

Employment and Unemployment: What do Sectoral and Demographic Patterns Tell Us?

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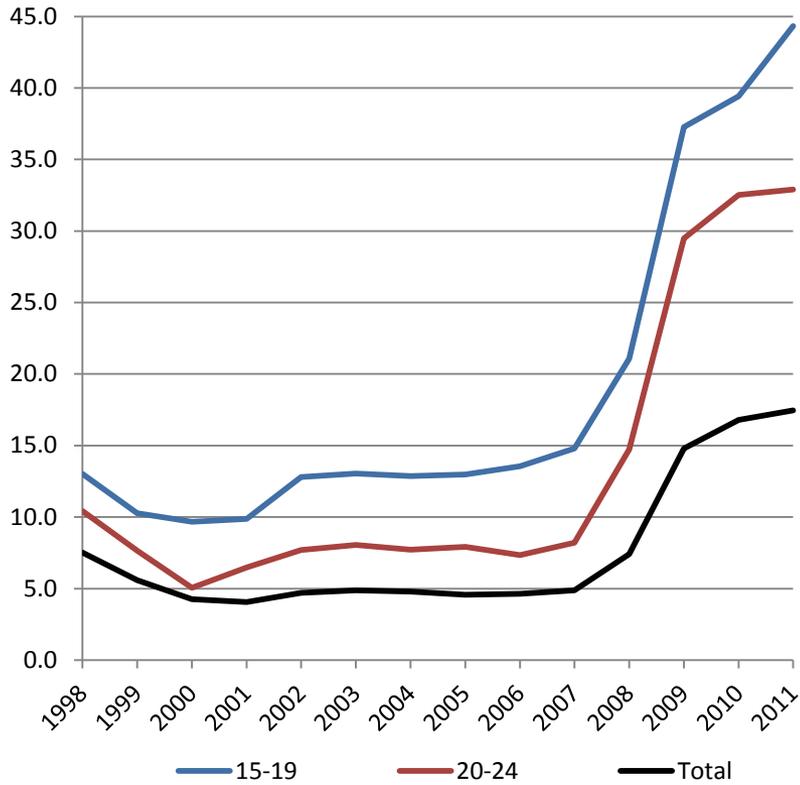


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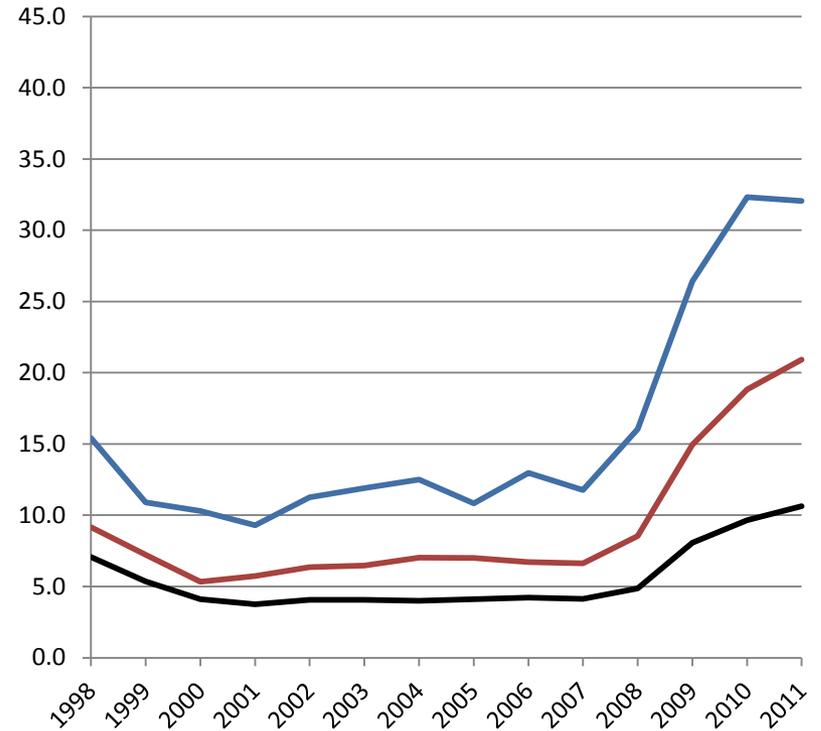
Ollscoil na hÉireann Má Nuad

