



**An Roinn Coimirce Sóisialaí**  
Department of Social Protection

# **Labour Market Advisory Council**

## **Labour Market Update**

**September 10, 2024**

*Prepared by the Labour Market Analytics Unit*

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## Executive Summary

- The economic expansion that characterised the post-COVID-19 period has continued since last year's mid-term review and second annual progress report.
- As of Q2 2024, the total labour force stands at 2,885,400, the highest in the history of the series. This is an increase of 80,500 (+2.9 percent) over the last four quarters.
- The increase in participation is largely driving by female participation levels, which reached a series high of 1,367,400, some 38,000 above Q2 2023 levels (+2.9 percent), and increases among non-Irish citizens, who now make up 20.4 percent of the labour force in Q2 2024, or 588,100 people (up 9.6 percent in the past year).
- The overall participation rate stands at 66 percent. The gap between male and female participation is at 9.5 percentage points, the smallest recorded participation rate difference.
- Total employment is also at a series high of 2,754,200 (ages 15+). The overall employment rate (ages 15-64) stands at 74.4 percent - 78.1 percent for males and 70.8 percent for females. These figures have marginally increased on an annual basis (0.1 to 0.2 pp).
- Both full-time and part-time employment have grown in the past year, with greater increases in full-time rather than part-time employment (an increase of 3.1 percent compared to 1.2 percent).
- The increase in part-time employment is driven by a 10.5 percent increase for males outstripping the 2.9 percent decrease among females. 29 percent of male part-time workers are underemployed, compared to 23 percent of females in Q2 2024.
- The Job Vacancy Rate stands at 1.1 percent, slightly above the long-term trend, but below the elevated levels observed immediately post-COVID-19.
- Inflation rates have normalised and consequently, real wage growth has resumed.
- The unemployment rate stands at 4.6 percent.
- Many groups, including lone parents and people with disabilities, experienced improvements in labour market outcome. The lone parent employment rate is at a series high of 70.7 percent, up 3.7 pp in the past year. Despite these improvements, these groups lag behind the general population, across a range of indicators.

## Labour Force

### Total Labour Force

#### Key messages:

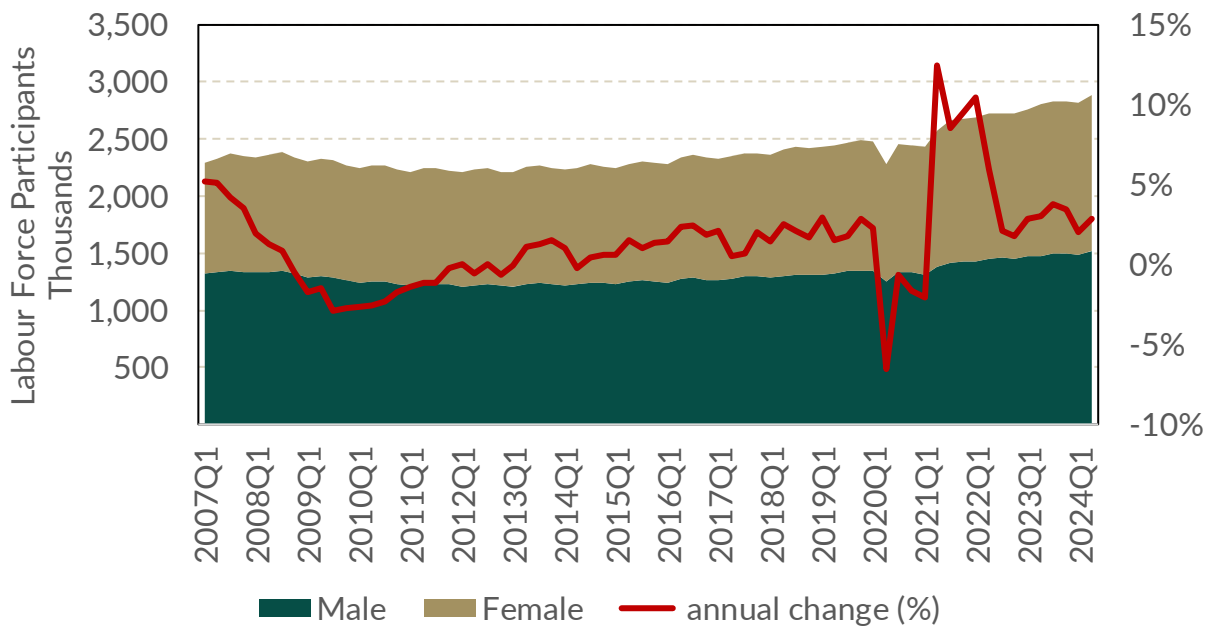
- In Q2 2024, the total labour force stood at 2,885,400. It increased by 2.9 percent, or 80,500 additional people, over the last four quarters.
- Female participation levels reached a series high of 1,367,400, 2.9 percent or 38,000 above Q2 2023 levels.
- Non-Irish citizens made up 588,100 of the labour force in Q2 2024 (20.4 percent). The number of non-Irish in the labour force grew by 9.6 percent in the last year.

