# Spotlight: Labour Market Transitions

**Labour Market Transitions**

This spotlight feature focuses on labour market transitions. It uses seasonally adjusted LFS data tabulated on Eurostat[1] to examine movements in economic status, between employment, unemployment and labour market inactivity[2]. It also uses the CSO Job Churn release[3], based on Revenue PAYE administrative data, to consider job creation[4] and destruction[5], as well as flows between sectors and firms of different size.

### 1. Transitions between employment, unemployment and labour market inactivity

Figure 1 below shows a time series of labour market transitions in Ireland, over the period Q2 2010 to Q1 2024. It considers the labour market from the perspective of those who have remained in employment, unemployment or inactivity between different quarters, as well as those who transitioned from one state to another. See appendix for graphs looking specifically at only employment, unemployment or inactivity.

---

[1] Based largely on https://doi.org/10.2908/LFSI_LONG_Q. Note: Break in time series in Q3 2017.

2 Labour market inactivity, or 'inactivity' is used to refer to people outside of the traditional labour force. It, therefore, excludes various forms of unpaid labour.

[3] Jobchurn - CSO - Central Statistics Office

[4] Job creation (JC) for an enterprise is measured as the difference in the number of valid employment records with non-zero reckonable pay between the two periods t and t-1, if that difference is positive and is assigned to period t. If the difference is not positive, JC is set to zero for period t. (CSO)

[5] Job destruction (JD) for an enterprise is measured as the difference in the number of valid employment records with non-zero reckonable pay between the two periods t and t-1 if that difference is negative and is assigned to period t. If the difference is not negative, JD is set to zero for period t. (CSO)

The figure illustrates the economic history of the labour market. The post-2008 financial crisis period is characterised by strong flows from both inactivity and unemployment into employment, as well as the sharp increase in inactivity following the onset of the COVID-19 pandemic. As detailed below, the relative size of flows from inactivity and unemployment speak to the availability of labour and participation effects.
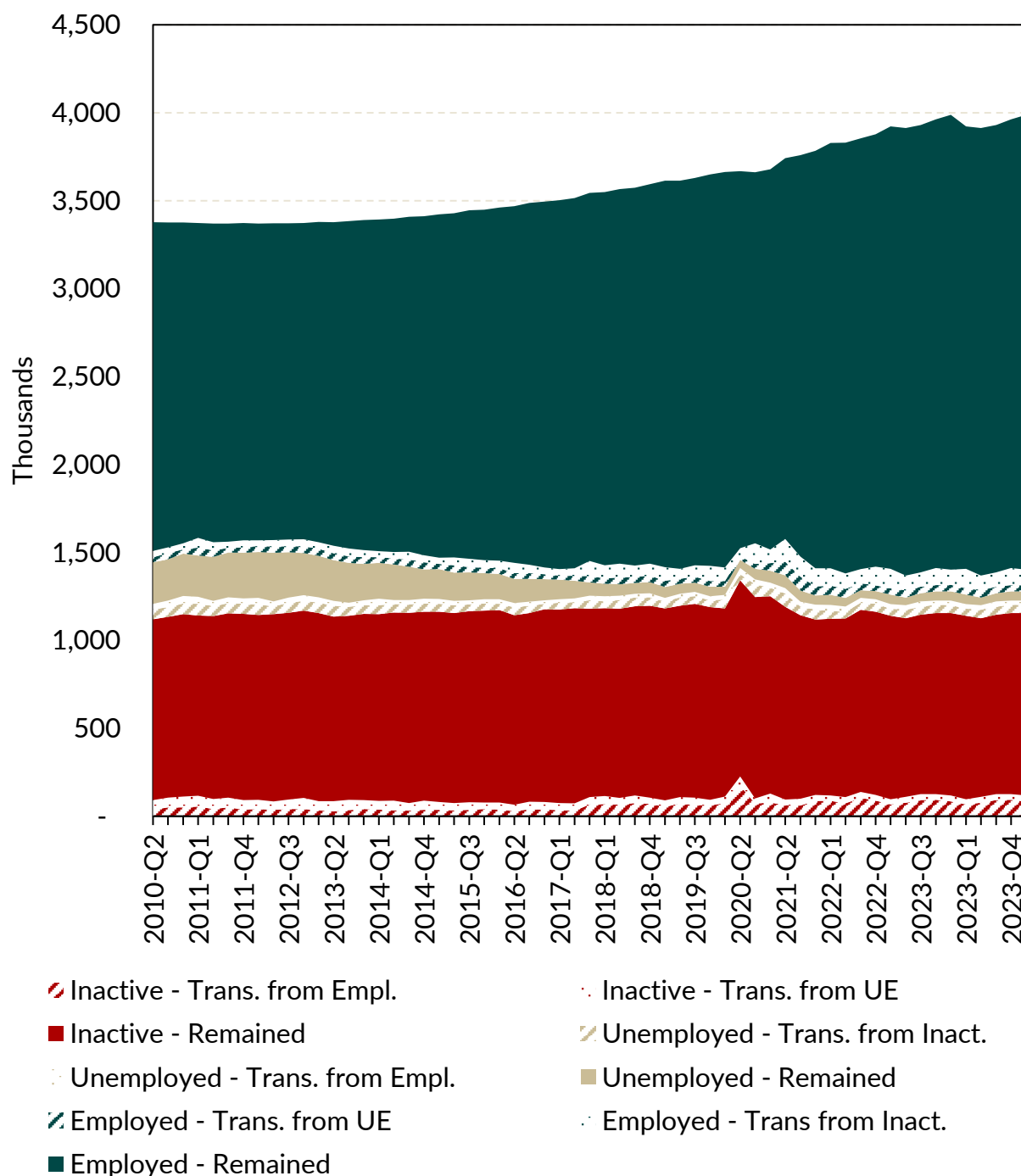
The figure shows that:

- Starting in Q2 2010, there were around 1,934,000 people in employment which is around 57 percent of persons aged 15 and over, in all ILO economic statuses. It reached a low of 1,867,000 in Q1 2012 before increasing. As of Q1 2024, there are 2,710,000 employments, which is 68% of all persons aged 15 and over[6].

