

Employment Monitor

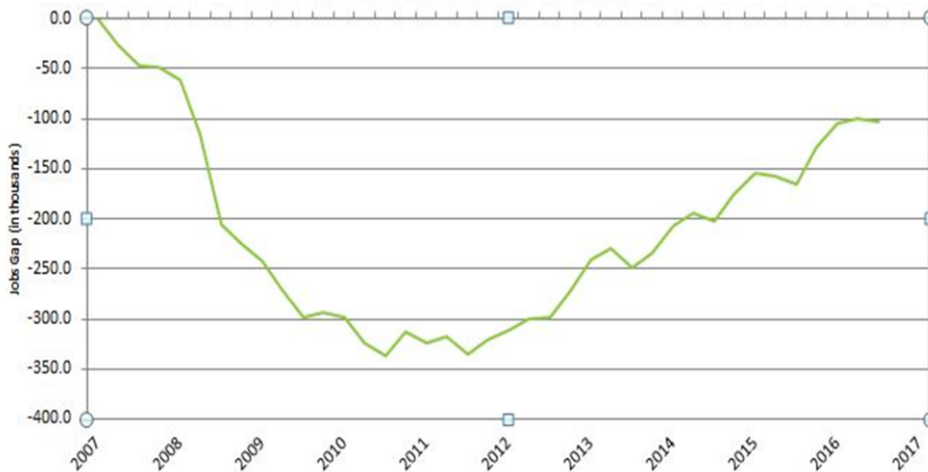


Issue #5 ISSN: 1649-4954

September 2017

Contents	page
The Jobs Gap	1
Low-paid employment	3
Employment and poverty	5
Youth unemployment	6

Chart 1: Evolution of the Jobs Gap to Date



Jobs Gap steady at over 100,000

Low-paid work an increasing feature of Irish Labour Market

The Jobs Gap

Ireland's employment situation has improved greatly over the last few years. As noted in the May 2017 issue of this publication, 2016 was the first year in a decade that saw a net increase of jobs greater than 65,000. The consensus forecast is for continued jobs growth, albeit at a slower pace than what has recently been experienced, due to the anticipated effects of Brexit and the

natural slowdown that occurs as economies approach full capacity.

However, this does not tell the full story. Much of the employment being created in low-paid in nature, and there is an increasing prevalence of precarious work and zero-hours contracts.

Ireland has a high instance of minimum wage employment, which has implications for employees' ability to achieve a decent standard of living. Later

in this issue, we analyse the incidence of employees in the economy earning the National Minimum Wage, and look at the issue of the working poor.

As well as this, as noted in previous issues of the *Employment Monitor*, Ireland is still a significant distance from its pre-crisis levels of employment.

As of the end of March 2017, Ireland has a Jobs Gap of 103,500. This is the number of jobs that the economy still must create in order to match Ireland's peak performance in 2007.

Note: data in this publication are derived, unless otherwise indicated, from the Central Statistics Office's (CSO) Quarterly National Household Survey (QNHS), from its National Minimum Wage (NMW) Data, and from the author's own calculations. Data relating to NMW relates to the average incidence over the period April to December 2016.

Key Points

- There is a significant instance of low-paid employment in Ireland; much of it well below what is required for the minimum socially acceptable standard of living in Ireland;
- A significant number of people in employment are experiencing poverty;
- Reform of income taxation system required to tackle the issue of the "working poor".
- The Jobs Gap (taking account of demographic and other changes) is 103,500;
- The economy is 124,500 jobs short of its 2007 peak;
- The CSO's headline unemployment rate for August 2017 was 6.3%, down 0.1% from July;
- Unemployment has decreased (seasonally adjusted) by 2% over the previous 12 months;
- Employment fell slightly in the three months to end March 2017, for a total of approximately 2.05 million jobs. This fall was expected, based on seasonal trends.

(See boxed text on next page for a full explanation of the Jobs Gap).

Chart 1 (above) illustrates the evolution of the Jobs Gap since Autumn 2007. There has been a gradual decrease in the size of the Jobs Gap over the last five years.

This measurement of Ireland's labour market performance takes account of changes in the make-up of Ireland's population and labour force, as well as trends in migration.

