

FACTS AND ANALYSIS OF EMPLOYMENT AND UNEMPLOYMENT

Much has been made of the contribution of the

What then, does the future hold? Most forecasters are quite optimistic about the immediate future. While the long term decline of the numbers in agriculture will continue, the decline in numbers in the public sector should come to an end this year. With a continued strong performance in the manufacturing and private services sector, the prospects are reasonably encouraging for 1990. The Central Bank and the Department of Finance

see employment rising by about 13,000. The ESRI forecast a rise of 16,000 while the Economist Intelligence Unit forecast a higher rise of about 18,000. Estimates of the decline in numbers unemployed this year vary from between 10,000 (Department of Finance) to 14,000 (ESRI). (The better outcome according to the ESRI estimate is partly explained by a reduction of 3,500 in the Live Register due to a technical reduction with the introduction of the Pre-Retirement Allowance Scheme.)

What the prospects are for the longer term future is obviously more difficult to predict accurately. In addition to the potential impact of events in Eastern Europe, the completion of the internal market will come more fully into effect. If momentum towards political union is maintained, the prospects for our economy could be hugely changed. While these developments do make it harder to predict the future the ESRI in their latest commentary point out there is no grounds for assuming that these events will necessarily work to our disadvantage.

Having acknowledged the need for care in projecting long-term trends in Irish unemployment, let us turn to look at what forecasts are being made. The most authoritative source is the Medium Term Review published by the ESRI in June 1989. This report created quite a stir when it first came out. Some commentators felt it was over-estimated the likely achievements of the economy over the next five years. What was less clearly noticed was the reassertion of the divergence between economic recovery and significant improvement in the unemployment figures. Thus, despite very optimistic forecasts, the ESRI did not see our level of unemployment falling much below 13% by 1994. And in a recent update even this forecast was revised upwards to 13.8%. Given that they were taking unemployment to be around 16 percent in 1989, this is quite a depressing prediction. (The reason for this lower figure compared to the 18% mentioned above is that this figure of 16% is based on information from the Labour Force Survey, while the earlier figure was based on the Live Register). Effectively the ESRI are forecasting that unemployment will decline by about 2% over the period to 1994.

Furthermore, the moderate improvement in unemployment and emigration is not necessarily expected to continue beyond the mid 1990s. Eventually the ESRI foresee strong growth causing higher wage demands which will weaken our competitive position and make it much more

difficult to reduce the level of unemployment. While this is obviously a disappointing scenario, it should be pointed out the achievement it reflects up to 1994 is greater than suggested by a cursory look at the figures. The fact is that our unemployment figures have been kept artificially low during the 1980s due to the high levels of emigration. If that is acknowledged, then the limited reduction of unemployment forecast is a more impressive achievement when we take into account the simultaneous reduction in emigration.

How do they explain this disappointing outcome? Firstly, they see the pick-up in the numbers at work continuing over the period. Over five years they expect total employment to increase by 82,000. However, as has happened before, as more jobs are created so are job-seekers. Much of this is caused by changes in emigration patterns. As prospects improve here less people will emigrate. In addition, more people are likely to return when the economy is doing well. The ESRI expect emigration to have peaked in 1989 (when it reached 46,000) and to decline thereafter to about 10,000 in 1994. This results in a sizeable increase in the labour force. This trend can only be intensified by the slow down in the British economy. In relation to population trends, the ESRI believe that the slow down in the birth rate will still not have fed through to the labour force by the mid 1990s. Only towards the end of the decade do they foresee a significant change in this pattern with net inflows to the labour force falling from their present annual averages of about 25,000 to something nearer 6,000. In the more immediate future they do expect some increase in participation rates over the period adding another 3,000 annually to the labour force, which will only be partly offset by increasing participation in further education. All of these factors explain how the creation of 82,000 jobs reduces unemployment by less than 40,000.

The improvement in relation to jobs involves the continuation of a number of trends mentioned above. Long run structural change will ensure a continued downward trend of the numbers employed in agriculture. As the ESRI comments, in contrast to the 1970s the economic recovery will not translate into major expansion of the public service in such areas as health and education. As a consequence, net job gains will largely be confined to manufacturing and marketed services. Within the manufacturing sector, the most dramatic turn about is the reversal of fortunes in the construction industry. After the disastrous years of the 1980s, the increase in demand is expected

to provide scope for 15,000 new jobs. The rest of the manufacturing sector is forecast to provide over 30,000 new jobs to 1994. Underlying this improvement the ESRI identify three major factors. A buoyant world economy makes it much easier to sell our exports. There is also evidence that our competitive position, both in terms of wages and the cost of borrowing has improved. Finally, the Structural Funds ought to have a certain direct impact in increasing industrial capacity.

The greatest contribution to employment is forecast to come from the services sector. Despite the fact that this is widely believed to be the sector most exposed to the effects of 1992, employment in this sector is predicted to rise by over 50,000 in the period to 1994. Expansion in this sector is largely driven by developments in other sectors of the economy. With national income increasing demand for services should rise. The major concern in relation to this improved performance is the question over the quality of the jobs being created. Almost certainly the increase here means an increase in the number of part-time and low paid jobs.