- A higher proportion of transitions into employment come from inactivity than unemployment. For example, in the two years from the Q1 2012 low, when the economy was performing poorly, of the 612,000 people who transitioned into employment, 294,000 (48 percent) were from unemployment. However, over the past two years, of the 1,021,000 people who transitioned to employment, 296,000 (29 percent) transitioned from unemployment.

- In the period Q2 2010 to Q1 2015, when the economy was performing relatively poorly, in each quarter, an average of 8.2 percent of the inactive population transitioned into either unemployment or employment in the subsequent quarter, with the majority, an average of 4.7 percentage points, transitioning into unemployment. In each quarter after this period, a larger proportion transitioned directly into employment, than unemployment. Over the last four quarters, an average of 11.7 percent of the inactive population transitioned, per quarter, with an average of 7.6 percentage points transitioning directly to employment.

---

[6] Note: Labour Force Survey categorisations differ. The employment rate is ages 15-64, the unemployment rate is ages 15-74. The Participation Rate is ages 15 years and over.

- The inactive population has been broadly stable, varying between 1,118,000 and 1,341,000 from Q2 2010 to Q1 2024, averaging 1,164,000 per quarter, and currently, as of Q1 2024, standing at 1,155,000 people. However, the inactive population as a proportion of the population (ages 15+) has been, broadly, decreasing from the peak of 34.6 percent in Q4 2012, and currently stands at 29 percent, only slightly above the low of 28.8 percent achieved, in Q2 2023.
- Exits from employment into inactivity tend to be substantially larger than exits into unemployment. Over the last eight quarters, for example, an average of 26,000 people transitioned from employment into unemployment, per quarter. Over the same period, there were average quarterly transitions of 85,000 people into inactivity.
- The low level of transitions from unemployment into employment, in the recent period, in addition to the low number of unemployed people (123,000 as of Q1 2024) suggests that any further expansion in the number of people employed would have to come from the inactive population, or from net-inward migration.

Taken together, employment increased owing to transitions from both unemployment and inactivity. However, the potential for further transitions into employment from unemployment is impugned by the low number of unemployed persons. Transitions from inactivity may require increased use of tailored engagement compared to standard activation. Flows between inactivity to unemployment i.e., movement closer to the labour market, are discussed in relation to Figure 1 below.

**Figure 1: Labour Market Transitions (Q2 2010- Q1 2024)**



Legend:
- ⊘ Inactive - Trans. from Empl.
- ⋰ Inactive - Trans. from UE
- ■ Inactive - Remained
- ⊘ Unemployed - Trans. from Inact.
- ⋰ Unemployed - Trans. from Empl.
- ■ Unemployed - Remained
- ⊘ Employed - Trans. from UE
- ⋰ Employed - Trans from Inact.
- ■ Employed - Remained

Source: Eurostat LFS, lfsi_long_q

Note: There is a break in the time series in Q3 2017, due to low reliability of the data, and Q1 2021, due to "new population figures triggered by Census 2021".

Note 2: Remained refers to the number in one category who were in the same category in the previous quarter e.g. the number of people employed were we also employed in the previous quarter.

## Positive and Negative Flows

One way to conceptualise labour market performance is in respect of transitions towards and away from employment. The matrix in Figure 2 shows the potential outcomes for an individual based on whether they are employed, unemployed or inactive. A double plus (++) refers to a transition to employment from either unemployment or inactivity, and a double negative (- -) refers to a transition away from employment. Arguably, a movement from inactivity to unemployment, denoted by a single plus (+), is indicative of an individual moving closer to the labour market, and a transition from unemployment to inactivity (-) shows a person moving farther away. Given the high levels of transitions between inactivity and employment, as discussed above, a transition to unemployment is a less favourable, but still positive outcome.

**Figure 2: Potential Labour Market Outcomes**

|  |  | Destination | | |
|---|---|---|---|---|
|  |  | Employment | Unemployment | Inactivity |
| Starting Point | Employment |  | - - | - - |
|  | Unemployment | + + |  | - |
|  | Inactivity | + + | + |  |

Figure 3 shows these outcomes as a time series, where the solid lines show the transitions into employment and unemployment, and the dotted lines include all transitions towards, and away from the labour market. The grey lines denote the net change.

In Q1 2024, there were 124,000 transitions to employment, this is down from the peak of 207,000, in Q2 2021. When considering all movement towards the labour market, the figure for the most recent quarter goes up to 169,000. At the same time, there were 108,000 transitions away from employment, or 142,000 transitions if including movement away from the labour market. Therefore, there were 16,000 net positive movements, or 27,000 net positive movements if including movements towards the labour market.

Over the course of the time series, the net change has been positive, averaging 14,407 per quarter, reflective of the previously discussed increase in employment.