This publication aims to move away from unemployment numbers or rates, and put a focus on the actual number of jobs in the economy, as

Introduction

Social Justice Ireland's Employment Monitor is a quarterly publication examining Ireland's employment situation, including employment numbers, significant labour market trends and other aspects of the macroeconomy. The purpose is to highlight selected trends with a focus on the policy goals of increasing employment, providing better working conditions, and creating a more just economic model and a fair society.

Each quarter we publish a briefing detailing the number of jobs that the Irish economy must create to match peak performance levels, adjusting for labour market and demographic developments. We also analyse different aspects of the labour market each quarter, and make observations and recommendations regarding the prevailing situation. In this issue we pay particular attention to the issue of low-paid employment.

well as other features of jobs market such as job quality, income adequacy, and how Ireland's employment recovery is being spread.

In 2007, at the time of the Irish labour market's all-time peak performance, there were an estimated 2.17 million people in employment in Ireland.

The Irish labour market has changed in size and profile in the decade since. However, we are closer now to this mark than at any time in the last seven years, and 2016 was a particularly productive year on the job creation front for the Irish economy.

While such headline rates of employment generation are welcome, they hide many undesirable features of the Irish labour market, some of which are

becoming more deeply entrenched.

The last two issues of the *Employment Monitor* in particular highlighted several of these, including:

- Endemic long-term unemployment, particularly among older workers;
- High levels of underemployment (people working part-time hours who would take full-time work if it were available);
- A high incidence of dependency on state income supports among employees;
- An increased number of discouraged workers leaving the labour force;
- A growth in precarious employment;
- A rate of low-pay in the labour force that is well-above the EU average;
- A significant number of workers

earning below the Living Wage;

- The imbalanced nature of employment creation in Ireland, when broken down by region.

Employment Trends

The annual employment change to the end of Q1 2017 was positive for the 18th straight quarter.

It was also the fifth straight quarter that the rate of year-on-year employment growth increased. There were 3.5 per cent more people in employment in Ireland at the end of Q1 2017 than at the same time the previous year. (See Chart 2, below).

Almost 69,000 jobs were created in the year to Q1 2017, which featured an increase in full-time employment of 84,200 (+5.5%) and a decrease in part-time employment of 15,600 (-3.4%).

