

Sick Man or Tigress? The Labour Market in the Republic of Ireland

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Introduction

LABOUR MARKET PROBLEMS HAVE A LONG HISTORY in the Republic of Ireland. At the outset of political Independence in 1922 the Southern economy was highly specialised in agricultural production for the British market and its small industrial sector remained underdeveloped. Mass exodus from agriculture was the principal dynamic of change in employment from the 1920s until the 1960s. Between 1926 and 1961 employment in agriculture declined from 53 per cent to 36 per cent of total employment. While this decline in agriculture was counter-balanced to some extent by an expansion of positions in the industrial and service sectors, total employment nevertheless fell—from 1.2 million in 1926 to just over 1 million in 1961 (Kennedy, Giblin and McHugh, 1988). Unemployment remained comparatively high throughout this period, although the main effect of the failure to provide work for all resulted in substantial emigration; net emigration amounted to about 500,000 in the first three decades of Independence.

Labour market problems reached critical proportions in the 1950s, with stagnation in both agriculture and industry giving rise to increased unemployment and a renewed surge of emigration. During the decade of the 1950s alone, net emigration rose to over 400,000, reducing the population by almost 14 per cent of its 1951 level. The adoption of policies to encourage export-oriented foreign-owned manufacturing after 1958 gave rise to a substantial increase in employment and services over the next two decades, which more than offset an accelerated decline in agricultural employment, with the result that total employment increased by about 14 per cent between 1961 and 1980. Unemployment generally remained below 5 per cent until the recession of the mid-1970s and net emigration

slowed substantially in the 1960s, and, for the first time in over a century, there was substantial net immigration during the 1970s as some of those who had left during the 1950s returned to take up jobs in the booming economy. The boom times were relatively short-lived, however, and, with the onset of world recession in 1980 following the second oil price shock, employment fell rapidly throughout the first half of the 1980s, unemployment soared to over 17 per cent of the labour force, and emigration resumed.

At the end of the 1980s, there was widespread despondency among academic commentators at the scale of the crisis confronting Irish society, the most manifest indications of which were: mass unemployment, resurgent emigration, a massive public debt, and sluggish economic growth. Breen, Hannan, Rottman and Whelan (1990: 209) argued that

Despite the enormously bloated role of the state as an economic intermediary, it has been monumentally unsuccessful either in ensuring sustained economic growth or in moderating inegalitarian tendencies in the class system.

They concluded (1990: 143):

Since the foundation of the State, Ireland has been unable to create jobs on a scale sufficient to meet the requirements of its potential growth in population. The consequences of such failure have been high levels of unemployment among the employee labour force and high rates of emigration.

In more pessimistic vein, Lee (1989: 521) commented:

It is difficult to avoid the conclusion that Irish economic performance has been the least impressive in western Europe, perhaps in all Europe, in the twentieth century.

Lee's account of the malaise is a culturalist interpretation which seeks an explanation for Irish failures in factors inherent to the society: national institutions which reward mediocrity, an inability to harness intellectual resources, and failings of national character and identity. There is no apparent escape from the dilemma. Lee's pessimism is shared by O'Hearn's (1990) account, which however, lays emphasis on external factors; the determining effects of Ireland's peripheral position in the international economy. Breen *et al.* (1990) set the state at centre stage, although they situate the state in class structure and mobilisation, and within the objective constraints given by late industrialisation and the position occupied by the Southern economy in the international division of labour. The crisis of the 1980s is thus seen as the failure of a highly interventionist state lacking the capacity to impose rational and progressive policies, not least because of the extent of State entanglements with sectional interests. While Breen *et al.*, share the despondency of their contemporary commentators, there is

nothing in their interpretation to suggest that the crisis of the 1980s was inevitable, nor, therefore that the situation was entirely irreparable.

In fact, in 1987, in response to the crisis, the State took the lead in negotiating a corporatist-style solidaristic agreement between government and social partners, the Programme for National Recovery (PNR) from 1987–90, covering incomes as well as fiscal policy, which augured in a period of fiscal discipline, and which was combined with a macro-economic policy stance incorporating low inflation, stable exchange rates, and tax reform. This policy framework has been largely maintained during the 1990s and is widely perceived to have provided the institutional and policy framework for rapid growth in both output and employment.

Output has grown by more than 5 per cent per annum since 1990, and, assuming appropriate domestic policies and a continuation of moderate growth in the international economy, these trends are forecast to continue over the short to medium term. This exceptionally strong performance has resulted in unprecedented employment growth. Total employment increased by 136,000, or 12 per cent, between 1993 and 1996, and the ESRI forecast is for a further 3.4 per cent per annum increase in employment between 1996 and the end of the century (Duffy, Fitz Gerald, Kearney and Shorthall, 1997).

Popular accounts have, accordingly, begun to talk of the Republic of Ireland as a ‘European tiger’—evoking comparisons with the rapid economic growth and development achieved by the Asian newly industrialising countries—and officials of the European Commission like to refer to Ireland as the success story of the cohesion strategy. In labour market terms, given that about 60 per cent of the recent increase in employment is accounted for by women, this characterisation of the sudden transformation—from ‘sick man of Europe’ to European tiger—appears to have misconstrued the gender of the animal.

This paper examines these recent changes in the labour market and situates them in longer-term developments in both State policy and the labour market. Taking the longer view, I argue that the labour market in Ireland has been characterised by a process of polarisation, with upgrading of positions for those at work combined with the exclusion of those lacking market capacities to compete for access to work.

Principal Developments in the Labour Market

The decade of the 1980s was particularly severe for the Southern economy. Table 1 shows how the numbers at work declined over the first half of the 1980s while the size of the labour force increased, due both to natural

population growth and increasing labour force participation by women. Contraction in employment combined with labour force growth resulted in an increase in the unemployment rate from just under 10 per cent of the labour force in 1981 to over 17 per cent in 1986. Since then, economic performance has fluctuated: 1988/89 was a period of expansion in GNP and employment, but this was followed by a period of sluggish growth in both. More recent years have seen very rapid growth in both output (of about 5 per cent per annum) and in employment (which grew by 136,000 or 12 per cent between 1993 and 1996). Under these conditions unemployment fluctuated between 13 per cent and 18 per cent of the labour force during the 1980s, and stood at 15.5 per cent in 1991, increased to almost 17 per cent in 1993 and fell to less than 13 per cent in 1996.

Emigration has fluctuated in accordance with demand in both domestic and external labour markets. It rose dramatically in the late 1980s and peaked in 1989, when net emigration (in-migration minus out-migration) rose to 44,000 individuals, representing almost 3.5 per cent of the labour force in that year. Net emigration subsequently fell, and in 1996 inward migration exceeded out-migration by about 6,000. The demographic structure is skewed towards the younger age groups, with the result that, in the absence of emigration, the labour force has the capacity to expand by up to 25,000 each year (i.e., by 1.5 per cent to 2 per cent).

State Policy and Employment

The active role of the State in the Republic in the restructuring of the economy through its promotion of the export-oriented development strategy, and attraction of foreign direct investment since the late 1950s has already been well documented (Breen *et al.*, 1990). In our analysis of the development of the welfare state (O'Connell and Rottman, 1992) we

Table 1. Numbers (in thousands) at work, unemployed and net migration, 1971–96.

Year	At work	Unemployed	Labour force	Unemployment rate (%)	Net migration
1971	1,049.4	60.7	1,110.1	5.5	-5
1976	1,063.8	105.0	1,168.8	9.0	16
1981	1,145.9	125.7	1,271.6	9.9	2
1986	1,080.9	227.5	1,308.4	17.4	-28
1991	1,134.0	208.0	1,342.0	15.5	-2
1993	1,148.0	230.0	1,378.0	16.7	-2
1996	1,284.0	190.0	1,474.0	12.9	6

Sources: Censuses of Population and Labour Force Surveys.

demonstrated how state policies were instrumental in setting the transformation of the economy and labour market in motion, while policies in other areas, particularly in relation to public employment and social welfare policy were equally influential in reshaping the class structure. We argued that the increasing salience of the state mediation of life chances was evident in:

- 1 State policies that fostered public employment;
- 2 Welfare state policies that created jobs not only for public employees, but also for self-employed professionals;
- 3 Economic, social and taxation policies which underwrote property-based market capacities that would not otherwise be viable, and which became manifest in the growth of self-employment;
- 4 Regional policies which redistributed industrial jobs from urban to rural areas.

