problems faced by rural Ireland and across the regions.

With regard to public investment, *Social Justice Ireland* believes that the provision of quality broadband to rural areas should be one of the two greatest priorities of the current government, with the other being social housing.

In our recent Budget Choices document, *Social Justice Ireland* advocated using the majority of the fiscal space available in the upcoming Budget to tackle these two issues. This includes a front-loaded €400m spend on broadband.

Quality rural broadband must be a priority now, not in the future, if rural development is to be facilitated in a meaningful manner. The issue has been deferred long enough,

and must be prioritised in order to prevent the two-tier digital divide that has developed between urban and rural areas growing any wider.

Investment in areas like broadband and rural transport will help achieve social goals, while also contributing to economic development, particularly in regions where it is most needed

## Conclusion

A minister in the current government recently commented that “only a strong economy supporting people at work can pay for the services needed to create a fair society”. But if the events of the last two decades have taught us nothing else, it is that concentrating on the economy first, with everything else to follow, will not produce a society that is fair and just.

*Social Justice Ireland* has long argued for a policy framework that focuses on five key policy areas that should be tackled simultaneously; a vibrant economy; decent services and infrastructure; just taxation; good governance; and sustainability (see table, below).

A huge part of sustainability is balanced regional development. Labour market policy must focus on creating employment in all regions and not allowing the emergence of a two-tier economy where those living away from the major population

centres do not have sufficient employment prospects.

The approach of focusing on the economy alone has been shown to fail in the past. The services necessary to underpin job creation must also be provided. We believe that this interpretation was endorsed by the people of Ireland in February’s general election. Many people outside the Dublin commuter-belt region expressed a feeling at the time that they were not experiencing any recovery, and the statistics contained herein confirm that not all parts of the country are benefiting equally.

One of the most startling sets of numbers comes from the Border region. This region has suffered the biggest loss of employment, both in terms of absolute numbers (approximately 25,000) and percentage of previous employment (11.3 per cent since Q3 2007).

Yet the expected corresponding rise in unemployment is not there.

Instead, what we see is a fall in labour force numbers than is more than two and a half times the national average. People in this region are responding to the current employment situation as they have done for decades when faced with similarly perilous situations; through emigration.

These statistics give credence to the perception that rural communities, particularly in the North and West of the country, are being decimated by emigration. Those who stay face an

above-average unemployment rate in regions with the lowest labour market participation rate in Ireland.

An approach to policymaking such as the one proposed by *Social Justice Ireland* (see chart, below) would have helped to avoid many of the mistakes of the last few years, including some of those that have resulted in the development of a two-tier recovery where the benefits have been unevenly spread.

Such disparities are unsustainable and harmful to Ireland’s long-term economic prospects, and future government policy should make a concerted effort to ensure that as Ireland’s recovery develops, the benefits accrue to all corners of the country as much as is reasonably possible and that rural and regional Ireland does not get left further behind.

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Ó Riain, S. (2013) Ireland’s Industrial Policy Challenge. In: D. Jacobson Ed, *The Nuts and Bolts of Innovation: New Perspectives on Irish Industrial Policy*. Dublin: Glasnevin Publishing.

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Vibrant Economy	Decent services and infrastructure	Just taxation	Good governance	Sustainability
Fiscal and financial stability and sustainable economic growth	Secure services and social infrastructure	Bring tax take towards the EU average	Deliberative democracy & PPNs	Promote climate justice and environmental protection
Adequate investment programme	Combat unemployment and underemployment	Increase taxes equitably and reduce income inequality	Social dialogue—all sectors involved in deliberative process	Balanced regional development
Reduction of Ireland’s debt burden	Achievement of 7 Social, Economic and Cultural rights	Secure a fair share of corporate profits for the State	Reform of policy evaluation	New indicators of progress, Satellite National Accounts

## Policy Proposals

In our Socio-Economic Review 2016, **Social Justice Ireland** proposes a range of initiatives that Government can pursue to generate rural development and balanced regional growth. These include:

- Prioritising rolling out high speed broadband to rural areas and invest any windfall gains in frontloading the roll out of rural broadband and associated infrastructure;
- Developing a new national rural and regional economic and social development strategy, which would make up a part of a new national spatial strategy;
- Ensuring all policies are based on equity and social justice, and take account of rural disadvantage;
- Ensuring public services in rural areas and the regions are delivered in accordance with the equivalence principle;
- Making decisions around services and provision of services in the context of a national spatial strategy;
- Supporting young people to remain in their communities and implementing policies to ensure rural areas can adapt to a changing demographic profile in the longer term.

Our recent Budget Choices document proposes a number of additional initiatives in relation to employment, including:

- A significant infrastructure investment programme;
- Resourcing the up-skilling of those who are at risk of becoming long-term unemployed through integrated training and labour market programmes;
- Adopting policies to address youth unemployment;
- Recognising the scale of long-term unemployment and adopting targeted policies to address this;
- Publishing a rural and regional employment and economic development policy statement and incorporating it into all national strategies;
- Reducing the impediments faced by people with a disability in achieving employment;
- Recognising the right to work of all asylum seekers whose application for asylum is at least six months old;
- Reforming the taxation system to address the working poor issue by making tax credits refundable;
- Increase the PAYE tax credit by €6.50 a week.

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

**Fairness in Changing Income Taxes** (Sept 2016)

**National Social Monitor** (Sept 2016)

**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](http://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](http://www.socialjustice.ie/members).

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