The total labour force reached a series high of 2,885,400 in Q2 2024. The labour force increased by 2.9 percent or 80,500 people on an annual basis, with some variation throughout the year. This annual growth rate is consistent with post-pandemic levels of between 2 and 4 percent. Given the record levels achieved, and the near record high participation rate (see Figure 1.1, below), maintaining these growth rates may be unsustainable given capacity constraints.

The growth in the labour force was mainly driven by an increase in female participation and net inward migration. In Q2 2024, the female labour force reached a series high of 1,367,400, increasing by 38,000 (or 2.9 percent) in the last year. Males, despite increasing at a lower rate of 1.8 percent (or 26,700), still comprise a larger proportion of the labour force.

In Q2 2024, some 588,100 or 20.4 percent of the total labour force was comprised of non-Irish citizens, the highest recorded share in the series. In the last year, the non-Irish labour force increased by 9.6 percent, and the share of non-Irish citizens in the labour force grew by 1.2 percentage points.

**Figure 1.1: Total labour force (000s) by gender and annual change - Unadjusted (2007Q1- 2024Q2)**



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

### Labour Force Participation Rate

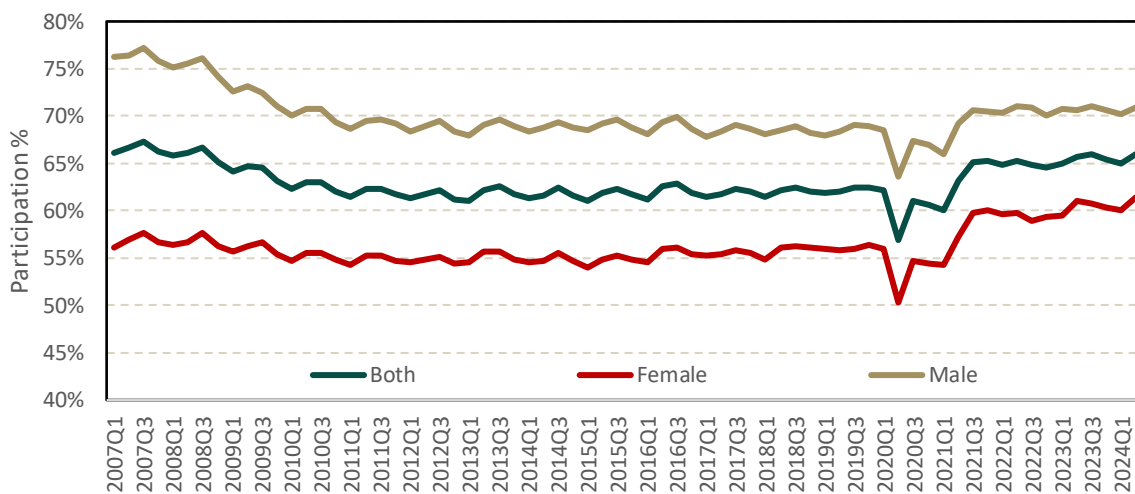
#### Key messages:

- Over the last year, the overall participation rate increased by 0.3 pp, and currently stands at 66 percent.
- The gender difference in the participation rate dropped to 9.5 pp (lowest level in the series) in Q2 2024. The male participation was 70.9 percent and female participation 61.4 percent (series high), representing annual increases of 0.3 and 0.4 percentage points, respectively.
- In Q2 2024, series highs were recorded for the participation rates of the following age groups: 35 to 44 (88.2 %), 45 to 54 (86.3%) and 65+ (14.8%) There were annual decreases in the participation rates of 15 to 24 year olds (-0.1pp) and 60 to 64 year olds (-1.7pp).

Figure 1.2 below shows the quarterly participation rates by gender, between Q1 2007 and Q2 2024. The participation rate stood at 66 percent, in Q2 2024, a 0.3 percentage point increase from Q2 2023, and 1.3 percentage points below the series high (Q3 2007).

