

# LABOUR MARKET MONITOR

**Vol. 1, No. 2: Autumn 2014**

## *Welcome to Issue Two*

*In this issue of LMM we take a closer look at the key problem of **unemployment**. While the fall in live register numbers is welcome, Irish **unemployment levels remain some 50% above** those in the non-programme EU 15.*

*Elsewhere we look at **wage developments** in the retail and communication sectors, which show the emergence of wage pressure in the economy and also at a recent ESRI paper which argues that the **social welfare system is not a disincentive** to seeking work.*

*Beyond Ireland, we examine the application of the **minimum wage in Germany and Poland** and look at the highlights of the **country specific recommendations** relating to the labour market, in selected EU member states. Analysis of the EU semester will be an ongoing feature of the autumn edition of LMM.*

*We also examine in detail the **patterns of atypical work** in the economy and illustrate how low wages now accompany short working hours, thus causing a low income spiral of **precarious work**. If jobs are to be an effective antidote to poverty, they must have realistic quality thresholds.*

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## Recent Labour Market Developments

### Long-term Unemployment – The Chances of Getting Work

Much has been written about how long-term unemployment blights a person's chances of getting a job. Evidence of this can be seen in the following table taken from the recent HEA report on the Springboard programme.

**Table 1: Progression to employment by duration of unemployment 2012**

0–6 months	48%
6–12 months	39%
1–2 years	37%
2–5 years	27%
5 plus years	21%

The progression rate for those more than five years unemployed is less than half that of those unemployed a year or less. These figures are all the more striking as they cover graduates of the Springboard programme, which involves attending a higher education institution. They thus comprise some of the most highly motivated candidates engaging in a high-cost, high-support programme.

### Wage Developments in Retail and Communications – An Overview

The pattern of wage increases in the retail trade is now fairly well established at 2% for twelve months. The precise pattern is set out below, thanks to Gerry Light of MANDATE. It should be noted that with the exception of Dunne's stores, all the concerns listed below have hours stability agreements which generally provide for some form of hours banding. In the absence of such an arrangement any wage increases could be eroded by the cutting of hours.

**Table 2: Pattern of wage increases in the retail trade**

Argos	1,400	2% backdate to July 2013 1% from July 2014
Arnotts	571	2% from May June 2014 for twelve months
Boots	1,825	2% June 2013 2% from June 2014 for twelve months
Debenhams	1,742	2% for twelve months from September

		2013
Dunnes	14,000	3% from March 2013 duration not specified
Heatons	2,136	restoration of a 3% wage cut and 2% from September 2015
Penneys	6,200	3% from June 2013
Supervalu MOP	2,500	2% from June 2014 for twelve months
Tesco	14,000	1% from Jan 2014, 1% from June 2014, 12 months in total
Brown Thomas	600	2% June 2013 for 12 months

Negotiations are under way in Pettits, Shaws (1000) and Marks and Spencers (2800)

**Table 3: Settlements in the communication sector:**

Vodafone	243	1.5% for 12 months from Jan 2013
PhoneWatch	128	3% for 12 months from Jan 2014
Firstsource	713	2% for 12 months from Jan 2014

## Emigration – How Does Ireland Compare?

According to *EU Employment and Social Situation Quarterly Review June 2013*, there were sharp increases in the number of people leaving countries such as Lithuania (+217%), Portugal (+116%), Spain (+90%) and Ireland (+43%) from 2008 to 2011.

High emigration rates (as a percentage of total population) in 2011 could be found in Ireland (1.9%), Lithuania (1.8%) and Spain (1.1%).

Many emigrants from Spain and Ireland over the past few years were in fact migrants returning to their own countries due to the worsening of the labour market situation. Nevertheless, there is definitely a rise in the emigration rate among nationals but not for all countries affected by the crisis. In 2011 this rate was high in smaller countries with a recent history of emigration such as Ireland (1%) and to some extent Greece (0.6%) and Portugal (0.4%). According to an informed source, the stabilisation of Portuguese unemployment is due to emigration to the UK, Germany, Angola and Brazil.

According to Eurostat emigration statistics, only in the case of Ireland is there a substantial trend in EU nationals migrating to non-EU countries such as; Australia, USA and Canada. However, Brazil is emerging as a destination for emigrants from Spain and Italy.

**Table 4: Migration Table**

Countries	EU countries thousands (percent)	among which thousands (percent)	Non-EU thousands (percent)	among which thousands (percent)
Ireland	42.9 (50%)	UK (18%) PL (8%). FR (4%) DE (4%)	43.0 (50%)	Australia (21%). USA (8%) Canada (6%)

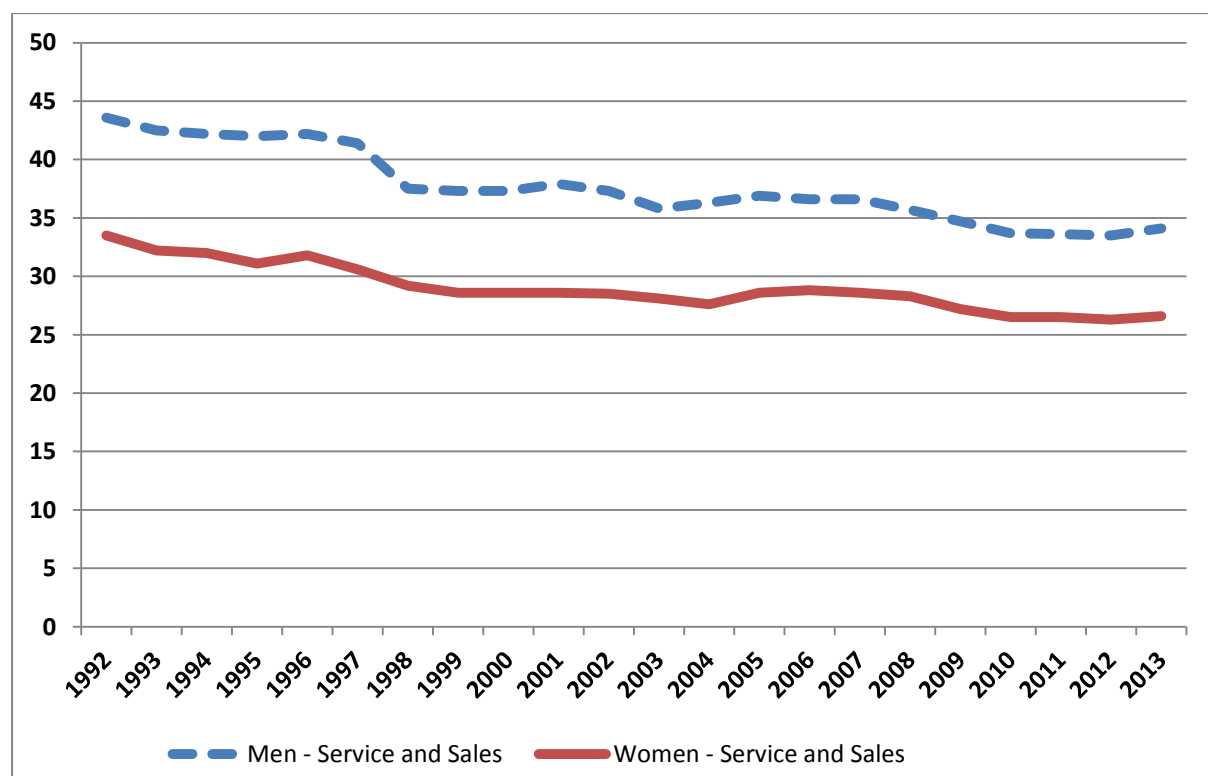
Greece	68.7 (55%)	n/a	57.3 (45%)	n/a
Spain	169.4 (33%)	RO (10%) FR (5%) UK (3%) DE(3%)	338.3 (67%)	Morocco (11%) Ecuador (6%) Bolivia(5%) Colombia (4%) Brazil (4%)
Portugal	28.4 (65%)	n/a	15.5 (35%)	n/a
Italy	42.4 (51%)	DE(10%) RO(9%). FR (8%) UK (7%)	40.0 (49%)	Switzerland (8%). USA (5%). Brazil (3%) China (3%)

## The Labour Market

### Underemployment

In 1992 the average hotel and restaurant worker worked a 42.3 hour week, above the then national average of 41.4 hours per week. By 2013 the average accommodation and food sector worker worked 31.4 hours, below the national average of 35.1 hours. As can be seen in *Figure 1*, in Ireland by 2012, the average male sales and service worker worked as many weekly hours as the average female sales and service worker did in 1992. The latest data from the CSO shows that in 2013 an average of 244,300 people worked 'variable hours'. According to the latest data from Eurostat, in 2013, 146,900 part-time workers were under-employed. They wished to work a longer week, but this option was not available. Clearly over the last two decades there has been a large change in the patterns of working hours. There has been a decline in working hours for the generally low paid workers, while the hours of other occupation groups have been largely stable.