Table 2 shows the transformation of the structure of employment between 1971 and 1995. The number at work in agriculture continued its secular decline and the share of agricultural employment fell from 26 per cent in 1971 to just over 11 per cent in 1995. By 1996, the numbers at work in agriculture had fallen to 136,000, representing a decline of 50 per cent over the twenty-five years from 1971. Kearney (1992) shows that this fall in the agricultural work-force was not caused primarily by farmers becoming unemployed or leaving the land to find alternative employment, but was due mainly to retirement and a reduced rate of entry. Kearney also argues that even after the persistent decline in recent decades, there is still a surplus of labour in agriculture, with the result that agricultural employment is expected to continue to contract into the next century.

Employment in manufacturing currently accounts for about 21 per cent

Table 2. Persons at work by sector 1971–95 (%).

	1971	1981	1986	1991	1995
Agriculture	25.9	17.1	15.5	13.7	11.3
Manufacturing	23.1	22.9	21.6	21.7	21.2
Building	8.0	8.8	6.7	6.9	6.6
Transport	5.7	6.1	6.0	5.8	6.2
Distribution	13.6	14.6	15.1	15.1	15.0
Other Market Services	11.4	13.5	15.5	17.9	} 39.7
Non-Market Services	12.3	17.0	19.5	18.8	
Total	100.0	100.0	100.0	100.0	100.0
Number (1,000)	1,049.4	1,145.9	1,080.9	1,134.0	1,233.6

Note: Percentages do not always sum to 100.0 owing to rounding.

Sources: Censuses of Population and Labour Force Surveys.

of total employment. In numerical terms, manufacturing expanded somewhat during the 1970s (from 242,000 in 1971 to 262,000 in 1981) and declined during the recessionary period between 1981 and 1986 (to about 234,000). Recent years have, however, seen some expansion in manufacturing, with the result that the number employed in 1995 was about the same as in 1981. Accordingly, the Republic is one of the few EU countries in which manufacturing employment is expanding, mainly due to the continued influx of inward investment, prompted by the range of tax and grant incentives, as well as the moderate cost structure.

Aggregate data on manufacturing employment conceal significant changes over time in its composition. Irish manufacturing comprises an indigenously owned sub-sector, trading mainly in traditional products (such as clothing, textiles and food processing) and largely oriented toward the domestic market, and a foreign-owned, more high-tech sector (concentrated in engineering, instrumentation, computers and chemicals), oriented mainly to export markets. The foreign-owned sub-sector has been the more dynamic, expanding continuously over the last three decades, and in the early 1990s accounted for about 46 per cent of total manufacturing employment. The indigenous sector was subject to severe decline, particularly during the 1980s, when uncompetitive Irish firms proved unable to withstand competition from larger and better established producers in the European core. This was the downside of the outward-oriented strategy, and it resulted in large numbers of industrial workers being displaced by the process of economic restructuring. Workers displaced from traditional uncompetitive indigenous firms did not necessarily possess the requisite skills to compete for jobs in the expanding foreign-owned sectors, giving rise to the emergence of a substantial problem of long-term unemployment, which is discussed later in this paper. In the more recent employment expansion since 1993, growth has occurred in both the indigenous and foreign-owned sub-sectors, suggesting that the lengthy period of weeding out of the uncompetitive firms from the indigenous sector may be near completion.

Employment has expanded markedly in the services sector over the past two-and-a-half decades, with total employment increasing from 587,000 in 1971 to over 750,00 in 1995, an increase of 28 per cent. Most of the employment in services has taken place in non-market services—mainly public sector activities, and particularly in education and health. Employment in this sector increased from 12 per cent of the total in 1971 to almost 20 per cent in 1986. Until the mid-1980s the rate of expansion in the public sector outstripped the rate of growth in the total labour force (O'Connell and Rottman, 1992), and by the early 1980s, if employment in state-sponsored bodies is included, the public sector employed one-third of the

non-agricultural workforce (Humphries, 1983). Public sector employment contracted somewhat following austerity measures introduced to cope with the public debt crisis in 1987, although expansion of public sector employment has resumed in recent years. Employment in 'other market services' (which includes a broad range of business, professional and personal services) also increased steadily over the period, accounting for 12 per cent of the total in 1971 and almost 18 per cent in 1991.

These sectoral changes in the structure of employment, dominated by the expansion of employment in the public sector, combined with changes in the occupational structure *within* sectors to produce a far-reaching transformation of the class and occupational structures. Table 3 provides a summary of the transformation of class positions of both men and women at work between 1961 and 1991.

Between 1961 and 1991 the total number at work, as measured by the Census, increased by almost 100,000. This resulted from offsetting trends: the number of men at work declined by about 4 per cent over the period, while the number of women at work increased by 46 per cent, with the result that women's share of total employment increased from 26 per cent in 1961 to 35 per cent in 1991.

Perhaps the most marked change that can be observed over the thirty-year period is the decline in the number of employers and self-employed individuals deriving their income from property ownership—from almost 40 per cent of the total in 1961 to 22 per cent in 1991—and the consequent increase in the numbers of wage and salary dependent workers. This is, of course, one of the common effects of industrialisation, and what is most noticeable in the Irish context is the rapid pace of that transformation. The most important source of the decline in the importance of property ownership is the decline in agriculture discussed above—from 30 per cent of class positions in 1961 to 12 per cent in 1991. Among men, the decline in agricultural employment and self-employment was from 36 per cent to 16 per cent of all positions (and if we include agricultural labourers the decline in agricultural positions was from 45 per cent of the total in 1961 to less than 20 per cent in 1991). By 1991 women had almost disappeared from agriculture.

Outside of agriculture there was some increase in the proportion of employers, from 1.5 per cent to 4 per cent, while the proportion self-employed was about the same in both 1961 and 1991 (although there was a decline in the latter years until the early 1980s, and a subsequent recovery over the following decade). Among men, there was a marked increase in the proportion of employers—from 1.6 per cent of the total in 1961 to over 5 per cent in 1991, and self-employment also increased from 6 per cent to 8 per cent. Among women, however, there was a much smaller growth in

the proportion of employers from 1 per cent to 2 per cent, and both the number and proportion of self-employed women fell.

Among the expanding categories of employees, the most dramatic change was the growth in middle-class positions. Between 1961 and 1991, the proportion of upper-middle class employees—including professionals, managers and salaried employees—more than doubled: from just under 10 per cent of total employment to over 22 per cent. Within the upper-middle class there were important gender differences. The proportion of men occupying higher professional positions doubled from 2.2 per cent to 4.3 per cent, while the corresponding proportion of women in the higher professional category declined (although the number remained constant). Among women, however, there was a very substantial increase in the lower professional category—from less than 9 per cent of total women's employment in 1961 to over 19 per cent in 1991. Most of the increase in this category can be attributed to the marked expansion over this period of lower professional employment in health and education in the public sector.

The lower-middle class also expanded, although less dramatically, from 23 per cent in 1961 to 31 per cent in 1991. Women predominate in this class category, which includes a rather diverse range of white-collar occupations, including clerical workers, shop assistants and personal service workers. By 1991, lower-middle class positions accounted for almost half of all women's employment but just over one-fifth of men's employment.

Skilled manual work increased slightly, from 10 per cent of total employment in 1961 to 12 per cent in 1991, but these aggregate figures also conceal offsetting trends between men and women. The proportion of skilled manual male employees increased from 12 per cent to almost 17 per cent while the proportion of women in skilled manual occupations declined from 6 per cent to 3 per cent over the thirty-year period. There was a steady decline in semi- and unskilled manual work—from 19 per cent in 1961 to 12 per cent in 1991. That decline was particularly severe among men, with the share of unskilled manual work declining from 21 per cent to less than 13 per cent.

Finally, Table 3 also shows that unemployment increased dramatically—from 5 per cent of the labour force in 1961 to almost 15 per cent in 1991. Unemployment among men increased from almost 6 per cent in 1961 to 16.5 per cent in 1991, while the increase among women was from 3 per cent to almost 12 per cent. The increase in unemployment was due partly to rapid growth in the labour force, a factor which was relieved by high rates of emigration, particularly in the latter half of the 1980s: net outward migration averaged 14,000 between 1981 and 1986 and 27,000 per annum between 1986 and 1991, the latter representing a net annual outflow

Table 3. Men and women at work by class position, 1961–91 (%).