Unemployment decreased by 33,200 (-18.5%) in the year to Q1 2017. This

Chart 2: Rate of year on year employment growth

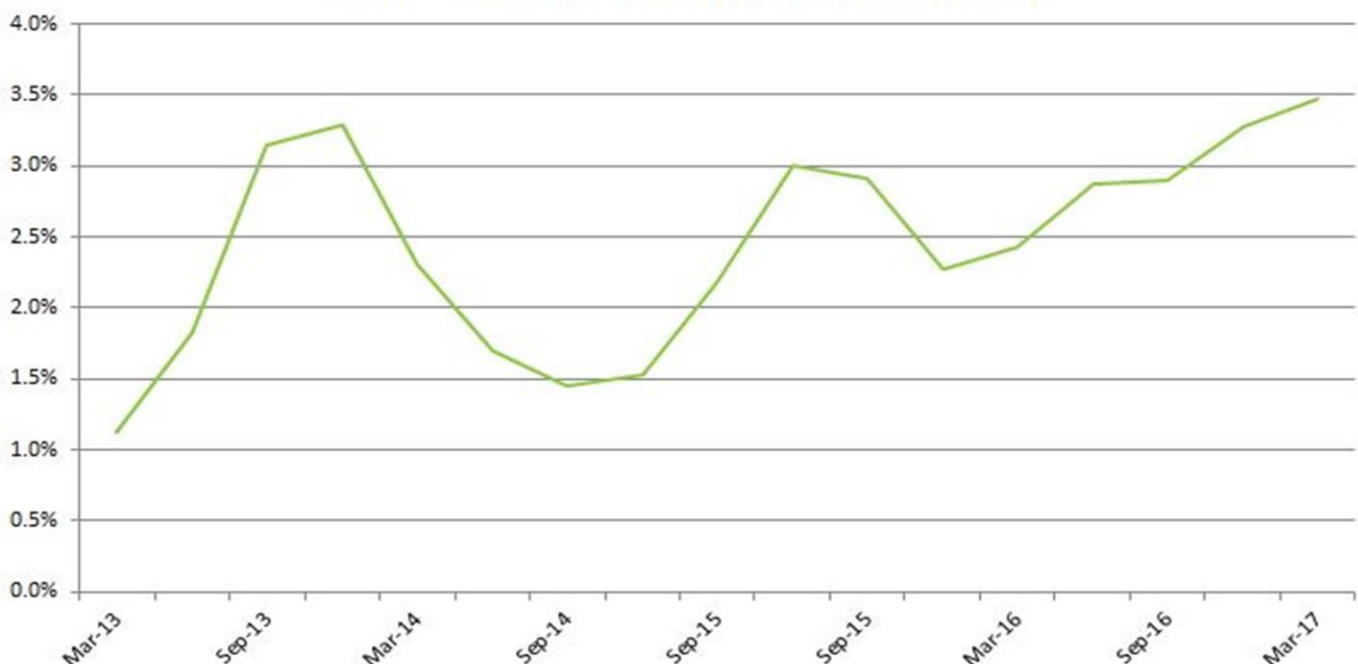


Chart 3: Trends in Underemployment %, 2008-2017



is the 19th successive quarter where unemployment has declined on an annual basis.

Such trends in employment, combined with Ireland's strong economic fundamentals (Department of Finance, 2017), are very welcome. However, *Social Justice Ireland* remains concerned with several aspects of how the labour market has been developing, and about several features which – while at first seeming to be temporary consequences of the economic crisis which began in 2007/8 – appear to be becoming structural features of the Irish labour market.

Headline employment numbers are useful, but there is much about the labour market that they do not tell us.

The May 2017 issue of *Employment Monitor* highlighted a number of issues related to the spread of employment, with particular focus on the manner in which employment growth in Ireland over the last number of years has been concentrated in certain areas of the country, particularly around Dublin which now accounts for half of all economic activity in Ireland (National Planning Framework 2017).

Several areas of the country, particularly some of those on the

West coast, are suffering from a combination of a fall in job numbers, a slow pace of recovery in employment, and a falling labour force due, in part, to emigration.

Policymakers must do more to ensure that jobs growth is spread more evenly across the country.

As well as the regional employment deficits that are developing, just over 92,000 (see Chart 3, above) people are currently working part-time hours, but would take full-time employment if they could find it. These people are known as the underemployed, and though they are not included in official unemployment statistics, these 92,000 part time employees who desire full-time work represent a significant block of employment being sought after which is not available.

These underemployment numbers are up on those from the end of 2008, though they have fallen significantly since 2012.

Official unemployment statistics also disregard the majority of the approximately 67,000 people who are engaged in employment activation schemes.

On a more positive note, the youth unemployment rate (that is the unemployment rate for 15-24 year olds) – while still much higher than

that of other age groups – decreased from 16.9 per cent to 13.2 per cent over the year to Q1 2017, while the long-term unemployment rate decreased from 4.7 per cent to 3.6 per cent over the same period.

These trends are important, and are often lost when policymakers focus on headline unemployment rates and jobs growth numbers.

So too is the increasing instance of low-paid employment in Ireland; something on which we will now focus.

Low-paid employment

The low pay threshold, according to Eurostat, is calculated as two-thirds of median hourly earnings. The median earnings are those of the middle person in the earnings distribution.

In the January 2017 issue of *Employment Monitor*, we discussed instances of low pay in Ireland. Since then, the CSO has published its most comprehensive dataset on instances of minimum wage employment in Ireland.

These statistics show that an average of **10.1 per cent of employees for whom earnings data was reported earned the National Minimum Wage (NMW) or less** between Q2 and Q4 2016.

This corresponds to approximately 155,000 employees. An average of

22,500 people self-reported earning less than the minimum wage over that term.

On drilling deeper, some interesting trends emerge regarding where the main instance of minimum wage employment lies:

- The **wholesale and retail trade and the repair of motor vehicles sector** accounted for 25.9 per cent of all employees who reported earning the NMW or less.

By comparison, the sector contains just 14.3 per cent of all employees in Ireland.

- Despite containing just 7.6 per cent of all employees in Ireland, the **accommodation and food services sector** accounted for 24.7 per cent of all minimum wage employment.

One third of all workers within the *accommodation and food services* industry earned the minimum wage; the highest concentration of minimum wage employment in the economy.

- 24.2 per cent of **agricultural** employees (including those in forestry and fishing) earn the NMW. This compares poorly to 7.7 per cent of industrial workers and 10.4 per cent of those in the services sector.

- At 54.4 per cent, **women** make up a slight majority of workers earning the NMW.