Figure 1: Average number of actual weekly hours of work in main job for service and sales workers



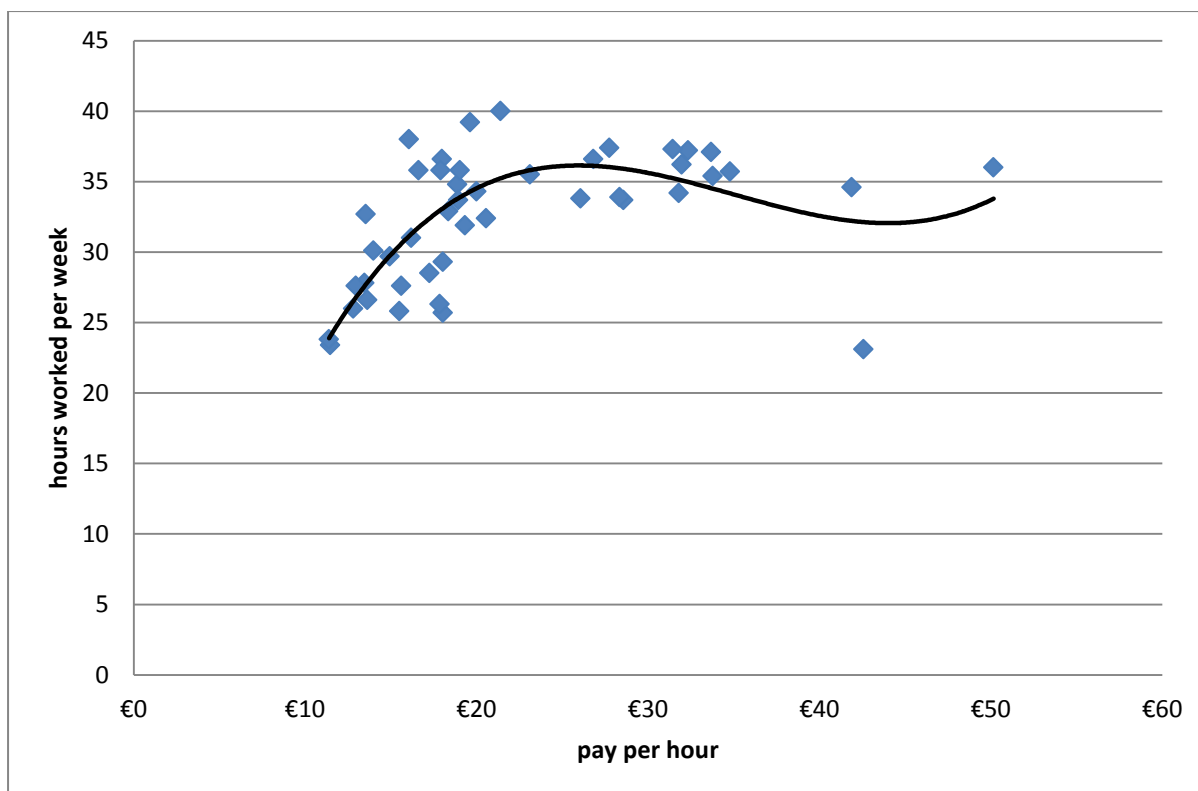
*Source: Eurostat Labour Force Survey [lfsa\_ewhais]*

The pattern of declining hours of work for low paid workers is not just an Irish pattern. As early as the mid-1990s a polarisation of weekly hours of work was identified in both the US and Canada, with greater earnings inequality being associated with greater ‘polarisation’ of working hours (Morissette, 1996). This ‘polarisation’ involves high paid workers working longer hours, low paid workers having fewer hours, and less people working an intermediate number of hours.

There is now a link between low pay and low working hours, with the issue being particularly noticeable in the service sector. As can be seen from *Figure 2*, for pay rates between approximately €10 per hour and €20 per hour there is a strong relationship between low pay and having a shorter working week. The effect tails off at about €20 per hour with such workers tending to work full-time. Also, in the manufacturing sector both low paid and high paid workers tend to work full-time.

**Figure 2: Low pay rates are associated with low working hours**





Source: CSO: EHECS Earnings Hours and Employment Costs Survey Quarterly (EQH03) and own calculations.

Note: More information is available in O'Farrell (2013). Dots represent the hour wage and average hours worked of specific jobs. The fitted line is a third order polynomial.

Overall the Irish experience has been consistent with data in other countries. Declines in working hours have occurred mostly within sectors and occupations that are labour intensive and associated with low pay. A number of reasons for the decline in working hours have been put forward such as an increase in female participation, or a shift in the sectoral composition of the economy. A previous paper by the NERI ('The Polarisation of Working Hours in Ireland') shows that both these factors played a relatively minor role, and that the greatest change has been within specific sectors.

Data from Eurostat 'Labour Force Survey' gives the reasons why people are in part-time employment. In 2013 41.6% of Irish workers in part-time employment have such a job because they could not find a full-time job, compared to 29.9% for the Euro Area (EA-18). This is a large change since the

boom. In 2007 only 10.7% part-time workers were in such a job as they could not find a full-time job (this compares to 23.6% for the EA-17). The fact that this has changed, while the proportion of full time workers has not changed that much in Ireland, suggests that those who want to work full-time (but cannot) are displacing those who prefer to work part-time. In 2013 part-timers only took up 23.5% of total employment compared to 17.3% in 2007 (this compares to 21.5% and 18.8% for the years 2013 and 2007 respectively). Other reasons for working part-time include looking after children (or incapacitated adults), other family responsibilities, or in education/training.

Researchers (Frase and Gornick (2012)) have found that in richer countries it is the highly educated that tend to work longer hours, while in middle income countries it is the low paid that tend to work longer hours. This matches patterns in Irish history, such as at during the time of the 1913 Lockout when it was the low paid that tended to work long hours.

The management strategy of 'flexible' work practices whereby workers are on call at short notice has spread from North America to Ireland (see for example Susan J. Lambert, Haley-Lock, & Henly, 2012; Loftus, 2012; O'Farrell, 2013b). Rather than employ workers on a full-time basis many employers prefer to have a pool of part-time workers on which to draw on at short notice. This boosts employers bargaining position when trying to get workers to work flexible hours. This tends to be less pronounced for higher paid workers. It is more expensive to hire such workers, so the cost to employers of maintaining such as pool would be prohibitive.

As highlighted by a MANDATE report (Loftus (2012)) this creates a burden for workers who cannot effectively plan their week as they are given their weekly work schedule at short notice. Workers cannot take on a second part-time job as they do not know for which hours they will be available. Clearly, the assumption of 'perfect information' that is a requirement for 'perfect competition' does not hold.

The recession does not appear to be a driver of shorter working hours, with the changes having begun long before the recession. Despite an initial fall in

working hours between 2008 and 2010, hours have remained stable. In fact, the most striking aspect of the recession is that hours have remained stable when compared with the period 1992 to 2008. This certainly runs counter to the expectations of many. Economic research from other countries shows that during a recession a fall in labour demand is met mainly with a decline in headcount rather than working hours. However, such research usually does not examine the long-term trend of falling working hours. It is a puzzle as to why such a decline should be halted during a time of a weak labour market.

Though the data is not consistent with any particular economic model, it is consistent with elements of two models in particular. Kudoh and Sasaki (2011) suggest that longer working hours are associated with workers with higher recruitment costs that tend to be higher paid, while Parmentier (2010) suggests that sectors with greater capital intensity are associated with longer working hours. This is as employers face a high cost of employing a worker (due to recruitment costs or renting the necessary capital), and this offsets any benefits of having a flexible pool of workers to which an employer can assign working hours. Also, an increase in capital productivity (such as due to changes in shop opening hour regulations) could possibly explain the change.

Issues regarding under-employment can be summarised as three points. First, ensure that workers are rostered for sufficient hours to make a decent living. Second, ensure that workers are given sufficient notice and regularity to their hours so that they can plan their lives. And, third, that workplace flexibility is balanced, allowing workers time off for when necessary for their private lives.

