



An Roinn Coimirce Sóisialaí  
Department of Social Protection

# Labour Market Advisory Council

## Labour Market Update

January 26, 2022

*Prepared by the Labour Market Analytics Unit*

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## Key Messages

- The Irish labour market continues to perform well, according to the latest relevant data.
- According to the Q3 2022 Labour Force Survey (LFS) there are 2.55m people in employment, which is largely unchanged from Q2.
- The seasonally adjusted unemployment rate for December 2022 was 4.3 percent, down slightly from 4.4 percent in November. This unemployment rate has remained stable and below 4.5 percent since the last of the COVID-19 emergency support measures were removed.
- The Live Register consists of 185,771 claimants as of 15 January 2023. This figure includes 22,535 Beneficiaries of the Temporary Protection Directive for Ukraine. Excluding these, the Live Register stands at 163,236, which is markedly lower than the pre-pandemic level of 181,996.
- According to CSO data, there were 33,100 vacancies in Q3 2022, well above the Q3 2019 pre-pandemic level of 17,900. This figure, however, has declined by 1,200 since Q2 2022. The corresponding vacancy rate stands at 1.5 percent, down from 1.7% in Q2. Caution is advised when looking at vacancy data as it may not always be reflective of current labour market trends.
- The Beveridge Curve, which illustrates the relationship between the currently low unemployment rate and the relatively high vacancy rate, suggests a tight labour market, though the efficiency of matching in the labour market is in question compared to other years in which the economy performed well.
- As of Q3 2022, seasonally adjusted average hourly earnings for all sectors, except for the Transportation and Storage sector, are above pre-pandemic levels. However, eight of the seventeen NACE sector groupings in the analysis have seen decreases compared to the previous quarter. This may be a sign of slowing earnings growth in the labour market. Across all sectors the average hourly earnings is now €25.22, up 0.7 percent (€0.17) compared to the previous quarter.
- The evolution of certain labour market indicators between Q2 and Q3 2022 suggest a slowing to the strong expansion of 2022. These include falling vacancies, lower seasonally-adjusted employment in a majority of sectors and slight declines in labour force participation.
- The outlook for Ireland, a small open economy, remains uncertain, but is tilted towards the downside. Many economic commentators expect a global recession, including recessions amongst key trading partners. Gas spot prices have decreased since their 2022 highs and demand may further abate as the (unseasonably warm) winter subsides, which, in conjunction with tightening monetary policy, may curtail inflation. However, the continuation of the war in Ukraine, inflation expectations and price competition for commodities resulting from China's lifting of its zero-COVID policy may keep inflation above its 2 percent target for some time.
- Given these factors, and others, many key institutions expect the 2023 unemployment rate to be between 4.25 and 5.25 percent, with Modified Domestic Demand remaining positive. Despite this, shocks may be experienced asymmetrically and consequently, sectoral exposure will be monitored closely in the coming period.

## Introduction

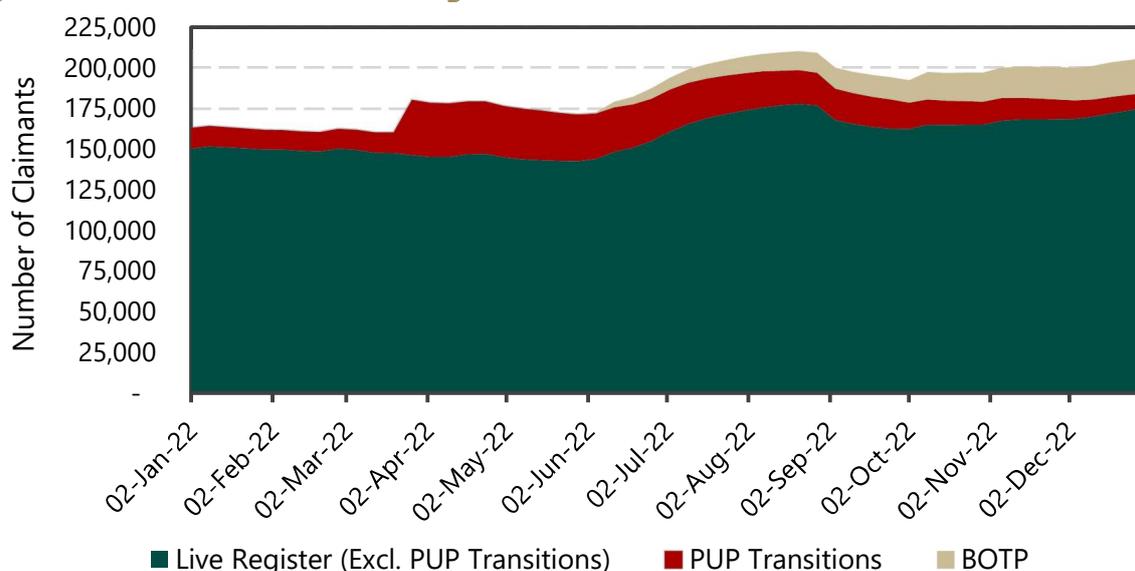
This Labour Market Update provides an overview of the latest developments in the Irish labour market. It uses Department of Social Protection (DSP) administrative data to examine the latest trends in the Live Register, including the residual effects of the closure of the Covid-19 support schemes and the impact of those who are in Ireland as Beneficiaries of Temporary Protection (BOTP) for Ukraine. A brief overview of some of DSP's engagement with BOTP and summary statistics on the characteristics of the working age BOTP is provided.

The CSO's Labour Force Survey (LFS) and Earnings, Hours and Employment Costs Survey (EHECS) data, among others, are used to examine trends in the broader labour market. The paper concludes by looking at challenges ahead and the latest (macro)economic forecasts.

### 1. Live Register Trends and Composition

Looking back a year, the Live Register stood at 165,069 in the first week of 2022. At that stage, there were some 13,083 recipients of the Pandemic Unemployment Payment (PUP) on the Live Register. When the phased closure of the PUP was complete, the Live Register stood at 180,691, including 20,840 who transitioned from the PUP. Over the course of 2022, the Live Register experience normal seasonal variation; there was an increase in claims over the summer, most associated with the education sector, and corresponding decreases as schools reopened in autumn. However, this normal variation was obscured somewhat by the increase in claims from BOTP. As of December 2022, the Live Register consists of 184,642 claimants. However, if you exclude BOTPs, the Live Register stands at 162,860 which is below the pre-pandemic level of 181,996. The following section examines the impact of these different factors on the Live Register over previous months and going forwards.

**Figure 1.1: PUP transitions, Live Register and BOTP trends**

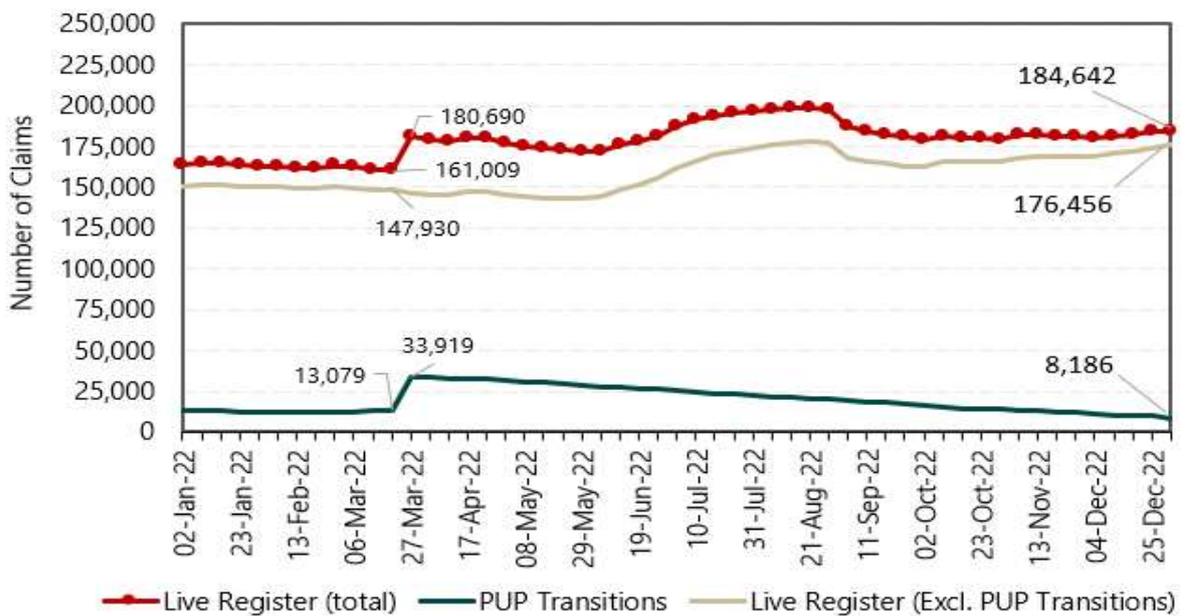


Source: DSP admin data (figures are subject to revision).

## 1.1 Former PUP recipients who transitioned to the Live Register

In previous Labour Market Updates, it had been flagged that it would be necessary to monitor the impact of the withdrawal of the pandemic related income supports owing to the scale of the supports that were available from March 2020 to May 2022. As highlighted in Figure 1.1.1 below, the number of former PUP recipients who transitioned onto jobseeker’s payments has been steadily declining. At the peak, on the week ending March 27<sup>th</sup>, 2022, they accounted for 19 percent of the Live Register, but as of December 2022, they accounted for 4.8 percent (8,186).

**Figure 1.1.1: Number of Former PUP Recipients who transitioned on the Live Register in 2022**



Source: DSP admin data (figures are subject to revision).

Notably, analysis undertaken as part of the 2022 Spending Review paper, “Labour Market Trends: An Analysis of the Transition of PUP Recipients to Jobseeker’s Payments”<sup>1</sup>, found that PUP recipients who transitioned to the Live Register persisted on the Live Register for longer than claimants who happened to join the Live Register at the same time, but exited faster than a comparable group of people who were long term unemployed around the time of the transition.

<sup>1</sup> <https://www.gov.ie/en/collection/32ecd-spending-review-2022/#social-protection>

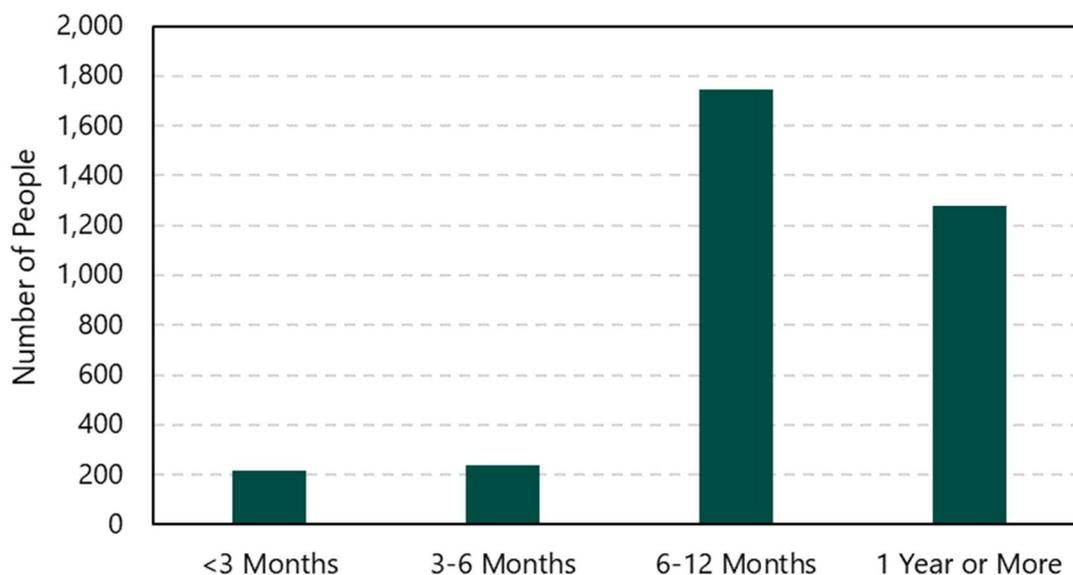
## 1.2 Former EWSS employees on the Live Register

Combining Live Register and Revenue data indicates that, as of the 8<sup>th</sup> of January 2023, there were around 31,600 former EWSS supported employees on the Live Register. There were an additional 16,300 former recipients of the TWSS scheme on the Live Register.<sup>2</sup> This rather large share of the Live Register, (close to 25 percent), reflects the scale of the wage subsidy schemes in place during the pandemic period.

