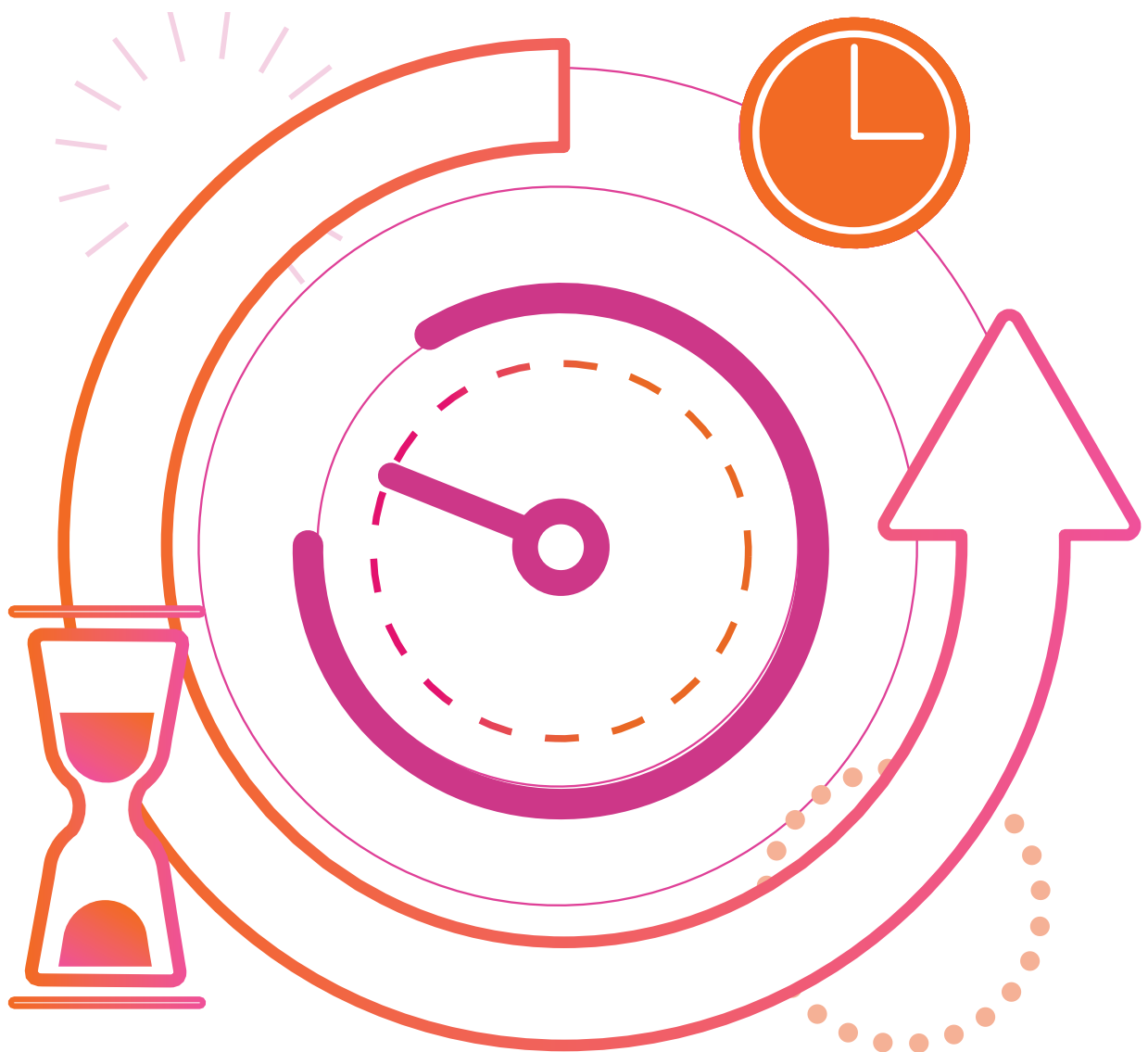


Autumn/Winter Skills Bulletin 2022

Can Ireland expand its workforce to meet its labour market needs?



1. Introduction

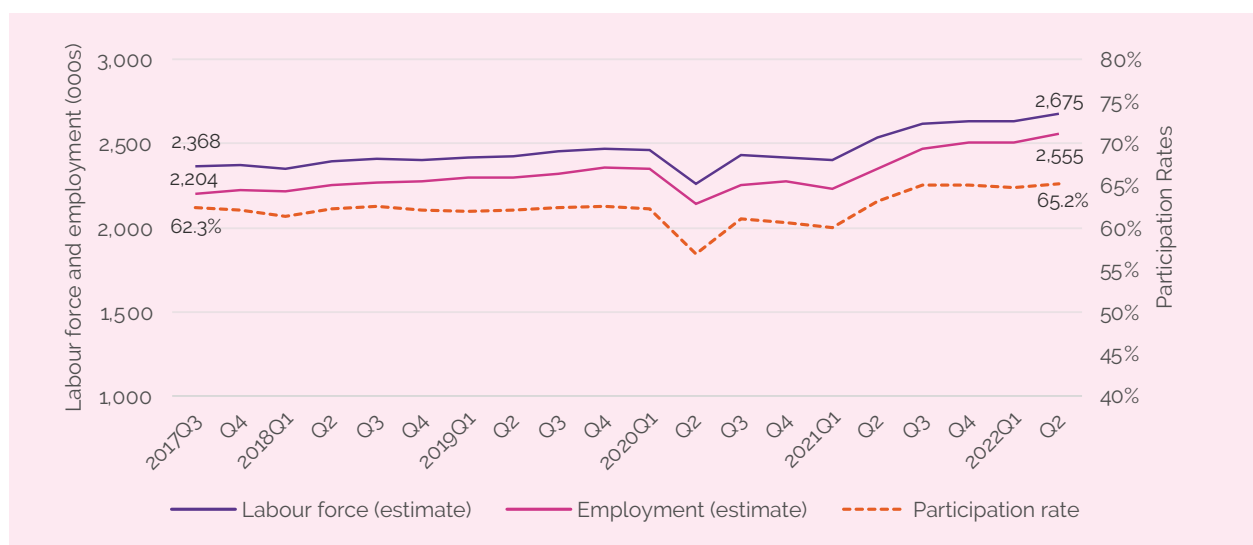
In the aftermath of the COVID-19 pandemic, the Irish labour market has experienced a remarkable recovery, with 2022 seeing a record number of people employed in Ireland¹. We have moved from an economy that experienced large scale unemployment as an effect of the COVID-19 pandemic restrictions to one which exhibits labour market tightness and a shortage of available skills in certain sectors². Despite numerous challenges currently facing the economy, finding candidates to fill demand in certain roles remains a significant challenge. This presents an opportune time to examine cohorts of the adult population, both within and outside the traditional labour force, that may be available to respond to this high labour demand. The Bulletin examines three cohorts that may fulfil this role, and describes their socio-demographic, educational and employment characteristics. The three cohorts of interest are part-time workers who have indicated that they are seeking additional hours of employment (classified as underemployed), unemployed persons and those who, although outside the active labour market, are closely aligned to it by virtue of having self-reported as either seeking work or being available for work (but not both). Combined these three cohorts are known as labour market slack. Eurostat defines **labour market slack** as the total sum of all unmet need for employment³. When labour market slack falls, the labour market becomes 'tight' and employers are required to increasingly compete for workers.