Unemployment Rates

Males



Females



Labour Market Reflects Wider Economy

- GNP has fallen by 17.4% since 2007 Q4

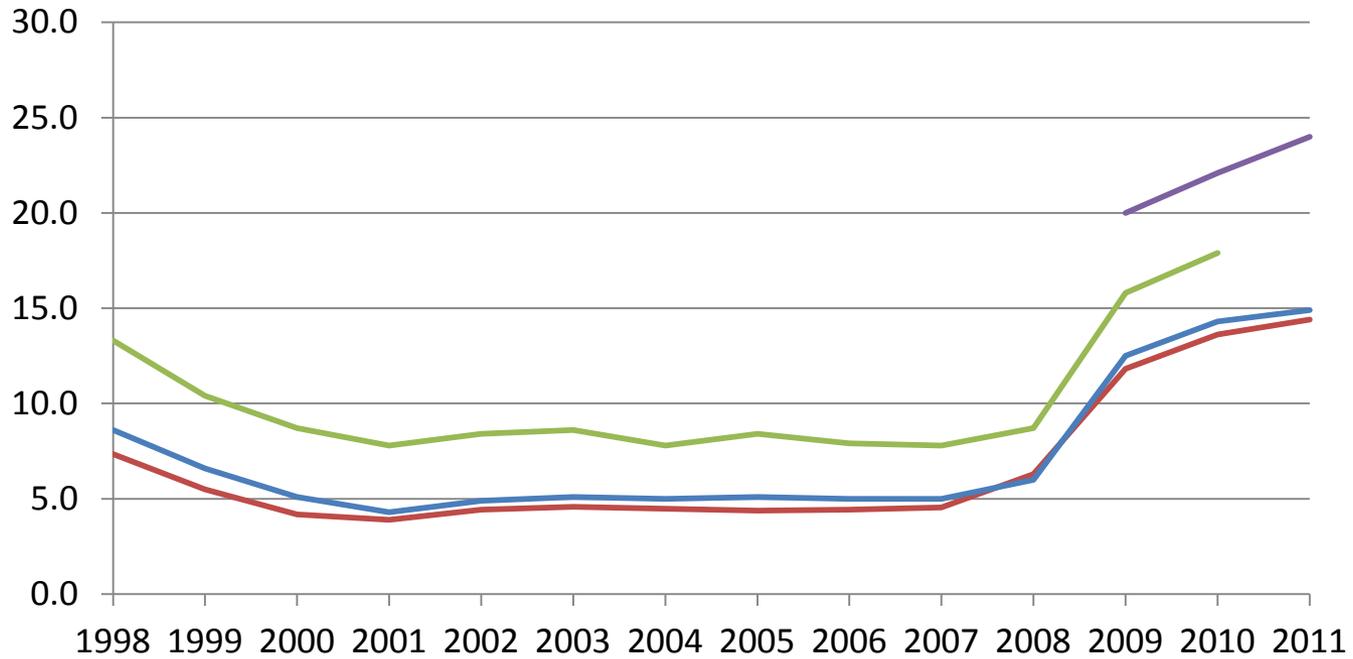
Result...

- Employment has fallen by 14.7% since peak in 2007
- Average hours down 2.4% 2008-2011
- Weekly earnings down 0.5% over same period

Not Just Any Old Recession...