Focusing on those former wage subsidy recipients who moved to the Live Register within 2 months of their most recent EWSS or TWSS payslip indicates that 3,480 people could be considered to have transitioned directly from a subsidised employment to the Live Register. This represents close to 1.9 percent of the Live Register as of the 8<sup>th</sup> of January. The majority of this cohort of former T/EWSS supported employees are in receipt of Jobseeker's Allowance (66 percent). Close to 31 percent are receiving Jobseeker's Benefit and the remainder are receiving credited social insurance contributions.

Figure 1.2.1 below shows the breakdown of the durations that this group of former EWSS supported employees have spent on the Live Register. Close to 63 percent of the group are short-term Live Register claimants (that is, they have an active claim of less than a year). The remaining 37 percent of the group have been on the Live Register for a year or more. Comparatively, in the same week 33.4 percent of the Live Register were claimants for a year or more.

**Figure 1.2.1: Number of former EWSS recipients on the Live Register by Duration**

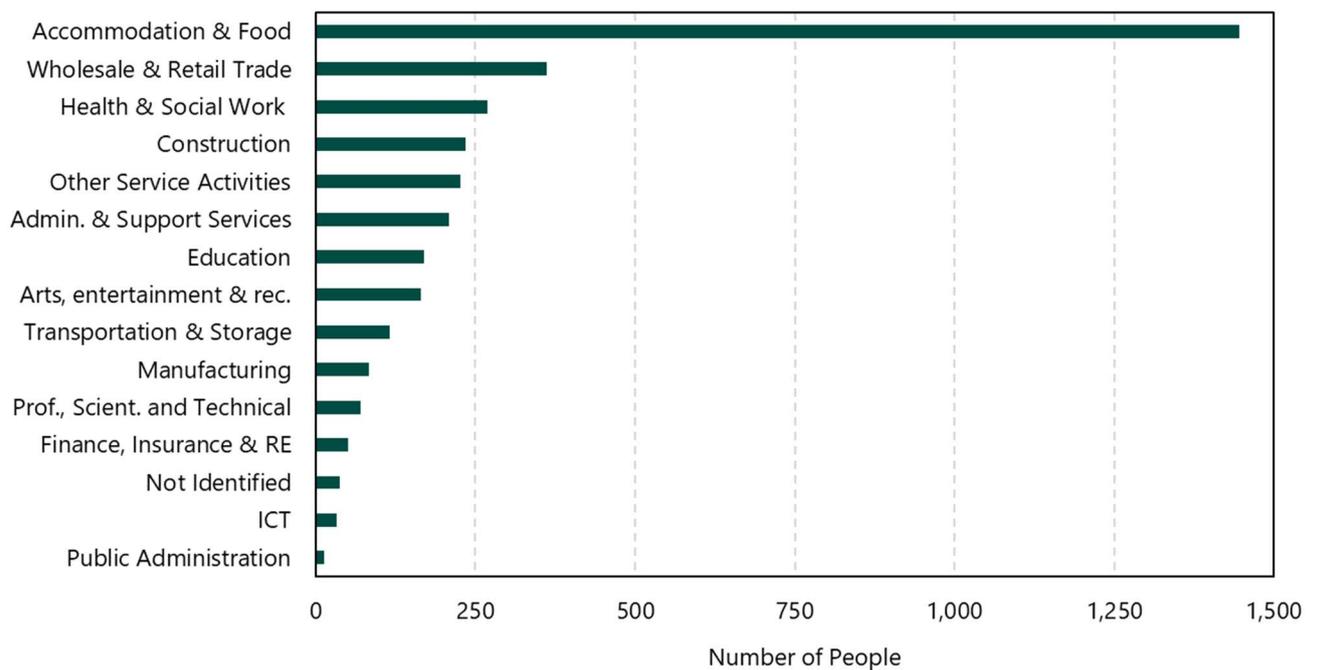


Source: DSP admin data (figures are subject to revision).

<sup>2</sup> The EWSS and TWSS figures refer to unique individuals, based on payslip histories. In the event that a person was supported by both the EWSS and the TWSS, they would be counted in the EWSS figure.

Analysing the sectors of the former EWSS supported employers of this cohort reveals, as expected, that the majority of the group worked in the sectors most impacted by the pandemic. Accommodation & Food is by far the most common origin sector, accounting for over 40 percent of the group. The next largest sectors of origin are Retail, Health & Social Work, Construction, Other Services and Administration & Support Services. Together these five sectors represent an additional 37 percent of the cohort. Figure 1.2.2 illustrates the sectoral breakdown of the whole cohort.

**Figure 1.2.2: Sectors of the Employers of Former EWSS Recipients on the Live Register**



Source: DSP admin data (figures are subject to revision).

Examining the age profile of the group shows that some 10 percent of them are under the age of 25, 18 percent are over the age of 55, and around 72 percent are between the ages of 25 and 55. This is very similar to the Live Register as a whole in which just over 10 percent of claimants were under 25 as of the 8<sup>th</sup> of January.

Overall, this high-level analysis does not indicate a significant impact on the labour market, or on the Live Register, from the winding down of the EWSS scheme. Moreover, given there has been a reduction of over 20 percent in the number of people in this cohort since the last analysis in October, the group is diminishing over time.

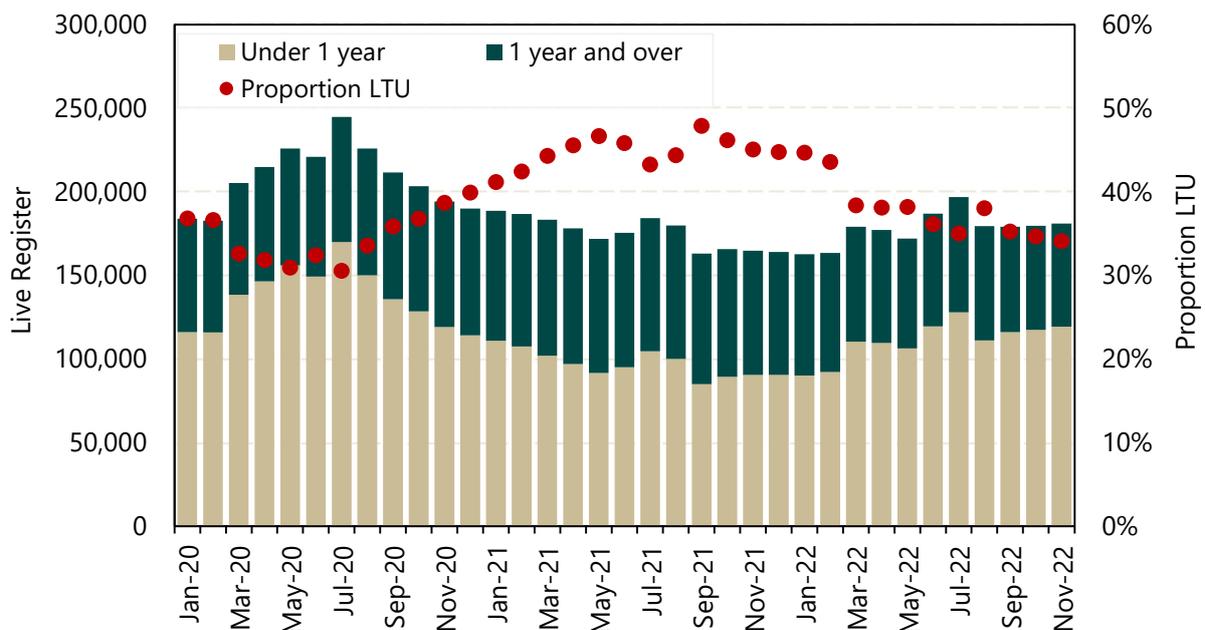
This analysis, in conjunction with the PUP transition analysis in section 1.1. as well as elsewhere implies that, at this stage, there is limited evidence of a residual impact of the Covid-19 pandemic on the Live Register.

### 1.3 Claim Duration on the Live Register

Figure 1.3.1 below shows, on a monthly basis, the claim duration of those on the Live Register from January 2020 to December 2022. Typically, the Live Register has a larger share of short-term claimants (less than 1 year) compared to long-term claimants (1 year or more), as there is a significant amount of short-term churn. Pre-pandemic in August 2019, the proportion of those on the Live Register long-term was 38.1 percent. From mid-2020, as noted in previous labour market update papers, the proportion of long-term claimants increased significantly over the course of the pandemic, likely as a consequence of the pandemic reducing both exits from the LR (limited job opportunities) and entrants to the LR (due to the availability of PUP).

The figure below also illustrates that in the last several months there has been an increase the number of people on the Live Register. As discussed previously is a consequence of the influx of BOTPs. This increase of new claimants has also contributed to the decrease in the proportion of long-term claimants on the Live Register.

**Figure 1.3.1: Live Register breakdown by official\* duration (Jan 2020 – Dec 2022)**



Source: Live Register (figures are subject to revision).

Note: \*Official classifications do not include time on the PUP when calculating Live Register claim duration.

Note 2: The increase in the proportion of LTU claimants in August 2022 is a result of normal seasonal outflows of short-term claimants at the end of summer coupled with an increase in the absolute number of long-term claimants in August, which is associated with inflows in July the previous year as the PUP closure commenced.

Table 1.3.1 below compares the Live Register durations excluding and including time spent on the PUP. The table shows that the difference is narrowing whereby the share of long-term claims excluding time on the PUP (33.4%) is now close to the share of long-term claims including time on the PUP (35.2%). This suggests that including time spent on the PUP no longer has a meaningful impact on the duration of the Live Register.

**Table 1.3.1: Live Register breakdown by duration before and after including time spent on the PUP, as of December 2022**

	Excluding Time Spent on PUP	Including Time Spent on PUP
Less than 1 Year	122,976	119,711
1 Year or More	61,666	64,931
Total	184,642	184,642
<b>Long Term Share (%)</b>	<b>33.4</b>	<b>35.2</b>

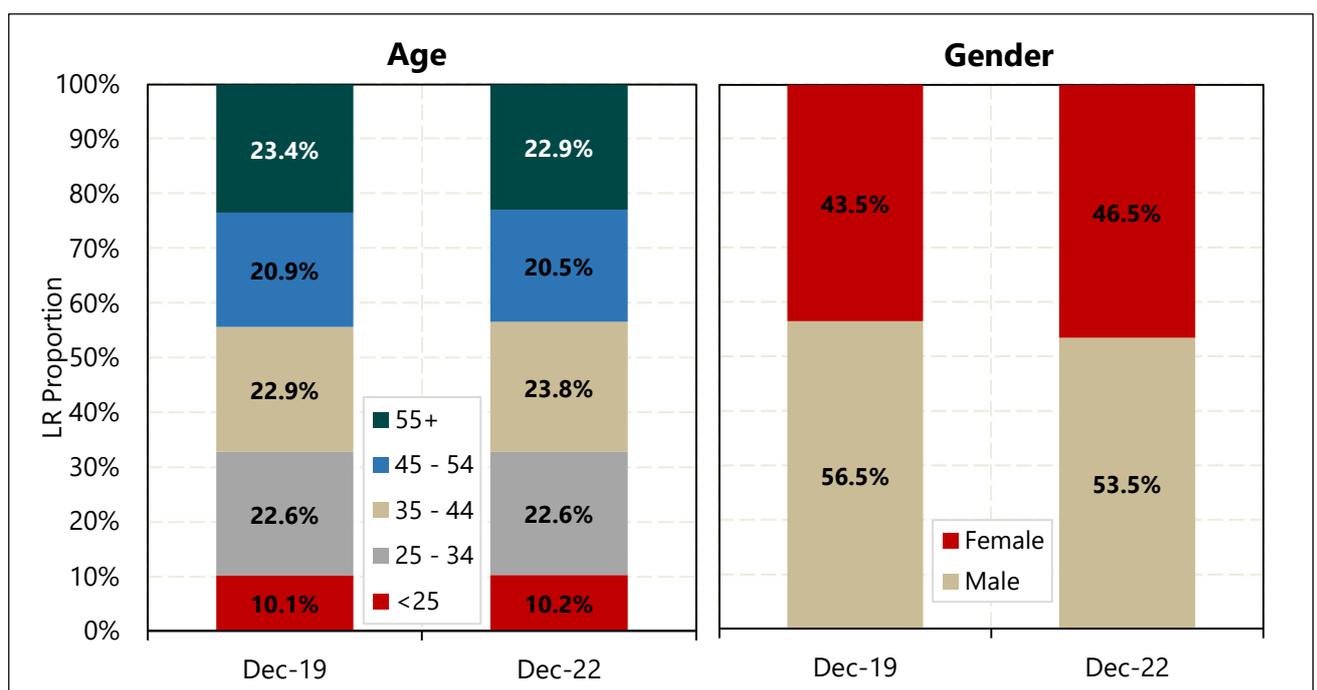
## 1.4 Demographic and Occupational characteristics of the Live Register

The current age and gender composition of the Live Register, as of end December 2022, are only slightly different compared to the pre-pandemic period, as Figure 1.4.1 illustrates. This suggests that there has been a relatively limited impact of the PUP and EWSS transitions to the Live Register on overall demographics, particularly with regard to the age profile.

