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## Highlights of Current Labour Market Conditions in Ireland

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## **Overview of Current Economic Conditions in Ireland**

The transformation of Ireland's economy over the past decade has been characterised by the fastest growth in output and employment in the OECD. In 1999, output alone increased by 9.8% in real gross domestic product (GDP) terms and 7.8% in real gross national product (GNP) terms. In addition, employment has increased by over 40% from 1990 to 2000, again the fastest growth rate in the OECD.

Although forecasts for 2001 anticipate a moderate slowdown in the economy (ESRI Quarterly Economic Commentary), growth has shown no sign of slowing, as preliminary indications suggest that the economy is set to grow as fast this year as last.

The main macroeconomic issue for the Irish economy at present is the rise in consumer price inflation. Factors such as tight labour markets, increasing mortgage interest rates, increased sterling exchange rates, and the recent rise in oil prices have all contributed to inflationary pressures. One of the current challenges facing Ireland is the need to control inflation. Options for a small economy within a larger monetary union are limited.

## Output, population, and employment growth for Ireland

Year	GDP* change (%)	Population growth rate	GDP* growth per capita	Employment growth (%)
1990-91	1.9	n.a.	1.4	-0.4
1991-92	3.3	n.a.	2.5	1.5
1992-93	2.7	n.a.	2.1	1.5
1993-94	5.8	0.3	5.4	3.2
1994-95	9.7	0.4	9.3	5
1995-96	7.7	0.7	7	3.6
1996-97	10.7	1	9.7	3.9
1997-98	8.6	1.2	7.3	8.3
1998-99	9.8	1.1	8.7	6.5
1999-2000	n.a.	1.1	n.a.	5

\*GDP growth is at constant 1995 Irish market prices.

Source: CSO Statistical Releases.

### ***Unemployment is at its lowest level***

Ireland is currently experiencing its lowest level of unemployment. Due to high employment growth, the unemployment rate has dropped to 4.3%, compared with 15% six years ago. The level of unemployment in mid-2000 was 74,900, 22,000 less than the same period in 1999 and 136,100 less than the level in 1994.

For the past few years, unemployment rates for males and females have been declining more or less by the same pace. Until 1993 there was a small gap between the rates, with female unemployment slightly higher than male rates. Since then, however, the decline in unemployment rates have converged.

There has also been a consistent fall in long-term unemployment rates since 1994. In 1999 there was a substantial drop in the number of long-term unemployed, with the level falling by 24,000 people from the previous year.

In 1999, 38,000 people in the labour force had been out of work for more than one year (FAS Labour Market Update 1999).

### **Unemployment rates for Ireland**

	Overall	Men	Women	Long term
1990	12.9%	12.7%	14%	8.3%
1991	14.7	14.2	15.6	8.8
1992	15.1	15	15.2	8.5
1993	15.7	15.6	15.8	8.9
1994	14.7	14.7	14.8	9
1995	12.2	12.1	12.2	7.1
1996	11.9	11.9	11.9	6.9
1997	10.3	10.4	10.3	5.6
1998	7.8	8.1	7.4	3.9
1999	5.7	5.9	5.5	2.5
2000	4.3	4.3	4.2	1.6

Source: CSO Labour Force Survey.

### ***Industrial workers earnings continue to rise***

Between 1990 and 1995 the average real wages of Irish industrial workers grew by 7.6%; between 1995 and 1999 average real wage growth was 11.4%.

There was a dramatic rise in real wages in 1993, which tapered off again until 1996. But in recent years, wages have been growing more substantially. A continuous rise in consumer prices coupled with a tight labour market has resulted in recent wage demands, which could add to these inflationary pressures.

### **Wages for Irish industrial workers**

	Nominal average hourly earnings	Real average hourly earnings*
1990	£5.43	£6.60
1991	£5.73	£6.75
1992	£6.01	£6.86
1993	£6.36	£7.19
1994	£6.47	£7.12
1995	£6.62	£7.10
1996	£6.82	£7.20
1997	£7.00	£7.28
1998	£7.38	£7.50
1999	£7.91	£7.91

\* 1999 prices.

Source: CSO Statistical Bulletin.

### ***Unionisation rates***

Unionisation rates still remain high by international standards in Ireland. In 1999, 33% of all workers belonged to a union, as total membership levels reached 523,700 people. During the early to mid-1990s, union density rose, but since 1995, density has been tapering off. In aggregate, however, these high unionisation rates show a continuance of the strong union tradition in Ireland.

### **Unionisation rates for all workers in Ireland**

<b>Period</b>	<b>Union coverage</b> (% of workers in labour force)
1991	35.9%
1992	35.1
1993	37.3
1994	35
1995	36.7
1996	34.7
1997	n.a.
1998	n.a.
1999	33

Source: CSO Statistical Abstract.

### ***Poverty rates are rising***

Comparing the poverty rates of 1994 and 1997, we see that the percentage of households below each of the relative income lines has risen. The most dramatic increase is at the 40% relative-income line, as the number of households below this income line increased by 59% between 1994 and 1997.

These figures are an indication of the growing disparity that is occurring between the rich and the poor in Ireland as the economy continues to grow

and prosper. The rich continue to get richer and the poor poorer, in relative terms.

Poverty in Ireland is characterised by localised deprivation. There are areas throughout Ireland with concentrations of people living in poverty, known as “poverty blackspots.” These poverty blackspots are the result of a variety of forces -- a concentration of low-income groups in certain areas, the rapid economic growth leading to a decline of localised unskilled employment, and poor local services and amenities. The consequences of such concentrations of poverty in certain communities include an increase in crime, drugs use, ill-health and psychological stress as well as a reduced life expectancy. (for more information, see the government paper, “National Anti-Poverty Strategy: Appendix 2: Poverty, Social Exclusion, and Inequality in Ireland” at <http://www.dscfa.ie/dept/reports/naps/index.htm>).

Recently the Irish government has become more responsive to the growing poverty blackspots and their resulting social consequences, launching an “Anti-Poverty Strategy” initiative. Also in recent budgets the government has tried to tackle income inequality in Ireland through financial aid, such as the Family Income Supplements, increasing social welfare, and through tax regimes.

**Poverty rates for Ireland: percentage of households below relative income poverty lines (based on income averaged across households)\***

Poverty line	1994	1997	Absolute change
40% relative income line	5.4	8.6	59%
50% relative income line	19.5	23.0	18%
60% relative income line	34.4	36.4	6%

\*Based on Equivalence Scale B (1/0.6/0.4) used to equalise household income.

Source: ERSI 1994 & 1997 Living in Ireland Survey.

**Income distribution by quintile, Ireland, 1994**

Quintiles	1994 income distribution -- share of income (%)
Top	42.6%
Fourth	23.3
Middle	15.9
Second	11
Lowest	7.2

Source: Eurostat Statistics in Focus.

**Other valuable statistics links for Ireland:**

CSO – Central Statistics Office

<http://www.cso.ie>

ESRI – Economic and Social Research Institute

<http://www.esri.ie>

Irish Government Departments

<http://www.irlgov.ie>

Irish Government Department: Department of Social, Community and Family Affairs:

<http://www.dscfa.ie>

FAS – Training and Employment Authority

<http://www.fas.ie>