	Men		Women		All	
	1961	1991	1961	1991	1961	1991
EMPLOYERS AND SELF-EMPLOYED						
Agriculture						
(i) Employers	1.8	1.4	1.1	0.2	1.6	1.0
(ii) Self-employed and relatives assisting	34.3	15.0	13.9	3.2	28.9	10.9
Non-Agriculture						
(i) Employers	1.6	5.2	1.1	1.9	1.5	4.1
(ii) Self-employed and relatives assisting	6.2	7.9	6.5	4.1	6.3	6.5
EMPLOYEES						
(i) Upper middle class	7.6	19.2	14.8	28.3	9.5	22.4
<i>Higher Professional</i>	2.2	4.3	5.0	3.5	3.0	4.0
<i>Lower Professional</i>	1.7	5.2	8.9	19.4	3.6	10.2
<i>Employers/Managers</i>	2.0	6.9	0.8	4.3	1.7	6.0
<i>Salaried Employees</i>	1.6	2.7	0.0	1.1	1.2	2.1
(ii) Lower middle class	15.6	21.9	42.7	48.8	22.8	31.4
<i>Inter Non-manual</i>	8.6	11.7	24.7	36.7	12.8	20.5
<i>Other Non-manual</i>	7.1	10.1	17.9	12.1	10.0	10.8
(iii) Skilled manual	12.0	16.8	5.8	2.8	10.3	11.9
(iv) Semi/Unskilled manual	20.9	12.7	14.1	10.6	19.1	11.9
(a) <i>agriculture</i>	8.4	2.8	0.2	0.4	6.2	2.0
(b) <i>non-agriculture</i>	12.5	9.9	13.9	10.2	12.9	10.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
Total at work	774,540	743,948	277,999	405,132	1,052,539	1,149,080
Percent Unemployed	5.7	16.5	3.0	11.6	5.0	14.8

Note: Percentages do not always sum to 100.0 owing to rounding.

Sources: Census of Population of Ireland, 1961 and 1991.

equivalent to about 2 per cent of the labour force in those years (Sexton and O'Connell, 1996).

The transformation of the structure of the labour market was more far-reaching than just a shift from agriculture to industrial and service sector employment, or from manual to non-manual activities, although both of these changes did take place. The new types of occupation required either qualifications or personal skills which had not been required by traditional employment, or which were unnecessary to inherit the family business in a class structure dominated by property ownership. Many of the changes in the structure of labour market positions coincided with the removal of at least some of the impediments to women's participation in the labour market, with the result that many of the newly created opportunities were taken by women, contributing to the substantial increase in women's

employment over the three decades. Among the losers in the transformation were those who lost jobs in traditional industries, and, particularly older workers who, lacking the qualifications and skills to compete for the newly created positions, became unemployed and, eventually long-term unemployed, a group to which we return later in this paper.

Reviewing the transformation of the Southern labour market over the thirty-year period 1991–61 revealed in Tables 2 and 3, five overarching trends can be observed:

- 1 A secular contraction in agriculture, and more generally, a substantial decline in the importance of positions deriving income from property ownership, and consequently, an increase in the importance of wage and salary dependent employment;

- 2 A marked expansion in public sector employment;

- 3 A general upgrading of the quality of positions in the labour market, with well over half of all those at work occupying middle-class positions by 1991;

- 4 A substantial increase in the number of women at work; and

- 5 A marked increase in unemployment—itsself entailing a further augmentation of the numbers dependent on the state for their income.

The growth in women's employment is worth investigating somewhat more fully, not least because at the outset of industrialisation women's labour force participation in the Republic was well below the European average, and because the increase in women's labour force participation which might have been expected to result from industrialisation or modernisation did not in fact materialise in the first two decades of the process (Pyle, 1990; O'Connor and Shortall, this volume). It has, however, increased rapidly since the mid-1980s. Table 4 shows the numbers of men and women at work, unemployed and in the labour force, and labour force participation rates for the period 1971–96. The total labour force increased steadily over the twenty-five year period, and the overall labour force participation rate fluctuated between 52 per cent and 54 per cent. This stability in the labour force participation rate, however, resulted from very different trends for men and women. The number of men at work traces the dominant trends in the economy and labour market over the period: it increased over the 1970s, fell dramatically in the early 1980s, rose slightly in 1991, fell again in 1993 and increased in 1996, but at 796,000 was still lower than its level in 1981. In contrast, the number of women at work increased steadily throughout the period, in spite of the economic downturns, from 276,000 in 1971 to 488,000 in 1996. There was an overall net increase in unemployment between 1981 and 1996 for both men and women, and

although the number of men at work fell in the period, the number of men in the labour force showed a net increase.

The number of women participating in the labour force increased by almost 90 per cent, from 287,000 in 1971 to 541,000 in 1996. This trend for increased female participation in the labour force is confirmed by the labour force participation rate for women, which rose from just under 28 per cent in 1971 to 30 per cent in 1981, and to 38.6 per cent in 1996.¹ Over the same period the labour force participation rate for men fell from 81 per cent in 1971 to 69 per cent in 1996.

Part of the reason for the sluggish growth in women's labour force participation may be attributable to the State, which throughout the 1960s and early 1970s continued to implement discriminatory employment policies. The subsequent increase may be due to the abandonment of explicitly discriminatory employment policies with the removal of the marriage bar in the Public Service in 1973, the Anti-Discrimination (Employment) Act of 1974, the Anti-Discrimination (Pay) Act of 1975, the Employment Equality Act of 1977, and the introduction of statutory right to maternity leave in 1981. This is an effect which can take some time to work itself out, since earlier policies had the effect of removing women from the labour force in a near-permanent fashion. Thus, for example, Walsh (1993) shows that the participation rate for women in the 25–34 year age group was 28 per cent in 1971, and that the rate remained unchanged for this group in 1991 (then aged 45–54 years). Empirical studies of the increase in women's labour force participation have related the increase in the 1980s to increased wages, itself a consequence of employment equality legislation, (Callan and Farrell, 1991) and to increased social welfare benefit and declining birth rates (Walsh, 1993).

Part of the reason for the more recent increase is also likely to be due to increased educational attainment among women—a result of the general increase in educational participation at senior cycle secondary and third level which followed the introduction of free second-level education in the late 1960s and the subsequent expansion of enrollment at both second and third level since the 1970s.

It has also been argued that the continued low rate of participation of women in the Southern labour market is due to the continuation of state policies which promote gender discrimination within the household, even after the abandonment of discriminatory policies in the labour market (Pyle, 1990). The most obvious example of such policy is the continued

¹ Women's labour force participation rates actually declined from 32.5 per cent in 1936 to 28.6 per cent in 1961, and between 1961–71, the first decade of rapid industrialisation the decline continued, albeit slightly, to 28 per cent in 1971.

Table 4. Numbers at work, unemployed (in thousands) and labour force participation rates by gender (%), selected years 1971–96.

	At work	Unemployed	Labour force	Labour force participation rate
<i>Men</i>				
1971	774	50	824	80.7
1981	809	104	913	76.4
1986	741	174	915	73.6
1991	747	156	903	71.0
1996	796	138	934	69.0
<i>Women</i>				
1971	276	11	287	27.9
1981	337	22	359	29.8
1986	339	54	393	30.9
1991	387	52	439	33.4
1996	488	52	541	38.6
<i>Persons</i>				
1971	1,049	61	1,110	54.2
1981	1,146	126	1,272	53.0
1986	1,081	227	1,308	52.0
1991	1,134	208	1,342	51.9
1996	1,284	190	1,474	53.5

Sources: Censuses of Population and Labour Force Surveys.

absence of state supported child care, or even of tax allowances to compensate parents for child-care expenses.

In this context, it is significant that a substantial part of the growth in women's employment over the past decade has been in part-time work, with the result that the proportion of women working part-time increased from 11 per cent of the total in 1983 to almost 20 per cent in 1995.

The incidence of part-time working has increased significantly since the mid-1980s. Table 5 shows that the share of part-time workers in total employment rose from 5 per cent in 1983 to over 10 per cent in 1995, or in absolute terms from 56,000 to 124,000. For men the proportion of part-timers rose from 2 per cent to 4.5 per cent, while for women the increase was from 11 per cent to nearly 20 per cent. The large majority of part-time workers are women and in 1995 they accounted for 72 per cent of all part-time work. Women's labour force participation has thus partly increased in response to an increase in the demand for part-time workers—an arrangement which allows women greater scope to combine working with child rearing and other domestic work.