Regarding the age profile, those aged 35 and over account for 67.2 percent of all claimants on the Live Register for both December 2022 and December 2019, (pre-pandemic). As noted in previous Labour Market Updates, compared to the general labour force distribution, older people are disproportionately represented on the Live Register. This may suggest that the older cohort face challenges in re-entering the workforce once becoming unemployed.

Figure 1.4.1 also illustrates the Live Register claimants by gender which shows that the proportion of women as of end December 2022, which consists of 46.5 percent, is still higher than the corresponding pre-pandemic period of 43.5 percent. Correspondingly, the most recent Live Register data shows that the proportion of men, 53.5 percent, remains lower relative to the pre-pandemic period of 56.5 percent.

**Figure 1.4.1: Live Register breakdown by age and gender (pre-pandemic vs. current).**

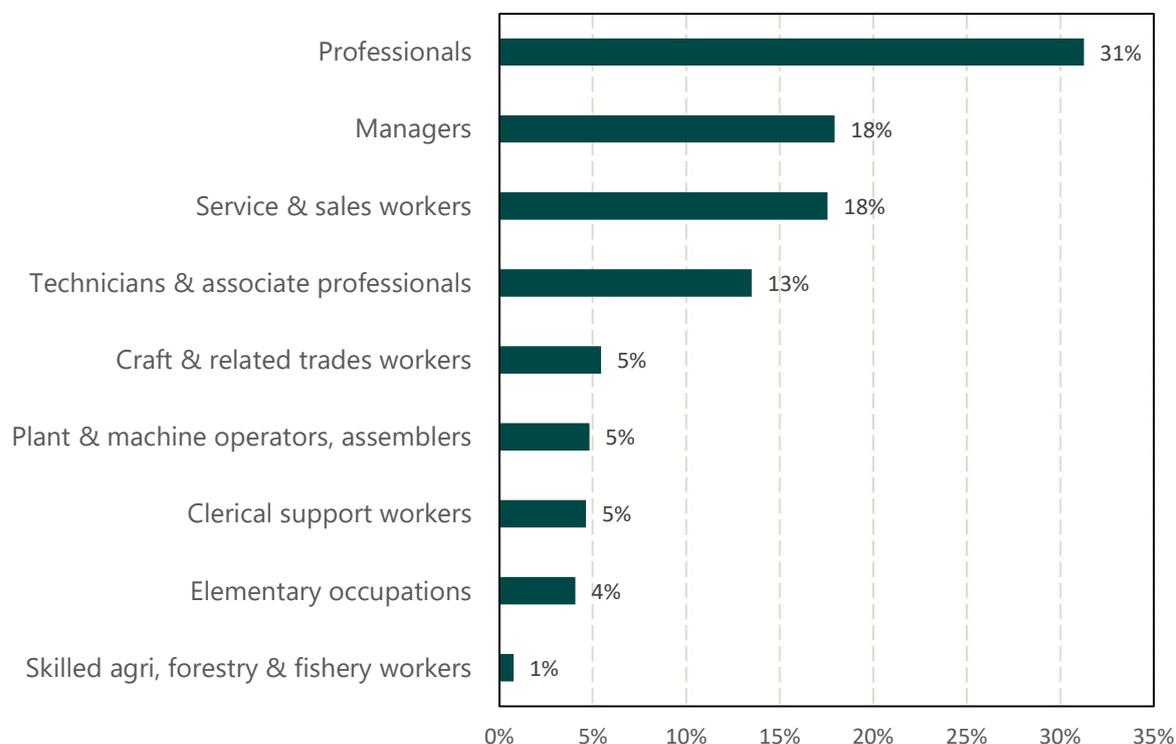


## 2. Engagement and Summary Statistics of Beneficiaries of the Temporary Protection Directive for Ukraine

The following section outlines the characteristics of the Beneficiaries of the Temporary Protection (BOTP) for Ukraine.<sup>3</sup> Of the approximately 71,318 arrivals issued PPSNs as of the 12<sup>th</sup> of January, 63 percent are female. As set out in section 1.3, the number of BOTP on the Live Register is increasing, and as of 15th January, consists of over 22,500.

Intreo Employment Services have engaged with BOTPs either in person or by way of letter since April 11th, 2022. The occupational work history of BOTP is recorded using the European Skills, Competences, Qualifications and Occupations (ESCO) framework. The ESCO Level 1 breakdown for approximately 16,700 BOTPs is shown in Figure 2.2 below.

**Figure 2.1: Proportion of BOTPs by occupational work history (ESCO Level 1) as of 9<sup>th</sup> January.**

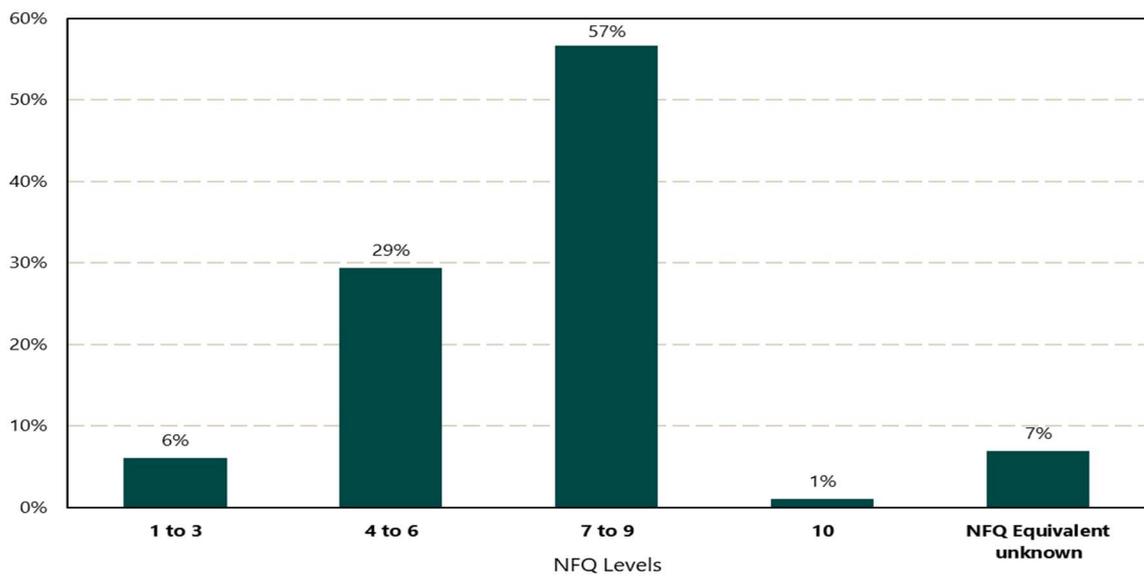


PES further records the highest level of educational attainment of arrivals using National Framework of Qualifications (NFQ) levels<sup>4</sup>. There is an educational record for just over 20,000 individuals. The numbers indicate this cohort are generally well-educated with 58% having a Level 7 or higher NFQ-equivalent education.

<sup>3</sup> Additional data can be found on the CSO's release: [Arrivals from Ukraine in Ireland](#)

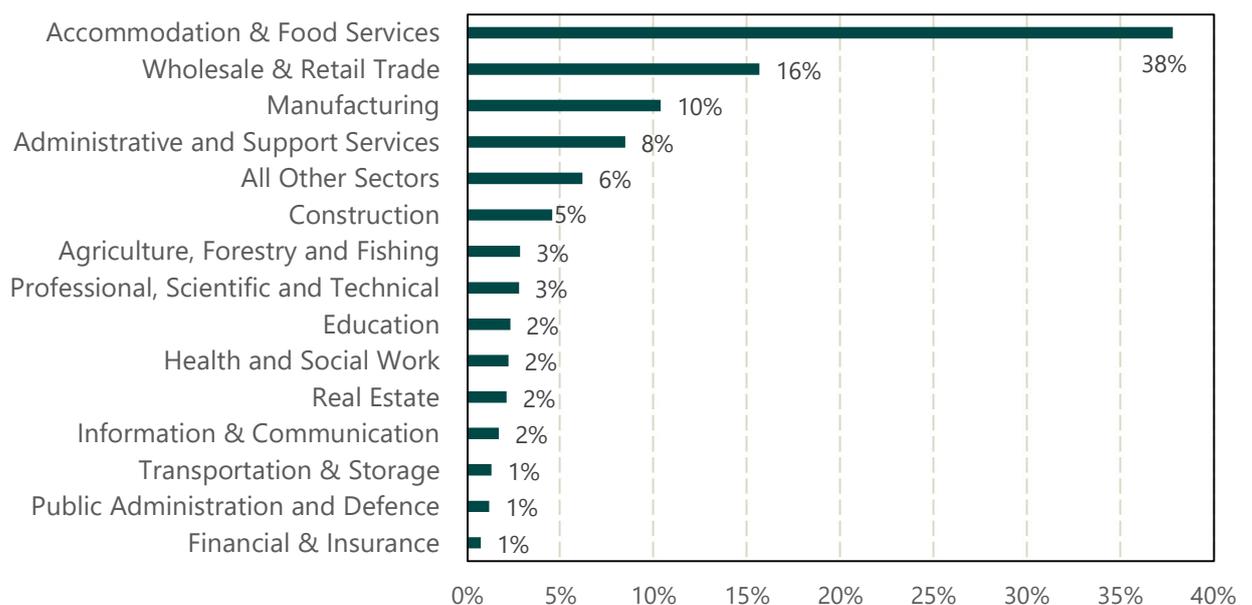
<sup>4</sup> <https://www.qqi.ie/what-we-do/the-qualifications-system/national-framework-of-qualifications>

**Figure 2.2: Highest NFQ level of educational attainment of BOTPs, as of 12<sup>th</sup> January.**



There are a number of barriers to employment for this cohort. For instance, among those who have engaged with the public employment service, two-thirds have indicated that English language ability represents a barrier to employment. In common with other EU member states, this cohort faces broader issues in relation to accommodation, childcare, skills recognition, and psychological trauma from war. Despite these barriers, there is evidence of 15,298 positions of employment being held by for 12,440 BOTP. Revenue data provides the NACE sector of these jobs, highlighted in Figure 2.1 below. A greater proportion of employments among BOTP appears to be in lower skilled sectors, despite the high skilled work histories recorded by PES. Further analysis is needed to establish whether employments are aligned with personal work histories.

**Figure 2.3: Employment by NACE sector (as of 9<sup>th</sup> January).**



Note: This contains data on all employments e.g., a person with two jobs in wholesale & retail trade appears twice.

### 3. Recent trends and changes in the Irish Labour Market

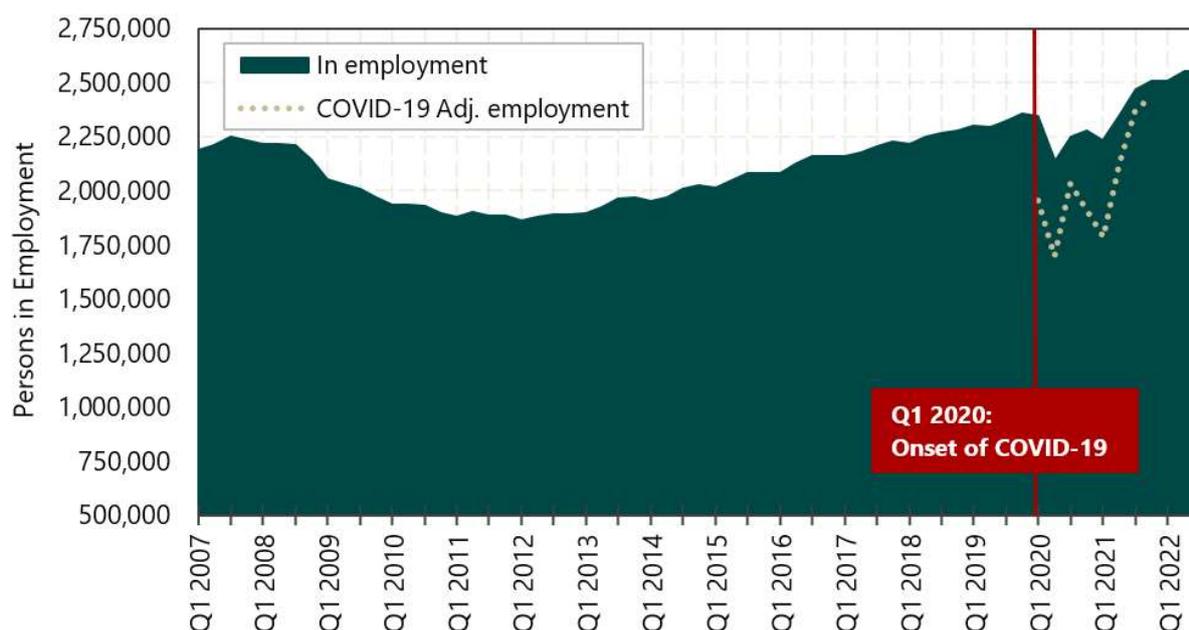
#### 3.1 Overview of Employment Trends

The latest figures from the CSO suggest a stabilisation and slowing of the post-COVID growth in employment in the Irish labour market. Both non-seasonally adjusted and seasonally adjusted employment numbers were essentially unchanged (+300 people) between Q2 and Q3 2022, with a very slight decrease in the non-seasonally adjusted series and a slight increase in the seasonally adjusted. The total numbers of persons in employment is estimated to be just above 2.55 million on a seasonally adjusted basis, which is almost 9 percent higher than pre-pandemic levels. Moreover, the seasonally-adjusted employment figures in Q3 are the highest estimates in the series in aggregate and also for both men and women.