In the Q2 2024, male participation stood at 70.9 percent up from 70.6 percent in Q2 2023. The female participation rate reached a series high of 61.4 percent in Q2 2024, 0.4 percent above the Q2 2023 level. Notably, there has been some convergence in the gap in participation rates, with the gender gap standing at an all-time low of 9.5 percentage points.

**Figure 1.2: Labour market participation rates by gender – unadjusted (2007Q1–2024Q2, annual averages)**

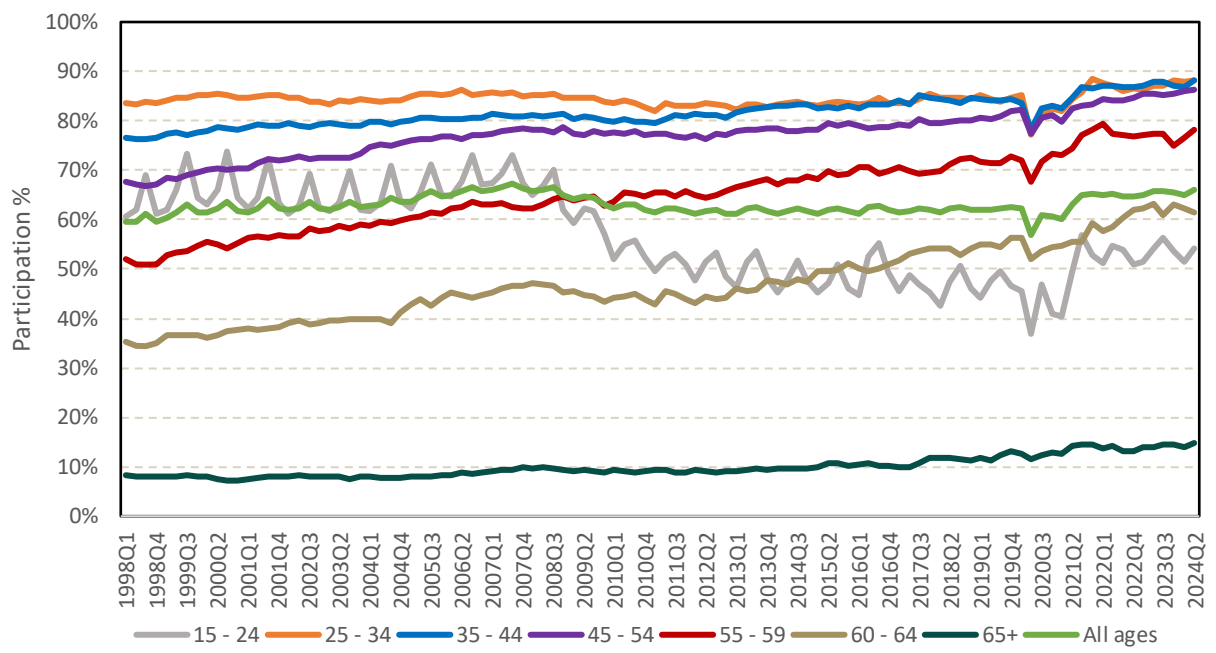


Source: CSO LFS figures are subject to revision. Note: Participation rate refers to those aged 15 years and older.

As illustrated in Figure 1.3 which shows labour market participation by age group, there has been an increase in the participation rate of those in prime working age cohorts. The participation rate for the 25 to 34 age group rose by 1.2 percentage points on annual basis, to 88.2 percent. Both cohorts aged 35 to 44, and 45 to 54, have hit series highs, having increased to 88.2 (+0.2 pp) and 86.3 percent (+0.9 pp), respectively.

Modest declines have been observed among youngest cohort, those aged 15-to-24-year cohort, which is down 0.1 percentage points, and among the 60 to 64 year cohort, which is down 1.7 percentage points in the past year. The participation rate of those aged 65 and above age continues to follow an upward trend and, in the last quarter, reached the series high of 14.8 percent, a 0.8 percentage point increase from Q2 2023. This increase is consistent with the long-term economic trend and is common among many comparable economies.