2. Labour market trends

Figure 1 shows the five-year labour force, employment, and participation rate trends over the last five years. The labour force includes all those in employment and all those currently unemployed, while the labour force participation rate is the proportion of the total working age population who are part of the labour force.

In quarter 2 2022, there were approximately 2.7 million persons in the labour force, 400,000 more than at the height of the COVID-19 restrictions and also in excess of pre-COVID levels. Employment numbers have also shown an increasing trend, with the exception of a defined dip at the time of COVID-19 restrictions, and then a subsequent recovery. The labour force participation rate, at 65.2% in quarter 2 2022, is higher than any period since the recession.

Figure 1. Employment and labour force (000s) and participation rate (15 years and older), Q3 2017-Q2 2022



Source: CSO Labour Force Survey

¹ <https://www.cso.ie/en/csolatestnews/pressreleases/2022pressreleases/pressstatementlabourforcesurveyq22022/>

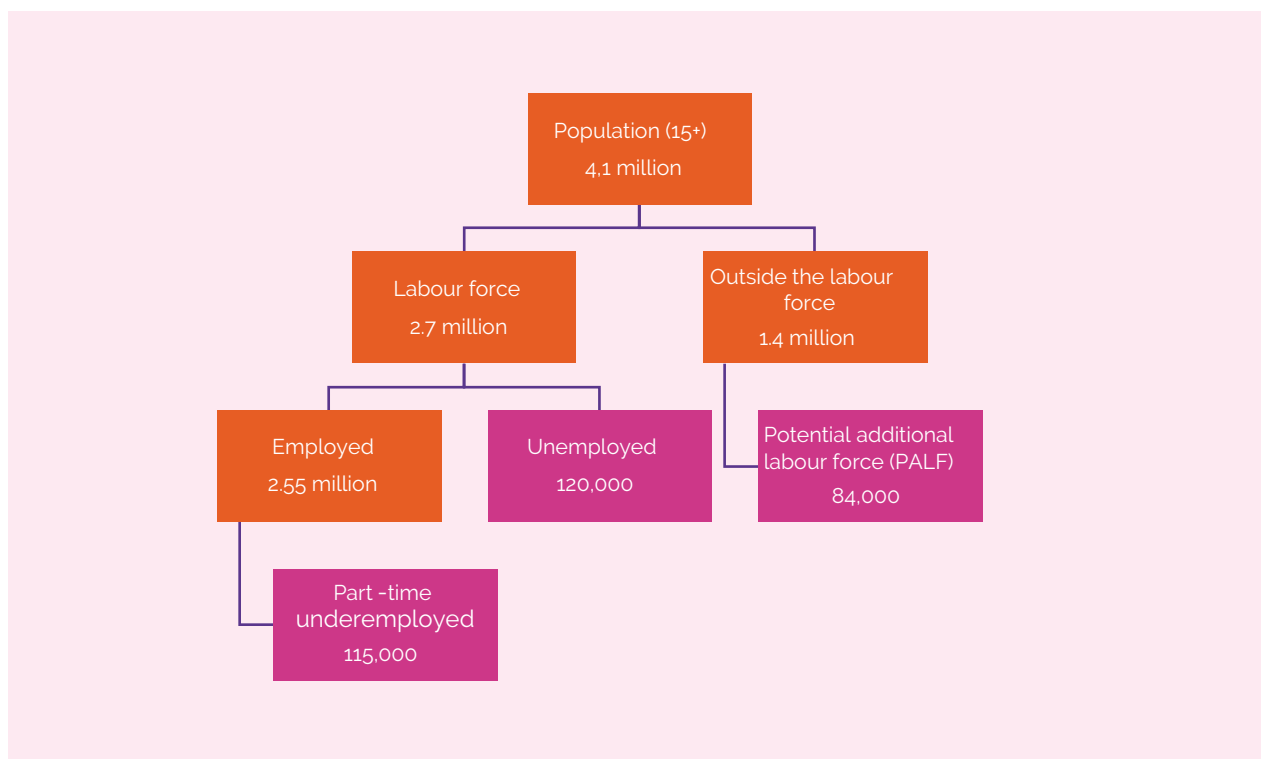
² See National Skills Bulletin 2022, which identifies a number of occupations in short supply <https://www.solas.ie/f/70398/x/3554445a46/national-skills-bulletin-2022.pdf>

³ For more information on labour market slack, see Eurostat: Labour market slack - unmet need for employment - quarterly statistics - Statistics Explained (europa.eu) https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Labour_market_slack_-_unmet_need_for_employment_-_quarterly_statistics#Focus_on_the_potential_additional_labour_force

3. Sources of additional labour

Figure 2 describes the labour market status for persons aged 15 years and over in quarter 2 2022 and identifies the cohorts of labour market slack. Of the total labour force of 2.7 million persons, 120,000 met the criteria for unemployed, while 115,000 part-time workers have indicated that they were seeking more hours of employment and therefore classified as underemployed. Of the 1.4 million persons outside the labour market, 84,000 have been identified as having a strong attachment to the labour market. These are individuals who have indicated that they are either available for work or are seeking work, but not both (those who are both seeking and available for work meet the definition of unemployed). This group is referred to as the potential additional labour force (PALF).

Figure 2. Labour market status of population aged 15 years and over, Q2 2022



Source: SLMRU analysis of CSO data

Combined, these three groups are classified as labour market slack. Overall, labour market slack in Ireland fell from almost 400,000 in quarter 3 2017 to 320,000 in quarter 2 2022 (Figure 3); in the intervening years there was a significant peak of over 500,000 during COVID-19 restrictions. Labour market slack, as a percentage of the extended labour force⁴, fell from 15.9% in quarter 3 2017 to 11.6% in quarter 2 2022.