- Financial crises have greater effects on employment than 'normal' recessions
 - Imbalances in economy that led to crisis are quickly reversed
 - Reduced access to credit for firms
 - Greater uncertainty
 - In housing crashes, negative equity problem can delay labour market adjustment
- Deeper and more prolonged period of reallocation of workers

Underemployment



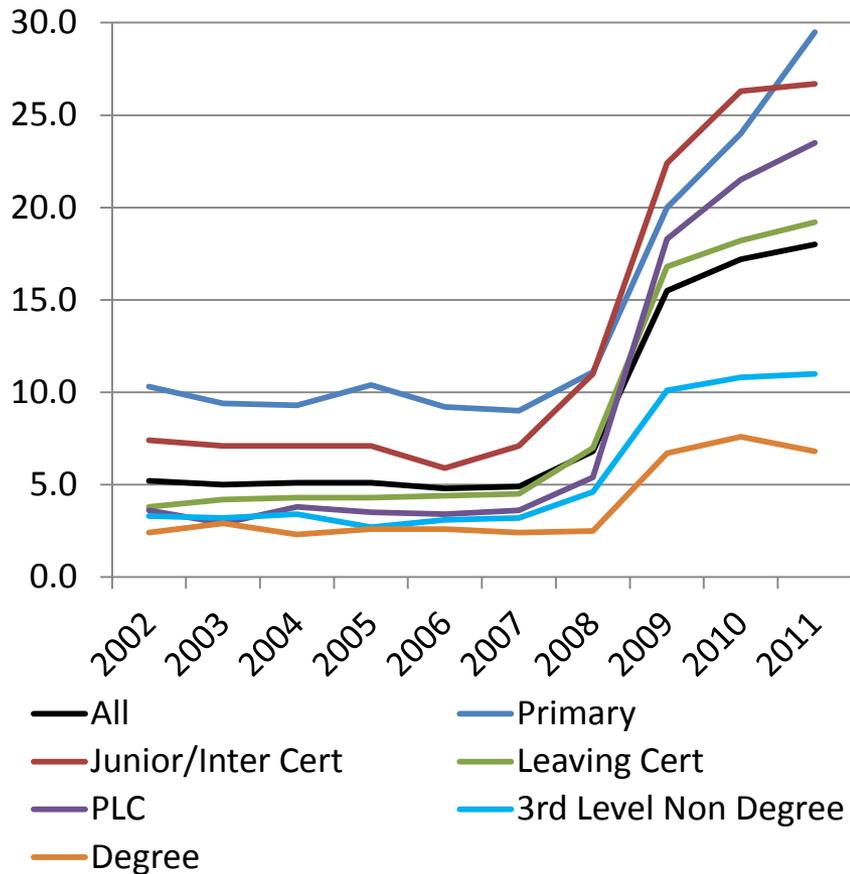
- Unemployment
- S1: Unemployed + Discouraged
- S3: Unemployed + Marginally Attached + P-T Underemployed
- New S3

Vacancy Rates

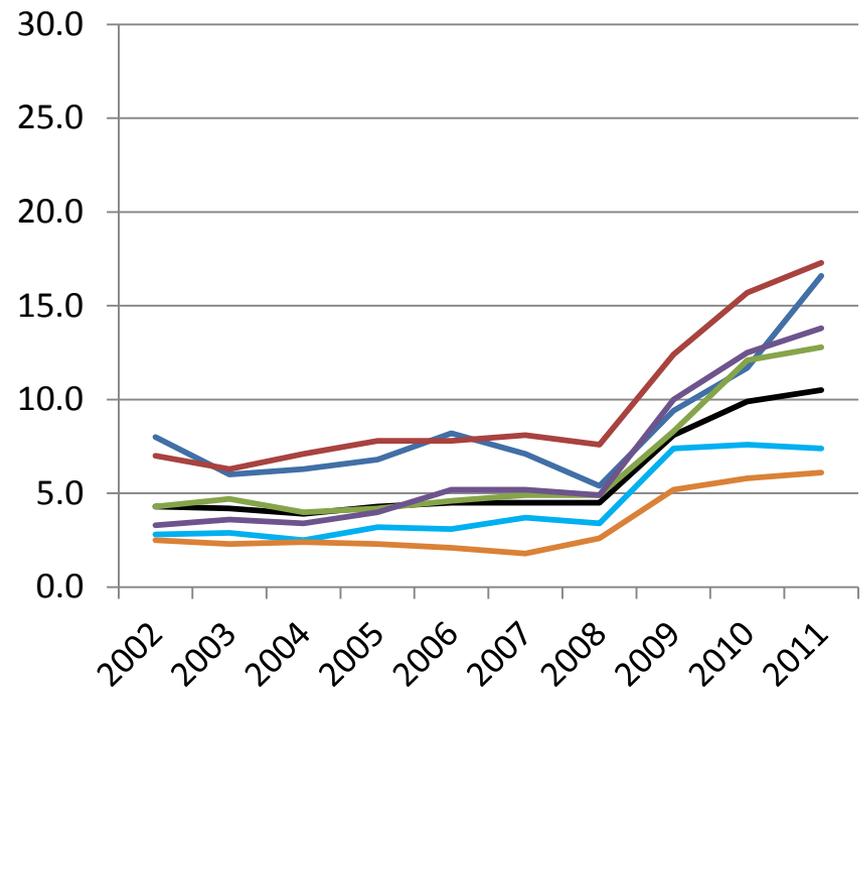
- The Job Vacancy rate (number of vacancies as proportion of total posts) is 0.7%
 - Average in Eurozone area is 1.6%
 - Pre-crisis Eurozone average was 2.3%
 - Only countries with lower rates are Latvia and Portugal
- Tells us that job mismatch is not a significant problem (so far)
- Problem is insufficient jobs