As a proportion of each gender, women are also slightly more likely to earn the NMW, at 10.8 per cent, versus 9.3 per cent of men.

- **Youths** (those aged 15-24) were more than four times as likely as the average worker to be earning the NMW.

41.5 per cent of all employees aged 15-24 were earning the NMW or less.

- Workers in **part-time** roles are five times as likely as those in full-time roles to be earning the NMW or less.

Just over a quarter (26.7 per cent) of all employees who worked part-time reported that they earned the NMW or less. This compares with a national average of 10.1 per cent.

Almost three in five persons (58.7 per cent) earning the NMW or less were employed on a part-time basis, despite part-time employees accounting for just 23 per cent of all employees in the State.

- Unsurprisingly, the likelihood of employees earning the NMW or lower was greater for those with low educational attainment.

About 24.1 per cent of workers with **primary level education** earn the NMW, and 23.2 per cent of workers with lower primary level education earn the NMW, as opposed to 3.5 per cent of people with a **third level honours degree or above**, and 10.1 per cent of the population in general.

The statistics from the CSO are unsurprising in some respects; employees who are younger, with lower levels of education, or working part-time in those sectors of the economy known anecdotally to have a high concentration of employees in precarious work are more likely to earn the NMW.

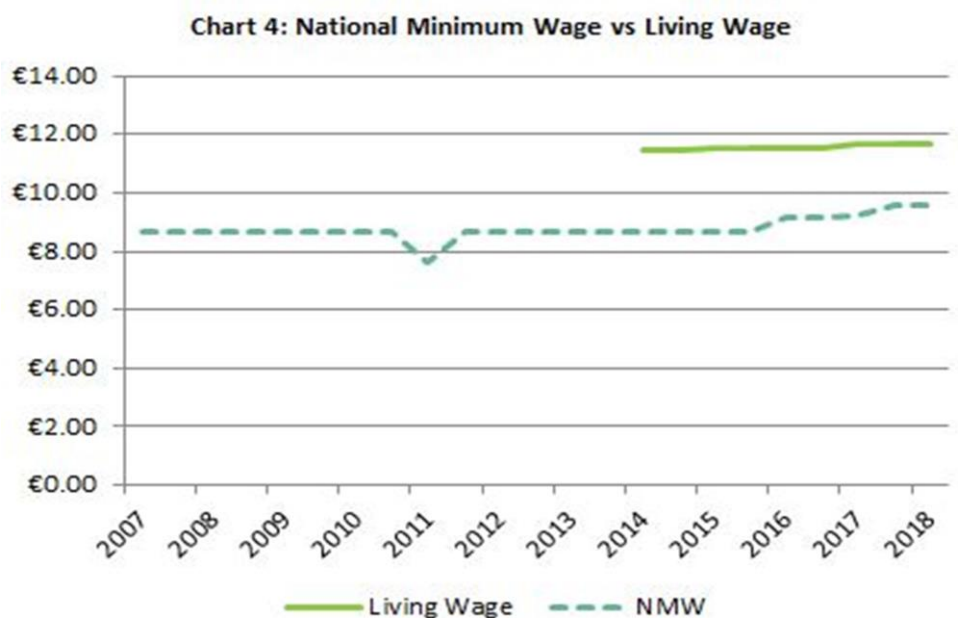
It is also true that, relative to employees in general, minimum

wage workers are more likely to be on temporary contracts, working less than 20 hours per week, and working in the private sector.

Women are disproportionately more likely to earn the NMW than men. This too is, perhaps, unsurprising although the gap is not huge and is probably more likely due to women's greater propensity to work in part-time employment than any gender-related factors.

Evidence from the international literature identifies three groups that are particularly vulnerable to precarious employment: women, young people and foreign nationals (Nugent, 2017). Trends in Ireland regarding low-paid and minimum wage employment follow broadly similar patterns.

While these divergences are interesting, the most significant issue with the numbers dealing with the National Minimum Wage is that such a substantial portion of the Irish labour force earns so far below what is considered a wage high enough to achieve the minimum socially acceptable standard of living in Ireland. Chart 4, below, tracks changes in the Living Wage and the NMW over the last decade. After the proposed changes in 2018, the NMW will be approximately 81 per cent of the Living Wage.



The Living Wage

A “**living wage**” is a wage which makes possible a minimum socially acceptable standard of living for a single person working 39 hours per week.