Figure 3. Labour Market Slack (000s, %), Q3 2017 – Q2 2022



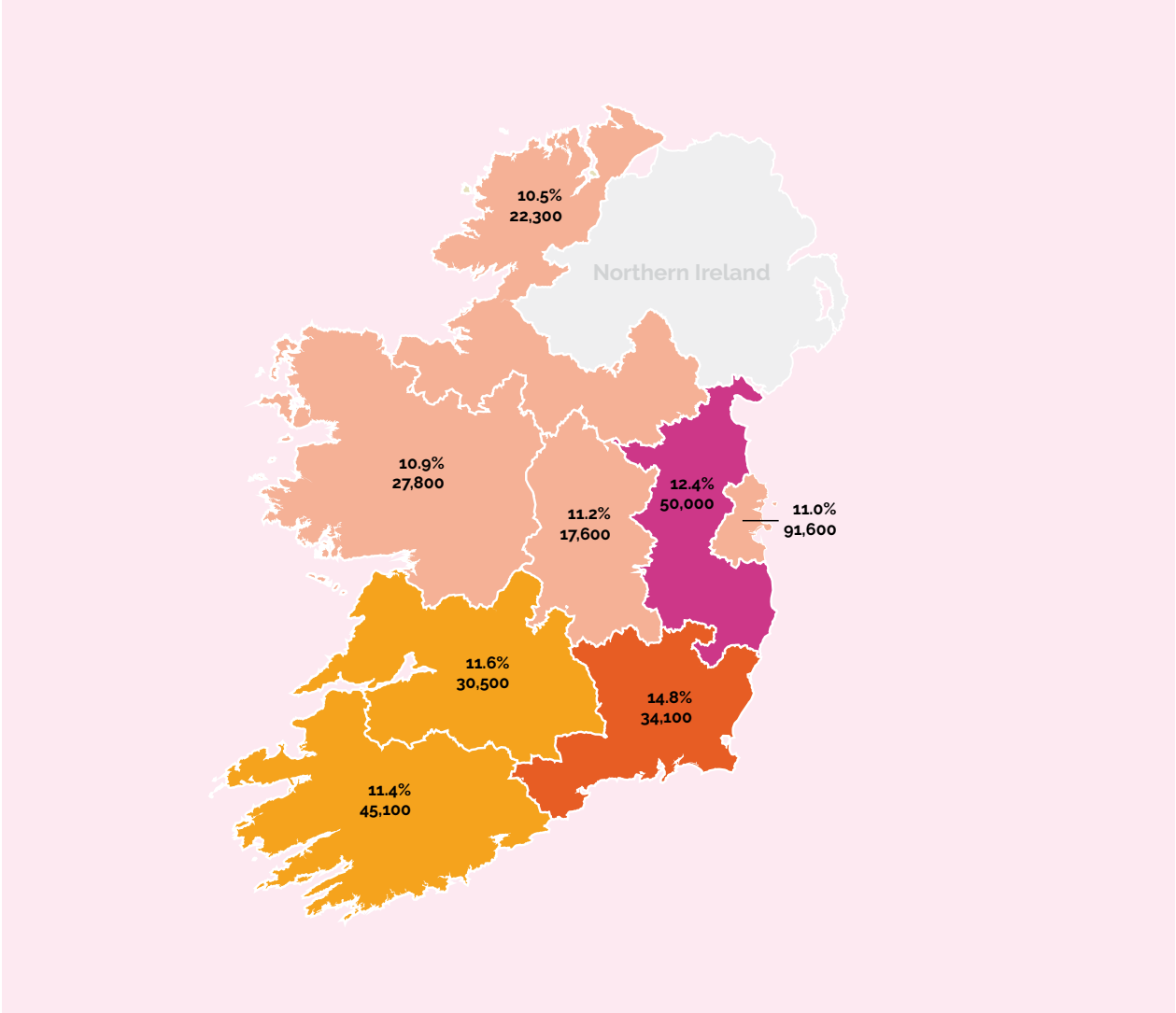
Source: SLMRU analysis of CSO data

* % Labour Market Slack is calculated as a share of the "extended labour force"

The share of labour market slack in each region saw considerable variation in quarter 2 2022 (Figure 4). The South East and Mid-East regions had shares above the national average (of 11.6%), at 14.8% and 12.4% respectively. The share of labour market slack was lowest in the Border and West regions at 10.5% and 10.9% respectively. Although the share in Dublin, at 11%, was below the average, it accounted for the largest number at 91,600 persons.

⁴ Eurostat determine that in order to allow comparisons across the categories included in the Labour Market Slack the concept of the "extended labour force" is used; this includes employed people, unemployed people but also the two categories of people outside the labour force that make up PALF, i.e. those available but not seeking work, and those seeking but not available to work.