Ireland's employment rate, for 15–64-year-olds, was 73.2 percent in Q3 2022, down slightly from 73.5 percent in Q2 2022. The employment rate remains significantly above its pre-pandemic, Q3 2019, level of 69.5 percent. This increase is a result of high employment rates amongst both sexes, but notably an increase in employment of females. The employment rate of 15–64-year-old females markedly rose from 63.8 percent in Q3 2019 to 67.8 percent in Q3 2022. The rate declined quarter-on-quarter, however, falling from 68.8 percent in Q2 2022. The coming months should signify whether the rate stabilises at the higher post-pandemic level.

A similar trend is apparent in the employment rate of young people, those aged 15 to 24. This rate has increased from 43 percent to 47.8 percent between Q3 2019 and Q3 2022 but fell from 48.8 percent between Q2 and Q3 2022.

**Figure 3.1.1: Persons in employment (Q1 2007 – Q3 2022).**

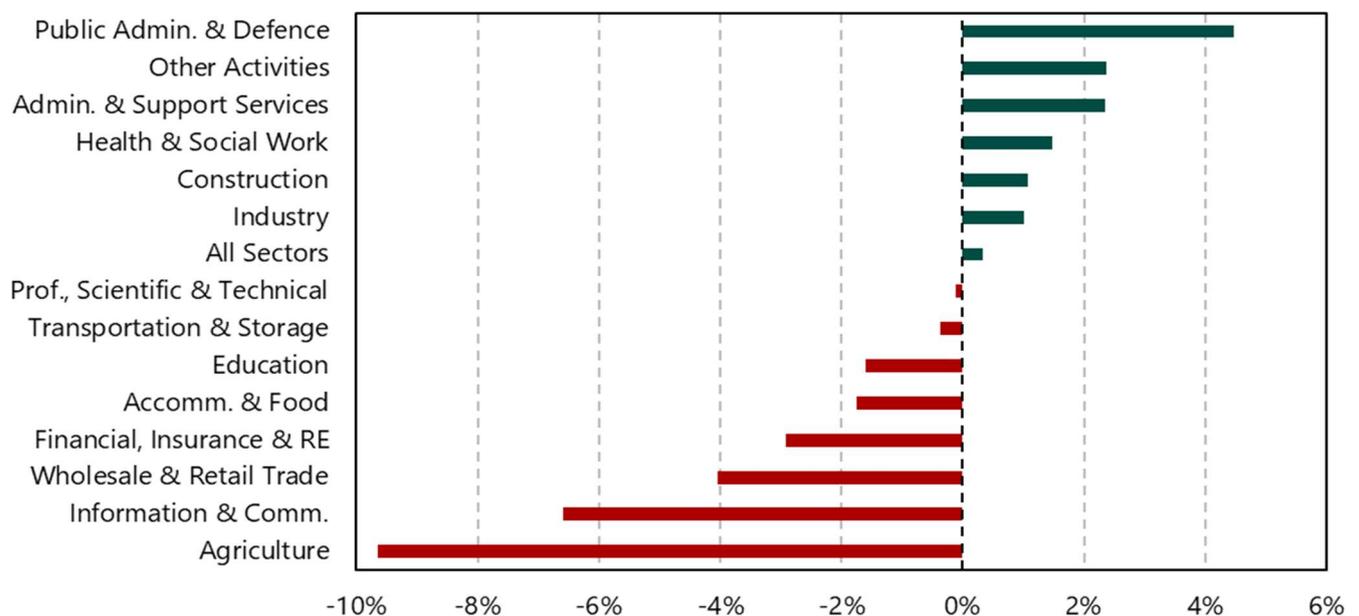


Source: CSO LFS (figures are subject to revision).

As has been explored in previous reports, most sectors in the Irish labour market are employing substantially more people in Q3 2022 than they employed in the equivalent pre-pandemic period, Q3 2019. Notable increases have occurred in Health & Social Work, Industry, Information & Communication, Education and Construction with all five sectors adding more than 20 thousand jobs, when comparing Q3 2022 to Q3 2019. Three sectors have yet to return to pre-pandemic employment numbers, Agriculture, Accommodation & Food and Other Activities. The percentage declines in these three sectors relative to pre-pandemic range from 3 to 4.7 percent.

Focusing on quarterly changes in sectoral employment reveals substantial differences between sectors. The seasonally adjusted percentage change in employed people declined in 8 of 14 sectors between Q2 and Q3 2022, despite aggregate employment increasing very slightly. Figure 3.1.2 below shows the percentage change in seasonally adjusted employment between Q2 2022 and Q3 2022 by sector. Large declines occurred in Agriculture and Information & Communication, with notable declines also occurring in Finance and Retail. Recent economic commentary has highlighted ongoing consolidation and reduction of employment numbers in multinational sectors as companies have revised down expectations of future demand.<sup>5</sup> The declines in the domestic and largely discretionary spending sectors of Accommodation & Food and Retail Trade may suggest a broader contraction in the Irish economy. However, further data is required to substantiate this trend, which may reverse in subsequent releases.

**Figure 3.1.2: Percentage change in seasonally adjusted employment between Q2 2022 and Q3 2022 by sector.**

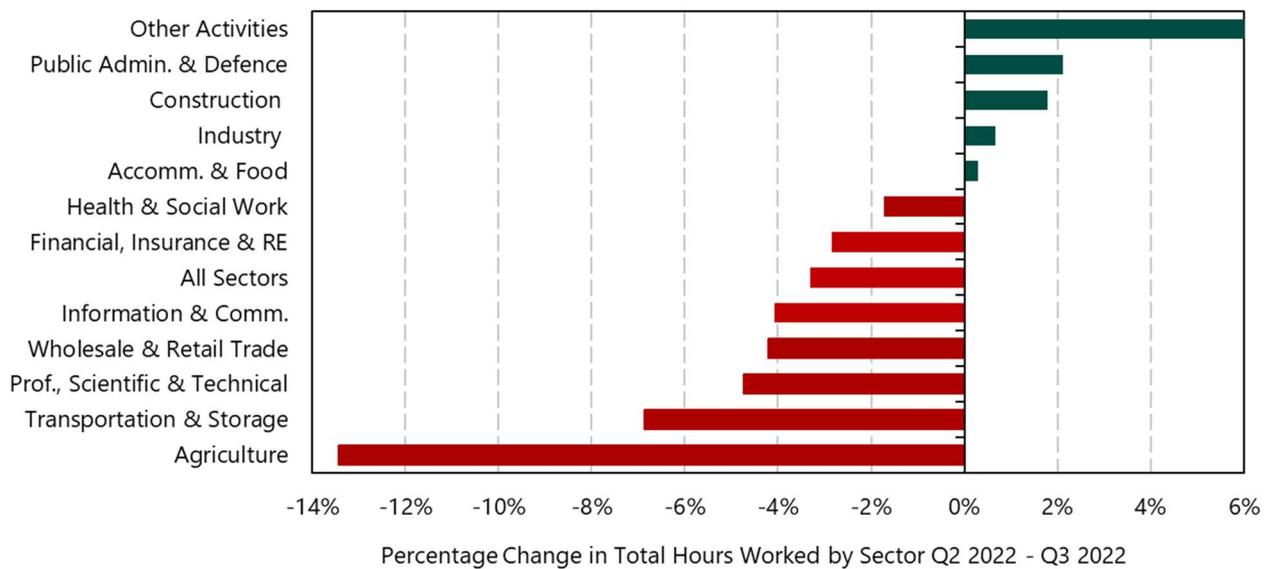


Source: CSO LFS (figures are subject to revision).

<sup>5</sup> <https://www.reuters.com/world/us/corporate-america-lays-off-thousands-recession-worries-mount-2023-01-04/>

Similar patterns are evident in the sectoral breakdown of actual hours worked per week. For all sectors, comparing Q3 2022 to Q3 2019, actual hours worked has increased by 4.4 percent. However, looking at quarterly change, hours worked per week declined more than employment between Q2 and Q3 2022, with an aggregate reduction of 3.3 percent in total hours worked per week. In addition, declines occurred in the majority of sectors, however, it should be noted that sectoral declines between Q2 and Q3 are not unusual and given the data is not available in seasonally adjusted form, the recent decreases do not necessarily evidence a broader labour market decline.

**Figure 3.1.2: Percentage change in total hours worked between Q2 2022 and Q3 2022 by sector.**



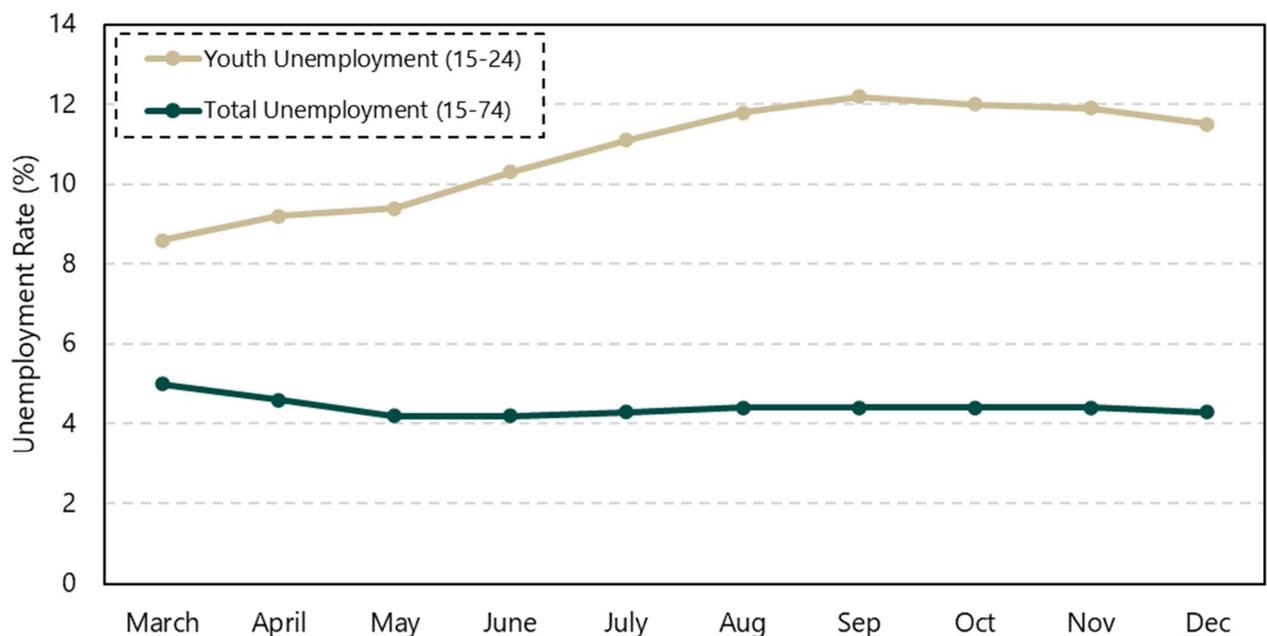
Note: Education is not included in the above graph due to the large seasonal reduction which occurs in the sector between Q2 and Q3. The reduction in total hours worked in the sector was -23.4% between Q2 and Q3 2022.

