

The labor market in Ireland, 2000–2016

Unemployment remains above pre-crisis levels, but recovery from its very high crisis level is well underway

Keywords: unemployment, migration, Ireland

ELEVATOR PITCH

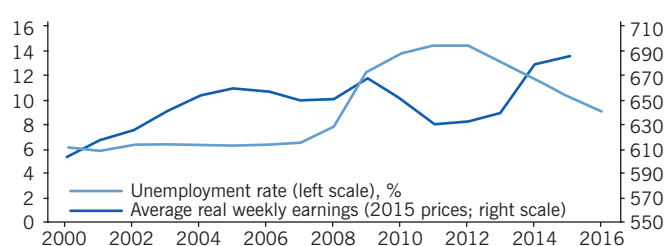
Ireland was hit particularly hard by the global financial crisis, with severe impacts on the labor market. The unemployment rate increased dramatically, and the labor force participation rate declined by four percentage points between 2007 and 2012. Outward migration re-emerged as a safety valve for the Irish economy, helping to moderate impacts on unemployment via a reduction in overall labor supply. As the crisis deepened, long-term unemployment escalated, creating significant policy challenges. Overall unemployment has been dropping rapidly since 2013, but remains above its pre-crisis level.

KEY FINDINGS

Pros

- ⊕ Unemployment has been on a steep downwards trajectory since 2013.
- ⊕ Migration has acted as an important safety valve for the Irish economy, whereby increases in unemployment have led to rising emigration, thus alleviating the potential impact on the unemployment rate.
- ⊕ Labor force participation rates have stabilized after experiencing substantial falls during the crisis years.

Unemployment and weekly earnings in the industry sector



Note: Earnings (in euros) adjusted for Consumer Price Index inflation.

Source: Authors' own compilation based on Central Statistics Office data. Online at: <http://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?maintable=QNG20&PLanguage=0>; <http://www.cso.ie/en/releasesandpublications/ep/p-hes/hes2015/>

IZA
World of Labor

Cons

- ⊖ Long-term unemployment remains a challenge and the share of very long-term unemployed (more than four years) has doubled since the crisis.
- ⊖ Issues around future sources of labor supply are beginning to emerge.
- ⊖ In terms of unemployment, young men (aged 15–24) were hit particularly hard by the recession due to their high concentration within the construction sector.
- ⊖ Due to a lack of comparable earnings data over time, it is not possible to present developments in earnings inequality or the gender pay gap.

AUTHOR'S MAIN MESSAGE

In the early 2000s, Irish growth was fueled by a property, credit, and construction boom. The global financial crisis in 2008 shattered this growth model. Between 2007 and 2012, the unemployment rate soared from 4.7% to 14.7%, despite outward migration helping to moderate some of the impact. Recovery has been underway since 2013, but long-term unemployment and uncertainty about the future labor supply remain salient issues. Looking to the future, labor market activation programs to train the long-term unemployed for future labor market needs should be prioritized. Migration could also offer a means of alleviating growing labor supply concerns.