**Figure 3: Transition Flows (Q2 2010- Q1 2024)**
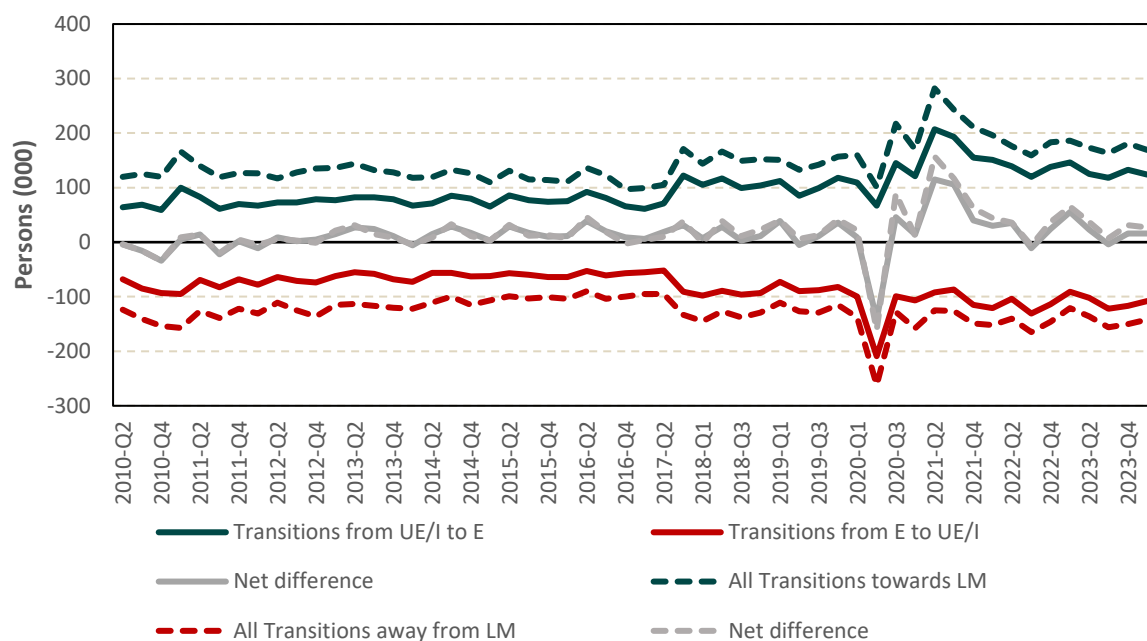
Notably, the difference between the transitions from and away the labour market was largely stable over the period Q2 2010 to Q2 2017. Following the break in the series, after Q3 2017, the difference has been increasing steadily. This suggests the rate of movement in the labour market has been accelerating. The higher variance persists when comparing the pre- and post-COVID-19 period. It is uncertain whether the greater variance in Figure 3, above, alternatively shown in Figure 4 as the difference between the transitions to and away the labour market, is a consequence of movement among lower income, precarious workers or higher income workers.
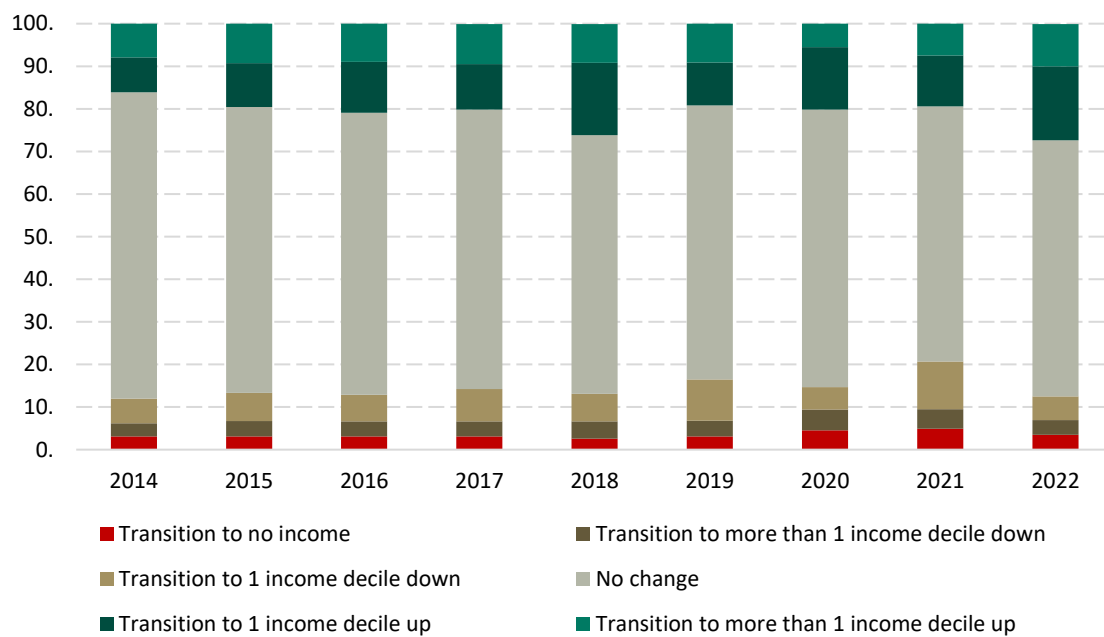
**Figure 4: Difference between transitions away and towards the labour market**
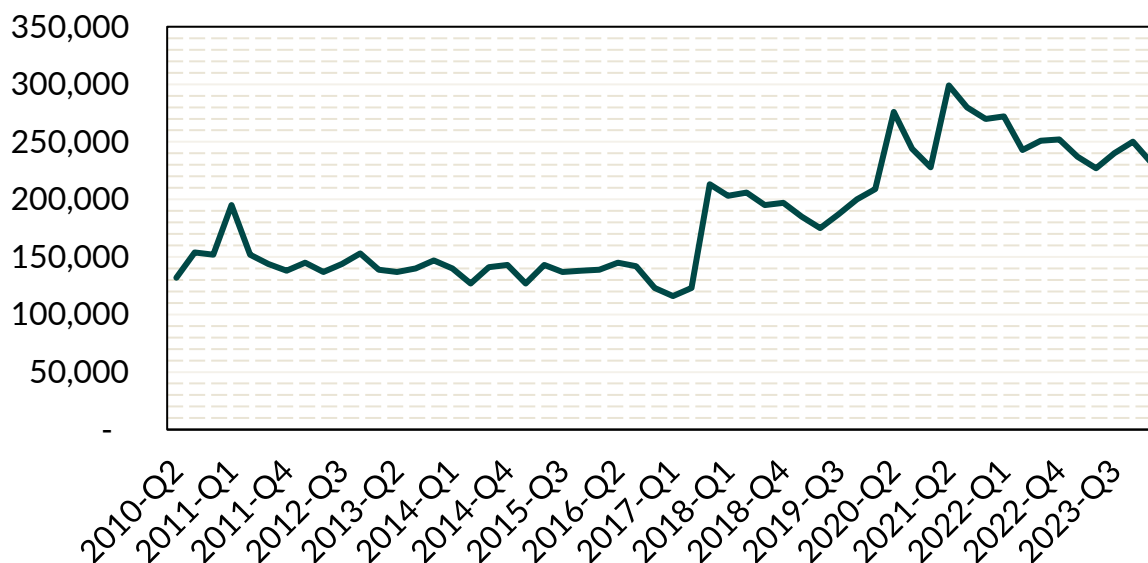
However, Figure 5 below uses SILC data to look at the number of individuals who transitioned between income deciles by year. It shows, as denoted by the growth in the green bars, that social mobility, in terms of income, is increasing over the time series. The proportion of people moving income decile has gone up, and the proportion of people who have not transitioned, in terms of income decile has gone down, falling from 71.9 percentage points to 60.1 percentage points between 2014 and 2022. The proportion of people moving at least one income decile has gone up from 16.1 percentage points to 27.3 percentage points. Though notably the substantial increase in 2022 is likely a result of the loosening of public health restrictions, the end of the PUP, the elevated rate of labour mobility, the bidding up of wages in the context of elevated inflation and the impacts of the cost of living measures.