### 3.2 Unemployment Rates

The most recent unemployment data is from the CSO's seasonally-adjusted monthly series in which the estimated December 2022 unemployment rate was 4.3 percent. This is down slightly from November's estimate of 4.4 percent and displays a stable trend over the past half a year. The youth unemployment rate posted a larger monthly decline in the December estimate at 11.5 percent, down from 11.9 percent in November, and continuing a downward trend in the final quarter of 2022 on a monthly basis. In terms of absolute numbers, both overall and youth seasonally-adjusted unemployment numbers also saw declines month-on-month. The Q3 2022 labour force survey, which has less uncertainty associated with its estimates, reports unadjusted unemployment rates of 4.5 percent in total and 12 percent for those aged 15 to 24.

As such, monthly unemployment data does not indicate any impacts from slowing economic activity in Ireland or abroad, to date, although this is in the context of reduced labour force participation, which is discussed in the following section, and the lagging nature of labour market data in general. Finally, the historically strong performance of the Irish labour market in 2022 is worth remarking upon. In the 7 months of June to December 2022 (June being the first full month without Covid-19 emergency measures), the monthly unemployment rate remained below 4.5 percent. The last time such a sustained period of low unemployment occurred in Ireland was in 2001.

**Figure 3.2.1: Monthly Unemployment Rates for the overall and youth population - March 2022 – December 2022<sup>6</sup>**



Source: CSO MUR (figures are subject to revision)

### 3.3 Labour Force Participation

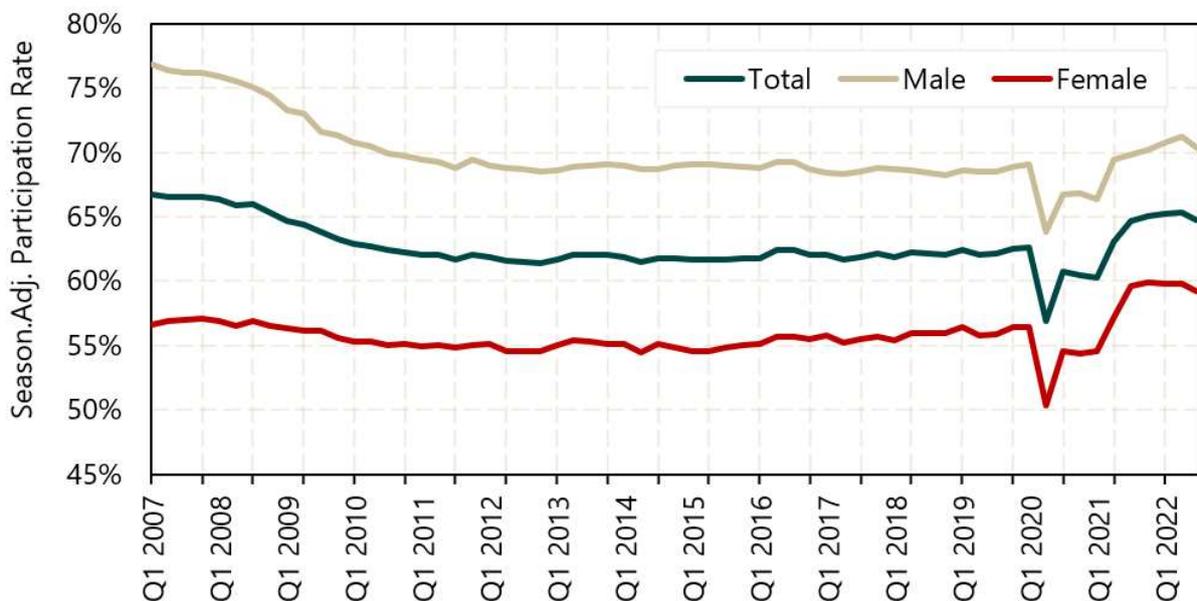
With respect to participation rates in the labour market, latest data from the CSO show similar developments to those observed in employment. As shown in Figure 3.3.1 below, the seasonally-adjusted participation rate for all persons over 15 years of age is 64.7 percent, exceeding the pre-pandemic figure of 62.5 percent by over 2 percentage points. While the estimated size of the seasonally-adjusted labour force increased between Q2 and Q3 2022 by 0.2 percent, the participation rate declined quarter on quarter, from 65 percent in Q2 2022. This marks two consecutive quarterly declines – albeit slightly – in participation rates, which

<sup>6</sup> March is the chosen starting month as this was the first month without a COVID-19 adjusted unemployment rate.

further implies that the post-COVID labour market growth surge has slowed and more normalized growth trends have resumed.

Examining the participation rates by gender also provides some useful insights. Seasonally-adjusted female participation stands at 59.1 percent, 3.2 percentage points higher than the Q3 2019 level, but falling from a local high of the 59.9 percent estimated in Q4 2021. Male participation stands at 70.3 percent, 1.8 percentage points higher than Q3 2019 levels, but down from a post-pandemic high of 71.2 percent in Q2 2022. The gender gap in participation rates now stands at 11.2 percent, slightly above the historic low of 10.2 percent in Q3 2021. Since 2007, this gap has roughly halved, mostly driven by increasing female participation but also, to a lesser extent, modest decreases in male participation relative to its pre-Great Recession levels.

**Figure 3.3.1: ILO Seasonally Adjusted Participation Rates (Q1 2007 – Q3 2022)**



Note: Participation rate of those 15 years and older. Source: CSO LFS (figures are subject to revision).

### 3.4 Potential Additional Labour Force

A recent report by SOLAS examined whether Ireland could expand its workforce to meet labour market needs.<sup>7</sup> The report highlighted that in Q2 2022, in Ireland, there were 120,000 people unemployed, 115,000 part-time underemployed and a Potential Additional Labour Force (PALF) of 84,000. Combined, these groups are classified as 'labour market slack' and represent 11.6 percent of the extended labour force. The report highlights that many in this category are young and/or students and may be at the beginning of their career path. Just above 30 percent have third level qualifications, therefore, 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.<sup>8</sup>

The report showed that a lack of recent work experience appears to be a considerable factor for those in this group. Recent work experience (some employment experience between 2020 and 2022) was only evident for approximately half of those unemployed and less than 30 percent of those classified as PALF. Care responsibilities are also a key consideration. Many of those in part-time employment also have caring responsibilities, and a share of those in PALF were also categorised as fulfilling domestic tasks.

As mentioned above, PALF is one component of slack in the labour market. The PALF is the sum of the two group: Those 'Seeking work but not immediately available' and those 'Available for work but not seeking work'.<sup>9</sup> Persons in the PALF are not part of the standard labour force, which encompasses only employed and unemployed people. However, they have a stronger link to the labour market than other persons not in the labour force.<sup>10</sup>

Q3 2022 represented the lowest number of PALF recorded since definitions in the PALF series changed in Q3 2017. As shown in Figure 3.4.1, below, the PALF is currently just over 73,000 according to the latest Q3 2022 CSO estimates. This compares to an estimate of 110,000 in the equivalent pre-pandemic quarter, Q3 2019. Thus, this category has declined by 34 percent compared to pre-pandemic and is further indication of the tightness of the Irish labour market.

Figure 3.4.1 also illustrates that the majority, (81.4 percent), of the PALF consists of people who are available to work but not currently seeking work. Of this group, most are not seeking work

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<sup>7</sup> <https://www.solas.ie/f/70398/x/9fe062043c/autumn-winter-skills-bulletin.pdf>

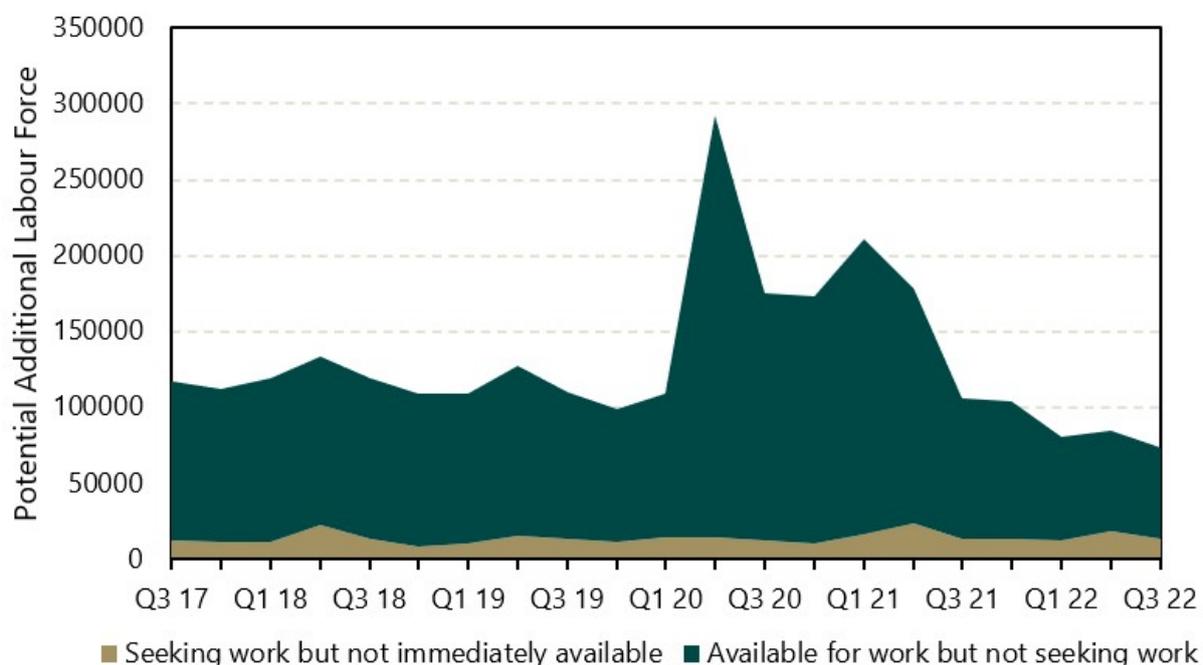
<sup>8</sup> The breakdown of people with a third-level qualification is as follows: 33 percent of the unemployed, 32 percent of the part-time unemployed and 25 percent of the PALF.

<sup>9</sup> Persons classified as 'seeking work but not immediately available' mostly consists of jobseekers who do not qualify as unemployed because they cannot start a job in the next two weeks, despite actively looking for work. It also includes those who state they have secured a job which will start in a number of months. The second classification of 'available for work but not seeking work' includes people who are available to work and want a job but are not seeking one. This includes, among others, discouraged jobseekers and persons prevented from seeking work by personal or family circumstances

<sup>10</sup> [New measures of labour market attachment - Eurostat \(europa.eu\)](#)

for reasons other than feeling discouraged (that is, for a variety of family and personal circumstances).

**Figure 3.4.1: Potential Additional Labour Force (Q3 2017-Q3 2022)**



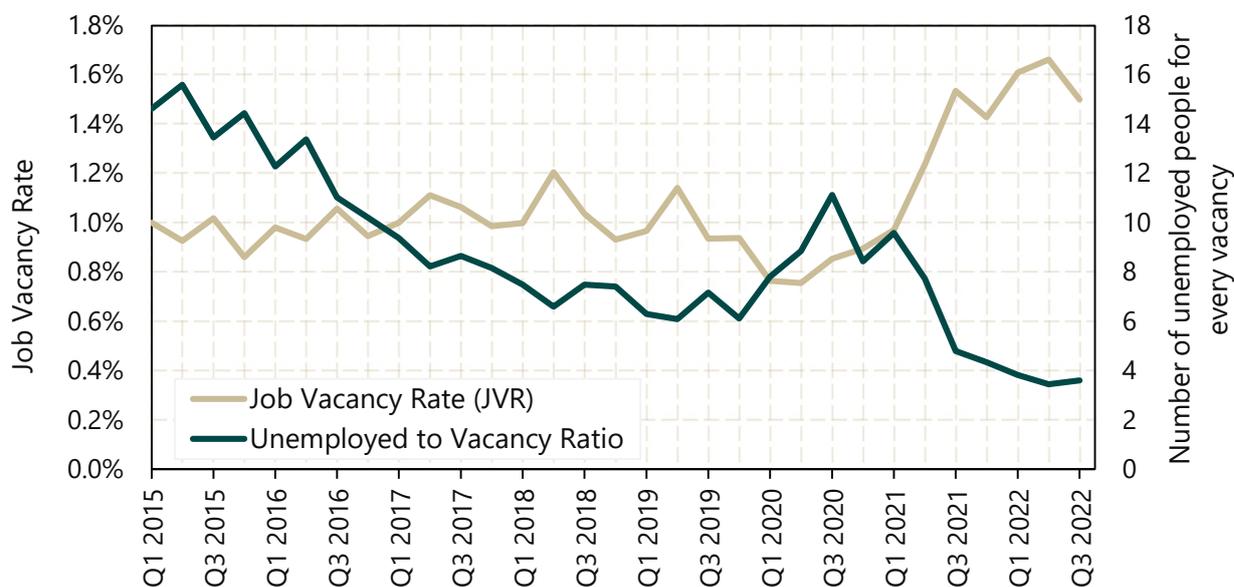
### 3.5 Labour Shortages and Vacancies

According to the latest figures from the CSO, vacancies in Q3 2022 remain high (33,100) when compared to Q3 2019 (17,900) but have declined since Q2 2022 by 1,200. The Job Vacancy Rate (JVR) is 1.5 percent in Q3 2022, down from 1.7 percent in the previous quarter, but up from 0.9 percent in Q3 2019, pre-pandemic.<sup>11</sup> The vacancy rate is one indicator of unmet labour demand and the decline in job vacancies since Q2 2022 suggests that excess labour demand may be starting to stabilise or fall. It should be noted that Ireland’s JVR remains the 8th lowest in the EU and below the EU average of 2.9 percent as of Q1 2022.