Issues regarding work flexibility have often been focused on salaried workers, particularly women, to allow workers combine market work and care-giving. However, such flexibility does not always benefit workers paid on an hourly basis (Susan J. Lambert, Haley-Lock, & Henly, 2012). Researchers in Canada have found that flexible work is created for the benefit of business reasons rather than facilitating the interests of workers (Zeytinoglu, Cooke, and Mann 2009).

Some solutions have been put forward to aid workers, such as a guaranteed minimum number of hours payable for any day worked. The problem of unpredictable and unsustainable work practices has been recognised by the Labour Court. In a recent recommendation (LCR20548 Mandate and Penneys) banded hours contracts were recommended that allow workers some certainty in relation to earnings and personal planning. Another possibility is that employers should pay over-time rates for hours that workers are not scheduled for in their contracts. This would continue to allow employers flexibility, but imposes financial penalties if that flexibility is abused.

It must be recognised that asking for flexibility from workers does not improve efficiency, but merely shifts the cost from firms onto workers.

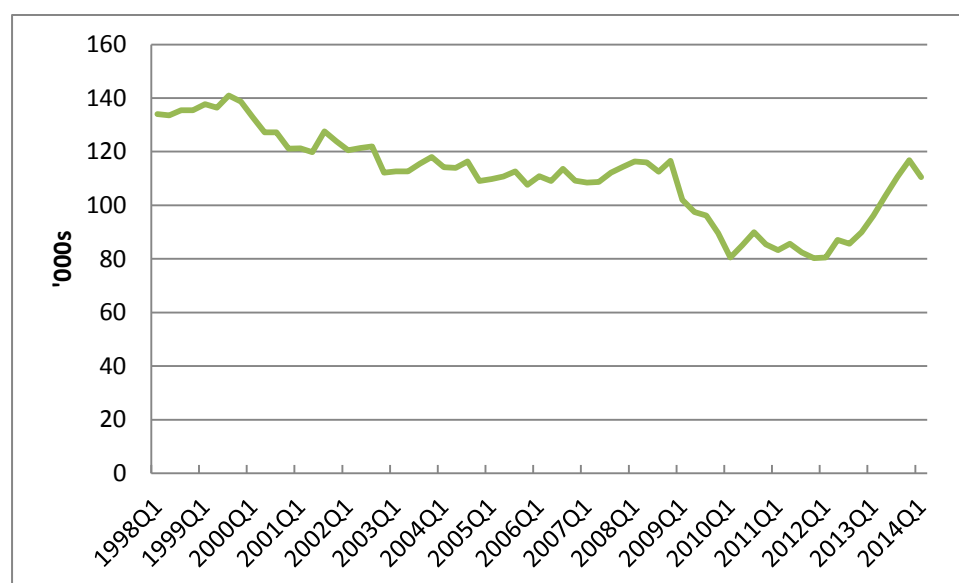
### The Strange Case of Agricultural Employment

The latest figures produced by the Central Statistics Office (CSO) represent the CSO's best estimate of what the current level of employment is in each quarter of the year. These estimates come from the Quarterly National Household Survey (QNHS). As it is not practical to conduct a census (where every household fills out a questionnaire) every quarter a 'sample' of roughly 20,000 people are asked questions about their employment and labour market status. To ensure this sample is representative of the population, the CSO ensures the people asked are similar to those in the last census. If a certain group of people are over-represented in the sample then the CSO gives them a weighting to reduce their importance in the survey's results. This is standard practice for statistical agencies.

Following Census 2011, the CSO decided to alter the sample they use for collecting the QNHS. The CSO now stand over their figure for the total number of people in employment. In November 2012 they retrospectively revised employment figures for previous years to account for the new information from Census 2011. For example, the number of people in employment was revised upwards from 1,809,700 people to 1,849,100 for 2011. Though the CSO now stand over their revised figures for employment, they urge caution for how

sub-components (e.g. the numbers employed in agriculture) are treated. Though the figures released were their best estimate at the time these figures need to be adjusted to account for new information. This takes time and resources and the CSO, as with many parts of the public sector, is short staffed at the moment. The agriculture sector has attracted the most attention As can be seen from Q3 2008 to Q4 2013 there has been a substantial decrease followed by rebound in reported agricultural employment. This does not match any other trend in agriculture, so can best be described as a sampling error.

**Figure 3: Agricultural Employment**



*Source: CSO; EHECS Earnings Hours and Employment Costs Survey Quarterly (EQH03) and own calculations*

However, even if the CSO does not stand over how employment is divided by sector for the period up to Q1 2014 (they are happy with the Q1 2014 and by that period the new sample has been fully introduced), they still stand over the total size of the pie. The employment growth of 2.4% in 2013 is very impressive, but hard to explain. It has been suggested that part of the explanation may be due to part-time farmers who were working in construction claiming Jobseekers Benefit (and therefore reporting themselves as unemployed) but then reporting themselves as self-employed when their

benefit ran out. However, this is not a question that can be answered by the QNHS. When the CSO retrospectively revises the data on employment breakdown we will have a better indication of trends in the labour market by sector, but some mysteries will remain.

## Employment and Unemployment

The latest CSO data shows a stabilisation in unemployment rates when compared to the previous month. The standard unemployment rate is currently at 11.6% for June, compared to 12% for the period January to March. Though the rate has continued to decline, it is declining at a slower pace than previously. A decline of 0.3% per quarter means it will be spring 2020 before unemployment reaches 5%. The Irish rate is also considerably above the 8.3% unemployment rate of Western European (EU-15) non-programme countries (that is, excluding Portugal, Ireland, Greece, and Spain).

Compared to June 2013, the number on the Live Register fell by 36,544 (8.4%) while the number of casual and part-time claimants fell by 11,761 (13.3%). Therefore, 'full-time' claimants are down by 24,783 (7.1%). In line with other CSO data, workers seem to be shifting from part-time and casual employment to full-time employment.

It is interesting to compare Quarterly National Household Survey (QNHS) annual trends with those of the Live Register. According to the QNHS the numbers in unemployment fell by 33,900 in the first quarter of 2014 compared to 2013, while the numbers on the Live Register fell by roughly 31,500 in the same period but with roughly 8,500 fewer people signing on as part-time/casual. This suggests about 23,000 less 'full-time' unemployed on the Live Register. This requires large numbers of people moving from outside the labour force such as 'home duties' into employment and this is consistent with QNHS data. It is unclear why this is the case. In most EU countries how people transition into employment is reported and the CSO plan to do this in the future. Some of these patterns may be due to the CSO altering their sample for the QNHS in

light of the 2011 Census. The mismatch is less than in the previous quarter. These patterns are very unusual, though not unprecedented.