Part-time work accounted for all of the modest increase in total employment that occurred between 1983 and 1993; in fact the numbers

in full-time employment declined during this time. Part-time employment rose by some 43,000 but this was partially offset by a fall of 21,000 in the numbers in full-time jobs, leaving a net overall rise of 22,000. However the balance between growth in full- versus part-time work has altered again with the recent surge in employment: total employment increased by 87,000 between 1993 and 1995. Men's employment increased by 43,000, of which only 7,000 were part-time jobs. Women's employment increased by 45,000 over the same two years, but 18,000 were part-time jobs.

The increase in part-time work in recent years, as well as the strong growth in women's labour force participation, suggests that there is substantial demand for access to work, a demand which confounds conventional boundaries between unemployment, labour force participation and economic inactivity. This is confirmed by a recent survey of 700 individuals classified as 'inactive'—i.e., in retirement or home duties (Fynes *et al.*, 1996). Almost 98 per cent of respondents were women. The survey found that about 11 per cent had actively tried to find work within the previous three months. When asked, however, whether they would be realistically interested in taking up a part-time job on a job-sharing basis outside the home if such were available, a total of 60 per cent responded that they would. The study concluded that there is a substantial pool of women, not presently classified as unemployed, who express a strong interest in the

Table 5. Total employment 1983–95 (in thousands), distinguishing part-time workers.

Year	Total	Full-time	Part-time	Part-time share (%)
<i>Men</i>				
1983	777.6	761.3	16.3	2.1
1986	741.4	725.8	15.6	2.1
1991	747.0	726.5	20.5	2.7
1993	736.0	708.2	27.8	3.8
1995	778.8	743.8	35.0	4.5
<i>Women</i>				
1983	346.4	306.6	39.8	11.5
1986	339.5	301.8	37.7	11.1
1991	387.0	331.6	55.4	14.3
1993	410.2	339.2	71.0	17.3
1995	454.8	365.6	89.2	19.6
<i>Persons</i>				
1983	1,124.0	1067.9	56.1	5.0
1986	1,080.9	1027.6	53.3	4.9
1991	1,134.0	1058.1	75.9	6.7
1993	1,146.2	1047.4	98.8	8.6
1995	1,233.6	1,109.4	124.2	10.1

Sources: Annual Series of Labour Force Surveys.

kind of jobs which increased work sharing could make available. Extrapolating from these data to a national basis would suggest that about 420,000 women, equivalent to about 85 per cent of the women currently in paid work, could potentially be attracted back into the labour force by an increase in job availability. These findings thus indicate enormous pent-up demand for work, particularly part-time work, among women currently regarded as outside of the labour force.

Part-time work tends to be concentrated in particular types of activity, with 50 per cent of the total in service-related activities (Sexton and O'Connell, 1996). There has been little research to date into part-time work in the Republic, so little is known about pay and conditions, about how much of part-time work is voluntary or otherwise, nor about the stability of such work.

Unemployment Trends

The Republic of Ireland has suffered from mass unemployment over a prolonged period. We have seen in Table 1 above that unemployment has climbed steadily since the 1970s and accelerated over the 1980s. Empirical studies of the sharp increase in unemployment in the early 1980s suggest a complex of factors, including external economic conditions, domestic fiscal policies and, to a lesser extent, demographic growth (Barry and Bradley, 1991).

The Republic also suffers from an exceptionally high level of long-term unemployment: the proportion of the unemployed who have been out of work for a year or more is one of the highest in the European Union. Figure 1 shows total and long-term unemployment, expressed as a proportion of the labour force for selected EU countries in 1994. Spain had the highest unemployment rate (24 per cent) of any EU country, and it was also the country with the highest rate of long-term unemployment—13 per cent of the labour force. The unemployment rate in Ireland was 15 per cent of the labour force, with 9 per cent unemployed for one year or more. This compared with an EU average of 12 per cent unemployment and almost 7 per cent long-term unemployment.² Estimates from the 1994 Labour Force Survey indicate that the share of long-term in total unemployment in Ireland was nearly 63 per cent, compared with an EU average of 48 per cent.

Figure 2 shows total unemployment and long-term unemployment in Ireland for the period 1983–96. Total unemployment increased from

² EU average unemployment rates relate to the 15 EU member countries, not just to those displayed in Figure 1.

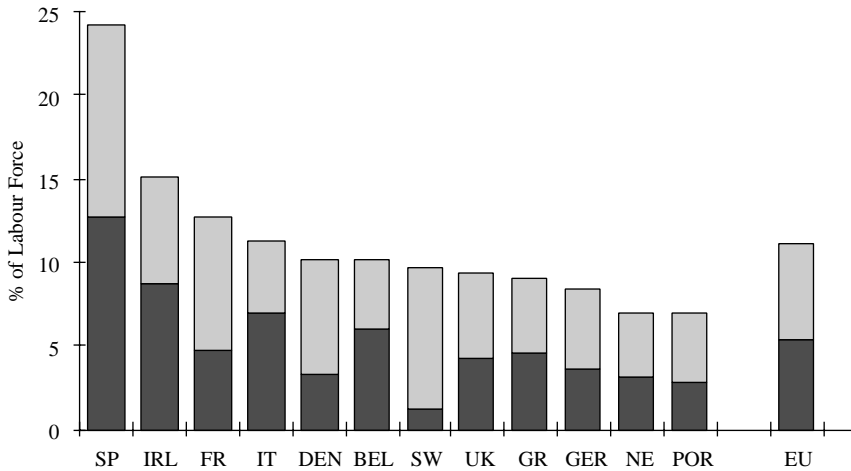


Figure 1. Unemployment rates in selected EU countries, 1994. <1 year, >1 year. Source: European Commission, *Employment in Europe*, 1996.

194,000 in 1983 to 239,000 in 1987. Over the same period, long-term unemployment increased rapidly from 67,000 to 152,000, with the result that the proportion of the unemployed who were long-term unemployed increased from 35 per cent of the total in 1983 to almost 64 per cent in 1987. Thereafter, however, the numbers of long-term unemployed declined, particularly after 1988 when economic conditions improved. By 1990 the number of long-term unemployed had fallen to just under 110,000, even though this still constituted 64 per cent of total unemployment due to a concomitant decline in the overall numbers out of work. However, with the economic downturn of the early 1990s, there was a corresponding increase in both total and long-term unemployment, and the latter increased to 127,000 in 1994. The rapid expansion of the economy since 1993, however, gave rise to a substantial decrease in long-term unemployment in 1995, the numbers falling to 102,000, or just over 58 per cent of total unemployment, although there was virtually no change in the subsequent year.³

The trend data indicate that long-term unemployment is much more

³ These estimates are based on ILO definitions, and are not available prior to 1983. It should be noted that the trend in long-term unemployment can be affected by the numbers on state employment schemes, as many participants in such schemes are recruited from among the long-term unemployed. Total participation in such schemes rose from 17,000 in 1993 to 41,000 in 1995, of which about two-thirds had been recruited from among the long-term unemployed. This suggests that long-term unemployment would have been even higher in 1994 were it not for these schemes, and that some of the decline in long-term unemployment observed between 1994 and 1995 is attributable to this source.

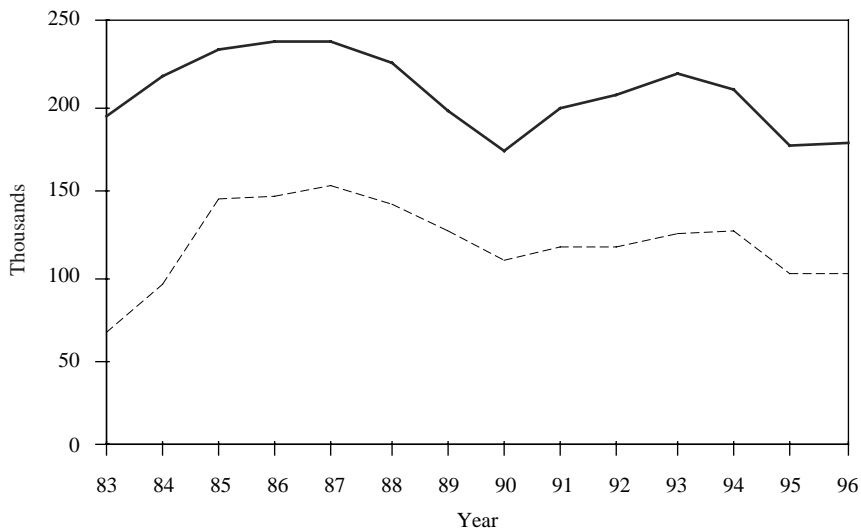


Figure 2. Total and long-term unemployment, 1983–95. — Total, ---- Long-term. Sources: (a) Special tabulations from the Annual Series of *Labour Force Surveys* (b) EUROSTAT (1993).

significantly affected by cyclical changes in the economy than had heretofore been thought. Previous analyses of trends in long-term unemployment, which were based on the Live Register of unemployment, suggested that the total number of long-term unemployed tends to increase following recessionary periods, but that the number does not fall to any significant degree when economic conditions improve (O'Connell and Sexton, 1994; Breen and Honohan, 1991).⁴ The data based on the *Labour Force Survey* data presented in Figure 1 would suggest that such a hysteresis effect may have been operative during the early part of the 1980s, when the number of long-term unemployed increased from 67,000 in 1983 to 145,000 in 1985, and the incidence of long-term unemployed increased from 35 per cent to 62 per cent of total unemployment. Since then, however, the trend in long-term unemployment has been much closer to the trend in total unemployment, and more responsive to fluctuations in prevailing macro-economic conditions.