As illustrated by Figure 3.5.1 below, there are also fewer numbers of unemployed persons to fill available vacancies, with the ratio as of Q3 2022 being 3.6 unemployed people for every available (CSO) vacancy. For comparison, this ratio was approximately 7 individuals per vacancy before the pandemic and over 60 people at the peak of the Great Recession.

<sup>11</sup> The Job Vacancy Rate (JVR) is derived by dividing the number of available vacancies by the sum of vacancies and occupied jobs. The time series on vacancies from the CSO comes with the caveat that due to one-off bulk recruitments by individual firms and a low number of firms reporting vacancies, the series can be volatile and must be interpreted cautiously.

**Figure 3.5.1: Trends in the Job Vacancy Rate, and no. of unemployed persons to job vacancy ratio, since Q1 2015.**



Source: CSO EHECS and author's calculations (figures are subject to revision).

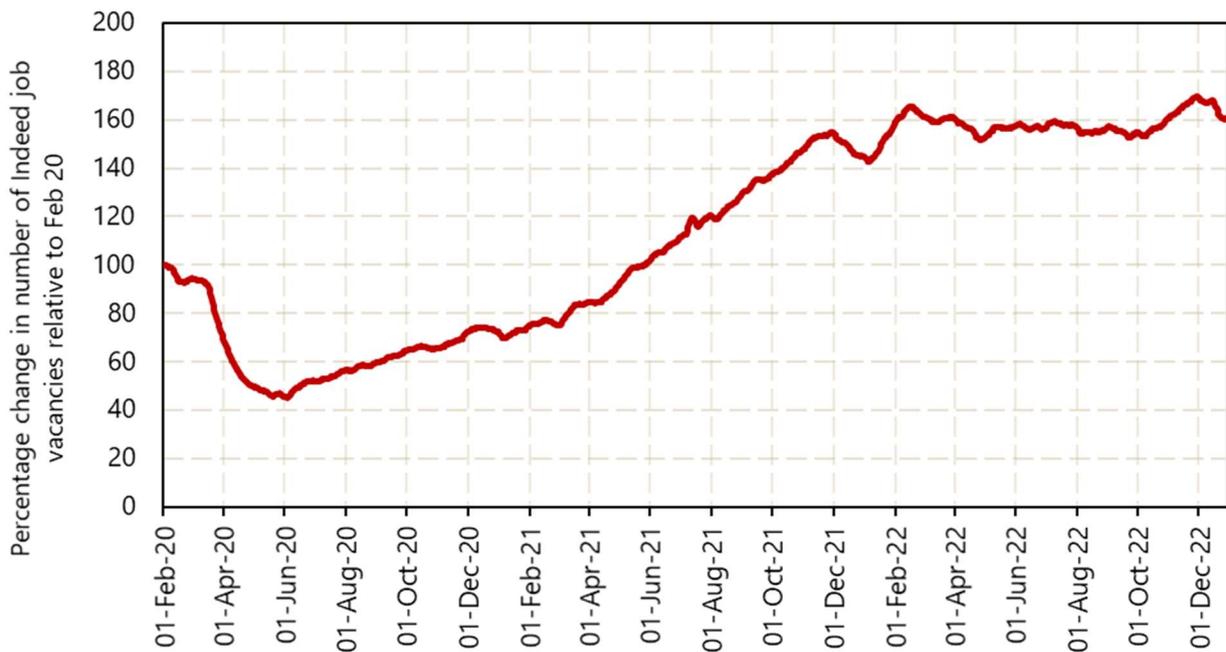
In addition, an alternative higher frequency series of vacancy data for Ireland is available from the job-search company *Indeed*. The company publishes an index of the seasonally adjusted number of job postings<sup>12</sup> advertised on their site for the Irish market relative to February 2020. As shown in Figure 3.5.2 below, the latest data as of December 30<sup>th</sup>, 2022, suggests that the total number of job postings remains significantly higher relative to the pre-pandemic period. However, it should be noted that job postings largely levelled off for most of 2022, increases in October and November were followed by a decline in December.

Furthermore, it is worth bearing in mind that levels of posted vacancies are subject to change due to behavioural, technological or cost changes in a manner that more objective statistics such as numbers of unemployed people are not. In other words, posted online vacancy statistics may not necessarily reflect macroeconomic change over time. The fact that this *Indeed* series now appears to have stabilised at a much higher level than pre-pandemic may suggest that more sectors and employers utilising online job advertising in the wake of the pandemic, and/or that a number of difficult to fill vacancies remain posted, rather than a huge increase in demand for labour relative to 2019. Particularly as other labour market indicators have slowed in recent months.<sup>13</sup>

<sup>12</sup> It is important to point out that not all job openings appear as posted job vacancies and therefore vacancies do not perfectly measure demand for labour in the economy.

<sup>13</sup> [A Vacant Metric: Why Job Openings Are So Unreliable](#)

**Figure 3.5.2: Indeed.com job postings advertisement levels relative to February 2020.**



Source: [Indeed.com](https://www.indeed.com) (figures are subject to revision).

### 3.6 The Beveridge Curve

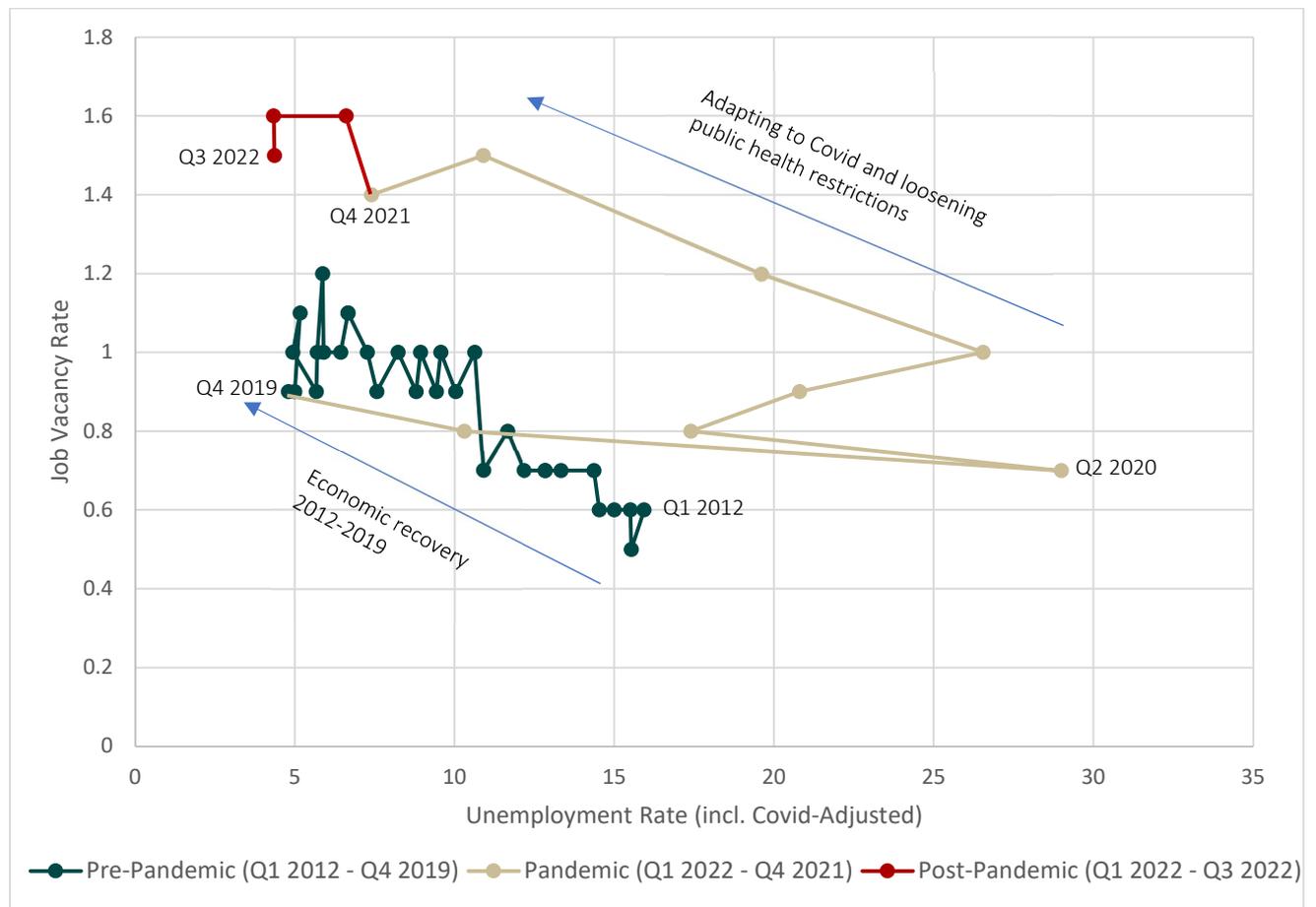
The Beveridge curve plots the relationship between the unemployment rate and the job vacancy rate over the course of the business cycle. It typically shows that there is a negative relationship between the unemployment and vacancy rate; when the economy is performing well the unemployment rate tends to be low and the vacancy rate tends to be high. Moreover, the Beveridge Curve provides some insight in respect of the efficiency in matching jobseekers and employers in the labour market. Movements outwards on the curve (data points in the top right) show a low level of efficiency in matching as there is both high unemployment and high vacancy rates. Data points in the bottom left indicate a high level of efficiency in matching.

The Beveridge curve, therefore, provides information on the extent of slack in the labour market and how well the labour market is functioning. For example, as Figure 3.6.1 below shows, points in the bottom right are associated with low vacancies and high unemployment which corresponds to a recessionary phase. Points in the top left correspond to an expansionary phase, with high vacancies and low unemployment.

The Beveridge curve indicates that prior to COVID-19, the Irish labour market was performing strongly with low unemployment and high vacancies. However, when public health restrictions were introduced the labour market consequences were an increase in the unemployment rate and decreases in the job vacancy rates. That said, after the gradual easing of the public health restrictions, the labour market experienced a strong and rapid recovery in which the

unemployment rate fell below the pre-pandemic levels and correspondingly job vacancies surpassed the pre-pandemic levels.

**Figure 3.6.1: The Beveridge Curve, Q1 2012 to Q3 2022**



Source: CSO EHECS and Unemployment data (figures are subject to revision).

Note: Each data point refers to a quarter, with Unemployment on the x-axis and the Job Vacancy Rate on the y-axis. Starting in Q1 2012, the unemployment rate recovers, moving left and upwards. This is in line with the economic recovery following the 2008 Financial Crisis. Then after Q4 2019, the pandemic (gold line) increased the unemployment rate dramatically, peaking in Q2 2020. From this point, public health restrictions were loosened until the post pandemic period from around Q1 2020.