Figure 1.3: Labour market participation rates by age (2007Q1-2024Q2)

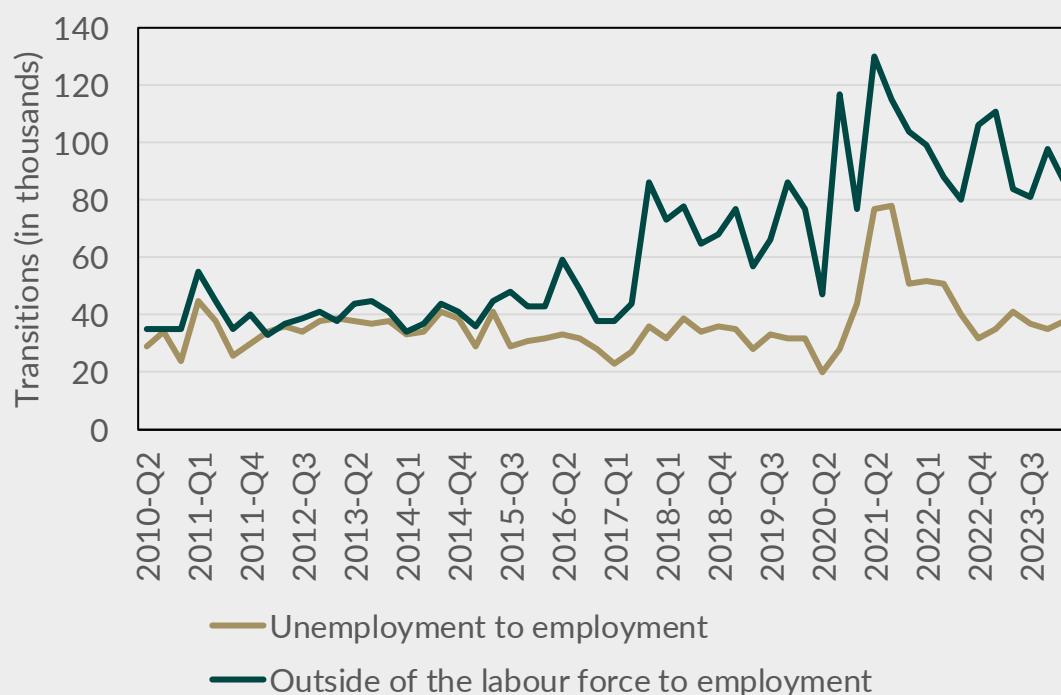


Source: CSO LFS (figures are subject to revision).

### Box A: Labour Market Transitions – Insights from Labour Market Spotlights

- The Q1 2024 Labour Market Update featured a spotlight on labour market transitions which drew the following key messages:
- The rate of movement in the labour market has picked up in recent years, particularly after the COVID-19 pandemic.
- When the economy is performing poorly, a higher share of transitions into employment come from unemployment (an average of 48 percent of transitions over Q1 2012 to Q4 2014). However, when at full employment most transitions into employment come from inactivity, and the share coming from unemployment declines (29 percent in the past two years). Likewise, transitions out of employment are more likely to move to inactivity rather than unemployment. The graph below illustrates this.

Figure A.1: Labour Market Transitions to Employment, by previous status (Q2 2010-Q1 2024)



- The CSO published a release on labour market churn in May this year which covered the period of 2020 to 2024. It found that job churn (people moving jobs) was more prevalent in some sectors (Accommodation and Food Service, and Administrative and support service activities which includes employment agencies) and lowest among those working in micro-enterprises (less than 10 employees).



## Employment

### Employment Levels

#### Key messages:

- Overall employment (ages 15 and over) is at a series high at 2,754,200. This is up 71,500 (+2.7 percent) on an annual basis.
- The employment rate for persons aged 15-64 is up 0.2 percentage points from Q2 2023, standing at 74.4 percent as of Q2 2024.
- The proportion of non-Irish citizens in employment has increased in recent years to 20.0 percent, compared with Q2 2019, when it was 16.3 percent. In absolute terms this was an increase of 172,200, standing at 549,600 as of Q2 2024.
- The male employment rate stands at 78.1 percent with the female employment rate at 70.8 percent, up 0.1pp and 0.2pp, respectively, from the previous year.
- The Professional, Scientific and Technical Activities sector experienced the highest level of growth in the past year (+13 percent). Construction, and the Wholesale and Retail Trade sectors experienced the largest declines, at 7 percent each.

Total employment is at a series high as of Q2 2024 at 2,754,200 (see Figure 1.4). On an annual basis, total employment rose by 71,500 (+2.7 percent). Similarly, both male and female employment are at series highs of 1,448,200 (+39,700 or 2.8 percent) and 1,306,000 (+31,900 or 2.5 percent), respectively. The gender gap in employment which has been converging since 2007, expanded slightly since the low of 5 percentage points in Q2 2023, to 5.2 percentage points in Q2 2024.