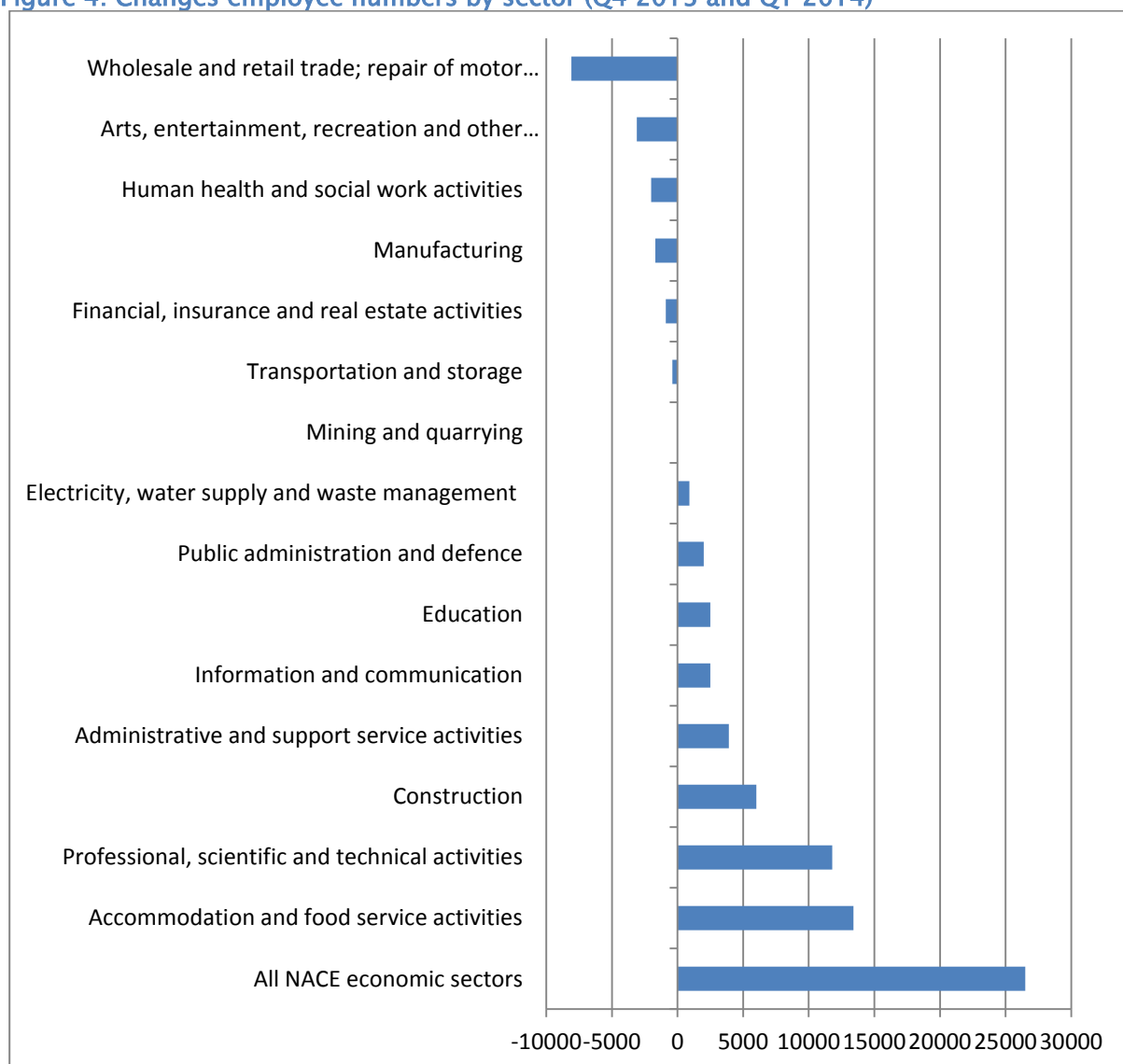
In Q2 2013 and Q2 2014 the decrease in those on Jobseekers Allowance was only 3.5% (from 312,285 to 301,368) with a larger fall for those on Jobseekers Benefit of 30.3% (78,590 compared to 54,794). This suggests there are some people with broken spells of employment/unemployment. Live Register figures have fallen proportionately most for those signing on for less than one year, and for under-25s (which can be due to changes in eligibility rather than changes in the labour market). The number of those who were last employed as craft workers (which includes construction workers and agricultural workers) on the Live Register has fallen by almost 14.8% (13,900 people, Q2 of 2014 compared to Q2 of 2013). Part of the fall in those on Jobseekers Benefit may be due to changes in the length of time people may claim this benefit.

Changes in employment by occupation (comparing Q1 2014 with Q1 2013) show the reorientation of the Irish economy. There has been an increase in employment (27,000) in skilled trades, which is due to a partial recovery in the construction sector, but also due to changes in the sample used by the CSO for the QNHS. Jobs were lost for sales and services workers (down 7,600) and process, plant and machine operatives (down 5,600) which tend to be lower paid. Employment of managers is up 5,000 and associate professional and technical occupations is up 6,800, showing that the economy is moving towards higher paid employment. The number of those employed in professional occupations is down 3,300. This is mainly due to fewer women employed in these jobs (down 6,700) which could be linked to a general shrinking in the size of the public sector (which has shrunk by 2,500 jobs). The total employed in professional occupations for both men and women is still above the level in Q1 2008.

There, data does show a shift towards the self-employed for male workers (for female workers job gains for the self-employed have been proportional to the number of female self-employed in the economy as a whole). Only 59% of new jobs for men went to employees (compared to 74.5% of all jobs for men

existing for employees). Due to changes in the sample used by the CSO it is hard to know to what extent these trends are just due to changes in sampling, a bounce back in construction employment, or a fundamental shift in the economy. It is worth noting that the UK has shown a shift towards self-employment since the beginning of the recession.

Figure 4: Changes employee numbers by sector (Q4 2013 and Q1 2014)



Source: CSO Earnings Hours and Employment Costs Survey Quarterly (EHQ03)

Looking at the data by sector (*Figure 1*), the pattern continues to be one of polarisation in the economy, a tentative recovery in construction employment,



and a weak domestic economy. Due to changes in the CSO's sample for the QNHS some of the figures must be treated with caution. In particular, the increase of 14,300 in agriculture may be due to sampling issues (though the total figure of 110,500 people employed in agriculture, forestry and fishing during Q1 2014 is in line with numbers for the same period in 2008 and 2009). Employment in the wholesale and retail sector continues to fall (down 5,900), reflective of a weak domestic economy, and construction employment is up 6,000 compared to the same period in 2013 (though far below peak levels). Employment is also down by 3,200 in the human health and social work activities sectors, perhaps due to public sector cutback, though employment in the education sector is up 2,800. The sectors with the largest employment gains (apart from agriculture) are accommodation and food service activities (up 13,500) and Professional, scientific and technical activities (up 11,800). This shows the polarised nature of the employment gains in the service sector, which depends to a large degree on external demand. Employees in the accommodation and food service sector are the lowest paid in the economy (earning an average of €12.17 across all occupations in the sector) while those in professional, scientific and technical activities earn an average of €25.87 per hour.

The regional pattern in employment has altered. Previously job growth was centred in Dublin, Cork (South-West) and Galway (West). The share of new jobs going to Dublin has increased (with Dublin getting 60.6% of all new jobs, which is out of proportion to Dublin hosting 30.3% of existing jobs in Q1 2014) with employment in Dublin up 25,800 (Q1 2014 compared to Q1 2013). Service exports have been the driving force of job-gains in Dublin with Accommodation and food service employment up 12,000 and Information and communication jobs up 9,500, with men getting most of these jobs. The South-East comes second, with employment up 9,300 (with the South-East gaining 21.8% of new jobs compared to having 10.4% of existing jobs). In the South-East jobs have been gained in the accommodation and food sector (up 2,800) and human health and social work sector (up 4,800), while the wholesale and retail sector employment has stabilised (with a gain of 800 jobs)

suggesting the domestic economy of the South-East has reached its trough. Jobs continue to be lost in industry (excluding construction, down 4,400) which was traditionally an important employer, particularly in Waterford. The South-East bucks the national trend in that most new jobs have gone to women. In contrast previous job gains in the West and South-West have been reversed (down 1,600 and 3,600 respectively). With the exception of the South-West, the unemployment rate has fallen across all regions (though unemployment in the South-West continues to be below the national average of 12% in Q1 2014). Dublin remains the region with the lowest unemployment rate down from 11.3% to 10.4% and the South East remains the highest (down from 18.4% to 15.7%). Overall regional disparities in unemployment have narrowed, with regions with the highest unemployment rates showing the largest falls in unemployment. In Dublin the size of the labour force (the number of people in employment or actively seeking and available to work) has increased by 22,100, while it has decreased by 6,400 in the West and by 6,800 in the Mid-West, suggesting a return to previous historical patterns.