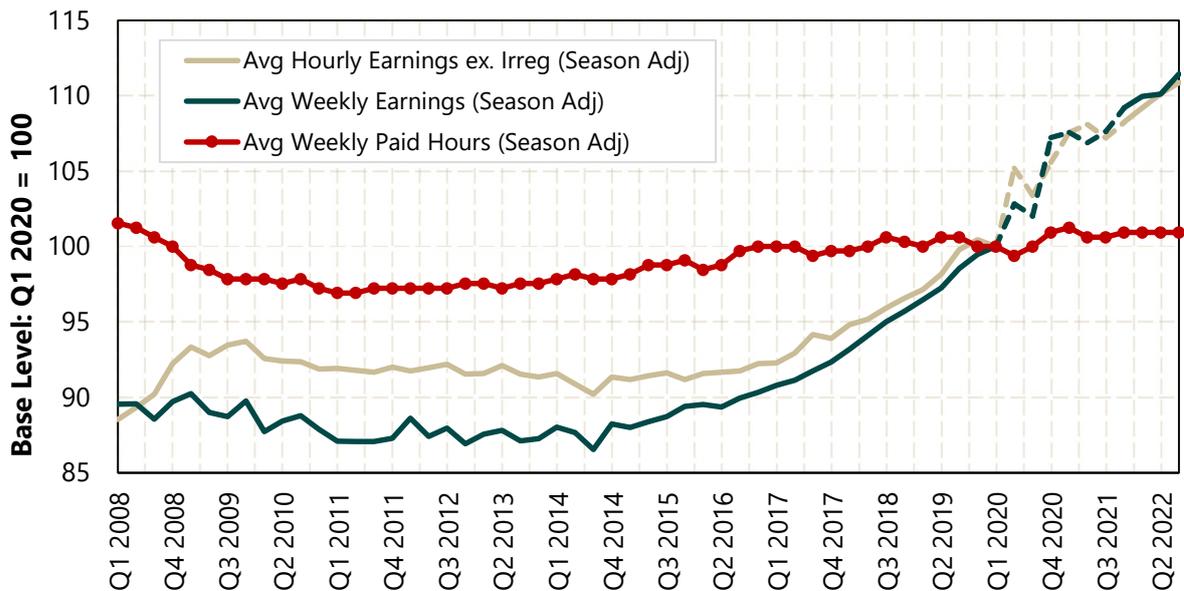
Names of events in the graph are intended to illustrate broad trends and may not correspond exactly to official dates e.g. the residual effects of the pandemic were experienced beyond Q4 2021, despite referring to Q1 2022 as "post-pandemic".

### 3.7 Earnings and Real Wages

Given the period of labour market tightness experienced in Ireland in 2022, this section considers what, if any, impact this might have had on nominal earnings trends. Figure 3.7.1 below shows the relative percentage change in average hourly earnings, average weekly earnings, and average weekly paid hours between Q1 2008 and Q3 2022, with Q1 2020 as the base reference point (Q1 2020 = 100).

The chart shows the protracted impact of the Great Recession on each of these metrics between 2008–2015 and steady recovery and growth thereafter until the onset of the pandemic in Q1 2020. The data shows that in the last few quarters, the overall seasonally-adjusted average weekly earnings and average hourly earnings excluding irregulars has continued to rise in tandem while average weekly paid hours has remained largely steady.<sup>14</sup>

**Figure 3.7.1: Comparison of relative change in Ireland’s seasonally-adjusted average hourly and weekly earnings, and average weekly paid hours (Q1 2020 - Q3 2022 = 100).**



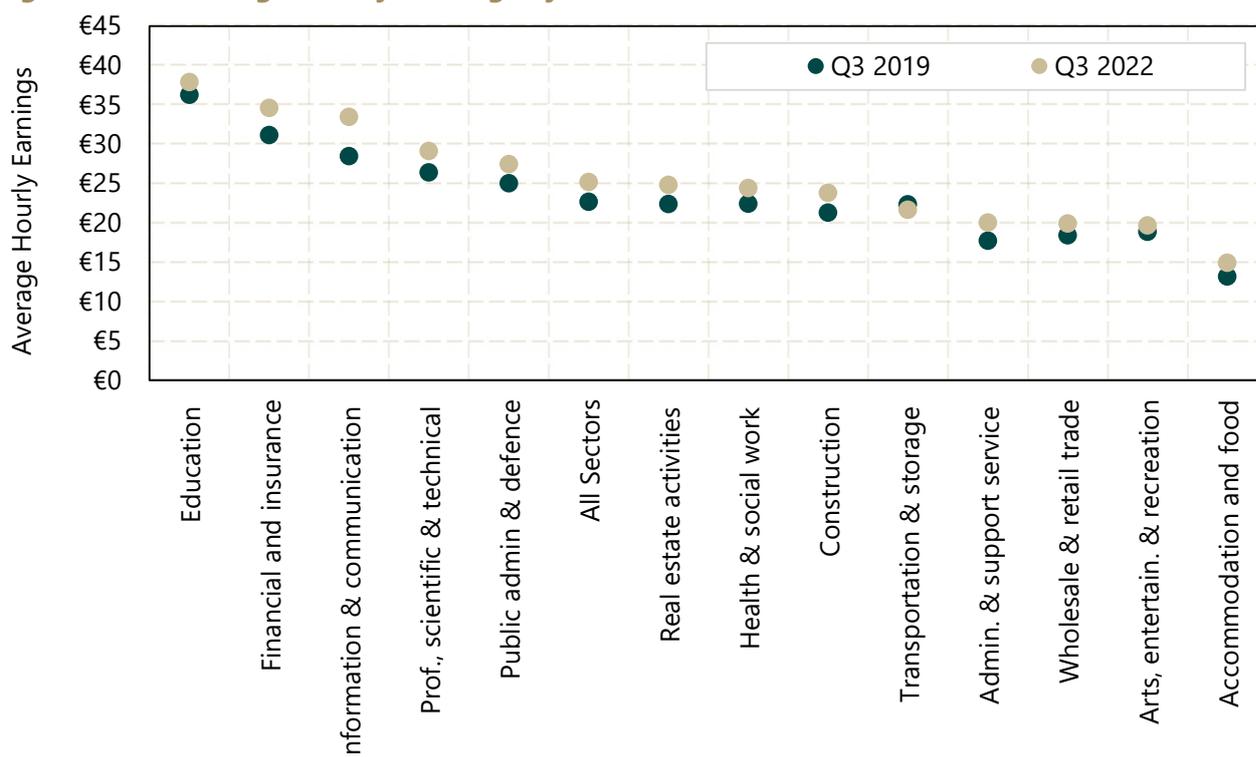
Source: CSO EHECS, CPM and author’s calculations (figures are subject to revision).

Note: Dashed lines for earnings since Q1 2020 should be interpreted cautiously.

Figure 3.7.2 below illustrates the average hourly earnings by sectors for Q3 2022 and Q3 2019, pre-pandemic. The average hourly earnings in Q3 2022 have surpassed the pre-pandemic levels for almost all the sectors, except the Transportation and Storage sector. As the Figure also shows, as of Q3 2022, Education (€37.94p/h), Finance & Insurance (€34.64p/h) and ICT (€33.50p/h) are the sectors with the highest hourly wages before and after the pandemic. While the contact-intensive sectors such as the Accommodation & Food (€14.97p/h), Arts & Entertainment (€19.73p/h), and Wholesale & Retail Trade (€19.97p/h) hourly wages remain the lowest.

<sup>14</sup> [CSO Technical note](#): When considering the change in earnings during the COVID-19 period, it should be noted that there may be a compositional effect due to the significant changes in the number of active employments in certain sectors. The composition of the labour market in Q1 2022 was very different to the composition of the labour market in some previous quarters, with significant changes in the number of employments in certain sectors across the various quarters analysed. The changes in average weekly earnings in any sector may be impacted to some degree by those employments that have left/joined the sector having lower/higher average earnings than those employments that remained in the sector in quarters being analysed.

**Figure 3.7.2: Average Hourly Earnings by Sector at Q3 2019 and Q3 2022.**



Source: CSO EHECS (figures are subject to revision).

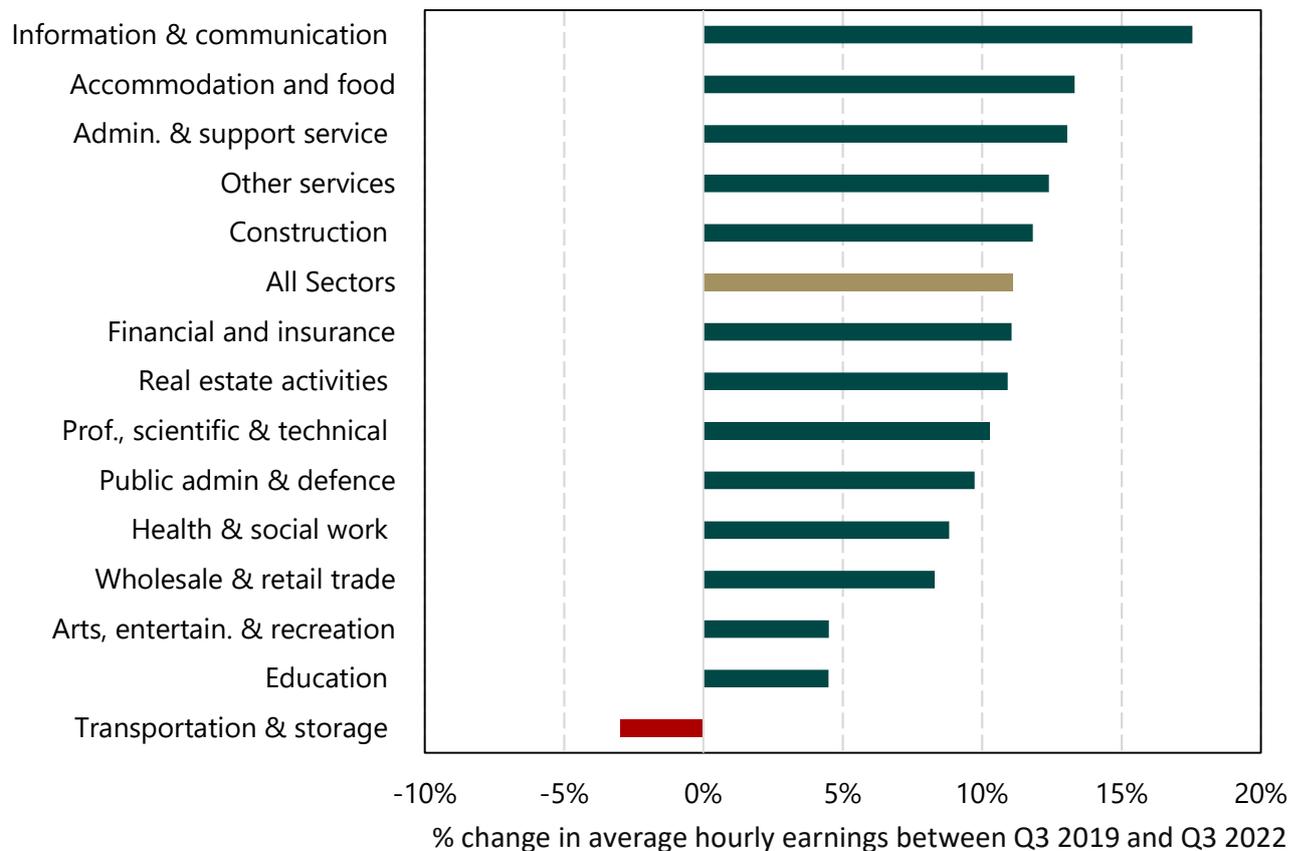
Note: In the interest of readability, some smaller NACE sectors have been excluded here.

Figure 3.7.3 shows the percentage change in average hourly earnings between Q3 2019 and Q3 2022. Wage growth has been increasingly broad-based with almost all sectors seeing an increase in hourly earnings in Q3 2022 compared to the pre-pandemic period, with the exception of the Transportation & Storage sector. Interestingly, some of the sectors that were most impacted during the pandemic have seen a pronounced rise in earnings of 10 percent or more. They include the Administration & Support Services (+13), Accommodation & Food (+13) and Construction (+12).

Similarly, the high-skilled, high wage sectors such as the ICT and the Financial & Insurance Services sectors have also experienced a rise by 18 percent and 11 percent respectively relative to the pre-pandemic period.

On a quarter-to-quarter basis, however, despite job vacancies being heavily concentrated in these high-skilled sectors, average hourly earnings have declined in Q3 2022 compared to Q2 2022 which may be an indication of slowing demand for workers, or an indication that excess demand is being met.

**Figure 3.7.3: Percentage change in Average Hourly Earnings by Sector between Q3 2019 and Q3 2022.**



Source: CSO EHECS and author's calculations (figures are subject to revision).