It is based on the principle that employment should provide an income that enables individuals to afford a socially acceptable standard of living; providing for needs, not wants. In that sense it is an income floor, representing a figure which allows employees to afford the essentials of life. Earnings below the living wage suggest employees are forced to do without certain essentials so that they might make ends meet.

It is derived from Consensual Budget Standards research which establishes the cost of a Minimum Essential Standard of Living (MESL) in Ireland today.

The current level of the Living Wage is €11.70 per hour. The calculation assumes that individuals work a 39 hour week, and do not have dependents. The rate of the Living Wage has increased by 20 cents in the last year.

The National Minimum Wage, on the other hand, is not based on the cost of living and is set at a somewhat arbitrary level. It has never been linked to the cost of living, nor indexed in line with changes in the cost of living.

The NMW, at €9.25 per hour, is just 80 per cent of the Living Wage. This will increase by 30c per hour to €9.55 per hour from January 2018; a recommendation of the Low Pay Commission (2017).

This is a healthy increase compared to the 10 cents per hour in Budget 2017. **At a rate of increase of 10 cents per hour per year, it would be around 25 years before the NMW is equal to the Living Wage**, without taking into account inevitable increases in the cost of living in the meantime.

While it is significant that one in ten workers is earning the NMW (and

many thousands more earning a rate that is above the NMW, but still below the Living Wage), **it is also worth noting that this 10 per cent rate of minimum wage employment is notably higher than some of the rates suggested** by previous studies.

A 2015 report by Dr. Micheál Collins, then at the Nevin Economic Research Institute (NERI, suggested that approximately 5.6 per cent of all employees were earning the minimum wage in 2013, equivalent to approximately 75,000 people at the time. The CSO data would indicate that the incidence of minimum wage employment is even more prevalent, and growing.

As noted recently by Dr. Tom Healy (2017) of NERI, the Living Wage is a concept that is, in most countries, tied in with the idea of the social wage; that is the services and consumption that is provided by the state at either a subsidised cost or at no direct cost to the user at the point of access.

Depending on the country, this might include subsidised public transport, social housing, subsidised education, affordable or universal free healthcare, and various forms of social protection or welfare payments.

Ireland has a poor track record of provision in most of these areas, by comparison to our Western European counterparts. As a result, the Living Wage in Ireland is higher than it might be under a system of greater social provision.

It should be noted that the Living Wage figure is a blended average of all areas of the country, making it difficult to apply directly to any one area. It also refers to single adults only, and does not purport to be enough on which to achieve a decent standard of living for a family, even with the help of social protection payments.

Social Justice Ireland is part of the Living Wage technical group that determines the level of the Living Wage annually.

Employment and Poverty

Most people have heard some variation of the phrase “a job is the best poverty reliever”.

It would be more correct to say that a well-paying job is the best poverty reliever for those in the labour force.

Social Justice Ireland, in numerous briefings over the years, has pointed out two features of the relationship between poverty and employment.

First of all, around half of all those in poverty in Ireland are not connected to the labour market.

According to the CSO (2017c), in 2015 55 per cent of people living in poverty or at risk of poverty were either children under the age of 16, students, retired, or not at work due to illness or disability.

41.1%	of the population
13.3%	of those at risk of poverty
24.8%	of those experiencing deprivation
9.5%	of those in consistent poverty

Therefore a focus on economic gains and employment creation, as has been very much the focus of the recovery being experienced by Ireland, will do little to relieve the experience of hundreds of thousands of people living in poverty who are not engaged with the labour market.

A second feature of the relationship between poverty and employment is that even having a job is no guarantee of relief from poverty.

Again, this is due in part to economic and other policies that have favoured job creation above most other goals, with little attention paid to the type of job being created.

The growing numbers of ‘working-poor’ across the developed world must surely call into question the long-standing conventional wisdom that a job is the best way out of poverty. More and more working people are at risk of poverty and deprivation and in some countries are often in receipt of government

supports to bring them up to subsistence levels of income (Nugent, 2017).

According to the Survey on Income and Living Conditions 2015 (CSO, 2017c) 13.3 per cent of people living in poverty and 24.8 per cent of people living in deprivation are in employment. This corresponds to more than 100,000 who are employed but living in poverty, and almost 300,000 citizens who are employed but experiencing deprivation.

Many of these people will be among the numbers analysed earlier in the section on minimum wage employment.