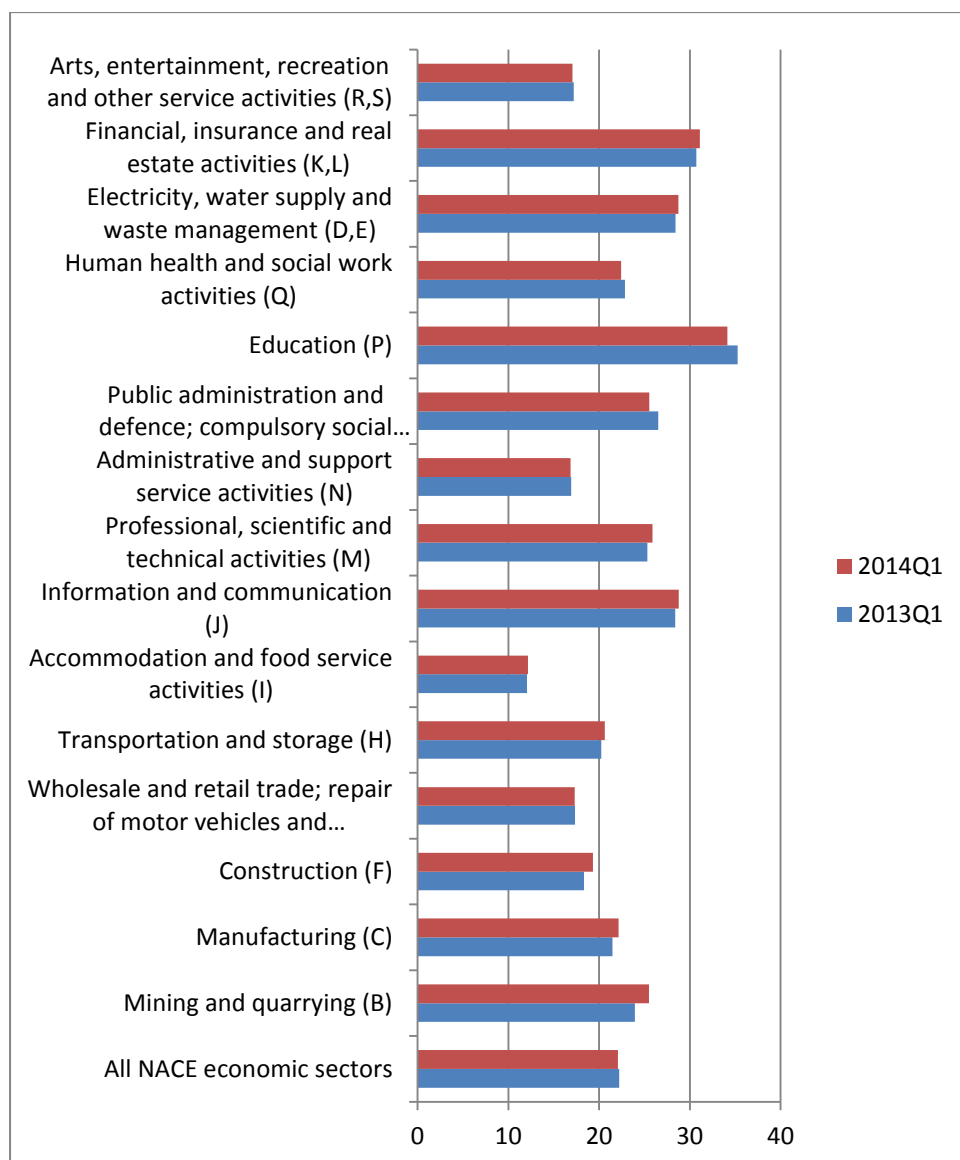
### Changes in Hours and Wages

Compared to the same period last year average weekly wages fell 0.5% (from €22.20 to €22.08, *Figure 2*) due to a fall in the average hourly earnings (with the number of hours worked remaining constant), and with irregular bonuses remaining constant.

The fall in weekly wages was driven by wage falls in the public sector (due to the cuts imposed as a result of the Haddington Road agreement). Public sector (including semi-states) earnings per week fell by 1.8% (from €915.61 to €899.57) due to average hourly earnings falling by 2.8% (from €29.04 to €28.23) though with this being slightly mitigated by an increase in the length of the working week by 24 minutes (from 31.5 hours per week to 31.9 hours). Public sector workers are working more hours for less pay.

In contrast private sector pay has shown a slight increase with weekly earnings up 0.7% (from €623.65 per week to €628.01). This is due to a slight increase in average hourly earnings (up from €20.06 to €20.21).

Figure 5: Changes in average hourly earnings (Q1 2013 and Q1 2014)



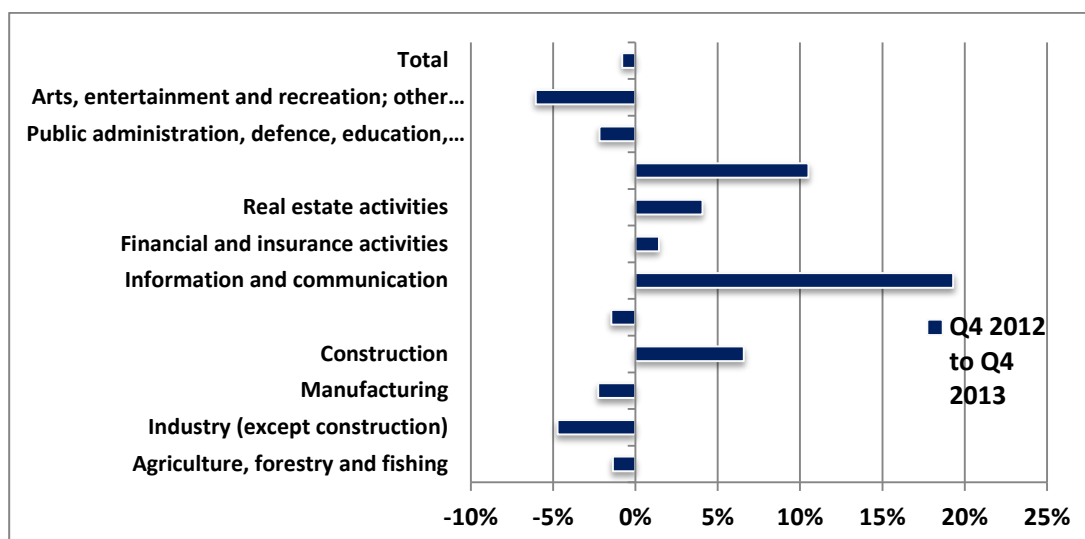
Source: CSO Earnings Hours and Employment Costs Survey Quarterly (EHQ03)

Note: CSO data does not account for the reduction in public sector take home pay due to the 'pension levy'. Irregular bonuses and overtime payments are included as part of average hourly earnings.

## Productivity

Using Eurostat data, in the fourth quarter of 2013 real labour productivity (seasonally adjusted) per hour fell by 3% compared to the previous quarter, this is most likely a statistical ‘blip’ resulting from the so called ‘patent cliff’ in the pharmaceutical sector. Within the EU Irish output per hour worked (€47.30 per hour) is third, coming after Denmark (€51.50 per hour) and France (€47.60 per hour). Seasonally adjusted, nominal unit labour costs increased by 3.5% in the last quarter of 2013. This is mainly due to the volatility of Irish productivity statistics that have been affected by the patent cliff, rather than a genuine increase in nominal unit labour costs.

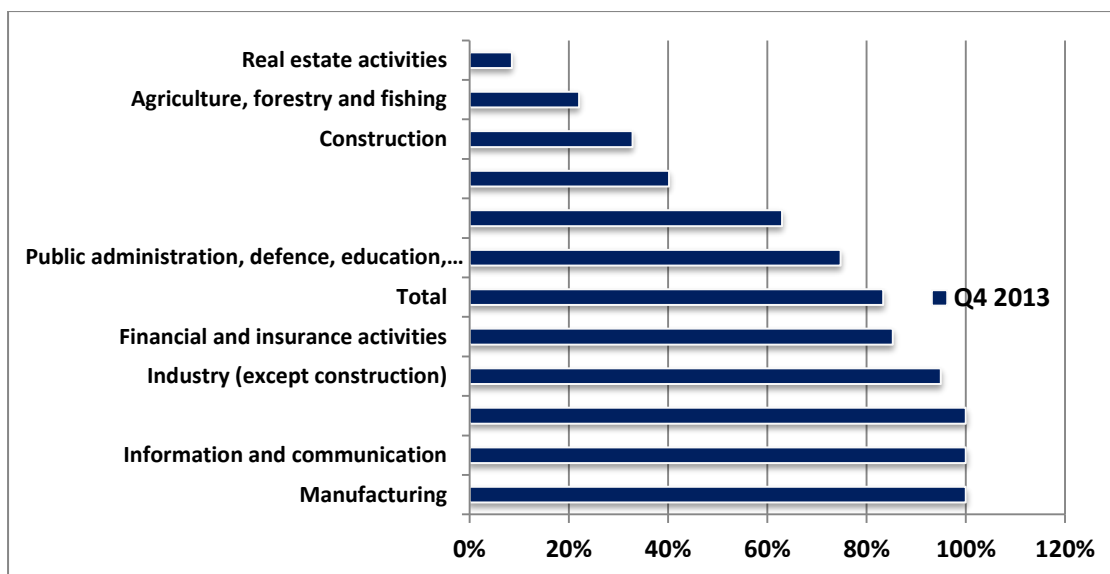
Figure 6: Changes in productivity per hour (Q4 2012 and Q4 2013)



Source: Eurostat Quarterly National Accounts and own calculations

Note: Quarterly National Accounts data is highly volatile and subject to revision.