Unemployment Rates by Education Level

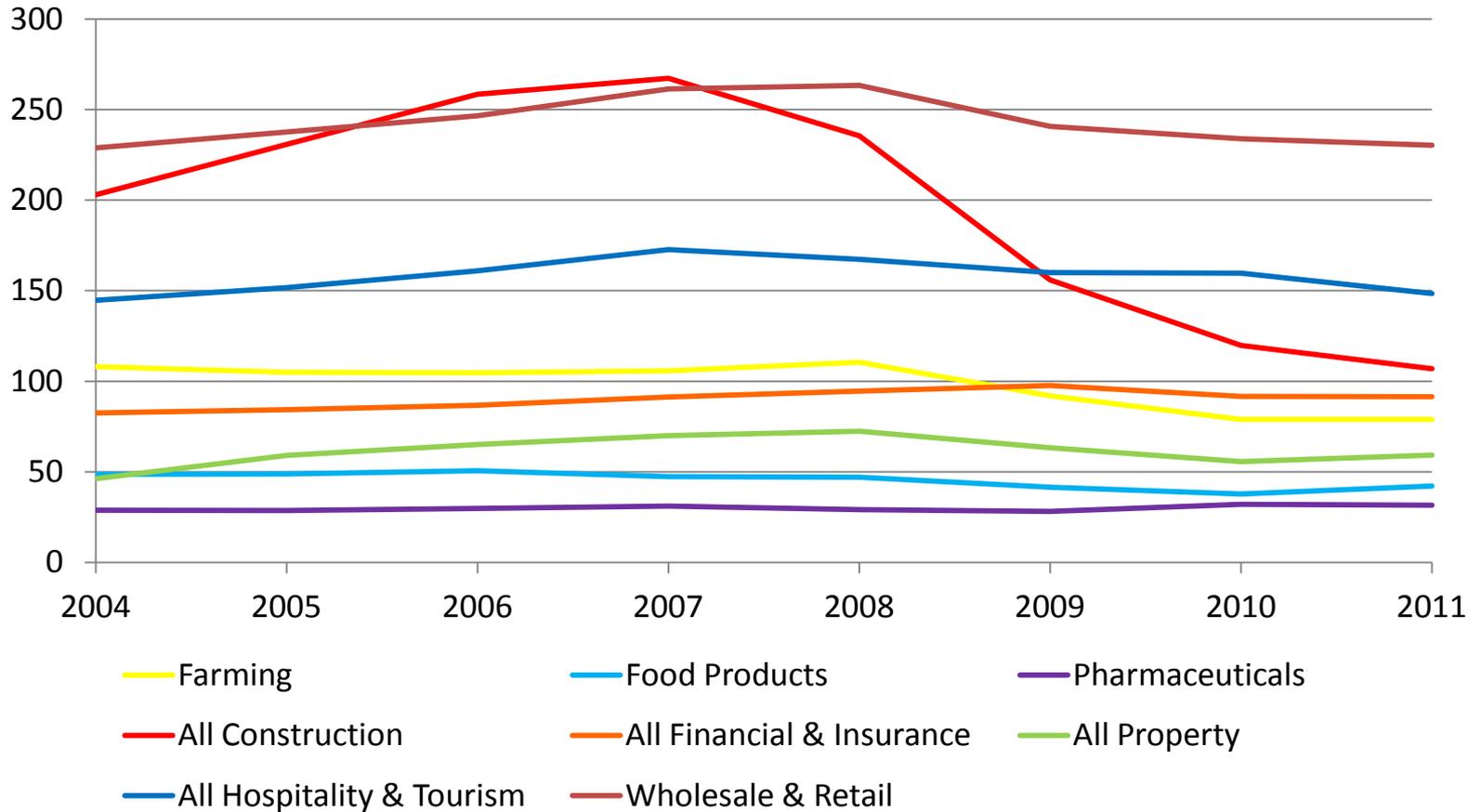
Males



Females



Employment, Selected Sectors (000s)



Job Creation and Destruction: Lawless, 2012

- Data come from Forfás Employment Survey
- Average job creation rate 1972-2006 was 10%, never fell below 7%
 - Collapsed to 5% in 2009
 - Slight recovery to 7% in 2010
- Average job destruction rate was 8%, never rose above 10%