## Figure 5: Labour transitions by pay level



**Legend:**
- Transition to no income
- Transition to more than 1 income decile down
- Transition to 1 income decile down
- No change
- Transition to 1 income decile up
- Transition to more than 1 income decile up

Source: Eurostat ILC, ilc_lvhl34

## 2. Job Churn using Revenue payslip data

This section analyses the new release on Job Churn from the Central Statistics Office (CSO). The release provides data on labour market movement between Q2 2020 and Q1 2024, using Revenue 'PAYE Modernisation data' (PMOD). Information on job churn is available by sector and at enterprise level.

***Time series of Job Churn Variables***

Figure 6 below depicts the number of hirings (inclusive of job creations), and separations (inclusive of job destructions), between Q2 2020 and Q1 2024, in addition to the difference.

**Figure 6: Job Hirings, Creations, Separations and Destructions (Q2 2020- Q1 2024)**
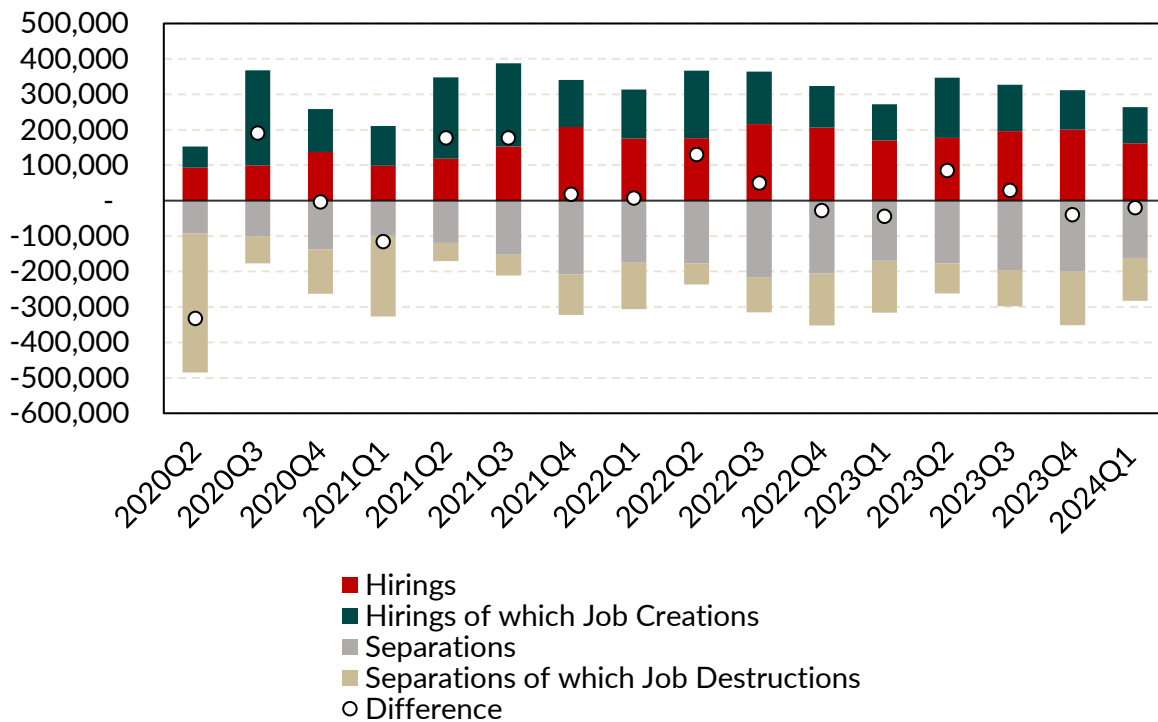


Source: CSO Job Churn Release.

For the duration of the available time series, there were just over 4,956,600 hirings, of which just under 2,369,700 (47.8 percent) were job creations, and around 4,675,400 separations of which 2,088,500 (44.7 percent) were job destructions. Therefore, there was a net increase of 281,213 jobs.

In the most recent quarter, there were 263,634 hirings, of which 101,767 were job creations, and 282,989 separations, of which 121,122 were job destructions, which meant a slight net decrease of 19,355. (Note: On an unadjusted basis, the LFS reports negative employment growth in Q1 2024, but positive growth in Q4 2023, unlike the figure above, which has negative growth over the last two quarters, based on PAYE administrative data. A further explanation of the difference is that PAYE data is less likely to capture transitions among self-employed persons).

Job creations peaked in Q3 2020, while destructions peaked in Q2 2020. Over the course of the timeline, there were circa 2.57 million creations in total, averaging to 148,106 jobs created per quarter. In the same period, there were around 1.7 million destructions in total. The quarterly average stood at 130,530. As expected, those quarters with the highest job creations, as a percentage of all hirings, were also those when public health restrictions were loosened, during the COVID-19 period. Notably, in Q3 2020, Q3 2021 and Q2 2021, 73, 66 and 61 percent of all hirings were job creations, respectively. The average rate of job creations as a proportion of all hirings was 47 percent per quarter.

Conversely, Q2 2020, Q1 2021 and Q3 2020 saw the highest destruction rate as a proportion of separations, at 81, 70 and 48 percent, respectively, with an average of 42 percent.

A high job creation/job destruction rate as a proportion of hirings and separations, respectively, could be viewed as consistent with the Schumpeterian idea of creative destruction, wherein labour and capital flows are allocated based on market forces. Net hirings, with relatively low net creations would be indicative of a reallocation of labour from other sectors to the one that is increasing.


*Separations from Primary Employment*

Figure 7 shows the destination of those that are no longer employed in the same enterprise from the previous quarter, meaning the separations in a quarter. This data is only available for separations from primary employment, which was defined as the employment with the highest earnings.