Figure 7: Irish productivity relative to most productive country for that sector

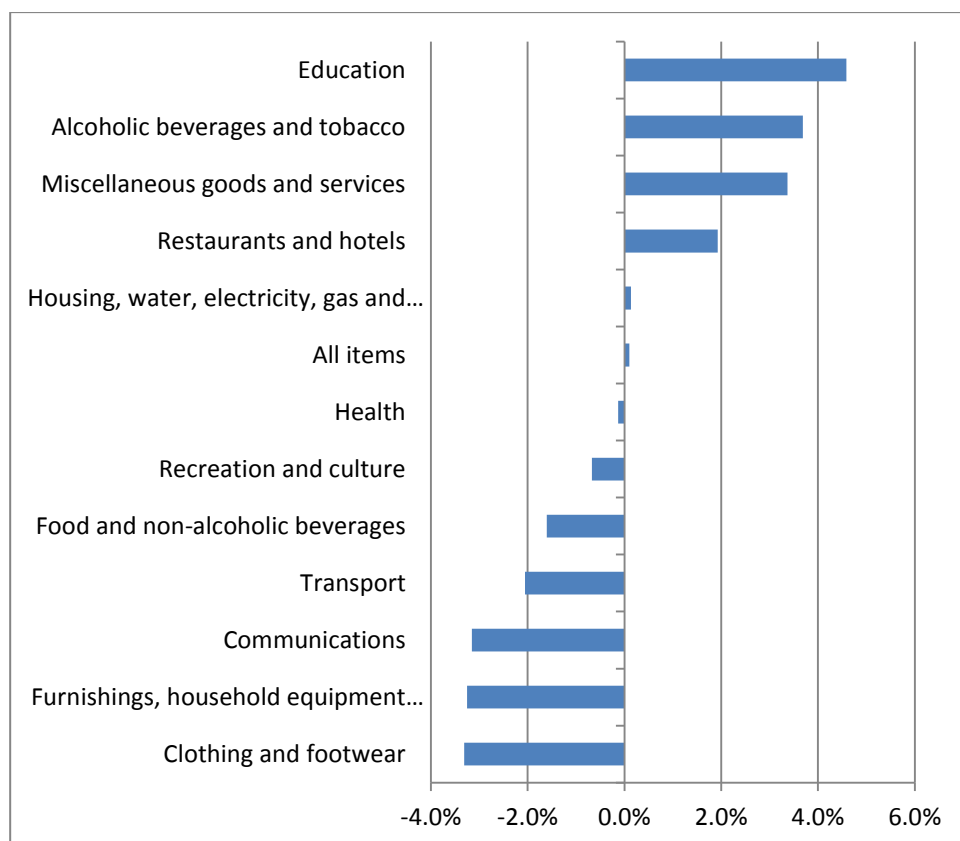


*Source: Eurostat Quarterly National Accounts and own calculations*

Note: Quarterly National Accounts data is highly volatile and subject to revision. As seen, Ireland is the most productive country for Information and communications and also for manufacturing.

Comparing the Q1 2014 with the same period 2013 prices increase by 0.1% (*Figure 8*). As hourly wages are down 0.5%, in real terms wages have fallen 0.6% on an hourly basis.

**Figure 8: Price changes Q1 2013 to Q1 2014**



*Source: CSO Consumer price index and own calculations*

## Recent Papers and Publications

### Action Plan for Jobs Praised by OECD

In a preliminary review the OECD (a group including 34 of the richest nations, including Ireland), has praised the Government's 'Action Plan for Jobs', in particular the improved coordination and monitoring across different arms of Government. The plan aims at creating jobs in the export-orientated private sector, which the report considers 'a sound approach'. The report states *"Empowering businesses to grow and to hire workers is at the heart of the philosophy underpinning the Action Plan on Jobs"* and that there is a need to align workers skills with employer's needs. However, the report notes that as employer's needs can be short term it is important that *"other partners such as trade unions and the non-profit sector are also involved in training efforts."*

The first 'Action Plan for Jobs' was launched February 2012 with a successor in February 2013, which together included over 600 specific actions of which 90% were completed by the end of 2013. The 2014 'Action Plan for Jobs' includes a further 385 actions. The report predicts that the Government will be successful in having 2.1 million people employed by 2020. Implementing the 'Pathways to Work' initiative, which includes policies to move 75,000 long-term unemployed into employment, is a 'core component' of the 'Action Plan for Jobs'. The focus for 2014 and 2015 will be on helping young and disadvantaged groups find work; improving training, particularly for the disadvantaged; focusing resources on the most effective Active Labour Market programmes; and developing a modern apprenticeship system. The report suggests that future plans should consider using the public sector to work with employers for better use of skills, similar to the National Centre for Partnership and Performance and the Irish Productivity Centre in the past.

However, rather than being based on statistically analysing employment patterns, the paper subjectively examines whether Government policy has been consistent with policy that the OECD considers to have worked in other countries.

## 15,000 to 30,000 Jobs Could be Created in the 'Big Data and Analytics' Sector

With the Government setting an ambition for Ireland to be a leading country in 'Big Data' (whereby firms use modern computer technology to analyse and interpret the huge amounts of data they now collect), the Expert Group on Future Skills Needs suggested 15,000 to 30,000 jobs could be created in the sector. The report, 'Assessing the Demand for Big Data and Analytical Skills, 2013–2020' states that the jobs will mainly be male dominated.

Roughly 1,600 to 3,600 jobs are expected to be created in the 'deep analytics' field (which will employ people with skills using advanced statistical packages such as 'R') with a specialist degree in analytics or management science; or those with a Masters' or PhD in subjects such as maths and engineering being required. Although roughly 2,000 people per year graduate with such skills, many go on to work in other sectors. Private sector employers are reported to be positive about future demand for such workers, though public sector employers are less ambitious due to recruitment restrictions.

As no official measure of employment demand in the area is available, the study uses a range of sources such as analyses of other countries experiences and interviews with people working in the area. Although optimism was shown by interviewees that Ireland can become a world leader in the area, others expressed concern over 'big data hype' for the sector as a whole.

## Ireland Spends Third Highest Proportion of Output on Labour Market Policies in EU

Eurostat has produced a new report, 'Labour Market Policy – Expenditure and Participants', highlighting how much money European countries spent on labour market policies in 2011. Ireland spends the third highest share of economic output on labour market policies, after Belgium and Denmark (with Greek data unavailable). However, despite high unemployment Ireland spent a below average share on labour market services (such as providing information and guidance on jobs and training). Ireland spends the tenth highest on per person wanting to work on labour market services and fifth highest on training.



In terms of labour market expenditure Ireland prioritises income support (such as Jobseekers Allowance) with 74.6% of labour market policy expenditure being spent on such supports compared to 60.4% for the EU-15.

While European and national policies have focused on those who are unemployed, there is now a greater focus on removing barriers to groups such as younger workers looking for their first job, women re-entering the labour force, older workers, and disabled workers. The publication covers statistics on public interventions in the labour market that aim to improve efficiency in the labour market and correct imbalances in the labour market. Across the EU policies include training; job rotation and job sharing; employment incentives; supported employment and rehabilitation; direct job creation and start-up incentives. In 2011 roughly 45,000 people participated in training programmes (roughly 10% of those seeking work), 11,600 were in jobs with employment incentives, and over 25,000 were employed in jobs directly created by the Government (such as Community Employment Schemes).

### **Employment in State Agency-assisted Firms Increased by 8,579 in 2013**

Full-time employment in firms assisted by the IDA, Enterprise Ireland or Údarás na Gaeltachta increased by 2.9% (or 8,579) according to the 'Annual Employment Survey 2013' produced by Forfás. This compares to a 2.4% increase in employment in the economy as a whole. Roughly half this increase is in Irish owned companies (which increased by 4,361 jobs to 150,966 out of a total of 303,155). The importance of Irish owned firms has been stable over the past decade. Overall numbers are slightly below the number employed in 2004, while employment in foreign owned firms is slightly above 2004 levels. Roughly 36.1% of agency supported jobs are located in the Dublin region. Employment in Dublin is closest to peak 2007 levels (down only 2.7%), and the Border, Midlands, West (BWM) region (down 9.5%), followed by the South and East region (down 10.5%). Dublin showed the greatest dependence on foreign owned firms (with 56.0% of agency supported jobs being foreign owned) with the BWM region least dependent (with only 42.7% of agency supported jobs being in foreign owned firms).