 - Rose to 16% in 2009
 - Fell to 9% in 2010

Wage Responsiveness

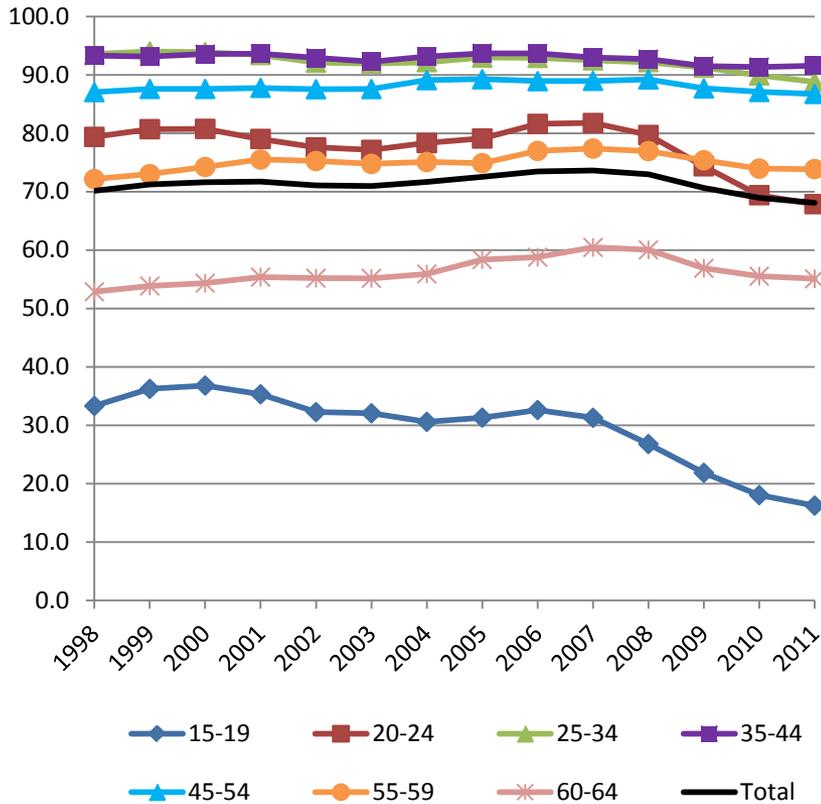
- EHECS shows that in 2008-2009, 65% of firms reduced their wage bill by over 2%
 - But mainly by reducing employment
- Average hourly earnings rose by 2.5%
- Average weekly earnings fell by about 0.5%
- Problem with EHECS: compositional changes