**Figure 7: Primary Employment Separations by Destination, and Totals (Q2 2020- Q1 2024)**
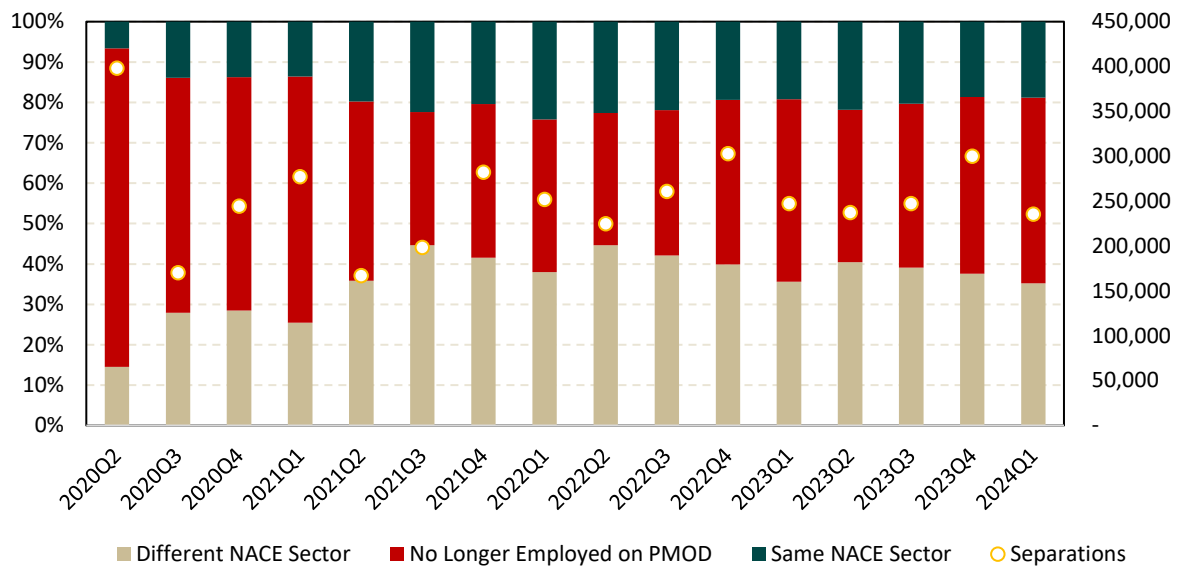


Source: CSO Job Churn Release, JCQ05. Authors' own estimates.

In the last quarter, there were 235,489 separations from primary employment, with 18.8 percent (c44,400) remaining employed in the same sector, 35.2 percent (c82,900) moved to a different sector and 45.9 percent (c108,200) were no longer employed according to PMOD. The high proportion of those no longer employed is likely explained by the normal exits from the labour market, due to retirement, illness, career breaks etc.[7] Notably, as the population ages, one would expect the number and proportion of exits to retirement to increase.

The figure shows that movement between sectors is higher than movement between employments but remaining in the same sector.

---

[7] Assuming a uniform population distribution and an average work life of 40 years, then 2.5 percent of the labour force would be expected to retire in any given year. Based on the most recent LFS, one would therefore, expect 67,605 employed persons, of the 2,704,200 persons employed, to retire in Q1 2024. This is approximately 62.5 percent of the total separations which are no longer employed.

*Job Churn Rate by Sector*

Figure 8 shows the job churn rate for selected sectors, from Q2 2020 to Q1 2024. Job churn "is a measure of employee turnover providing insight into the number of employees who changed job and stayed in the same job". In contrast to the comparison of job creations as a function of all hirings, the job churn rate looks specifically at hirings and separations of people who were, in the previous quarter, employed i.e. creations and destructions are excluded.

The average job churn rate for all sectors stood at 12.5 percent for the duration of the time-series. Notably, in the quarters following the lifting of the public health measures, the churn was higher. As such, the job churn rate peaked in Q4 2021, at 16.3 percent, remaining considerably high during the following year, with an average churn rate of 14.4 percent, in 2022. The churn rate in 2023 was slightly lower, averaging at 13.5 percent.

In the last quarter, the job churn rate stood at 11.8 percent, a 2.6 pp reduction from the previous quarter, and 0.8 pp lower than the previous year. Notably, in the same period, the churn rates for every sector went down on a quarterly basis, with the exception of the Services sector, for which it went up by 3.5 pp and the Transportation and Storage sector for which it remained unchanged.

Notably, the Administrative and Support Activities sector consistently had the highest churn rate for all quarters of the time series, with an average of 26.8 percent, and a peak of 32.3 percent, in Q4 2021. In this sector there were 174,761 job creations and 164,858 job destructions in total, meaning a net positive difference of 9,903. In Q1 2024, the churn rate was 24.9 percent[8].

Notably, job churn may be a function of pay and working conditions, job protections and tenure status, barriers to entry and exit as well as growth rates in the sector.

---

[8] For information: There were 8,512 jobs created, and 13,462 jobs destroyed, in the sector.