Figure 4. Labour Market Slack (000s, %) by region, Q2 2022



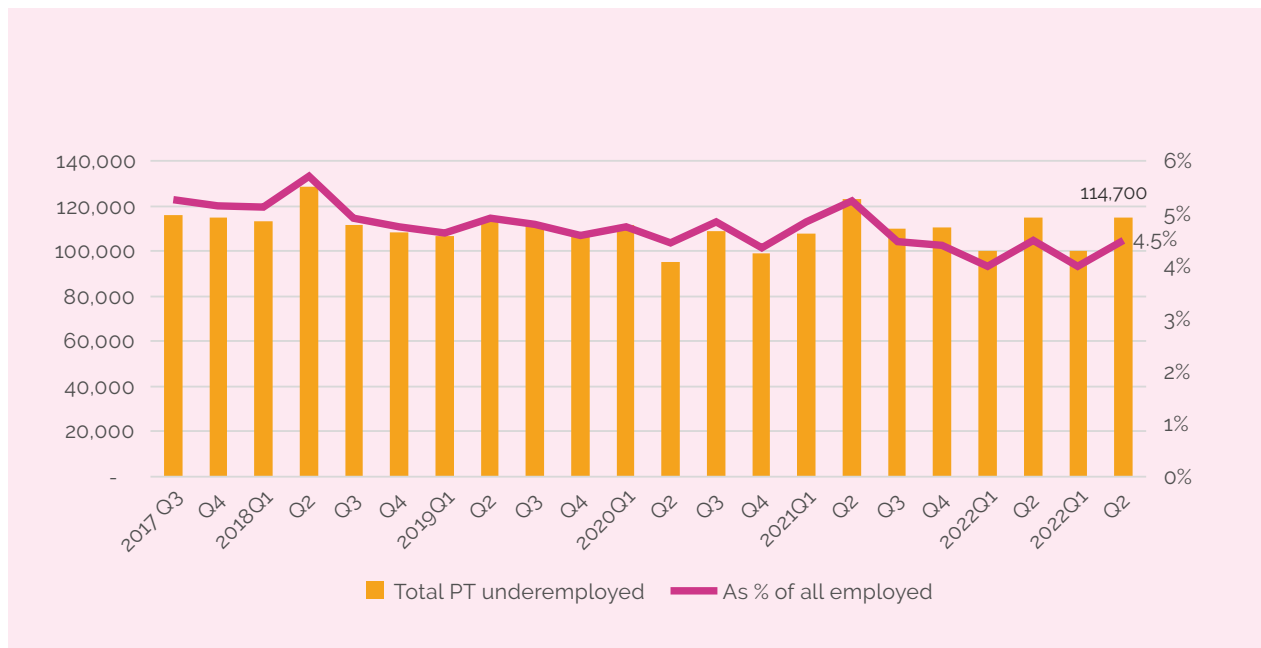
Source: SLMRU analysis of CSO data

* % Labour Market Slack is calculated as a share of the "extended labour force"

3.1 Part-time underemployed

Figure 5 shows the number of those in part-time employment who are seeking more hours of work, classified by the CSO as being part-time underemployed. Since quarter 3 2017 this has ranged from between 95,000 and 120,000 workers, standing at **114,700 persons in quarter 2 2022**. These workers have declined as a proportion of total employment over the observed period, representing 4.5% of all persons employed in quarter 2 2022.

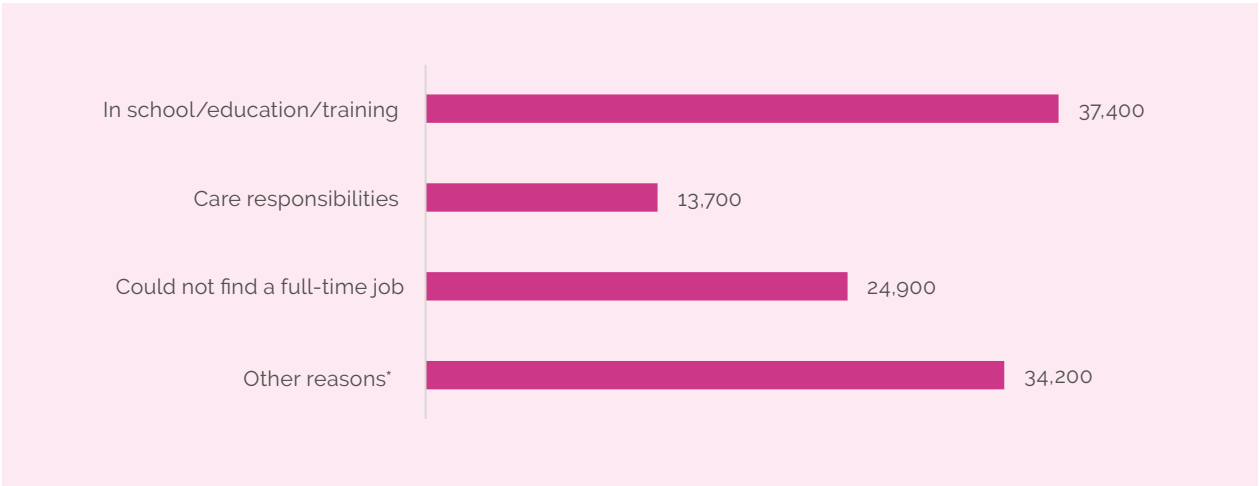
Figure 5. Part-time underemployment, and as % of all employed, Q3 2017-Q2 2022



Source: SLMRU analysis of CSO data

Of those part-time underemployed in quarter 2 2022, 37,400 (or 33%) were working part-time as they were also in education/training; a further 13,700, or 12%, were working part-time due to care responsibilities with 30% unable to find a full-time position (Figure 6).

Figure 6. Part-time underemployment by reason for working part-time, Quarter 2 2022