Wage Responsiveness II

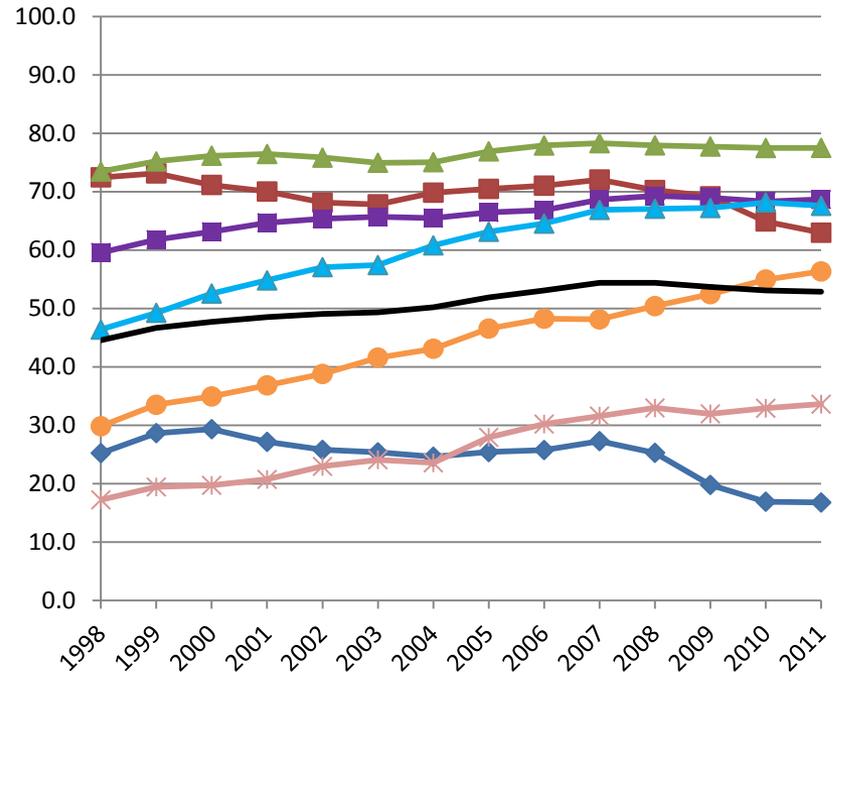
- CSO Job Churn data show that job stayers' average *weekly* pay fell by 3.3% in 2008-2009
- Greater falls for men than for women
- Greater falls for young workers than for older ones
- Sectoral variation:
 - Services: -3.9%
 - Industry: +1.2%
 - Construction: -4.8%
 - Accommodation & Food: -5.6%
 - Manufacturing: +0.9%