**Figure 8: Job Churn Rates by Select Sectors[9] (Q2 2020- Q1 2024)**
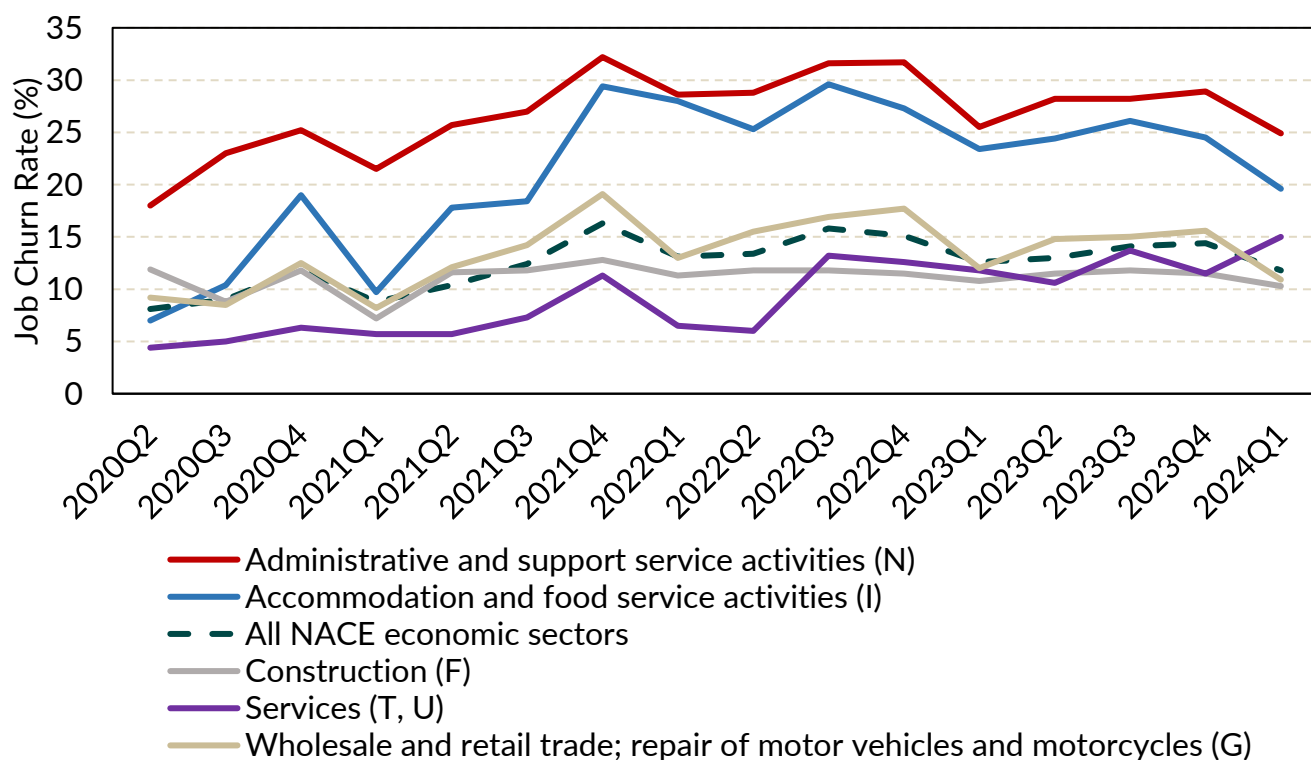


Source: CSO Job Churn Release.

*Job Churn Rate by Firm Size*

Figure 9 shows the job churn rate by firm size, from Q2 2020 to Q1 2024. As mentioned above the average churn rate was 12.5 percent.

Micro enterprises, comprised of 1 to 9 employees, had the lowest churn rate by a considerable difference. On average, micro enterprises, which are by far the most common enterprises[10], had a 6.4 percent churn rate, peaking at 8.5 percent in Q2 2020,

---

[9] See Appendix for sectors not included.

[10] Small and Medium Enterprises Business in Ireland 2021 – Detailed Results - Central Statistics Office ; "In 2021, micro enterprises (<10 persons employed) accounted for 92.6 of all enterprises, 27.6% of persons employed, 15.3% of turnover, and 16.2% of GVA. Small enterprises (10-49 persons employed) accounted for 6.1% of all enterprises, 22.0% of persons employed, 12.1% of turnover, and 7.5% of GVA. Medium (50-249 persons employed) enterprises accounted for 1.1% of all enterprises, 19.6% of persons employed, 14.1% of turnover, and 11.1%% of GVA."

which is below the overall average rate of 12.5 for all enterprises, and its 16.3 percent peak. Notably, the peak in churn for micro enterprises was registered at the start of the COVID-19 period, Q2 2020, while for the other enterprise sizes it was hit during the recovery period.

Small and Medium enterprises, those with 10 to 49, and 50 to 249 employees, had an average churn rate of 13 and 15.8 percent, respectively, the latter being the highest average in the series. Firms with 50 to 249 employees, also show the highest peak in churn, reaching a rate of 20.8 percent, in Q4 2021. Similar figures are observed in firms with 250 and 499 employees, considered large enterprises, with a slightly lower average rate of 15.3 and a peak of 19.7 percent, in Q3 2023.

In the most recent quarter, the churn rate of all enterprise sizes followed a downward trend, with firms with over 500 and over 1,000 employees observing the most pronounced changes of 3.7 and 3.5 percentage points, respectively.

**Figure 10: Job Churn Rate by Enterprise Size (Q2 2020- Q1 2024)**
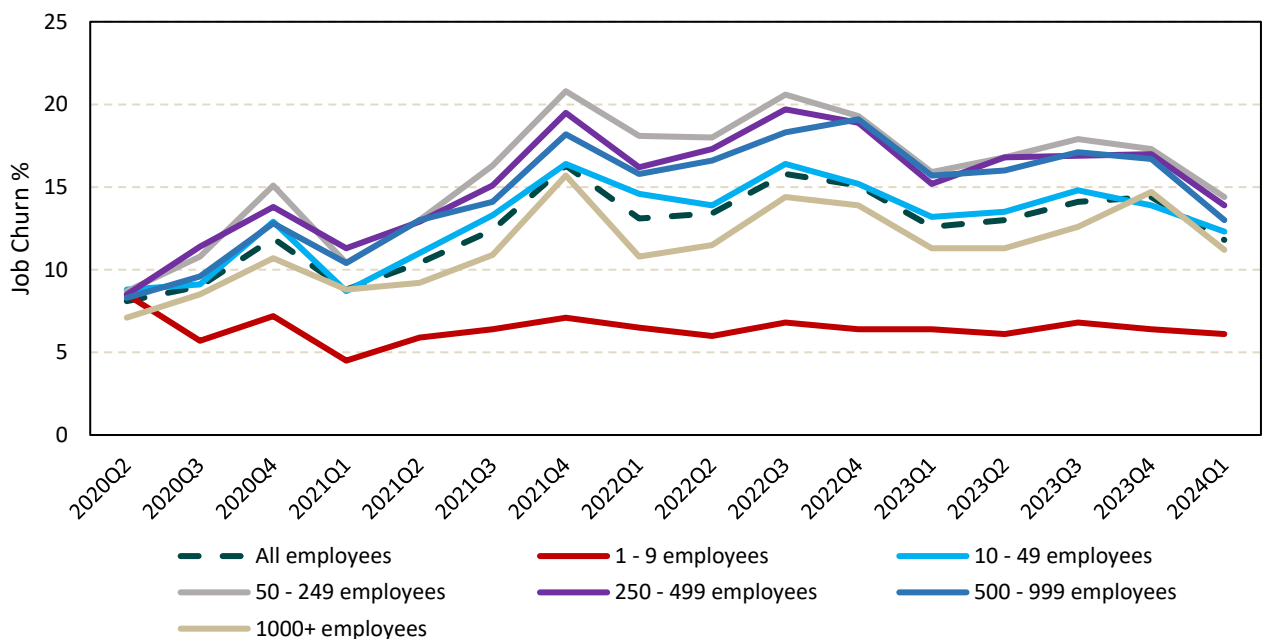


Source: CSO Job Churn Release.