We believe that Government should move to close the gap between the National Minimum Wage and the Living Wage, with a view to achieving parity between the two by 2022.

While dealing with issues like poverty and the working poor will require a range of policy measures across the areas of employment, welfare and taxation, such a measure would go a significant way to reducing the number of working poor in Ireland.

Youth Unemployment

It has already been illustrated that young people are more likely to be working in minimum wage employment. This is far from the only way in which younger people in the labour market often end up worse off than older cohorts.

Unemployment as experienced by young people (those aged 15-24) was 13.2 per cent at the end of Q1 2017; significantly higher than all other age groups measured, and more than twice as high as for most groups.

While these numbers are on a welcome downward trend, they are still startling.

Young men are more likely than young women to be unemployed, with 14.3 per cent of men in this age category, compared to 12 per cent of women, currently out of work.

At 13 per cent in 2016, Ireland's rate of NEETs (individuals not engaged in Employment, Education or Training) among the 15-24 age group was higher than the EU average of 11.5 per cent, and almost three times as high as the Netherlands, which was the best performing country in the European Union (Eurostat, 2017).

Chart 5, below, highlights trends in

NEETs rates for Ireland, as well as selected European countries. (Italy is the worst performer in the EU).

One of the least justifiable welfare policies pursued in recent years was the increase in the age of eligibility for full Jobseekers payments to 26 years. While just one of many examples of how young people were disproportionately affected by austerity measures, it is one of the most obviously discriminatory, and has little obvious benefit.

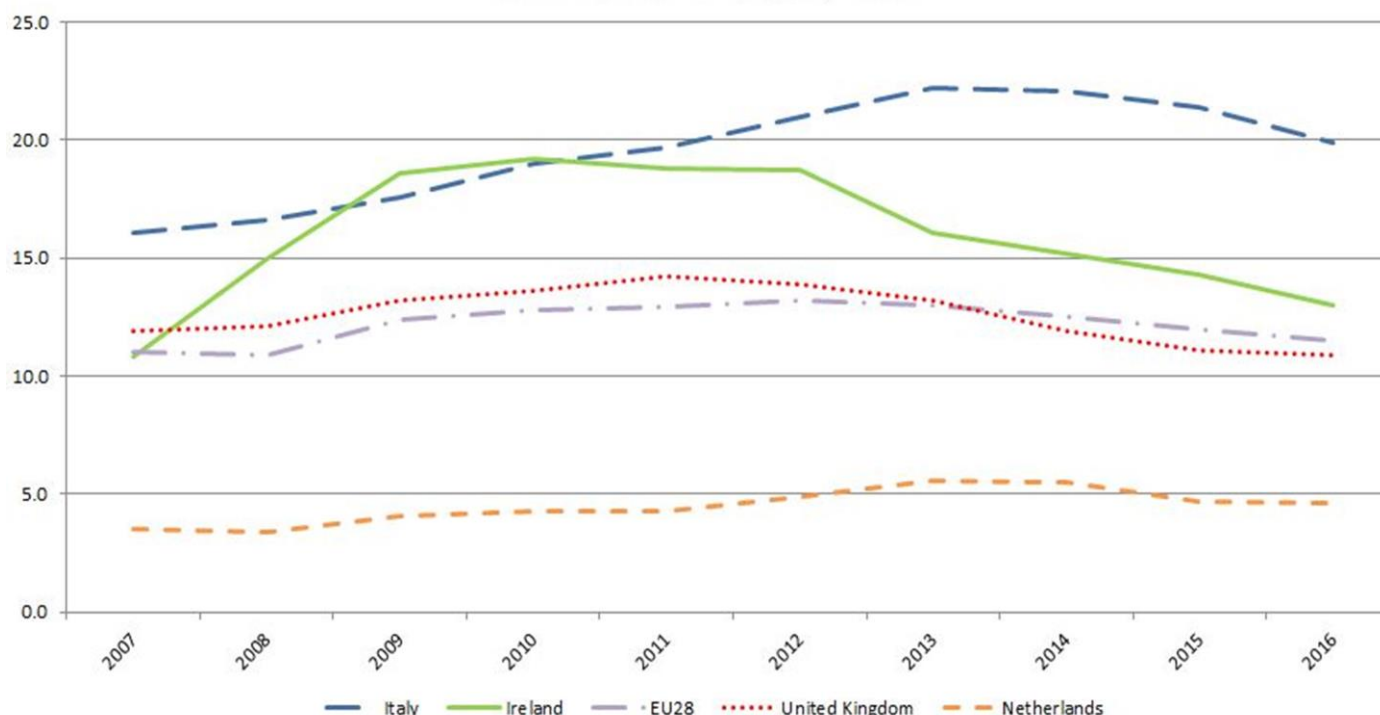
In our recent *Budget Choices* briefing, *Social Justice Ireland* called for the equalisation of Jobseekers rates for under 26s with the rest of the population. We estimate that this would cost €132m in 2018.