⁴ Most labour market analysts have now ceased to use the Live Register as a basis for measuring either total unemployment or unemployment duration, both because of the growing discrepancy between Live Register and *Labour Force Survey* based estimates, which suggests that the former is a better measure of the numbers claiming unemployment-related social welfare payments than of the true incidence of unemployment, and because of a recent study conducted by the Central Statistics Office (1996) which revealed that substantial numbers of people who are not classified as unemployed in the *Labour Force Survey* are nevertheless included in the Live Register total.

Table 6 shows the unemployed classified by age category and duration of unemployment for 1994. In 1994, 127,000 (nearly 64 per cent) out of 210,000 total unemployed had been unemployed for one year or more, and 87,000 (nearly 43 per cent) had been unemployed for more than two years. The long-term unemployed are predominantly male—men account for two-thirds of total long-term unemployment—and the incidence of long-term unemployment is higher among men (67 per cent of unemployed men are long-term unemployed) than among women (56 per cent).

Duration of unemployment is associated with age and is much more prevalent among the older age categories. Table 6 shows that while the share of long-term unemployment in total unemployment was just over 50 per cent in 1994 for those aged less than 25 years, it rose to nearly 63 per cent of persons aged between 25 and 39 years, and to well in excess of 70 per cent for persons aged over 40 years. The ratios were particularly high for those aged over 55, although it should be borne in mind that the absolute numbers involved are relatively small.⁵

If we focus on the age composition of long-term unemployment, we find that in 1994 about 25 per cent of the long-term unemployed were less than 25 years of age and a further 40 per cent were aged between 25 and 39. Thus about 65 per cent of the long-term unemployed are in age categories in which their expected labour force participation extends over two to four decades, rendering it particularly imperative to promote their reintegration into the world of work. The remaining 35 per cent of the long-term unemployed are aged over 40, and by virtue of their age alone, are likely to face severe difficulty in finding work.

One of the main impediments to effective labour market participation by the long-term unemployed is their generally poor educational qualifications. Table 7 shows educational qualifications by employment situation in 1991. Just under one-half of those at work had, at best, a junior second-level qualification, 30 per cent had taken the Leaving Certificate examination, and thus completed second level, and one-quarter had attended third-level education. The distribution of qualifications among the unemployed was less favourable, with 40 per cent having no qualifications, and about one-quarter having completed second-level education, including almost 7 per cent who had attended third level. The aggregate data for the unemployed, however, conceal important differences between the short-term and long-term unemployed. The long-term unemployed had a particularly poor educational profile—about 47 per cent had no

⁵ The small numbers in the older age categories also give rise to rounding errors, with the result that the long-term unemployed share of total unemployment (78.3 per cent) appears to be less than the corresponding ratio for either men or women.

Table 6. The unemployed (in thousands) classified by age group and duration of unemployment, 1994.

Age	<1yr	1-2yrs	2yrs+	Not stated	Total	LTU	LTU share (%)
<i>Men</i>							
15-24	16.4	8.1	11.8	2.3	38.6	19.9	54.8
25-39	16.0	8.6	23.0	0.9	48.5	31.6	66.4
40-54	8.2	5.2	21.2	0.3	34.9	26.4	76.3
55+	1.7	1.2	5.6	0.2	8.7	6.8	80.0
Total	42.3	23.1	61.6	3.43	130.7	84.7	66.6
<i>Women</i>							
15-24	13.5	6.1	5.2	1.8	26.6	11.3	45.6
25-39	13.3	7.8	10.1	0.4	31.6	17.9	57.4
40-54	5.8	3.2	8.0	0.1	17.1	11.2	65.9
55+	0.4	0.5	1.5	0.3	2.7	2.0	83.3
Total	33.0	17.6	24.8	2.6	78.0	42.4	55.9
<i>Persons</i>							
15-24	30.1	14.3	17.1	4.1	65.6	31.4	51.1
25-39	29.2	16.4	33.1	1.4	80.1	49.5	62.9
40-54	14.2	8.3	29.2	0.4	52.1	37.5	72.5
55+	2.5	1.8	7.2	0.4	11.9	9.0	78.3
Total	76.0	40.8	86.6	6.3	209.7	127.4	62.7

Note: These estimates are based on ILO definitions. LTU: Long-term unemployed. Totals do not always sum to 100.0 owing to rounding

Sources: Special tabulations from the *Labour Force Survey*, 1994.

Table 7. Educational qualifications of those at work, unemployed and long-term unemployed, 1991.

	At work	Unemployed			
		All	Short term	Long term	Long term ≥35 yrs
No quals	21.7	40.1	24.3	47.2	65.1
Junior 2nd	26.2	34.5	37.7	33.2	22.4
Senior 2nd	30.7	18.6	26.9	14.9	8.3
3rd level	21.3	6.7	11.1	4.8	4.1
Total	99.9	99.9	100.0	100.1	99.9

Note: Totals do not always sum to 100.0 owing to rounding.

Source: *Labour Force Survey*, 1991 (Special tabulation).

qualifications whatsoever, and a further 33 per cent had only a junior-level qualification. The most educationally disadvantaged were the long-term unemployed aged over 35 years, 65 per cent of whom had no qualifications and another 22 per cent of whom had only a junior level qualification. While more than half of those at work in 1991 had completed upper

secondary (and 20 per cent had attended third level), less than 20 per cent of the long-term unemployed had completed secondary education, and only 12 per cent of the older long-term unemployed had achieved this level of education.

The analysis of educational qualifications of the unemployed helps to explain why long-term unemployment has increased to such alarming levels in Ireland. In a situation of constant excess supply, caused partly by an influx of young new labour force entrants, the existing unemployed (particularly those who are older or disadvantaged), get pushed further down the queue of jobless and into long-term unemployment. The position has been exacerbated by the process of industrial restructuring which has caused the displacement of sizeable numbers of older workers, many with outdated skills. This 'queuing' phenomenon tends to further reinforce the problem, since a person who is marked with the stigma of long-term unemployment becomes less employable in the eyes of employers and it becomes increasingly difficult to escape from that state (Whelan *et al.*, 1990).

Our review of the age composition and educational qualifications of the long-term unemployed suggests that long-term unemployment represents a formidable problem with a significant structural dimension. While the fluctuation of trends over time in long-term unemployment may indicate that it is more susceptible to economic forces than previously envisaged, the total number of long-term unemployed has remained above 100,000 since the mid-1980s, and while it fell between 1994–95, it remained virtually unchanged between 1995–96. Furthermore, since it is the best equipped among the long-term unemployed who tend to find work first, it may be increasingly difficult to achieve further significant reductions in long-term unemployment, as the remaining body of long-term unemployed will tend to have an increasingly disadvantageous education and skills profile. There is, therefore, a need for continuing strenuous and well-targeted intervention on the part of the state if they are to be reintegrated into the labour market.

Youth Unemployment

As total unemployment soared over the course of the 1980s and again in the 1990s, so also did unemployment among young people. In 1981 almost 15 per cent of labour force participants in the 15–24 year age group were unemployed, compared to about 9 per cent of those aged over 25. The unemployment rate among young people reached its peak in 1993, when at over 27 per cent of the young labour force, it was almost double the

unemployment rate among older labour force participants (14 per cent) (O'Connell and Sexton, 1994). This sharp increase in youth unemployment occurred despite a fall in the numbers of young people participating in the labour force.