**Conclusions**

The different transitions data are illustrative of the economic history of the country. Transitions to employment were high from both unemployment and inactivity, as the post-2008 economic recovery progressed. In the recent context of full employment, a higher proportion of transitions have come from inactivity rather than unemployment, largely a consequence of the relatively low number of unemployed persons.

The data show that the post pandemic period is characterised by higher rates of transitions, compared with the pre-pandemic period, as well as higher social mobility. This is reflective of the findings of previous labour market updates which discussed formerly inactive groups being induced to participate in the labour market owing to higher potential earnings.

The labour market performance since Q2 2020 has been examined through the use of administrative data. It shows an increase in both the hirings and job creation rates, and the associated net increase in employments. It is notable that both sector and firm size are strong predictors of labour market churn, with Administrative and Support and Accommodation and Food Services having by far the highest churn rates, while micro-enterprises have the lowest churn rates.

**Appendix 1. Labour Market Transitions, Disaggregated**

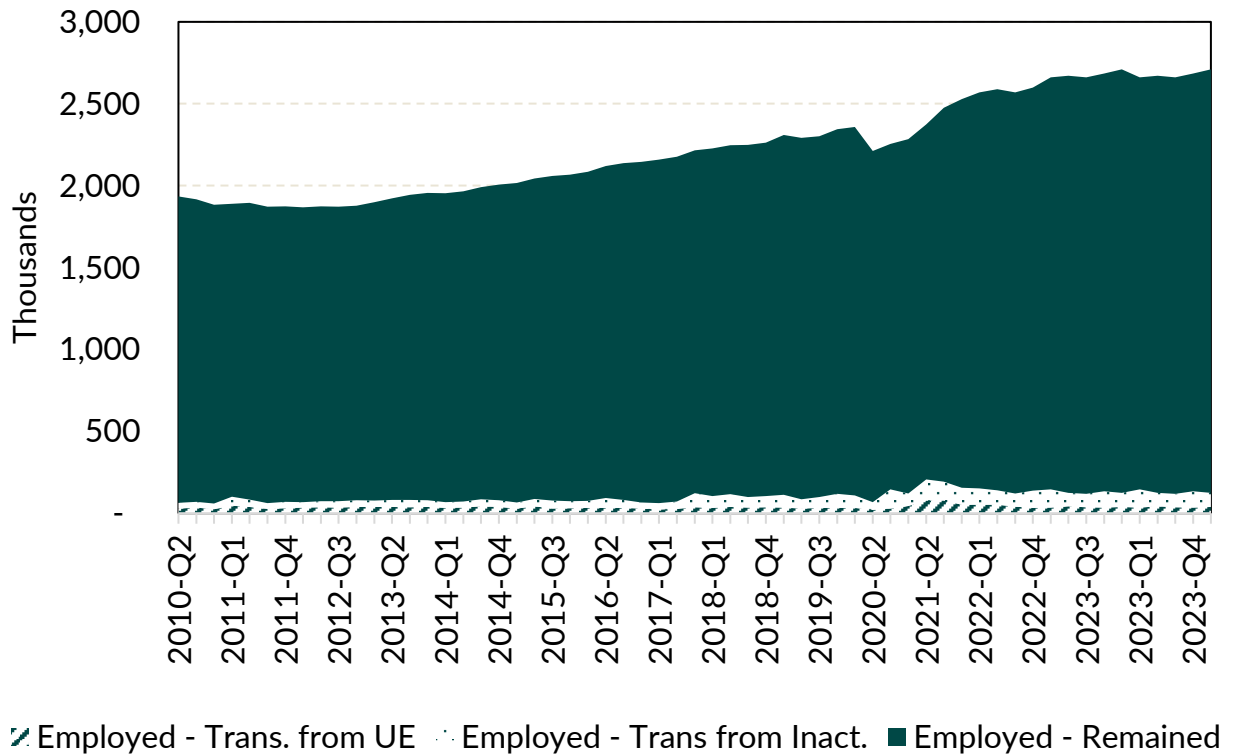**Figure A1: Labour Market Transitions, Employment (Q2 2010- Q1 2024)**



Legend: Employed - Trans. from UE | Employed - Trans from Inact. | Employed - Remained