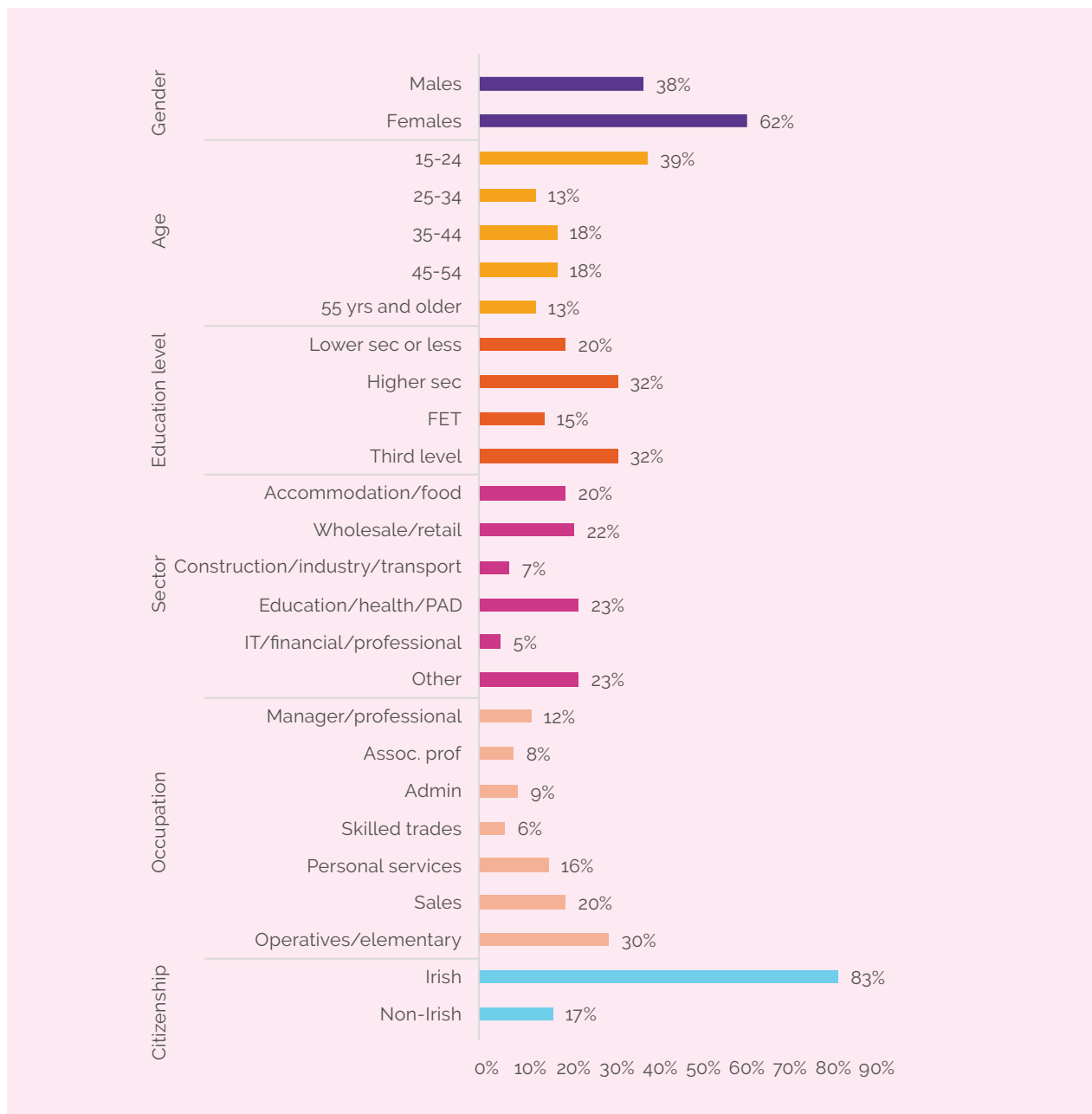
Source: SLMRU analysis of CSO data

* Other reasons include other family/personal reasons, illness/disabilities, and other reasons n.e.c.

**Excludes not stated

Of those in part-time employment who were classified as underemployed in quarter 2 2022, almost two thirds (62%) were female, 39% were aged 15-24 years, and over half (52%) had attained at most higher secondary education (Figure 7). Combined, the accommodation and food and wholesale and retail sectors accounted for 42% of all persons who were part-time underemployed, with a further 23% employed in the education, health or public administration & defences (PAD) sectors. Sales, operatives and elementary occupations combined accounted for half of employment in this category. The share of Irish citizens was in line with the overall employment trend.

Figure 7. Part-time underemployment, Q2 2022



Source: SLMRU analysis of CSO data

3.2 Unemployed

There were **119,900 people unemployed** in quarter 2 2022, representing 4.5% of the labour force (Figure 8). This is below the number unemployed at quarter 3 2017 (163,400) and is similar to levels of unemployed in the period immediately preceding the COVID-19 pandemic.

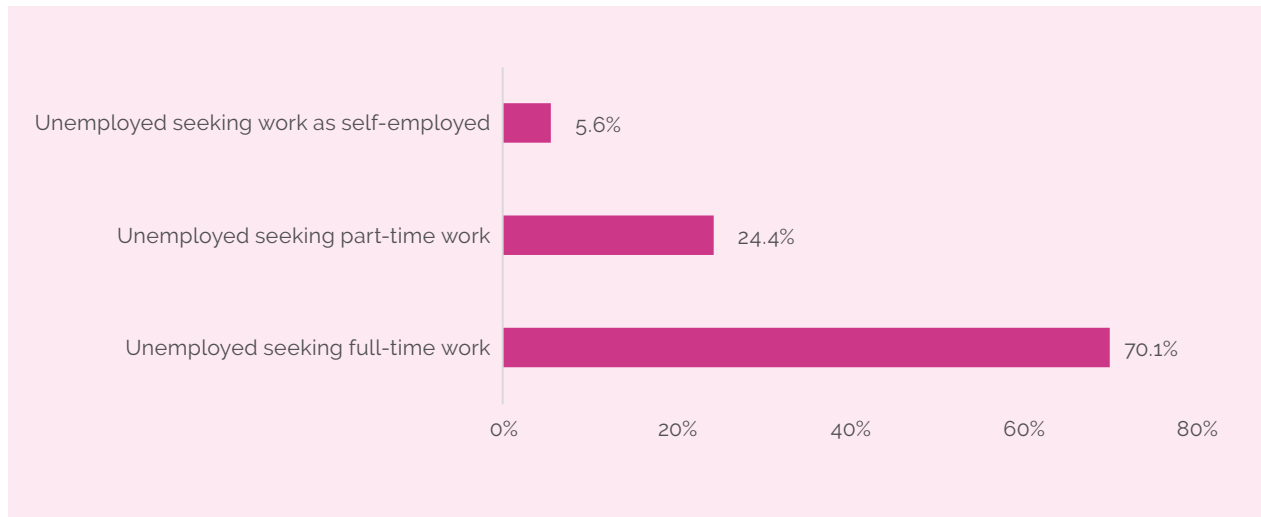
Figure 8. Numbers unemployed and unemployment rate, Q3 2017-Q2 2022



Source: SLMRU analysis of CSO data

Of those who were unemployed in quarter 2 2022, 70%, or 84,000 persons, were seeking full-time work, with the remainder seeking either part-time work (29,200 persons) or seeking work as self-employed (6,700 persons) (Figure 9).

