

## Ireland's Employment Problem

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This article tries to give the broad background to 'the employment problem' in Ireland. Any attempt to do this must necessarily describe the demographic trends in recent decades, and provide some information on likely trends in the near future. Since our interest is in the labour force, apart from the population, I shall look at the age distribution, and the participation rate of the population. In the latter section of the article, I shall look at the extent of unemployment in Ireland in 1987, in absolute and sectoral terms. In conclusion, I shall try to place the policies of the next decade in some sort of perspective, by combining the trends in demography and employment.

Looking first at demography, Ireland has a very strange demographic history. Our population figure was unchanged between 1931 and 1971, at just under 3 million. This disguised a large fall in the 1950s period followed by a compensating increase in the 1960s. In the 1970s, the population experienced rapid growth, and in the early 1980s was over 3.5m for the first time in almost a century. These trends are made up of two elements - the Natural Increase and the Net Migration. The natural increase has in fact been fairly steady for the last 100 years, at in or around 10 or 11%. This has been a combination of falling ages of marriage, combined with decreasing fertility rates and a slightly declining death rate. This means a high correlation exists between net migration and changes in population, and the statistics bear out this hypothesis. In the 1950s the decrease in population coincided with high net emigration, the 1960s saw a fall in the emigration which allowed some population increase; the 1970s saw net immigration and the population boomed, and in 1985, emigration was again high, and the population actually declined.

	Natural Increase	Net Migration	Total
1950s	0.99	(1.4)	(0.41)
1960s	1.04	(0.6)	0.44
1970s	1.17	0.30	1.47
1985	0.79	(0.87)	(0.08)

(all % of total population)

Regarding the near future, the NESC forecast a 25,600 natural increase (p.a.) for the next five years. However, they combine this with a forecast that net migration will average - 25,000 p.a., and that the total population is back to the situation it found itself in between 1931 and 1971 taken as a whole - natural increase cancelled out by net migration, giving no change.

The second demographic point of interest is the proportion of the population between the ages of 15 and 64; the active population. The rapid population growth of the 1970s gives Ireland an unfavourable age distribution - with 30.3% of the population under the age of 15 in 1981 (29.2% in 1986). This is the highest percentage in the EEC, and combined with a lower percentage of over 65s due to emigration in earlier years, gives Ireland a pyramid-type population structure.

However, the recent decline in the birth rate should bring our population structure closer to the EEC average, and the NESC forecast a fall in the percentage between 0 and 14 to 27.5% by 1990, and a further decline thereafter.

The final point of interest as regards demographic trends is the labour force participation rate, i.e. the amount of people between 15 and 64 who actually 'participate', by seeking 'gainful employment'. Traditionally, the Irish male participation rate has been normal, but the female rate has been below the international average. In recent years, the 15 - 64, male rate has dropped from 78.4% (1975) to 74.1% (1985). This change is probably due to the increasingly skewness towards the lower ages, with a higher percentage in education. The percentage of married females working has continued to rise, from 14.5% (1975) to 20.4% (1985). However, the single and widowed females figure has fallen, again probably due to the education factor. In general, the male rate is fairly steady, and the female rate is rising slowly, although it is still way behind international rates, and indeed the male rate. The overall participation figure was 52.1% in 1985. In the next few years NESCF forecast the emigration to be the biggest shaper of participation, downwards due to its concentration in the 15 - 64 age group, and upwards due to its weakening of the so called 'discouraged worker' phenomenon.

Turning to employment levels there have been large fluctuations in the levels of sectoral employment in Ireland over the last 25 years, and it is necessary to look at these to appreciate the extent of the employment challenge in Ireland.

Persons Employed	1961	1971	1981	1985	1990 '000s
Agriculture	360	258	201	169	142
Industry	253	318	360	305	305
Services	405	454	590	600	627
Total Employment	1018	1030	1151	1074	1074
Shares:					%
Agriculture	34.5	25.0	17.5	15.7	13.2
Industry	24.9	30.9	31.3	28.4	28.4
Services	39.9	44.1	51.3	55.9	58.4

Agriculture has been in constant decline since 1961, and this has caused a major problem with job creation, eg between 1981 and 1985, 32,000 new jobs would have been needed just to soak up the people leaving agriculture. This trend is expected to continue, and by 1990 another 27,000 are forecast to have left, bringing the agricultural share of employment down to 13.2%. Industrial employment rose rapidly in the 1960s but slowed in the 1970s and the recession, combined with large productivity growth, has caused a large decline in the 1980s. The productivity increases are expected to get smaller in the next few years, and forecast increases in specific areas should leave the industrial employment at about the same level.

Finally, the services sector has seen continuous growth, although this has slowed dramatically. Much of the 1970s services growth was in public services, but this has now been halted, and any forecasted growth is expected to occur in the private sector. This gives an overall picture of rapid employment growth in the 1970s and a sizeable loss in employment in the 1980s. The forecast for 1990 of no change from 1985, is based on the NESCF report which outlines an optimistic and a pessimistic scenario, forecasting an increase and decrease in employment respectively. The no-change forecast is simply a rough approximation.

The combination of the labour force trends and the employment figures can now be examined.

	1961	1971	1981	1985	Dec 1986	(000's)
Labour force	1072	1087	1272	1299	1296	
Employment	1018	1030	1151	1074	1046	
Unemployment	54	57	121	225	250	
Unemployment Rates	5%	5.3%	9.9%	17.3%	19.3%	

For most of the 1970s the growing labour force was matched by growing employment. However from about 1980, the employment figure has been falling, and combined with the rapidly increasing labour force, has caused large scale unemployment. Indeed, the labour force has actually fallen since 1985 due to emigration, and the unemployment situation would be even worse now, were those 60,000 (approximately) to have remained here.

The final point I want to consider is the link between output and employment. It is obvious that the levels of employment in an economy will be determined by the output required and the productivity rates. A change in GDP is a combination of the change in total employment and the change in GDP per worker.

	GDP	GDP/Worker	Total Employment
1975 - 1980	4.6%	3.1%	1.5%
1980 - 1985	1.8%	3.3%	-1.5%

In the next five years, the rate of growth of GDP is dependant on many variables, but estimates vary between 1.9% (NESC's 'pessimistic scenario'), 2.5% (the new government's plan) and 3.2% (the NESC's 'optimistic scenario'). The productivity changes are expected to decline somewhat to (say) 2.7%. In other words, a 2.7% increase in GDP is necessary to maintain present employment figures to 1990. This is certainly on the optimistic side, but is possible.

However, this would have major consequences for unemployment. The active population is forecast to increase by 149,000 in the next 5 years and if the participation rate stayed the same at 52.1% then the labour force would increase by 78,000 people. Were there to be no net migration, then unemployment would be 328,000 by 1990, provided the optimistic 2.7% p.a. growth is achieved. To 'solve' the unemployment problem, i.e. to achieve full employment, would necessitate commensurate growth. NESC reckon that a further 2% would be necessary to expand employment by 100,000. This being the case, a growth rate of 9.8% p.a. would be necessary to achieve full employment in 5 years without net migration. Allowing for a 'natural rate' of 3% unemployment, GDP would need to grow by 9% per year for 5 years, or by a cumulative 54%. This is the extent of Ireland's employment problem.