Table 8 shows labour force and population data for young people in 1983 and 1995. The total population aged 15–24 increased only slightly over the period, due largely to high rates of emigration which peaked in the late 1980s.⁶ Over the same period, however, the number of young people participating in the labour force declined by one quarter, from 359,000 in 1983 to 269,000 in 1995. This decline in the labour force participation rate—from 59 per cent to 44 per cent of the population age group, was due to a dramatic increase in educational participation—from 36 per cent of the population age group in 1983 to 53 per cent in 1995.

Over the entire period from 1983–95, the number of young people at work fell by one quarter, from 287,000 to 212,000, representing 47 per cent of the population age group in 1983, but only 35 per cent in 1995. While the absolute number of young people who were unemployed fell between 1983 and 1995, the decline in labour force participation meant that the unemployment *rate* among young people increased slightly between 1983 and 1995, although in 1995 the rate was substantially lower at 21 per cent than it had been in 1993 (27 per cent).

The decline in the number of young people at work, and the continuation of relatively high rates of unemployment among the 15–24 year age group, despite falling labour force participation, suggests that over time young people have found it increasingly difficult to find a foothold in the world of work. In 1983, workers aged 15–24 accounted for over 25 per cent of total employment, but by 1995 their share of total employment had fallen to 17 per cent. This fall in youth employment is mainly due to a closing off of the traditional ports of entry for young people, particularly in the case of clerical and junior professional openings, and skilled and semi-skilled work. O'Connell and Sexton (1994) show that young people benefited little from the employment surge of the late 1980s: between 1989 and 1991 youth employment actually fell while employment among those aged over 25 increased by 57,000. Young people have benefited more from the more recent expansion since 1993, although not to the same extent as older workers: employment of those aged 15–24 increased by 5 per cent between 1993 and 1995, while employment among those aged over 25 increased by 8

⁶ Net outward migration amounted to over 200,000 between 1983 and 1995. Net migration is emigration less inward migration. The former tends to be concentrated among the younger age groups, while inward migration is more evenly spread across age groups, so net migration data is likely to underestimate the extent of out-migration among young people.

Table 8. Labour force and population trends among those aged 15–24, 1983 and 1995.

Principal Economic Status	1983		1995	
	(000)	%	(000)	%
At Work	286.6	47.0	212.3	34.6
Unemployed	71.9	11.8	56.4	9.2
Labour Force	358.5	58.8	268.7	43.9
Education	219.9	36.0	322.6	52.7
Other Non-Active	31.8	5.2	21.5	3.5
Population 15–24	610.2	100.0	612.7	100.0
Unemployment Rate		20.1		21.0
Youth Employment as a Percentage of Total Employment		25.5		17.2

Note: Totals do not always sum to 100.0 owing to rounding.

Source: *Labour Force Surveys*, 1983 and 1995.

per cent. In this respect Ireland differs from other countries, such as the United Kingdom and the United States, where young people have been recruited in disproportionately greater numbers than adults during economic upturns (Freeman and Wise, 1982; Makeham, 1980).

The marked growth in participation in education among the younger age groups has meant that the supply of well qualified candidates for jobs has increased. In a crowded labour market, young people with low or intermediate levels of qualification compete for jobs with somewhat older candidates who have higher levels of qualification, or work experience, or both. The problems confronting young labour force participants are very evident from Figure 3 which compares the proportion unemployed in each educational group for the younger age group (15–24) and those aged 25–64.

Figure 3 shows that at each level of educational attainment, young people were at very substantially higher risk of unemployment than their older counterparts. Those most at risk were young people with no qualifications, 58 per cent of whom were unemployed, compared to 27 per cent of the older age group. Young people with the Junior Certificate faced a higher risk of unemployment than older people with no qualifications whatsoever. The unemployment rate of young people who had completed senior cycle secondary education (20 per cent) was well over twice that of the older group with a similar level of qualification (8 per cent), and the unemployment rate of young people who had attended third level was over three times the corresponding rate for the older age group.

Over the course of the 1990s, labour market prospects for young labour market entrants have generally improved in response to buoyant demand for labour. Nevertheless, while the employment prospects of those who left

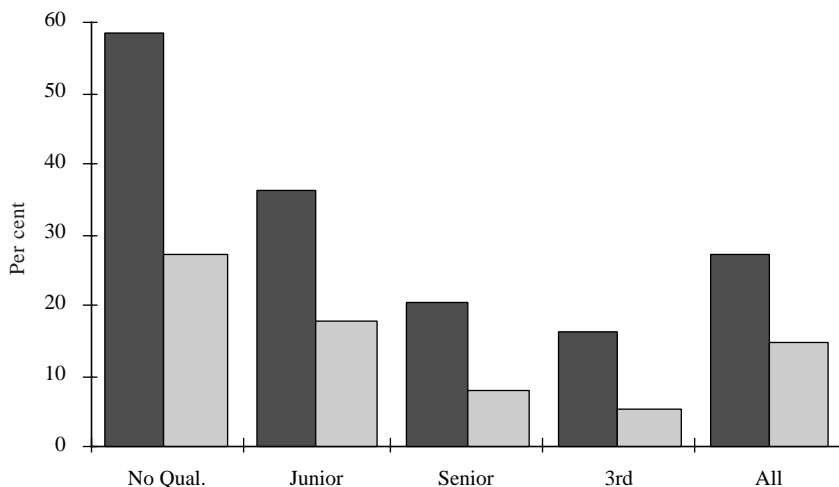


Figure 3. The risk of unemployment by age group and educational attainment in 1993. ■ 15-24, □ 25-64. Source: *Labour Force Survey, 1993*.

after completing second-level education improved, the prospects of those with no qualifications or with only a junior level qualification continued to deteriorate; between 1991 and 1994 the proportion of those who left school with, at best, a junior level qualification, who were employed one year later decreased, while the proportion who were unemployed increased (O'Connell and McGinnity, 1997a).

Clearly the most disadvantaged young people in the labour market are those who leave school with no qualifications, although these are followed closely by those leaving on completion of the junior cycle of secondary education. The educational system produces an unacceptable number of poorly qualified early school leavers, ill equipped to compete in the labour market, although it should be acknowledged that the numbers of such poorly qualified school leavers have fallen substantially over the past decade. Both educational attainment and early school leaving are closely related to social class and children from lower socio-economic groups face a much greater risk of leaving school with inadequate qualifications than the children of higher socio-economic groups (Breen *et al.*, 1990; ESF Programme Evaluation Unit, 1996). Thus, despite the dramatic expansion of educational participation achieved in recent decades, class inequalities continue to be reproduced in the educational system, thus generating inequalities which then determine the distribution of opportunities in the labour market.

Breen and Whelan (1996) show that unemployment is very strongly

related to social class. They found that the incidence of unemployment among the professional and managerial class is close to zero and is relatively modest among non-manual workers. Among skilled manual workers, however, the risk of unemployment at a given point in time increases to 20 per cent, and this increases to over 40 per cent among the unskilled manual group. Focusing on the duration of unemployment, they found that the average number of weeks of unemployment over the previous year was less than one week in the case of the professional and managerial group, but that this increased to 9 weeks in the case of the skilled manual group and to over 19 weeks in the case of the unskilled manual group. Both the risk of unemployment and the incidence of long-term unemployment is thus heavily concentrated toward the lower end of the social class hierarchy.

Given changes over time in the demand for labour, resulting in a general up-grading of available positions, as well as extended educational participation among the younger age groups, educational attainment has become the most significant labour market currency. Under these conditions, and in an overcrowded labour market, young people entering the labour market with inadequate qualifications are marginalised, as are older displaced workers with skills rendered obsolete by structural change.

State Labour Market Policies for the Unemployed

It has become conventional to distinguish between passive measures, which provide protection for unemployed workers, and active measures which are designed to improve the skills and competencies of the unemployed and support the search process in the labour market. Over the past two decades, in the Republic of Ireland, as in most other European countries, labour market policies have undergone a shift in emphasis to active measures to promote the reintegration of the unemployed into employment. This has meant that passive measures have been reformed in order to reduce the effects of unemployment traps and other barriers which derive from the structure of the taxation and welfare system and which can create disincentives for the unemployed to return to work, while active measures to provide training and subsidise employment have been expanded.