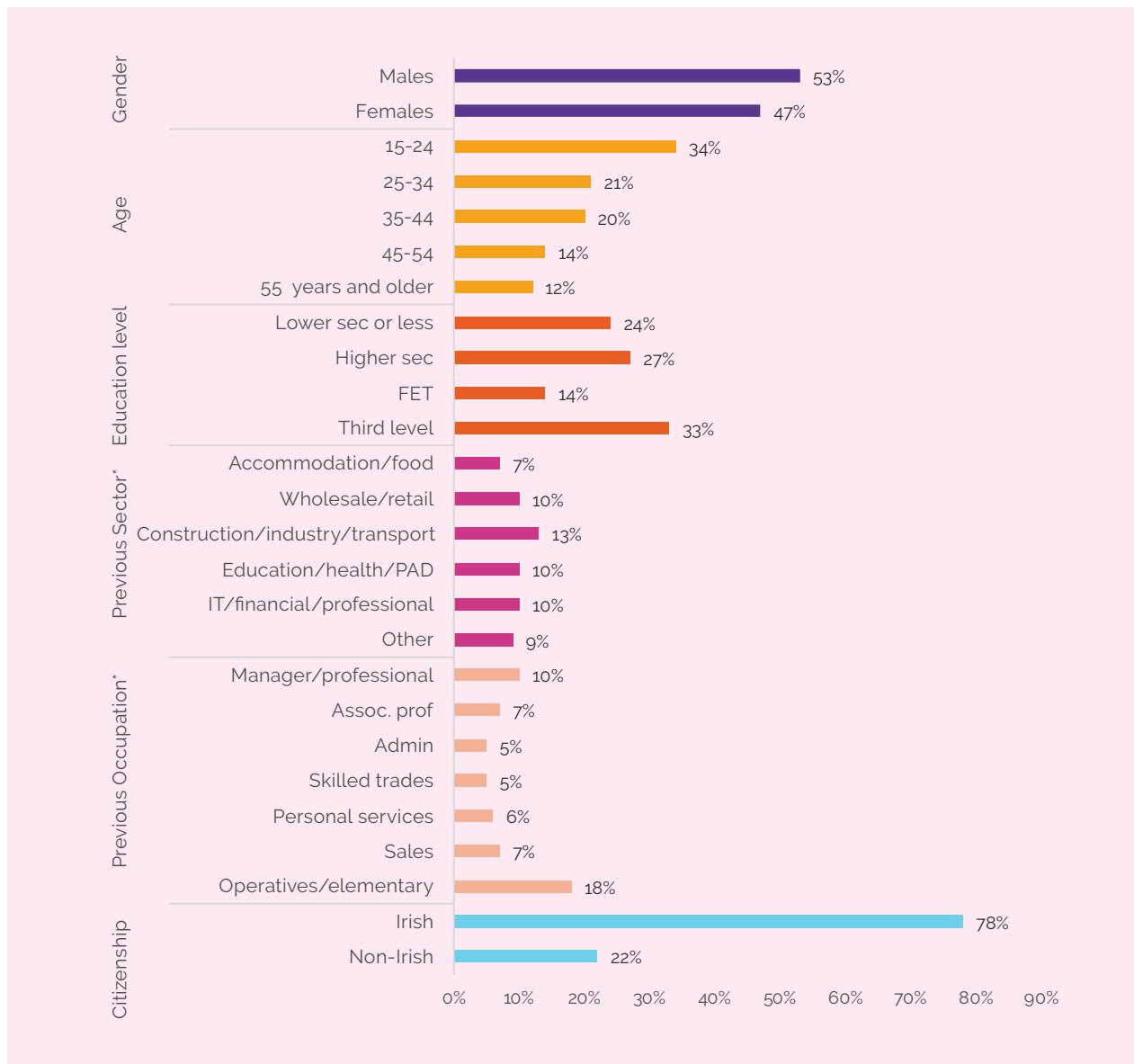
Figure 9. Unemployment by type of work sought, Q2 2022



Source: SLMRU analysis of CSO data

Of the 119,900 unemployed persons in quarter 2 2022, the majority were male (53%), 55% were aged 15-34, over half (51%) held at most higher education with a further third who held third level qualifications (Figure 10). While a large share did not state the previous sector or occupation of their employment, those previously employed in construction, industry and transport combined accounted for the highest share (13% of all persons unemployed or 22% of those who stated their previous sector of employment); 18% of those unemployed were previously working in operative or elementary roles. At 22%, the share of non-Irish was higher than in the other two cohorts that make up labour market slack.

Figure 10. Profile of unemployed persons, Q2 2022



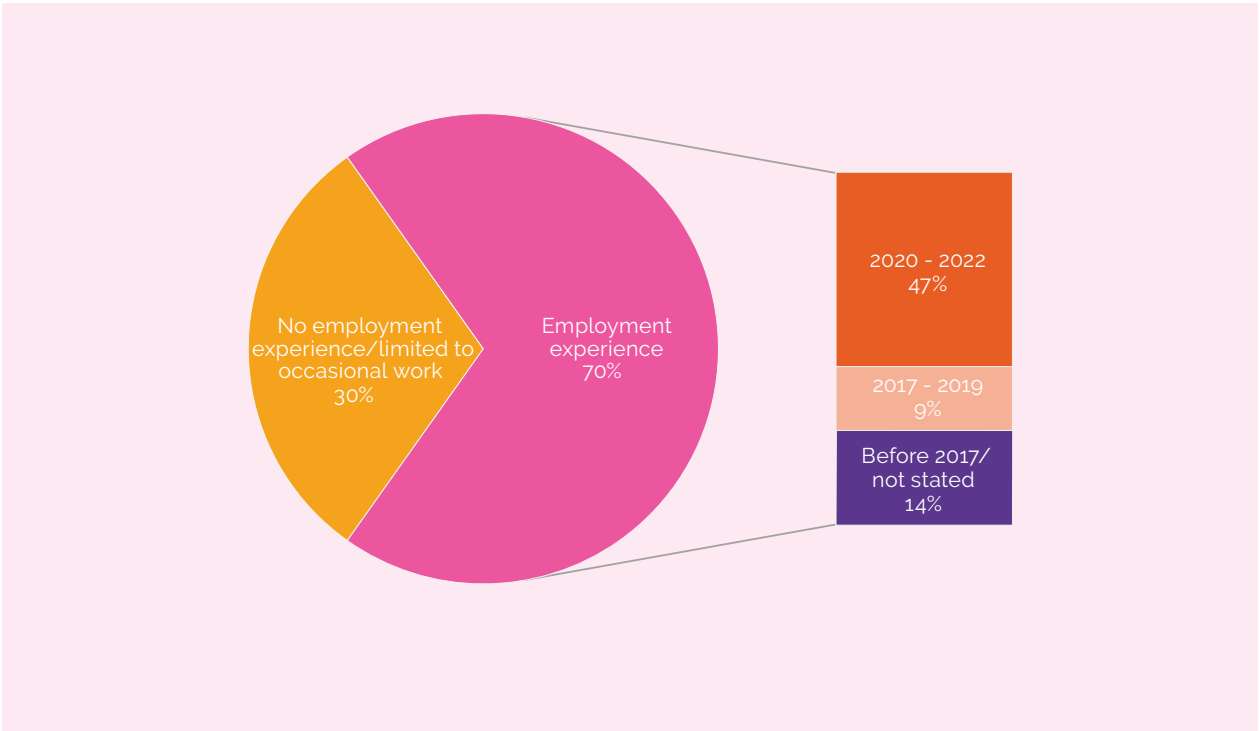
Source: SLMRU analysis of CSO data

* An additional 42% either did not state their previous sector/occupation of employment or it was not applicable (i.e. they were not previously employed)

Among those unemployed in quarter 2 2022 who stated the duration of their unemployment, 74.6% were unemployed for less than one year. The share of long-term unemployed (i.e. one year or more) fell from 40% in quarter 3 2017 to 25% in quarter 2 2022.