**Figure A2: Labour Market Transitions, Unemployment (Q2 2010- Q1 2024)**



Legend: Unemployed - Trans. from Inact. | Unemployed - Trans. from Empl. | Unemployed - Remained
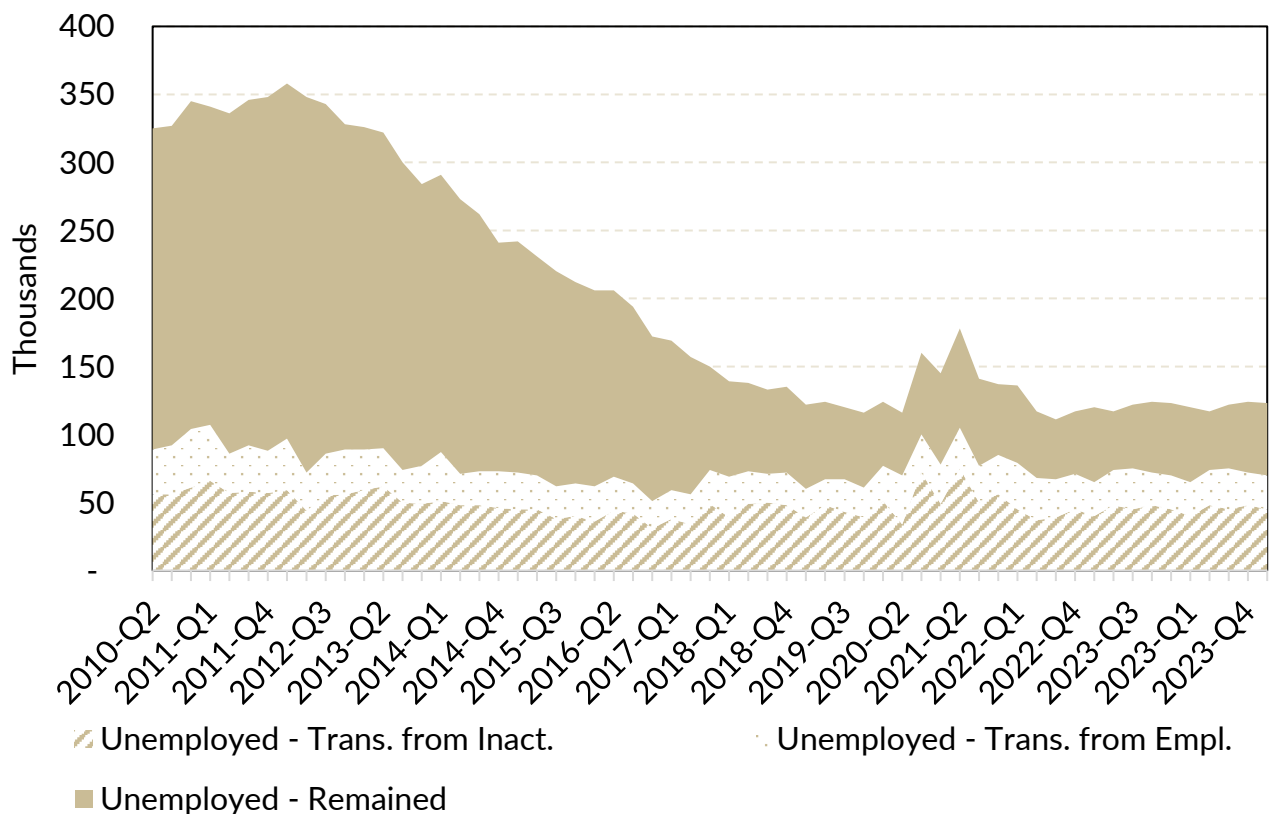
**Figure A3: Labour Market Transitions, Inactive (Q2 2010- Q1 2024)**



Legend: Inactive - Trans. from Empl. · · Inactive - Trans. from UE ■ Inactive - Remained
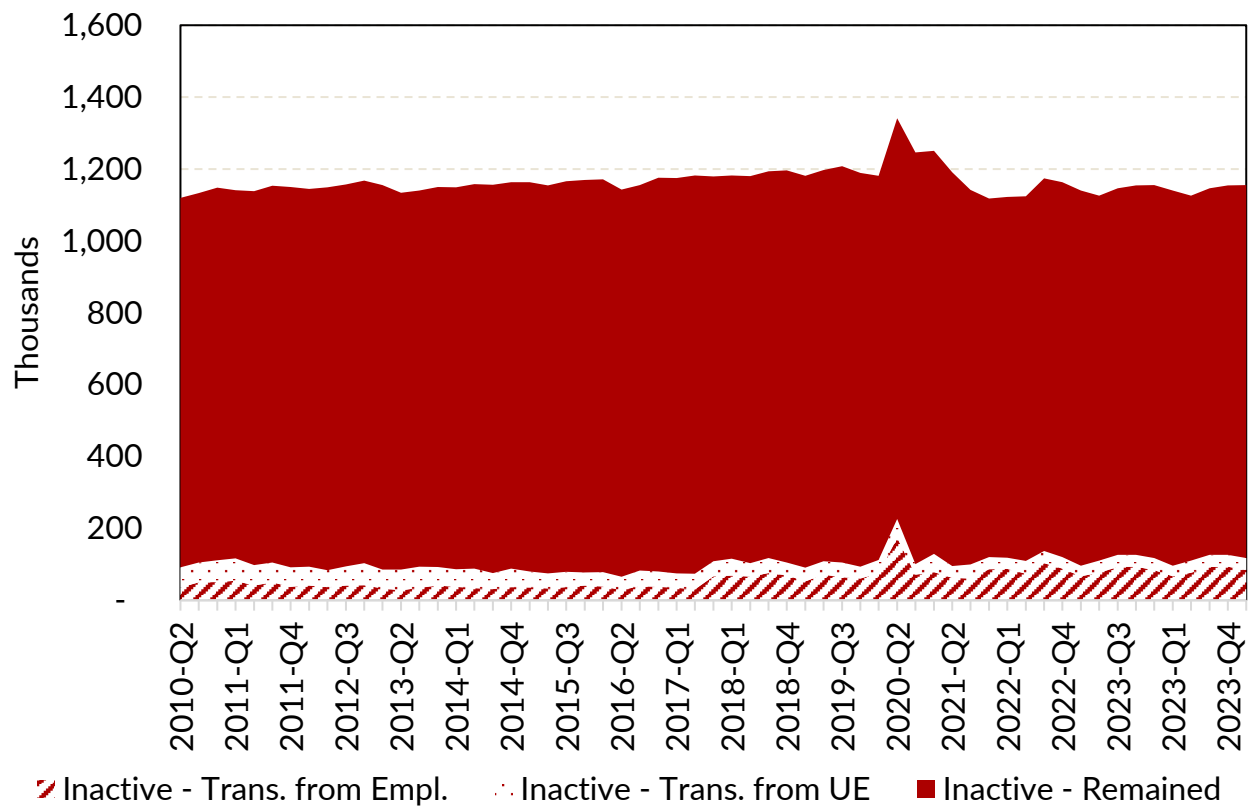
**Appendix 2. Job Churn Rates, Sectors excluded in Figure 8 (Q2 2020- Q1 2024)**



— Agriculture, forestry and fishing (A)

— Industry (B to E)

— Transportation and storage (H)

— Information and communication (J)

— Financial, insurance and real estate activities (K, L)

— Professional, scientific and technical activities (M)

— Public administration and defence; compulsory social security (O)

— Education (P)

— Human health and social work activities (Q)

— Arts, entertainment, recreation and other service activities (R,S)