Asylum Seekers and Employment

Social Justice Ireland welcomed the recent Supreme Court ruling regarding the unconstitutional nature of the ban on asylum seekers seeking employment within the State.

At the end of May, the seven-judge Supreme Court unanimously found in favour of the individual who took the case, but adjourned the matter for six months to allow the Dáil to

Chart 5: Rate of NEETs (%) age 15-24



consider how to address the situation.

It is now incumbent on Government to ensure that legislation is drafted that ensures the vindication of the constitutional right to work for asylum seekers.

Social Justice Ireland has, repeatedly, called for the recognition of the right to work of all asylum seekers whose application for asylum is at least six months old.

The rule, as currently constituted, compounds the damage to mental health and self-worth being done already by several aspects of Ireland's current system of processing asylum applications.

Long-term Policy Challenges

Most of us have, at some point, heard politicians and other commentators speaking of the need "to make work pay". *Social Justice Ireland* agrees, and believes that the best way to make work pay is to focus on the bottom of the income distribution, implementing policies that allow all those in employment to benefit equally.

In this regard, the most immediate need is for Government to make the two main tax credits refundable.

In our 2010 publication *Building a Fairer Tax System: The Working Poor and the Cost of Refundable Tax Credits* we identified approximately 113,000 low-income individuals who would benefit in an efficient and cost-effective manner from making tax credits refundable. The proposal only applies to the unused portions of the Personal and PAYE tax credits. The cost of refunding unused tax credits to individuals satisfying all of the criteria outlined in the study would be approximately €140m in a single year. These criteria include:

- Individuals must be at least 23 years of age;
- Individuals must have earned an income, from paid employment, during the year between €4,000 and €16,500 (updated from the original number of €15,600 to

take account of the current tax credit arrangements in place);

- Individuals must have accrued a minimum of 40 PRSI weeks;
- Married couples must not have earned a combined annual total income greater than €31,200;
- Payments would be made at the end of the tax year.

The report found that the majority of the refunds would be valued at under €46 per week, with the most common values being between €15 and €19 per week.

Considering that individuals receiving these payments have incomes of less than €16,500 per annum (€317 per week), such payments are significant to them.

Almost 40 per cent of refunds would flow to the working poor; those in employment but living below the poverty line.

A system of refundable tax credits would also incentivise employment over welfare as it would widen the gap between pay and welfare rates.

Once adopted, a system of refundable tax credits would ensure that all future changes in the tax credit system would be experienced equally by all employees in the Irish economy. Any increase in the PAYE or Personal tax credit would benefit all, and not just those who are earning enough to utilise all their income tax credits.

With this in mind, *Social Justice Ireland*, in our recent Budget Choices briefing, called for a €5 per week increase in the PAYE tax credit. This would cost €375m in 2018.

Together, these policies would make a significant difference to the working poor.

As noted in the January 2017 issue of this publication, data from Eurostat (2016) has highlighted the issue of low pay in Ireland, contextualising it with comparison to our EU counterparts.

In Ireland, the proportion of employees earning two-thirds or less of national median gross hourly earnings is 21.6 per cent.

The average across the European Union is 17.2 per cent, and is 15.9 per cent in Euro-area. Ireland outperforms only the Baltic States, Romania, Poland and Germany;

Though Ireland is outperforming Germany in terms of rates of low pay in the labour force, it should also be pointed out that the German state provides, among other things, a well-funded and properly universal public health system, heavily subsidised and efficient public transport, and social welfare that is funded by an Employer Social Insurance rate that is almost twice that of Ireland.

Ireland has a choice. We can continue to emulate the less developed countries of the former eastern bloc in areas like exchequer revenue-raising, public spending, public service provision and subsidisation, and low-paid work.