Approximately 84,000, or 70%, of unemployed persons in quarter 2 2022 had some employment experience other than occasional work (Figure 11). Approximately half (47%) of all unemployed persons had been employed during the years 2020 to 2022; a further 10,700 persons, or 9%, had been employed in the years 2017 to 2019, while the remainder had been employed before 2017 or did not state the year of previous employment. As such, approximately two-fifths of those unemployed had either no recent or no employment experience (this excludes those who did not state their employment history).

Figure 11. Unemployed persons by previous employment experience and year of experience, Q2 2022



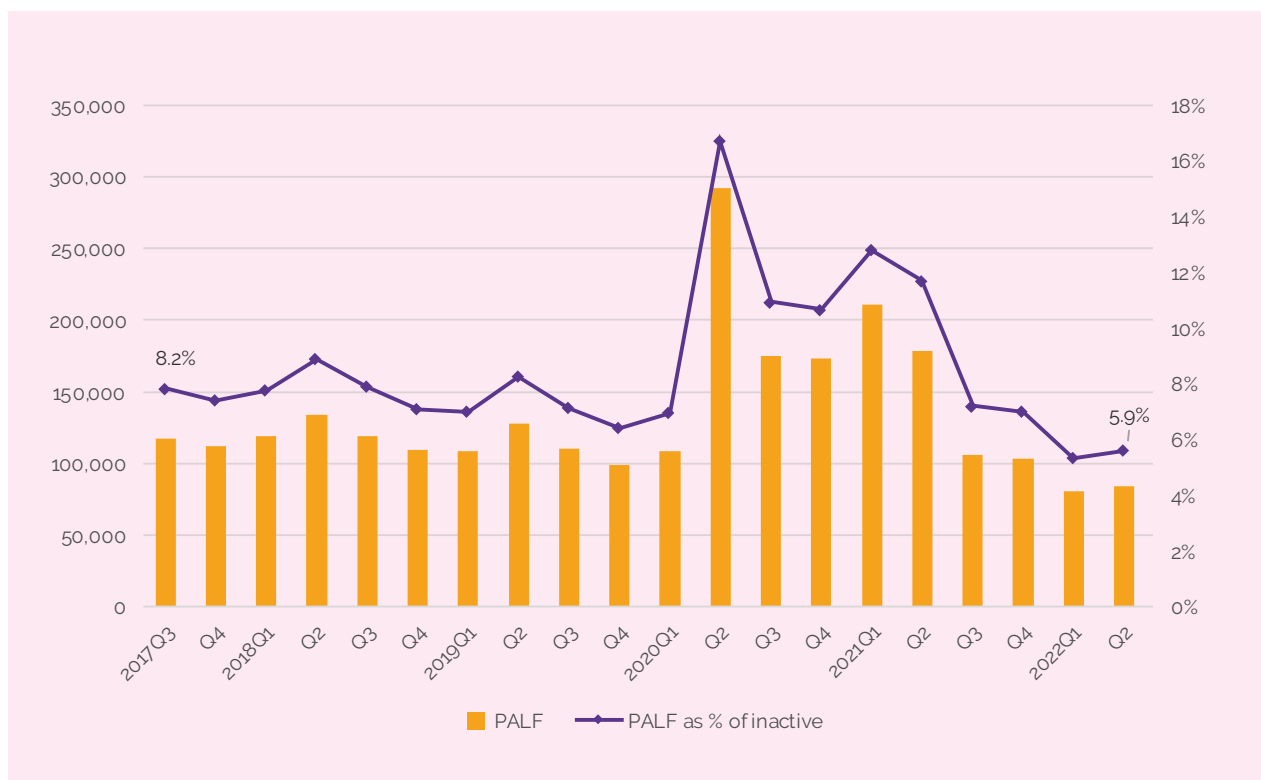
Source: SLMRU (SOLAS) analysis of CSO data

3.3 Potential Additional Labour Force (PALF)

Those classified as the potential additional labour force (PALF) have indicated that they are either seeking employment but not currently available, or available for employment but not currently seeking. They differ from unemployed, who are both available for and seeking work, and while not formally part of the labour market, they are considered closely aligned to it.

In quarter 2 2022, there were **84,400 persons classified as PALF** (Figure 12). This is lower than in Q3 2017 (116,900 persons), with a very noticeable spike at the onset of the COVID-19 pandemic. The proportion of PALF to the number outside the labour force tends to closely track the estimated total PALF; at 5.7% and 5.9% respectively, the proportion of PALF to all those classified as economically inactive was lower in quarters 1 and 2 of 2022 than at any other time over the observed period.

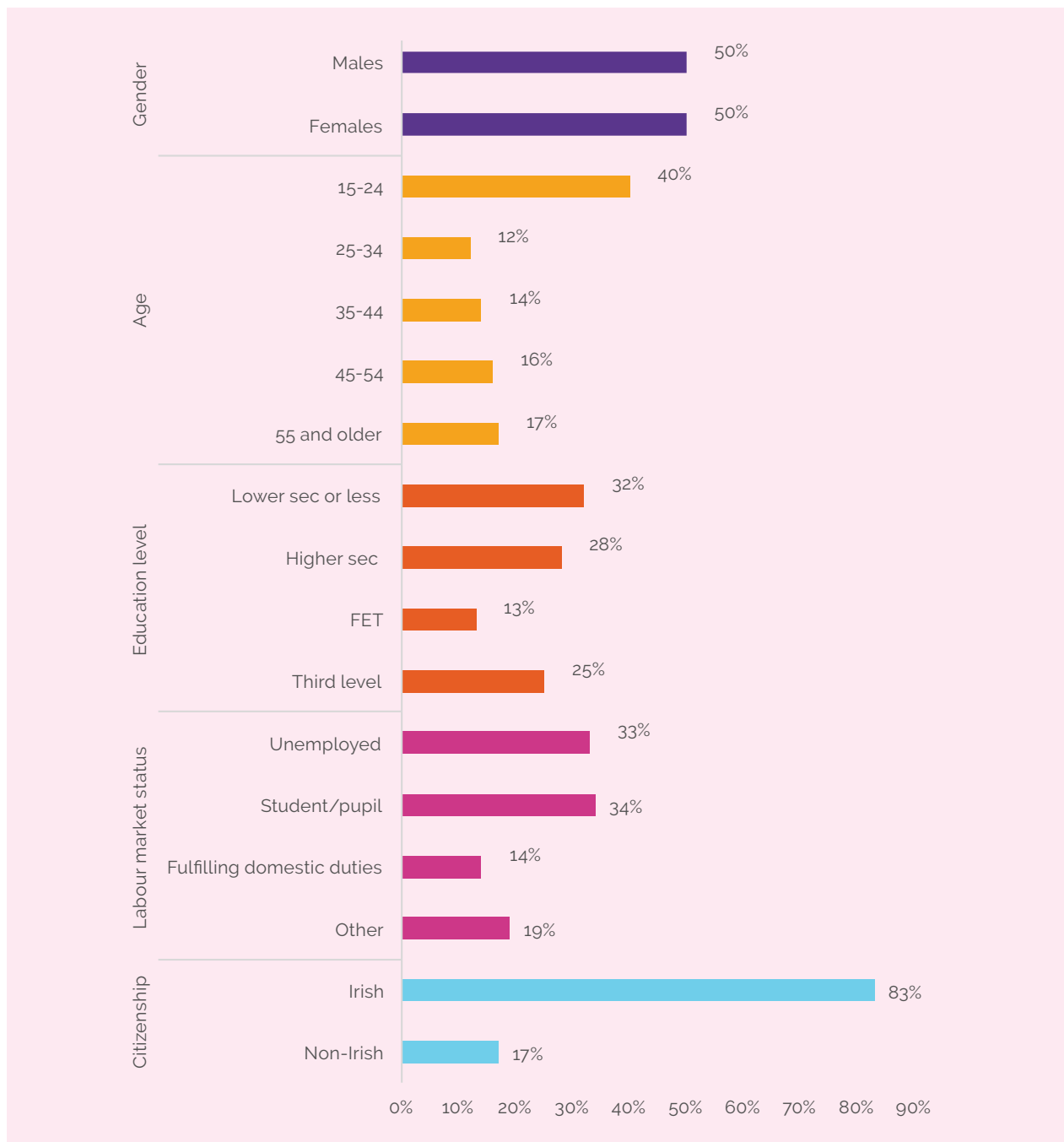
Figure 12. Potential additional labour force (PALF), and as % of all inactive. Q3 2017-Q2 2022