Most of the debate in recent years in relation to passive measures has focused on incentives and the relationship between incomes when in and out of work. Studies comparing Irish replacement rates—the ratio of out-of-work income (mainly from social welfare) to previous or potential net earnings, with those in other European countries have found that Irish replacement rates are not as high as in other European countries, although they are higher than in the United Kingdom. Such comparisons are,

however, extremely sensitive to the income base for the comparison and the number of dependents involved (OECD, 1994). Similarly, comparative studies of the tax wedge—the gap between what it costs an employer to hire an employee and what the employee receives in take-home pay—suggests that Ireland is not significantly out of line with other European countries (NESC, 1993; OECD, 1994). Nevertheless, the tax wedge did increase rapidly in the early to mid-1980s, and may have created pressure to increase nominal wages and thus contributed to the decline in employment discussed earlier in this paper. Econometric evidence confirms that wage setting is influenced by the tax wedge (Bradley, Whelan and Wright, 1993). Recent initiatives in taxation and social welfare policy have sought to remove work disincentives by reducing both the numbers facing high replacement rates and the relative extent of the tax wedge, particularly for those on low incomes.

The state in the Republic has been particularly active in developing active labour market policies, and over the last decade such measures have become central to the policy response to unemployment. During the 1960s labour market policy in Ireland was mainly confined to the organisation of apprenticeship training and facilitating the efficient matching of supply and demand for labour. In the late 1960s two agencies were established; the National Manpower Agency, to facilitate placement, and AnCO, to provide and regulate training, but both were primarily oriented toward meeting the needs of employers and workers in employment. Active labour market policies as such, that is, designed specifically to meet the needs of the unemployed, were not developed until the onset of recession and the initial growth of unemployment in the 1970s. At that point employment subsidies and training schemes targeted on the unemployed were introduced (NESC, 1986). These were followed in the 1980s by temporary employment schemes, by which time active labour market policies had taken centre stage in the state response to mass unemployment. These policies were based on the premise that structural difficulties on the labour market are primarily on the supply side of the market, leading to a renewed emphasis on earlier policies to mobilise the supply of labour. This gradual shift in emphasis in Irish policy was consistent with the recommendations of the OECD (1990) and the European Commission (1994) to shift labour market expenditures from passive measures which provide protection for unemployed workers, to active measures which mobilise labour supply, improve the skills and competencies of the labour force, and strengthen the search process in the labour market.

By the end of the 1980s the Republic of Ireland was one of the leading countries in the share of national income devoted to active labour market policies and operated a wide range of differing programmes catering to a

diversity of target groups among the unemployed and other socially excluded groups.

Table 9 presents a summary of active labour market programmes in Ireland, showing the numbers of participants (measured by throughput, the number completing programmes) and expenditure in 1994. A total of almost 93,000 individuals participated in such programmes in 1994, equivalent to 6.6 per cent of the labour force, or to almost 43 per cent of the total number unemployed, in that year.⁷ Our estimates of expenditures for 1994 show that Irish expenditure on active measures amounted to 1.7 per cent of GNP, compared to an OECD average of 1 per cent (O'Connell and McGinnity, 1997a).

Table 9 distinguishes between four types of active labour market programme, two types of programme influencing labour supply—general and skills training—and two demand oriented measures—subsidies to employment in the private sector and direct employment or job creation schemes.

General Training includes a range of measures to provide basic or foundation level training in general skills. Most of the programmes are designed for those with poor educational qualifications experiencing labour market difficulties. This category includes second-chance education opportunities, programmes designed for women returning to work after a prolonged absence (usually in home duties), and older long-term unemployed males; measures targeted at young school leavers; community training, oriented towards the development of community resources; and training for people with disabilities. In 1994 there were almost 18,500 participants in general training programmes, representing 20 per cent of all active labour market participants in that year.

Specific Skills Training courses provide training in specific, employable skills. The courses are market oriented and usually in skills areas linked to local labour market needs. The category includes skills training by FAS, the national education and training authority and CERT, the state tourism training agency. All these courses are characterised by high rates of placement in employment post-programme placement rates. They are open to all unemployed, although, in practice, many courses require minimum educational standards. In 1994 nearly 18,000 individuals participated, representing a further 20 per cent of all active labour market programme participants.

⁷ These proportions are simply indicative of the scale of provision: a substantial proportion of participants in active labour market programmes are drawn from among those not actively participating in the labour force—including young labour market entrants, particularly early school leavers, and women returning to the labour force after a voluntary interruption in labour force participation.

Table 9. Distribution of activity on active labour market measures, 1994 (%).

Type of Measure	Participant Throughput %	Expenditure %
General Training	20	29
Skills Training	19	12
Employment Subsidies	23	8
Direct Employment Schemes	38	51
Total	100	100
Total Number/Expenditure	93,000	IR£420m

Source: O'Connell and McGinnity, 1997a: 28, Table 2.2.

Employment Subsidies provide subsidies to the recruitment or self-employment of unemployed workers in the private sector. They include:

- 1 Subsidies to employers in the form of either direct payments or social insurance contribution exemptions in respect of new additional hires;
- 2 Subsidies to employees, in the form of continued social welfare payments at reduced and declining rates for the first three years of employment; and
- 3 Subsidies to self-employment, in the form of income allowances or continued social welfare support for the initial years of business start-up.

Total participation in Employment Subsidies measures accounted for over 21,000 individuals in 1994, 23 per cent of all participants in active labour market programmes. Most, but not all, employment subsidies are targeted at the long-term unemployed, and are administered by differing agencies—mainly FAS and the Department of Social Welfare.

Direct Employment Schemes provide temporary part-time employment in community based work, together with personal and skills development opportunities. Community Employment is targeted mainly at long-term unemployed adults and, with over 32,000 participants, was the biggest single employment intervention in Ireland in 1994. The category also includes Teamwork which is targeted at unemployed young people, bringing the total who participated in direct employment schemes in 1994 to approximately 34,500, almost 40 per cent of all programme participants.

Preliminary indicators for 1995 suggest that Direct Employment Schemes continued to grow, and accounted for up to half of participants in programmes for unemployed people in that year, the number participating in Employment Subsidies measures declined to about half the 1994 provision, and the number receiving training increased somewhat. Thus, while the number of places in active labour market programmes for un-

employed people continues to expand, the bulk of that growth is accounted for by Direct Employment Schemes, principally Community Employment.⁸

The international literature on active labour market policy suggests that the impact of such policies in creating additional employment is limited, with the exception of direct job creation measures (OECD, 1993). The research on the impact of such policies on the employment prospects of their participants shows a great deal of confusion, with empirical results often appearing to contradict each other (O'Connell and McGinnity, 1997a; Fay, 1996). Training policies may generate additional employment under conditions of skills shortages, and there is some evidence to suggest that training may have such positive effects in the Irish context, mainly because of the relatively low level of in-company training in Irish firms (Sexton and O'Connell, 1996). Effective and well-targeted measures may, however, serve to redistribute employment opportunities to less advantaged labour market participants.

A number of recent studies have attempted to assess the impact of labour market schemes in the Republic by tracking post-programme for performance of participants. The most recent such comprehensive analysis is that by O'Connell and McGinnity (1997a; 1997b) which covered about 3,500 former participants across a wide variety of publicly funded schemes. This research, which covered performance over a period of up to 18 months after leaving the schemes in question, revealed placement rates of 60 to 65 per cent for skilled training activities and employment subsidy programmes, rates of just over 30 per cent for general training schemes but as low as 25 per cent for direct employment schemes. When account is taken of individual characteristics (such as age, education and previous labour market experience) and participants are compared with a control group of non-participants, they find that in the short term, participation in any type of programme increased the probability of employment. However over the longer term involvement in market oriented programmes such as specific skills training or employment subsidies continued to result in a higher probability of employment, while participation in programmes with weak market linkages, such as general training or direct employment schemes, had no lasting effect on job prospects. They also found that programmes with strong linkages to the labour market led to greater subsequent employment stability and higher earnings than did programmes with weak market linkages.

We argue, however, that these findings should not be interpreted to suggest that the latter programmes are of no value and should be discontinued. For

⁸ For a more detailed description of current provision in active labour market programmes see Sexton and O'Connell, 1996: Chapter 8.

many of the unemployed their educational qualifications or skills may be so inadequate that participation in general or foundation level training, or in temporary work experience offers the only hope of eventual re-integration into the labour market. The findings do suggest, however, that general training or temporary employment supports are of themselves unlikely to significantly improve the job prospects of participants unless they are followed by progression to more advanced schemes which have better linkages with the open labour market. This suggests the need for reintegration paths designed to allow the long-term unemployed and socially excluded to progress through a series of programmes tailored to their particular needs with the ultimate objective of securing sustainable employment.