Or we can aim to have productive economic and social infrastructure and investment along the lines of the more developed countries of Scandinavia and Western Europe, which have fully universal single-tier health systems, well subsidised childcare, well-funded education and public transport, and generally have far lower rates of low pay than Ireland.

Social Justice Ireland's recent *Budget Choices* called for a concentrated programme of public investment. Many of the proposed investment packages were prioritised towards job-intensive sectors, which are also some of the areas in which our social and economic infrastructure deficits are most obvious, including:

- Housing
- Healthcare
- Broadband

Inappropriate fiscal rules currently blocking the required levels of public investment will need to be adjusted, and much of the investment in housing will need to come via a Special Purpose Vehicle, as it will simply not be possible to tackle the current waiting list – currently over 91,000 households (Housing Agency 2016) – using regular revenue.

Monitor Recommendations

This issue of the *Employment Monitor* contains a number of policy recommendations for Government, summarised here:

- Move to close the gap between the National Minimum Wage and the Living Wage, with a view to achieving parity between the two by 2022;
- Equalise Jobseekers Allowance rates for all, removing the current anomaly where those under the age of 26 receive a reduced amount;
- Implement a system of refundable income tax credits, in order to help tackle the working poor. This would also ensure that all future changes to the income tax credit structure would be felt equally by all employees;
- Draft legislation that ensures the vindication of the constitutional right to work for asylum seekers and recognise the right to work of all asylum seekers whose application for asylum is at least six months old;
- Fully consider the implications of tax and welfare policies for low-paid employment, particularly where tax incentives are being used to encourage employment generation;
- Implement a sustained public investment programme, targeted to increase the number of quality jobs in the economy, with the aim of closing the social infrastructure deficit between Ireland and our Western European counterparts.

References

- Central Statistics Office (2017a). *QNHS National Minimum Wage Data*
- Central Statistics Office (2017b). *Quarterly National Household Survey – Quarter 4 2016*
- Central Statistics Office (2017c). *Survey on Income and Living Conditions 2015*
- Department of Finance (2017). *Monthly Economic Bulletin – July 2017*
- Eurostat (2016). *Structure of Earnings Survey*. 8 December 2016
- Eurostat (2017). *Statistics on Young People neither in Employment nor in Education or Training*.
- Healy, T (2017). *The Living Wage in the Republic of Ireland*. 16 June 2017 blog
- Housing Agency (2016). *Summary of Social Housing Assessments 2016*
- Low Pay Commission (2017). *Recommendations for the National Minimum Wage*
- National Planning Framework (2017). *Ireland 2040, Our Plan – Issues and Choices*
- Nugent, C. (2017). *A time-series analysis of precarious work in the elementary professions in Ireland*
- Social Justice Ireland (2010). *Building a Fairer Tax System: The Working Poor and the Cost of Refundable Tax Credits*

Recent Publications and Research from Social Justice Ireland

National Social Monitor (September 2017)

Budget Choices – Budget 2018 Submission (July 2017)

A New Social Contract for a New Century - Annual Socio-Economic Review (April 2017)

Fairness and Tax Reform – Policy Briefing (April 2017)

Ireland and the Europe 2020 Strategy – A Review (March 2017)

Sustainable Progress Index 2017 (February 2017)

Employment Monitor – Issue 3 (January 2017)

Europe: The Excluded Suffer while Europe Stagnates (January 2017)

Basic Income – Radical Utopia or Practical Solution? (November 2016)

Budget 2017 – Analysis & Critique (October 2016)

Fairness in Changing Income Taxes (Sept 2016)

All of these and many more of our publications are available on our website at www.socialjustice.ie Printed copies can be purchased from the Social Justice Ireland offices.



Social Justice Ireland is an independent think-tank and justice advocacy organisation committed to working to build a just society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected.

Membership of Social Justice Ireland is open to individuals and groups who share these objectives. We are always keen to hear from new members. Full details of what membership entails and how to join can be found at www.socialjustice.ie/members.

Social Justice Ireland, Arena House,

Arena Road, Sandyford, Dublin D18 V8P6

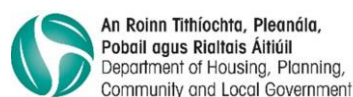
Phone: 01 213 0724

Email: secretary@socialjustice.ie

CHY number 19486

Registered Charity Number: 20076481

www.socialjustice.ie



This work has been partly supported by the Scheme to Support National Organisations via the Department of the Environment, Community and Local Government and Pobal.