Source: SLMRU analysis of CSO data

In quarter 2 2022, those classified as PALF were almost evenly split between males and females, although females have typically made up a slightly higher proportion through the preceding five years. Over half of PALF were aged 15-34 years, with the majority aged 15-24 years. This is in line with the high share who are classified as students (34%). When compared to the other categories of labour market slack, those in PALF had the highest share who had attained at most lower secondary education (at 32%). A further quarter held third level qualifications (Figure 13)

Figure 13. Profile of the potential additional labour force (PALF), Q2 2022

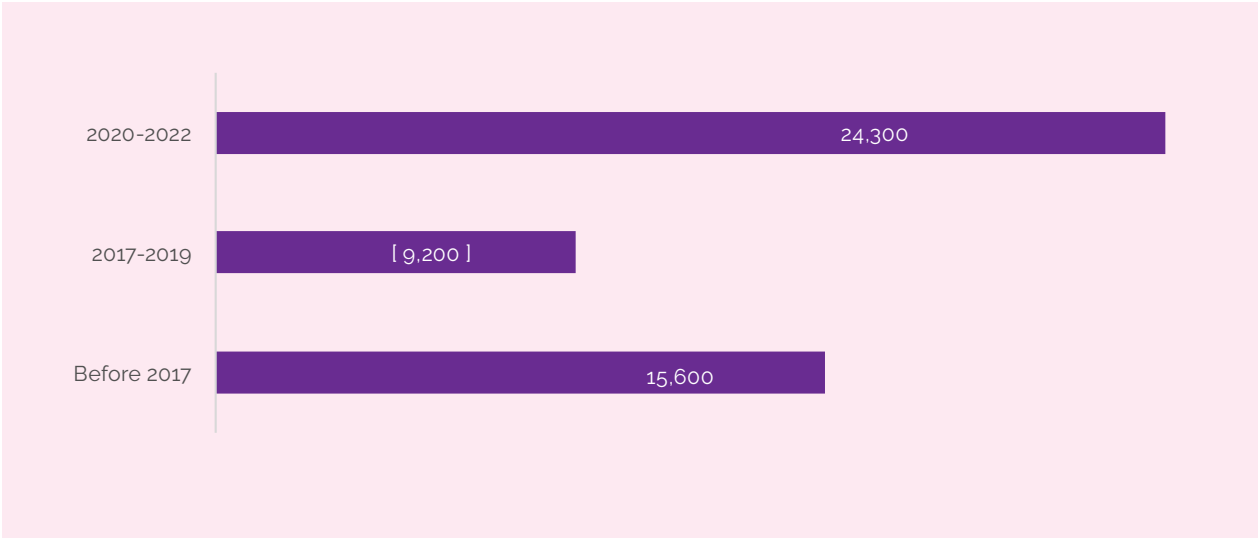


Source: SLMRU analysis of CSO data

Note: the numbers were too small to report those previously employed by sector/occupation

Of all those classified as PALF in quarter 2 2022, 63% were identified as having previous employment experience other than occasional work. Of these, 24,300 persons had been employed during the period 2020 to 2022. As such, approximately 60% of those in PALF had either no employment experience or no recent experience (i.e. within the previous five years).

Figure 14. Year previously employed for those in PALF with previous employment experience, Quarter 2 2022



Source: SLMRU analysis of CSO data
// numbers in square brackets are small and should be treated with caution

4 Summary

Despite the growing numbers in employment and the tightening of the labour market, there remains a considerable pool of people who, given the right incentives, could be encouraged to enter/re-enter employment. Many in the labour market slack category are young and/or students and may be at the beginning of their career path. A third have third level qualifications and interventions such as career guidance or short courses may be sufficient to direct some of these people to roles in demand in the labour market.

However, this analysis also points to a significant need for education and training interventions for a large share of those in the labour market slack cohort if they are to meet the needs of the labour market. A lack of work experience appears to be a considerable factor for those in this category; recent work experience (i.e. some employment experience between 2020 and 2022) was evident for approximately half of those unemployed and less than 30% of those classified as PALF. A strong work experience element in any education and training provision for these cohorts would be likely to increase their attractiveness to potential employers. There is also a considerable share (22%) who have at most lower secondary education; additional skills training, such as digital skills, may be required to meet the needs of employers, particularly if this group also lack recent employment experience.

Care responsibilities are also a key consideration. Many of those in part-time employment were doing so due to caring responsibilities, and a share of those in PALF were also categorised as fulfilling domestic tasks. Incentives to encourage and facilitate these cohorts to enter/re-enter employment may need to address issues in relation to care provision.

SOLAS

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