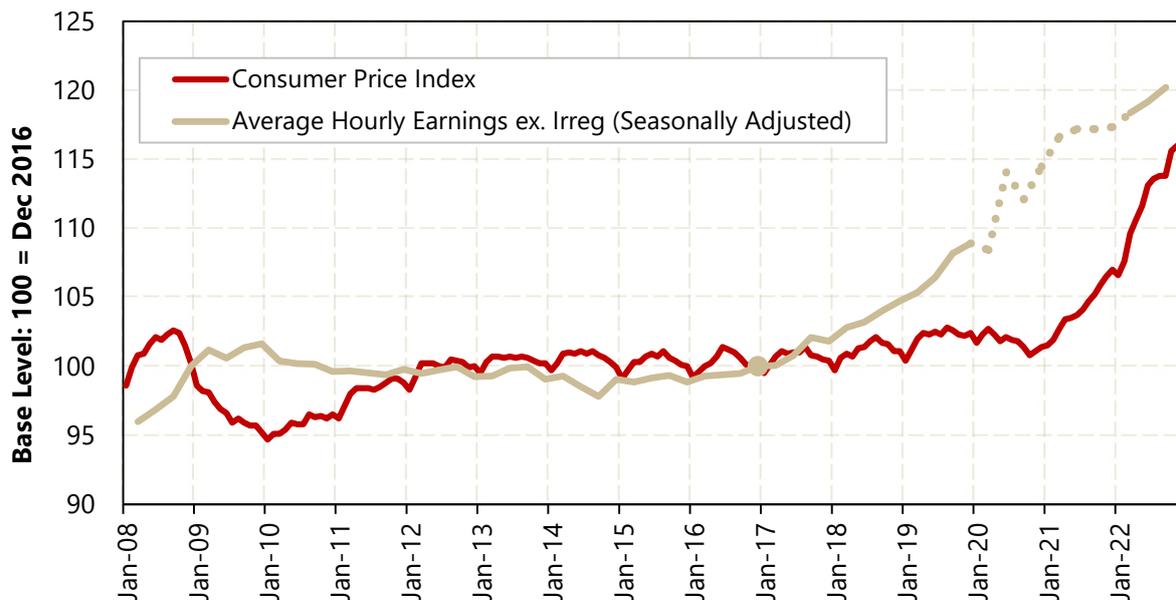
Note: In the interest of readability, some NACE smaller sectors have been excluded here.

Given the current environment, it is also important to examine the trends in real wages – that is, the nominal growth in average hourly earnings with changes in consumer prices (inflation) accounted for. Figure 3.7.4 below depicts a comparison of relative changes in Ireland's Consumer Price Index and average hourly earnings since January 2008 (with December 2016 as the base reference point; Dec 2016 = 100). It shows that while earnings have steadily tracked up each successive quarter since 2016, inflation had remained quite flat for almost a decade, until the start of 2021. The net effect of this was growth in people's average real wages resulting in increased purchasing power.

However, since the beginning of 2021, despite average earnings continuing to grow, they have not matched the recent increases in price inflation. Between January 2021 and November 2022, the CPI has increased by more than 13.5 percent, which has resulted in a net decline in average real wages and in turn, a decline in purchasing power. Furthermore, it is important to be cognisant of the fact that the growth exhibited in average earnings throughout the last 5-6 years is unlikely to have been equally distributed across occupations or society and as such, some cohorts – particularly those on lower earnings – are likely to have had their purchasing power particularly adversely affected by the continued elevated inflation. Although inflation

will remain high this year, tighter monetary policy and decelerating growth may help to moderate inflation. The Consumer Price Index (CPI) Inflation rate rose by 8.2% between December 2021 and December 2022, down from an annual increase of 8.9% in the 12 months to November 2022. This is the fifteenth straight month where the annual increase in the CPI has been at least 5.0 percent.

**Figure 3.7.4: Comparison of relative changes in Ireland’s Consumer Price Index vs. Average Hourly Earnings from Jan 2008-Nov 2022 (December 2016 = 100).**



Source: CSO EHECS, CPM and author’s calculations (figures are subject to revision).

Note: Dashed lines for earnings since Q1 2020 should be interpreted cautiously owing to COVID-19 impact. CPI data is monthly, and earnings data is quarterly.

## 4. Economic Outlook

The global macroeconomic picture remains complex at present. In the US, December inflation readings were the lowest in over a year while the economy continued to add jobs. Most commentators are now expecting the effects of slowing growth and interest rate rises to result in a recession in the US in the latter half of this year. Europe, meanwhile, appears to have weathered the energy crisis much better than initially feared. For instance, industrial production in Germany is currently only 2 percent lower than February 2022.<sup>15</sup> China, the world's second largest economy, has been removing COVID-19 restrictions and the subsequent upturn in activity there will likely provide a boost to global economic activity generally and for the Eurozone and US economies in 2023. However, it may also increase price competition for commodities including gas.

In this regard, international institutions such as the IMF, the World Bank and the OECD are all expecting a broad-based slowdown (and potentially a recession) for the world economy due to factors stemming from the war in Ukraine, lingering effects of the pandemic and tightening financial conditions. For instance, the World Bank has reduced global growth forecast to 1.7 percent for 2023 from its earlier projection of 3 percent. The IMF also revised downwards its growth forecast, forecasting the global economy to grow by 2.7 percent in 2023 compared to an earlier forecast of 3.6 percent.

Similarly, the Irish economy faces numerous headwinds going into 2023 such as persistent elevated inflation, risks of recessions in Ireland's major trading partners and rising interest rates. The persistence of these headwinds is likely to weigh on consumer and business confidence which would lead to a loss of growth momentum this year following strong growth in 2022.

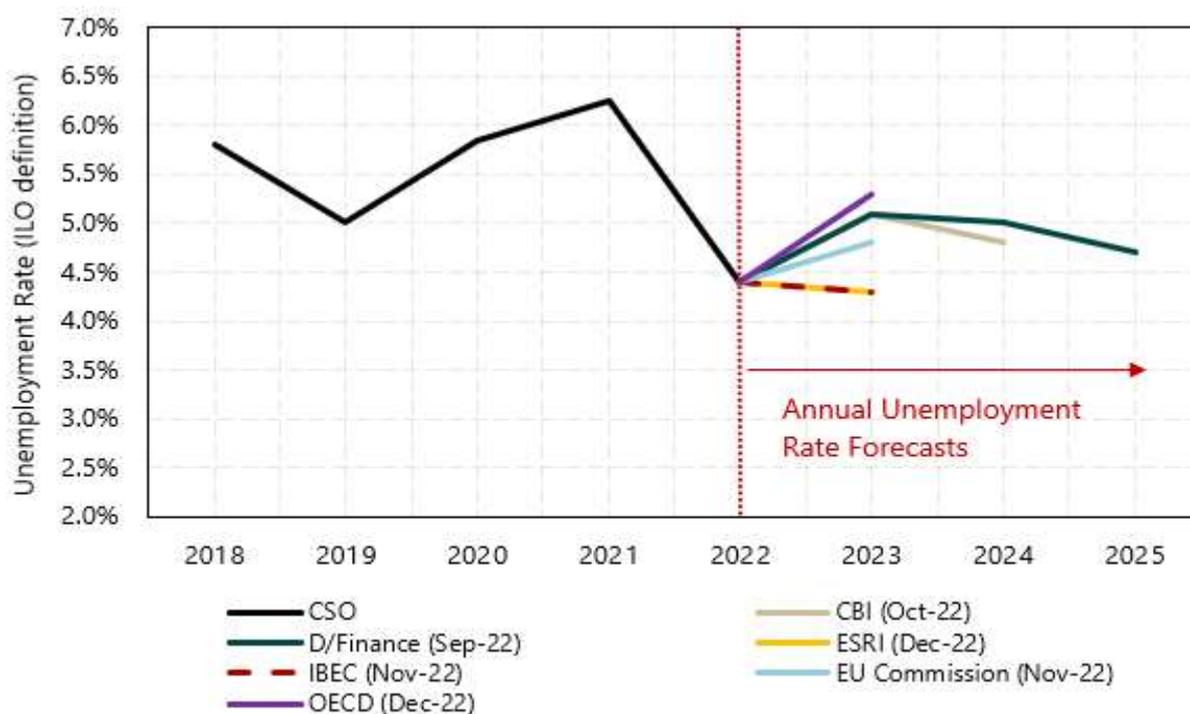
The elevated uncertain economic outlook is likely to have adverse knock-on-effects on the labour market particularly on firms' revenues, profits, and capacity to create jobs which would affect their decision for labour demand. While the Irish labour market remains extremely strong by historical standards, notably evidenced by the employment level at the peak in the series, there is some evidence of easing as job vacancies, participation, and employment in select sectors declined in Q3 2022 compared to the previous quarter. However, more data will be needed before conclusions can be drawn.

Figure 4.1 below depicts the unemployment rate forecasts by Irish-based and external institutions. The Central Bank of Ireland and Department of Finance are expecting unemployment to rise this year while the ESRI expects unemployment to decline (albeit only slightly). Furthermore, external bodies such as the European Commission and the OECD are also expecting unemployment to rise to 4.8 percent and 5 percent respectively.

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<sup>15</sup> [Industry, manufacturing - German Federal Statistical Office](#)

**Figure 4.1: Unemployment rate forecasts for Ireland by institution**



\*Note: Dates in parenthesis refer to the publication date for the forecast

Modified Domestic Demand<sup>16</sup> stood at €51.74 billion in Q3 2022. Table 4.2 displays the forecast for Modified Domestic Demand for the period 2023-2025 by several institutions. The forecast for 2023 is relatively low compared to historical trends owing to the factors that are weighing on growth prospects. The coming quarters will reveal whether Ireland experiences a slowing of expansion as forecast in Figure 4.1 and Table 4.2.

**Table 4.2: Modified Domestic Demand forecasts for Ireland by institution**

	2023	2024	2025
Department of Finance	1.2	3.3	3.6
Central Bank of Ireland	2.3	3.3	
European Commission	2	3.4	
OECD	0.9	3.1	
ESRI	2.2		
IBEC	3		

<sup>16</sup> Modified Final Domestic Demand (seasonally adjusted) at constant prices.

## Appendix

### Department of Finance Budget 2023 Projections

Table 1: Key macroeconomic variables – quarter-on-quarter, per cent change (unless stated)								
	2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Consumer spending	-0.1	1.8	-0.5	-0.5	0.1	1.4	1.0	0.9
Modified domestic demand	-0.1	4.3	-2.4	1.3	-0.6	0.8	0.5	1.0
Inflation rate (annual per cent)	5.9	8.4	9.3	10.4	10.3	7.8	6.3	4.0
Unemployment rate (per cent)	7.1	4.4	4.6	4.9	5.1	5.2	5.2	5.1

Notes: Data for the first and second quarters are outturns. Seasonally adjusted data (except for inflation rate).

Source: CSO and Department of Finance.

## Department of Finance Budget 2023 Projections

**Table 2: Summary – main economic and fiscal variables**

	2021	2022	2023	2024	2025
<b>Economic activity</b> <i>per cent change</i>					
Real GDP	13.6	10.0	4.7	3.3	3.8
Real GNP	14.7	8.9	4.2	2.8	3.3
Modified domestic demand	5.8	7.7	1.2	3.3	3.6
Real GNI*	15.4	5.1	0.4	2.7	3.1
<b>Prices</b> <i>per cent change</i>					
HICP	2.5	8.5	7.1	2.4	1.8
Core HICP <sup>^</sup>	1.7	5.3	4.6	3.0	2.6
GDP deflator	0.7	6.5	4.4	2.1	1.9
<b>External trade</b> <i>per cent GNI*</i>					
Modified current account	11.1	8.4	7.7	7.0	6.3
<b>Labour market</b> <i>per cent change (unless stated)</i>					
Total Employment, '000	2,140	2,531	2,563	2,603	2,650
Employment	11.0	18.3	1.2	1.6	1.8
Unemployment, per cent	15.9	5.2	5.1	5.0	4.7
<b>Public finances</b> <i>per cent GNI* (unless stated)</i>					
: flow position					
General government balance, € bn	-7.0	1.0	6.2	10.7	13.7
General government balance	-3.0	0.4	2.2	3.7	4.5
Underlying general government balance, € bn~	-12.0	-8.0	-3.8	1.7	4.2
Structural budget balance <sup>^^</sup>	-0.5	0.2	0.9	0.8	1.4
: stock position					
General government debt (€bn)	235.6	225.3	224.1	226.7	223.8
General Government debt ratio	100.8	86.3	81.5	78.3	73.3
Net general government debt (€bn) <sup>^^^</sup>	192.3	190.4	189.6	183.6	176.5
Net general government debt ratio	82.2	72.9	68.9	63.4	57.8

**Notes:**

<sup>^</sup> core inflation is the headline figure excluding unprocessed food and energy

<sup>^^</sup> estimates of the structural balance exclude estimates of windfall corporation tax receipts.

<sup>^^^</sup> net debt from 2022 onwards estimated by mechanical extrapolation of financial assets.

~ underlying fiscal balance excludes the Department's estimate of corporation tax receipts that may be 'windfall' in nature.

Source: CSO for 2021; Department of Finance for 2022-2025.