Participation Rates

Males

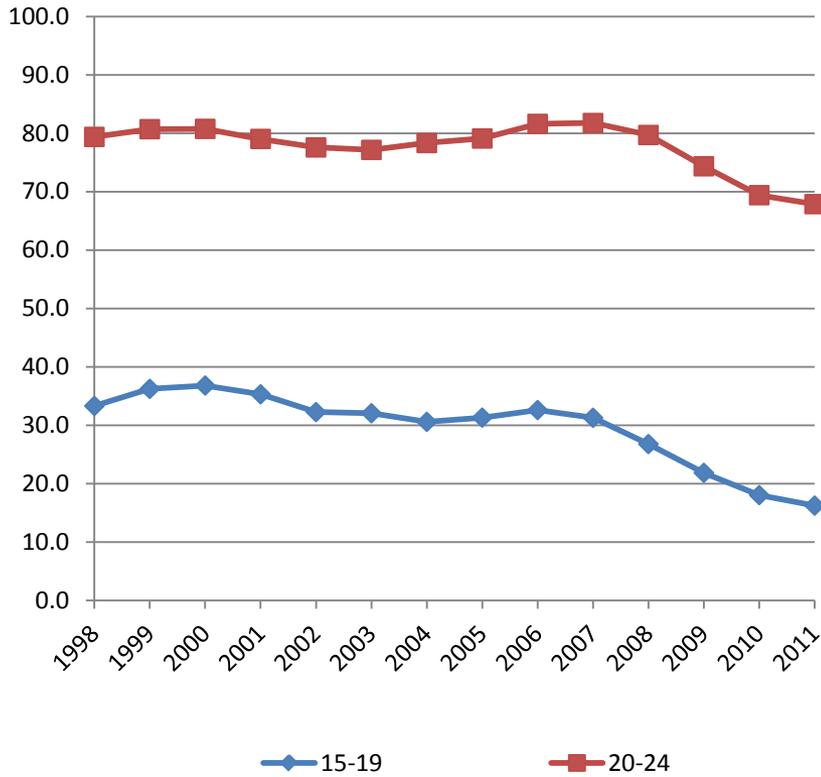


Females

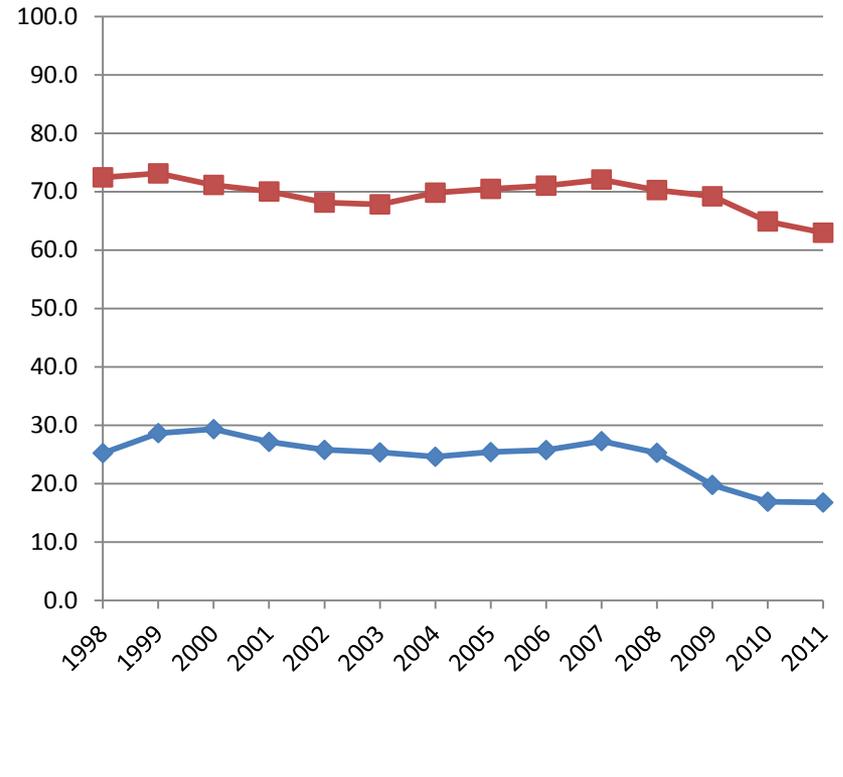


Participation Rates

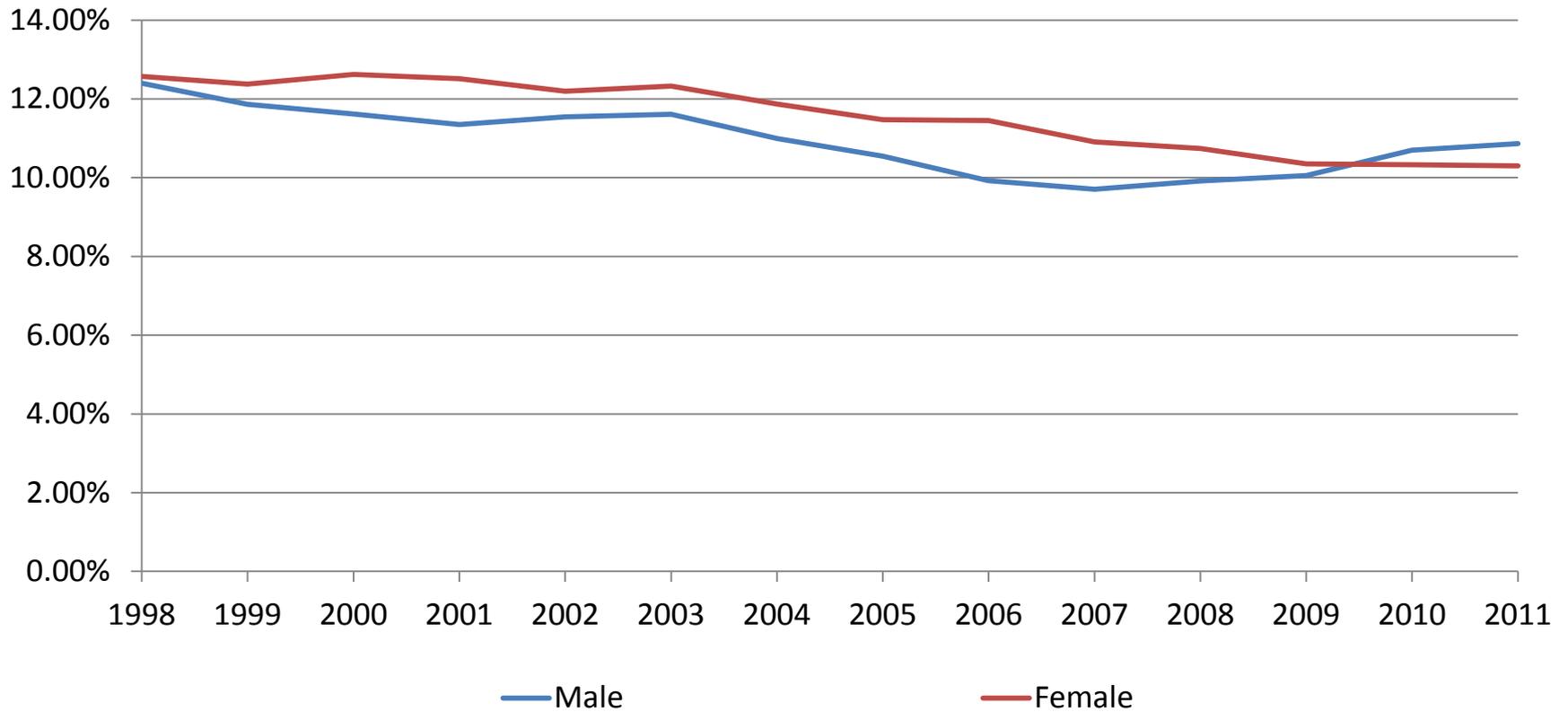
Males



Females



Proportion of Population Aged 15+ in Education



- Of males aged 15-24 who became inactive between 2008 and 2010, 86% became students (Conefrey, 2011)
- Slight drop in educational participation for females out of labour force
 - 0.7% drop 2008-2010
 - Compared to 50.7% rise for males
- Suggests males were being ‘pulled’ from education system into work during boom

Conclusions I

- Unemployment problem is a demand-side one
- Suggests that supply-side solutions won't reduce it
 - But they can direct the employment that's available in the direction of those who'll benefit most
 - Cycle individuals vulnerable to long-term unemployment through short-term jobs
 - Benefit system needs to work efficiently
- Redress pull from education system during boom, especially for males
 - Problem with training: training for what?

Conclusions II

- Demand-side policies preferable
 - Subsidies for net employment increases can work, but they're expensive
- Choose labour-intensive infrastructure projects
- One demand-side solution that doesn't require government expenditure: reducing minimum wage, but.....
- Non-labour market policies are employment policies too:
 - Addressing non-labour costs of firms
 - Policies to reduce savings rate
 - Credit access for firms