Of Irish owned firms, the sectors which saw the biggest jobs gains are Business Services (up 1,076 jobs); Computer Consultancy Activities (up 917 jobs); and the Food sector (up 439 jobs). The largest gains for foreign owned firms were for Other Information Technology and Computer Service Activities (up 971 jobs); Computer Programming Activities (up 830 jobs); Computer, Electronic, and Optical Equipment (up 861 jobs); and Chemicals (up 526 jobs). This shows that while computers are significant for domestically owned firms, they dominated job creation in foreign owned firms.

Overall, while job numbers are recovering and at a level roughly equivalent to that in 2004, they are still down by roughly 25,000 jobs compared to the peak in 2007.

### ESRI/Equality Authority Finds 'Levelling Down' in Employment Rates Gender Differences During Recession

A recent joint report by the ESRI and the Equality Authority, 'Gender and the Quality of Work: From Boom to Recession' has found little evidence of women disproportionately withdrawing from the labour market during the recession and a 'levelling down' of employment rates. This goes against previous theories of the labour market which suggests that women act as a 'buffer' in the labour market as the rapid rise in female labour market participation during the boom has not been reversed.

The report also finds that working conditions have worsened for those who remained in employment with large increases in involuntary part-time employment, work pressure, pay cuts, and a sense of job insecurity. A levelling down has led to increased male involuntary part-time working. Though there is some evidence of a narrowing of the gender-pay gap in the private sector, pay-cuts in the public sector are likely to affect the overall gender pay gap. Women were partly sheltered from job losses due to their greater employment in the public sector, which affected their sense of job security.

The authors note that a lack of data since 2010 means that significant changes, such as in public sector pay, are not reported, and these most likely had an important impact on gender differences in the labour market.

The report also notes the lack of a gender impact assessment on the effects of the Haddington Road Agreement or the Croke Park Agreement.

### **ESRI Research Finds Social Welfare System is no Disincentive to Work for the Vast Majority of Workers.**

A recent paper produced by the ESRI, 'Welfare Targeting and Work Incentives' has found that the vast majority of workers are better off in employment than on welfare. The study, done in preparation for Budget 2015, first estimated the wage unemployed people are likely to receive (based on their qualifications, and allowing a scarring effect of unemployment), and then compared this to welfare payments received by the unemployed. Only 28% of unemployed have a replacement ratio of 70% or more (which is just welfare payments divided by the wage they would receive in employment), and 87% would receive more in work than on welfare.

Though some people, particularly those with children, may receive more from social welfare, as the vast majority of unemployed have no children this does not have a great impact on the overall numbers better off working versus on social welfare. The authors also analyse the effect of work related costs (such as childcare) but these do not have a major effect due to the low number of unemployed with children. Even amongst those with very high replacement rates (where welfare payments are 90% or more of potential wages) the vast majority of these are employees (125,000 people) as opposed to unemployed (38,000 people). This shows that the social welfare system does not play a major role from discouraging people from work. The authors suggest people choose to work, despite high replacement rates, for reasons such as 'staying in work tends to lead to higher wages in future' and 'for reasons such as self-respect, providing an example to their children, or the non-financial rewards from working life'.

Reporting of the results varied in the media. While the Irish Times ran the headline *“Work pays better than welfare for most unemployed, ESRI finds”*, the Irish Independent chose *“We’ve long been aware of this welfare trap so it’s time for Government to act.”* This is despite the ESRI finding that over three-quarters of those with high replacement rates actually work.

## Europe and Beyond

### European Semester – Labour Market Overview

The European semester has been in operation since 2011. Each June Member States receive a report from the commission consisting of observations and a small number of reports. A cynic might observe that these recommendations are not in fact the Commissions fixed view, but the result of a negotiated process between the Commission and the national authorities. The resulting report can be used by national Governments to ‘frighten the children’ at home. Most country reports make some reference to improving or reforming vocational training often through expansion of apprenticeships. Of interest are the criticism of bogus self-employment in Poland, the observations on the German labour market, and the differential use of the term ‘in consultation with the social partners and in accordance with national practice’ in different Member States. Some relevant observation on Germany and Sweden are reproduced.

The whole document can be accessed at:

[http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm)

But it is strictly for insomniacs.

## Observations

German wages have risen in recent years, following a prolonged period of wage moderation. However, wage growth in 2013 slowed down compared to the year before. Next year, Germany plans to introduce a general minimum wage of €8.50 per hour which will take full effect in 2017. The impacts of its introduction should be monitored closely, particularly the possible effects on employment

Limited effort has been made to reduce the high tax wedge, notably for low-wage earners. In fact, the tax wedge could increase again due to the adopted pension reform and long-term care reform plans which would increase social insurance contribution rates.

Germany has made some progress in raising the educational achievement of disadvantaged people. This is important as the link between educational achievement and a person's socioeconomic background persists over their working life. Despite some progress towards appropriate activation and integration measures, long-term unemployment remains a concern, signalling a need for additional measures. There has been limited progress in facilitating people from mini-jobs into full time employment subject to full mandatory social security contributions. Also, no progress has been made to reduce fiscal disincentives to work for second earners.

Germany has made some progress in expanding the availability of full-time early childhood education and care places, though extension of all-day schools has been limited. Yet there are concerns surrounding the quality of childcare facilities and regional disparities.

Sweden is in the process of evaluating the effectiveness of the current reduced VAT rate for restaurants and catering services in support of job creation. The final evaluation is expected to be ready in January 2016.

## Recommendations

### Portugal

Maintain minimum wage developments consistent with the objectives of promoting employment and competitiveness. Ensure a wage setting system that promotes the alignment of wages and productivity at sectoral and/or firm level. Explore, in consultation with the social partners and in accordance with national practice, the possibility of firm-level temporary opt-out arrangements from sectoral contracts agreed between employers and workers' representatives. By September 2014, present proposals on firm-level opt-out arrangements from sectoral contracts agreed between employers and workers' representatives and on a revision of the survival of collective agreements.

Implement reforms to the second pillar of the pension system, ensuring an appropriate intra- and inter-generational distribution of costs and risks. Underpin the gradual increase of the statutory retirement age with measures to improve the employability of older workers.

Take further measures to enhance labour market participation particularly among people at the margin of the labour market and to reduce tax disincentives on labour. Implement reforms of employment protection legislation and the unemployment benefit system, and further address labour market rigidities. In consultation with the social partners and in accordance with national practice, allow for more differentiated wage increases by making full use of the existing institutional framework.

### Italy

Evaluate, by the end of 2014, the impact of the labour market and wage-setting reforms on job creation procedures, labour market duality and cost competitiveness, and assess the need for additional action.

### Germany

Improve conditions that further support domestic demand, by reducing high taxes and social security contributions, especially for low-wage earners. When implementing the general minimum wage, monitor its impact on employment.

Improve the employability of workers by further raising the educational achievement of disadvantaged people and by implementing more ambitious activation. Take measures to reduce fiscal disincentives to work, in particular for second earners, and facilitate the transition from mini-jobs to forms of employment subject to full mandatory social security contributions. Address regional shortages in the availability of full-time childcare facilities and all-day schools while improving their overall educational quality.

### France

Ensure that the labour cost reduction resulting from the “crédit d’impôt compétitivité emploi” is sustained. Take action to further lower employer social security. Further evaluate the economic impact of social security contribution exemptions, putting the emphasis on employment, wage developments and competitiveness and take appropriate measures if necessary. Further reduce the cost of labour in a budget neutral way through targeted reductions in employer social security contributions taking into account the various wage support schemes.

Take further action to combat labour-market rigidity, in particular take measures to reform the conditions of the ‘accords de maintien de l’emploi’ to increase their take up by companies facing difficulties. Take additional measures to reform the unemployment benefit system in association with social partners, in order to guarantee its sustainability while ensuring that it provides adequate incentives to return to work. Step up counselling and training for older workers and re-assess the relevant specific unemployment benefit arrangements.

### Belgium

Restore competitiveness by continuing the reform of the wage-setting system, including wage indexation, in consultation with the social partners and in accordance with national practice, to ensure that wage evolutions reflect productivity developments at sectoral and/or company levels as well as economic circumstances, and to provide for effective automatic corrections when needed; by strengthening competition in the retail sectors, removing

excessive restrictions in services, including professional services and addressing the risk of further increases of energy distribution costs; by promoting innovation through streamlined incentive schemes and reduced administrative barriers.