There has been a dramatic increase in the numbers participating in active labour market programmes in Ireland in recent years. Total participants in all active labour market support measures increased from about 55,000 in 1992 to almost 93,000 in 1994, or from 4 per cent of the labour force in 1992 to 6.6 per cent in 1994. Despite this increase in activity, however, there is a marked absence of a coherent strategic approach to combating unemployment, and moreover, some evidence of a lack of coordination between different state agencies.

First, those most disadvantaged in the labour market—including the long-term unemployed, young early school-leavers, and women seeking to return to work—are more likely to participate in basic level training or in direct job creation measures than in skills training or in measures which subsidise employment/self-employment in the private sector (McGinnity, 1996). Relatively low placement rates from such programmes are partly due to the low qualifications and poor previous labour market experiences of participants, but they also reflect the quality of the programmes, and where it is provided, the level of training.

Second, direct employment schemes have expanded dramatically in recent years, but such schemes have been found to achieve low rates of placement in employment (O'Connell and Sexton, 1995; O'Connell and McGinnity, 1997a; 1997b). The Community Employment Scheme is the largest such programme targeted on the long-term unemployed and socially excluded, and currently provides temporary half-time employment for over 50,000 individuals. The scheme includes a training module, but in 1994 less than half of participants were receiving training, and in any event, the training component typically amounts to 20 days. It is difficult to imagine how 20 days of training could be expected to counteract the educational disadvantages of most Community Employment participants.

Moreover, the provision of large-scale programmes to absorb large numbers of the long-term unemployed in temporary job creation measures

represents a policy choice for an expansion in the quantity of provision rather than an improvement in the quality of programmes. Such a policy appears to be predicated on an assumption that long-term unemployment does not respond to cyclical movements in the economy and improvements in labour market demand. Our review of trends over time in long-term unemployment above suggests that this assumption is unwarranted. If long-term unemployment declines during upturns in the labour market, as occurred in the late 1980s and again between 1994–95, then it is likely that a creaming-off process occurs, whereby the best-equipped among the long-term unemployed find work first. Such a creaming-off process leaves a residual group of long-term unemployed with particularly poor labour market prospects. If this group is to be reintegrated then it would require particularly well targeted interventions of a substantially more intensive nature than is currently available to most of the long-term unemployed.

Third, programmes targeted on marginalised groups suffer from a general weakness in not facilitating progression to further education and training—despite the fact that most participants in such programmes are in greater need of such progression opportunities than any other group of labour market participants. Recent reforms in certification systems have led to some improvement in progression options at foundation level training, although there remain strong elements of segregation between the training and educational system—rendering it difficult, for example, for an early school leaver who has completed a training course to access further education, rather than further training. Ultimately, removing barriers to progression problems is a matter of ensuring both resources and adequate training standards and certification arrangements to facilitate participants to gain access to further education and training opportunities.

Finally, in recent years there has been a proliferation of employment subsidy programmes targeted at differing groups with shifting responsibilities between differing agencies, leading to difficulties in coordinating services and confusion among both the unemployed and potential employers regarding availability, eligibility and administration of the various subsidies. Moreover, it is well established that employment subsidies suffer from high levels of dead-weight, whereby a substantial proportion of recruits would have found jobs in the absence of subsidies (Breen and Halpin, 1989). Targeting of employment subsidies to groups particularly hard to place (without subsidies) may serve to reduce that dead-weight (OECD, 1993). Policy formation has been slow to take account of such evidence, however, with the result that some of the new employment subsidies have been targeted broadly (at the unemployed in general) rather than specifically targeted on the long-term unemployed and other hard-to-place groups, running the risks of creaming off the more advantaged

among the unemployed, and thus excluding the most marginalised, and incurring high dead-weight costs.

Recent changes in active labour market policies have entailed a substantial increase in activity on active programmes to combat unemployment. However, most of the additional resources appear to have been used to achieve an expansion in the quantity of provision rather than an improvement in the quality of programmes. The evidence on the effectiveness of programmes suggests that there is a need to improve the quality of programmes, particularly those targeted at the most disadvantaged, as well as to ensure progression to effective programmes in the final phase of reintegration paths which have the ultimate objective of securing sustainable employment. Such an approach would require the allocation of substantially greater resources targeted specifically at those most disadvantaged in the labour market, an issue which raises major political decisions about how the fruits of the recent economic growth are to be distributed in society.

Conclusion

This paper has reviewed the principal developments in employment and unemployment and in state policy in the Republic over the past three decades. Over that period we can observe an overarching trend towards increasing polarisation between those who possess capacities to compete in the labour market and those who do not; between those who work and those who do not. The polarisation process entailed a general upgrading of positions for those at work and the social exclusion of those unable to compete for jobs in the changing economy. Increased inequality during a period of industrialisation is generally expected under modernisation theories of the development process, although this is usually understood to derive from market processes. In the Republic, however, the increase in inequality has taken place as part of a developmental process initiated and fostered by a highly interventionist state.

In the world of work we can see four interrelated trends over the past thirty years:

- 1 A substantial decline in the importance of positions deriving income from property ownership, driven mainly by the contraction of employment in agriculture, and a consequent increase in the importance of wage and salary dependent employment;
- 2 A marked expansion of employment in the public sector;
- 3 A general upgrading of positions in the labour market, with well over half of all those at work occupying middle-class positions by the early

1990s, and a decline in the demand for semi- and unskilled manual work; and

4 A substantial increase in the number of women at work.

Coinciding with these changes in the world of work we also see a steady increase in the ranks of the unemployed, beginning in the 1970s and accelerating throughout the 1980s. Mass unemployment represents the failure of a state interventionist strategy which promoted economic restructuring, facilitated the upgrading of occupational positions and assisted the winners in the transformation process to compete for the newly created positions through free and subsidised education.

Within the ranks of the unemployed, the paper identifies two particularly marginalised groups: firstly, the long-term unemployed, accounting for about 60 per cent of total unemployment, many of whom were displaced in the process of economic restructuring, and lack the requisite skills to compete for jobs in today's labour market; and secondly, young early school leavers, similarly ill-equipped to compete in the labour market, facing extremely high rates of unemployment, and ultimately joining the ranks of the long-term unemployed with little hope of finding a place in the world of work. Both of these socially excluded groups are drawn disproportionately from manual working-class groups, with the result that class inequalities have remained largely undisturbed by economic restructuring, and, moreover, continue to be reproduced in the educational system.

Active labour market policies have come to represent the principal state response to mass unemployment. The Republic of Ireland is one of the leading countries in the share of national income spent on active labour market programmes, and it has developed a wide range of programmes catering to a diverse target population accounting for a very substantial proportion of the unemployed and other marginalised groups. Nevertheless, state policy on unemployment is characterised by the absence of a coherent strategic approach to combating unemployment and social exclusion, resulting in sub-optimal usage of resources and, in general, a failure to reintegrate the most marginalised. Thus, despite a great deal of activity, state intervention achieves little to counteract social exclusion.

How then, should we interpret the recent growth in employment in the context of this broader picture of the labour market in the Republic? It must be acknowledged that the surge in economic growth and employment represents a significant achievement, particularly in comparison with the sluggish performance of other European countries. Continued growth of similar magnitude is essential if unemployment is to be reduced.

More generally, these recent trends represent a continuation of well established trends. With regard to those at work, the upgrading of

positions in the labour market continues, with most of the expansion in employment forecast to occur in the professional, managerial and proprietorial occupations, but with significant growth also at the lower end of the occupational spectrum in sales, security and service occupations (Canny, Hughes and Sexton, 1995). The strong growth since 1993 also continues the increase in the number of women at work — with about 60 per cent of the net increase being accounted for by women. If trends observed during the earlier half of the 1990s are continued, about 30 per cent of the net increase is accounted for by part-time jobs. These part-time jobs have been predominantly taken by women, and while there has been little research on the conditions of part-time work in the Republic, it is likely that this sector is characterised by wide diversity, and that a substantial proportion of the jobs are in low-paid and unstable employment.

With regard to unemployment, it should be noted that the net increase in employment of 136,000 between 1993–96 resulted in a decline in unemployment of about 40,000, and that the increase in total employment of 55,000 achieved between 1995–96 served to reduce unemployment by only 1,000. The persistence of high unemployment despite rapid growth in employment is due to the strong growth in the labour force, and serves as a reminder that there is a huge pent-up demand for work, not only among young entrants to the labour force, but also among women currently classified as economically inactive. Finally, with regard to long-term unemployment, I have argued that recent changes in state labour market policies are unlikely to be sufficient to achieve a significant improvement in the labour market prospects of the most marginalised among the unemployed.

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