It is clear then that there will be some improvement in the job situation over the next five years. Obviously, this is a welcome change and a cause of some relief after the experience of most of the 1980s. However it is equally evident that we have not as yet found a solution to our unemployment problem. Two groups in particular are likely to be excluded from the improved situation: the longterm unemployed who are generally last to get any jobs going; and those who leave school with low qualifications. And there are worrying signs that unemployment could begin to rise again in the mid 1990's. As a nation then, this scenario presents us with a number of important choices about the type of Ireland we are creating. One unacceptable response would be to adopt the view attributed to many of our policy makers in a recent book by Breen, Hannan, Rottman and Whelan:

.... the limits of the State's action in regard to the employment crisis is evident through the fatalism that now seems to inform job creation policy - at least at the macro economic level. It is now widely accepted by policy makers and their advisers, that any large scale improvement in the situation is outside the hands of an Irish administration.

The alternative is to remain sceptical about the value of our economic miracle which can leave us with such historically and internationally high

levels of unemployment. This involves resisting any attempt to justify present levels of unemployment as being 'natural'. Retaining a commitment to full employment (remember that goal) does not mean that we believe it can be attained immediately. It does however require us to insist that serious thought is given to consideration of what steps need to be taken to facilitate the emergence of a stronger indigenous industrial sector capable of providing much more sustainable and significant employment. As O'Malley has argued in his recently published book, all the evidence suggests that private Irish Industry cannot or will not alone overcome the limitations of size and being a late developer. The case for more active government participation in the selection and promotion of some large scale industrial enterprises remains appealing. At least nobody else seems to be proposing strategies of sufficient potential to get our economy to a level of development where it can provide jobs for all those who want them.

References

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Update on Long-term Unemployment

A positive feature of the Irish EC Presidency was the priority given by the Minister for Labour, Mr. Ahern, to the issue of long-term unemployment. The EC Social Affairs Council adopted a resolution on action to assist the long-term unemployed, when it met in Brussels on 29 May. This initiative which was promoted by the Irish Minister, is a welcome development. The exact details of the resolution are not yet to hand but it will lead to some additional EC spending on 'demonstration projects' in this area.

However the ongoing lack of priority given in national policy to tackling long-term unemployment is a matter of considerable concern. By far the biggest Irish programme for the long-term unemployed is the Social Employment Scheme. The expansion of the SES to 15,000 places announced in the Budget is the major initiative so far by this government in relation to long-term unemployment.

Is the SES a good enough scheme to merit its position as the main programme for the long-term unemployed. In fact the vast majority of participants return to unemployment after completing the scheme. This is not surprising. To date SES has offered no training (though plans have recently been announced for the inclusion of some training in the scheme as of 1991). The scheme only offers half - time work. Much of the work under the scheme is manual labour of the most basic kind. And many SES jobs are outside mainstream labour markets. It would be foolish to expect that a scheme with these characteristics could significantly improve a person's employment prospects in our increasingly sophisticated job scene. This is tacitly admitted by the statement in the recently agreed Community Support Framework (p.9) that "This scheme aims to prevent participants from becoming chronic unemployables". This certainly suggests low expectations of the scheme on the part of the authorities.

There are ways in which SES could be improved - for example by the inclusion of a training element - by providing full time work - by greater linking of participants into further training on completion of the SES - by targeting it on the very long - term unemployed etc. etc. Much could be done to improve the Scheme from the point of view of SES workers, in terms of social insurance and employment rights, rates of pay and working conditions. Developments of the SES along these lines would be progress. However while there is a place for SES the totally dominant position the SES occupies in policy to combat LTU seems mistaken.

What is the alternative? Much greater emphasis needs to be given to education and training. The upgrading

of vocational training even for those already in employment is considered essential in the light of rapid technological change and rapid change in job requirements. This would suggest that even greater priority should be given to training for the long-term unemployed if they are not to be permanently excluded from the job market.

But training for the long-term unemployed is very much a minority option in Irish policy. We have the Aiternance Scheme, which has never offered more than 3 thousand placements of six months duration per year, and which was down to 1500 placements in 1989. There is the Vocational Training Opportunities Scheme offering around 200 places in 1990. Clearly there is room for expansion here. But just as important as the expansion of training courses specifically for the long-term unemployed is improving the access of long-term unemployed people to mainstream training provision. The plan on LTU submitted to the EC Commission last June stated that "the long term unemployed are capable of benefitting from specific skills training" and that "the LTU should to the greatest possible extent have their training needs met on programmes available to the generality of those seeking work". But so far this is not happening. It seems that recruitment to training schemes is screened in much the same way as recruitment to jobs and the long-term unemployed are largely excluded.

This needs to be addressed. One possible approach is to set aside a quota of places for the long - term unemployed on designated training programmes. Another is to provide pre training courses for the long-term unemployed, successful graduation from which guarantees entry to a mainstream course. Without doubt with a bit of effort many other ways of addressing this issue could be found. This should be a priority. Yet there is little evidence that much progress will be made in the near future. The best indication to date of plans in this area come from the submission to the European Commission quoted above and from information set out in the Community Support Framework. Without going into detail neither of these gives much hope for major innovation in the area of training.

The amounts of Structural Fund money devoted to 'Objective Three' - i.e. combatting long-term unemployment - don't give much hope here either. Something of the order of £27 million a year at 1989 prices (2/3 from the EC and 1/3 from the Exchequer) suggests at best rather small expansion of provision for the long-term unemployed. And this must be placed against a background where the level of direct Exchequer spending on Fas training was cut by £10 million in the 1990 estimates. In fact Exchequer spending on training will be £24 million less in real terms in 1990 than it was in 1987.