#### Austria

Reduce the high tax wedge on labour for low-income earners by shifting taxation to sources less detrimental to growth, such as recurrent taxes on immovable property, including by updating the tax base. Reinforce measures to improve labour market prospects of people with a migrant background, women and older workers. This includes further improving childcare and long-term care services and the recognition of migrants' qualifications

#### Luxemburg

Curb age-related expenditure by making long-term care more cost-effective, pursue the pension reform so as to increase the effective retirement age, including by limiting early retirement and linking the statutory retirement age to life expectancy.

Speed up the adoption of structural measures, in consultation with the social partners and in accordance with national practices to reform the wage indexation system with a view to improving the responsiveness of wages to productivity developments, notably at sectoral level.

#### Netherlands

Implement reforms of the second pillar of the pension system, ensuring an appropriate intra- and inter-generational distribution of costs and risks. Underpin the gradual increase of the statutory retirement age with measures to improve the employability of older workers.

Take further measures to enhance labour market participation of people at the margin of the labour market and to reduce tax disincentives on labour.

Implement reforms of employment protection legislation and the unemployment benefit system, and further address labour market rigidities. In consultation with the social partners and in accordance with national practice,



allow for more differentiated wage increases by making full use of the existing institutional framework.

### Spain

Pursue new measures to reduce labour market segmentation to favour sustainable, quality jobs, through reducing the number of contract types and ensuring a balanced access to severance rights. Continue regular monitoring of the labour market reforms. Promote real wage developments consistent with the objective of creating jobs. Strengthen the job-search requirement in unemployment benefits. Enhance the effectiveness and targeting of active labour market policies, including hiring subsidies. Accelerate the modernisation of public employment services. Ensure the effective application of public-private cooperation in placement services before the end of 2014, and monitor the quality of services provided.

### Poland

Combat labour market segmentation by stepping up efforts to ensure a better transition from fixed-term to permanent employment and by reducing the excessive use of civil law contracts.

Continue efforts to increase female labour market participation, in particular by taking further steps to increase the availability of affordable quality childcare and pre-school education. Include farmers in the general pension system, starting by speeding up the creation of the system for assessment and recording of farmers' incomes. Phase out the special pension system for miners with a view to integrating them into the general scheme. Underpin the general pension reform by stepping up efforts to promote the employability of older workers to raise exit ages from the labour market.

### A Minimum Wage in Germany

An agreement about the need for a minimum wage was a pivotal prerequisite in establishing Germany's grand coalition between Chancellor Angela Merkel's Christian Democrats (CDU) and the Social Democrats (SPD) following nationwide elections last September.

In the run up to the election, in which both the SPD, Green Party and Die Linke campaigned for a minimum wage, horror stories emerged about employers taking advantage of not having to pay a minimum wage. Wage levels are often higher in Western states than in the economically weaker states of the former East. Job centres in the state of Mecklenburg Western-Pomerania reported office workers receiving €1.37 an hour, a delivery driver on €1.55 an hour and a receptionist on €2.54 an hour. In one notorious case a hotel maid was paid 26 cents an hour, as reported by newspaper Die Welt.

The measure agreed by the Bundestag on 3 July contains the following main elements:

- A statutory minimum wage of €8.50 per hour will apply across all industries and regions from 1 January 2015 onwards.
- Exemptions apply to unskilled persons up to 18 years, apprentices, interns as long as the internship is part of vocational or tertiary education or of a defined 'testing period' of six weeks, unemployed persons in training measures and newly hired long-term unemployed persons for the first six months of employment.
- From 2017 onwards, the wage level shall be adjusted every two years by a minimum wage commission. Lawmakers in the Bundestag, Germany's lower house of parliament, are expected to pass the legislation in July, before the parliament's summer recess.
- The minimum wage is expected to particularly affect workers in small businesses, consumer-oriented services, and agriculture. Slightly more than a tenth of workers in western Germany earn less than €8.50 per hour, compared with a quarter of workers in eastern Germany, according to data from the IWH institute.
- Several business organisations have already voiced stark criticism of the minimum wage deal, saying the measures would result in many jobs losses. However, the European Commission, in its country specific recommendations to Germany, merely advised that the effect of the minimum wage should be kept under observation. (*Reuters, AFP, dpa and Eurofound*)

## And in Poland

The number of workers being paid the minimum wage in Poland is twice as high as official estimates previously suggested. This data has been made public by the Central Statistical Office after trade unions requested research into the minimum wage was undertaken.

In recent years, precarious and irregular forms of employment such as forced self-employment, civil law or fixed purpose contracts (which do not provide job security, paid leave or sick pay) have become crucial issues in social dialogue and in broader public debate. In response, the unions have organised campaigns to draw attention to the problem of so-called 'junk contracts'.

The abuse of civil law contracts has also been highlighted by the National Labour Inspectorate. However, since knowledge about the scale of their use is very limited unions asked the Central Statistical Office (GUS) to carry out research. Trade unions also asked for data on the actual number of workers who earn the minimum wage, including data on companies employing up to nine workers and data on self-employment. Previously, the figures provided were based on reports from companies employing more than nine people.

In 2012, 1.3 million employees earned no more than the minimum wage, PLN 1,500 gross (€358), which accounted for 13% of all employees.

In micro-enterprises (companies employing up to nine people) almost three-quarters of employees earned no more than the minimum wage (941,000 people).

Experts have commented on the fact that the number of people who earned the minimum wage appears to be twice as high as they had estimated. It has also been noted that the net minimum wage was almost the same as the social minimum wage estimated by the Institute of Labour and Social Studies.

Union representatives have said that the data provides an important insight into changes that are moving the Polish labour market towards deregulation and increasingly precarious work. Jan Guz, President of the All-Poland Alliance

of Trade Unions (OPZZ) claimed that precarious workers make up almost half of the workforce in Poland.

The most recent evidence for Ireland would indicate that 5% of the workforce was paid at or below the minimum wage. (Nolan Brian and Sylvia Blackwell 'The minimum wage and Irish firms in 2005', ESRI, quoted in the Duffy/Walsh report)

## Miscellanea

The progress of London in the 2013 Gaelic football championship shows the effects of emigration. The table below is derived from GAA annual reports and shows the numbers of clubs registered outside Ireland. The data needs to be treated with some caution as we are counting clubs and not players. In addition not all players are necessarily Irish migrants– up to twenty per cent of players registered with the European county Board are not Irish. Nevertheless, the table casts an interesting reflection on patterns of migration.

The modest increase in Britain reflects an existing infrastructure, as it does in New York. What stands out however is the double digit growth in North America, Canada and Australia together with the spectacular triple digit growth in mainland Europe and in Asia.

**Table 5: Number of GAA Clubs registered outside Ireland**

<b>Britain</b>	<b>2006</b>	<b>2014</b>	<b>% Increase 06–14</b>
London	29	31	
Hertfordshire	10	7	
Warwickshire	16	17	
Gloucestershire	3	5	
Lancashire	9	11	
Yorkshire	6	7	
Scotland	5	5	
<b>Total</b>	<b>78</b>	<b>83</b>	<b>6%</b>
<b>Around the World</b>			
Europe	26	71	<b>273%</b>
New York	41	40	<b>0%</b>
North America	67	92	<b>39%</b>

Canada	12	19	<b>58%</b>
Australia	38	64	<b>68%</b>
Asia	7	22	<b>315%</b>

*Source: GAA Annual Reports, European County Board*

For those who have problems spending their wages we recommend the *Financial Times* which gives some useful advice in its regular supplement ‘*How to Spend It*’. This useful publication provides some hints and tips for those whose imagination or generosity is exceeded by their wealth. Included amongst the advertisements for items such as Louis Vuitton handbags are suggestions for how people can spend their money. Of course, the practical benefits of such a bag could include hiding a €5,000 70cl bottle of Black Bowmmore 1964 Scotch Whisky. Also included in the publication is a heart-warming story of how ‘the acquisition of a 1955 Ferrari 750 Monza ignited a friendship that is the foundation of an extraordinary vintage car collection.’

For those who prefer to dress casually Common Projects/Tim Coppens ‘leather high tops’ trainers/runners are available for €657.50 or Christian Louboutin python high-tops runners for €1,681.25. For safety conscious industrial and warehouse workers, Louis Leeman produces canvas runners with metal toecaps for €707.50. It is unclear whether these are considered appropriate footwear in some of the restaurants and eateries commented on in the article by Sofia Merlo (co-chief executive of BNP Paribas Wealth Management).

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