Total employment grew by 20,400 (+0.7 percent) from by the previous quarter, on a seasonally adjusted basis, of which 5,400 were male, and 14,100 were female<sup>1</sup>.

Trends in the higher frequency Monthly Estimates of Payroll Employees using Administrative Data series are broadly similar to those found in the Labour Force

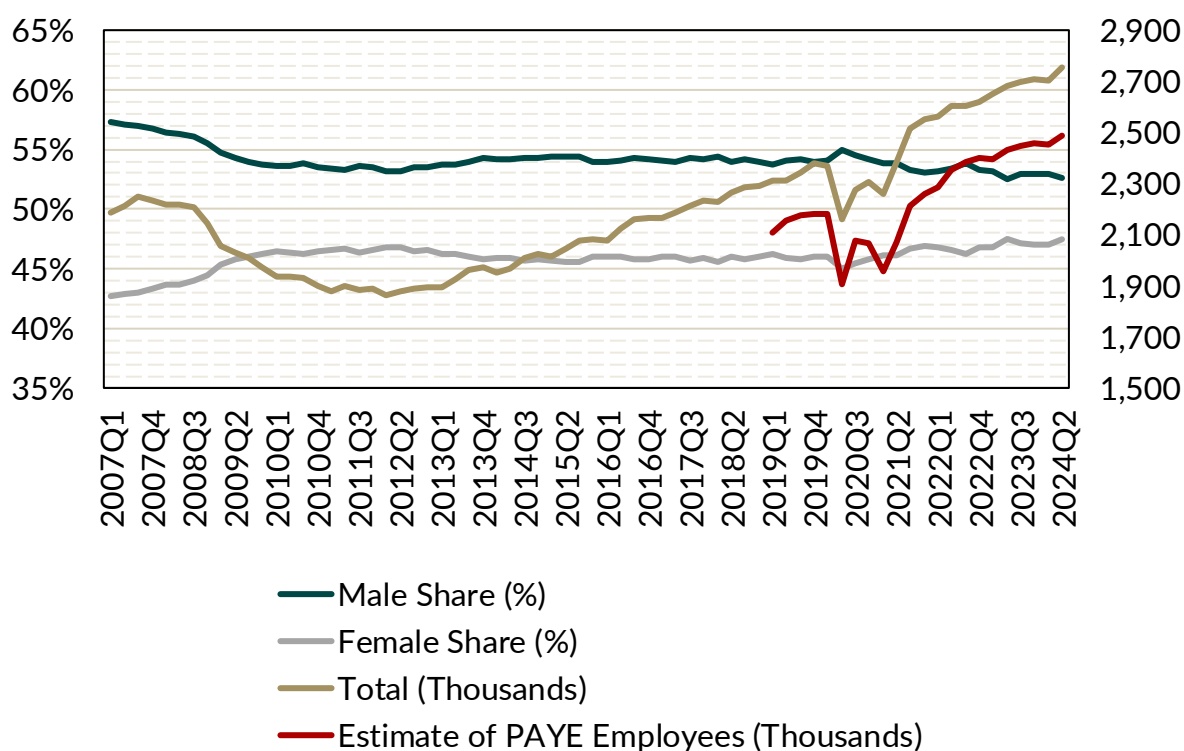
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<sup>1</sup> Seasonal adjustments are made on the basis of the component series (e.g., females aged 18-24), as well as on the basis of the total population. Trend adjustments to cohorts may result in the sum of all seasonally adjusted subsets not adding up to the seasonally adjusted total.

Survey. This series calculates the estimated number of employees (excluding self-employed), using Revenue payslip data (Revenue’s PAYE Modernisation).

There were an estimated 2,502,500 PAYE employees in June 2024, up 50,800 (+2.1 percent) from June 2023. Between March and June 2024, the estimate grew by 5,200 (+0.2 percent), on a seasonally adjusted basis. Figure 1.4 below shows the levels of total employment (as measured by the LFS) and PAYE employment (as measured using administrative data). It also shows the male and female shares of total employment.

**Figure 1.4: Total Employment Levels, LFS (Thousands) and PAYE Employee Estimates (Thousands), and Male/Female Share (LFS, Percentage) (Q1 2007 – Q2 2024)**



Source: CSO LFS (QLF03), Monthly Estimates of Payroll Employees using Administrative Data (EIA04). Note: Monthly Estimates of Payroll Employees using Administrative Data series data began in January 2019.

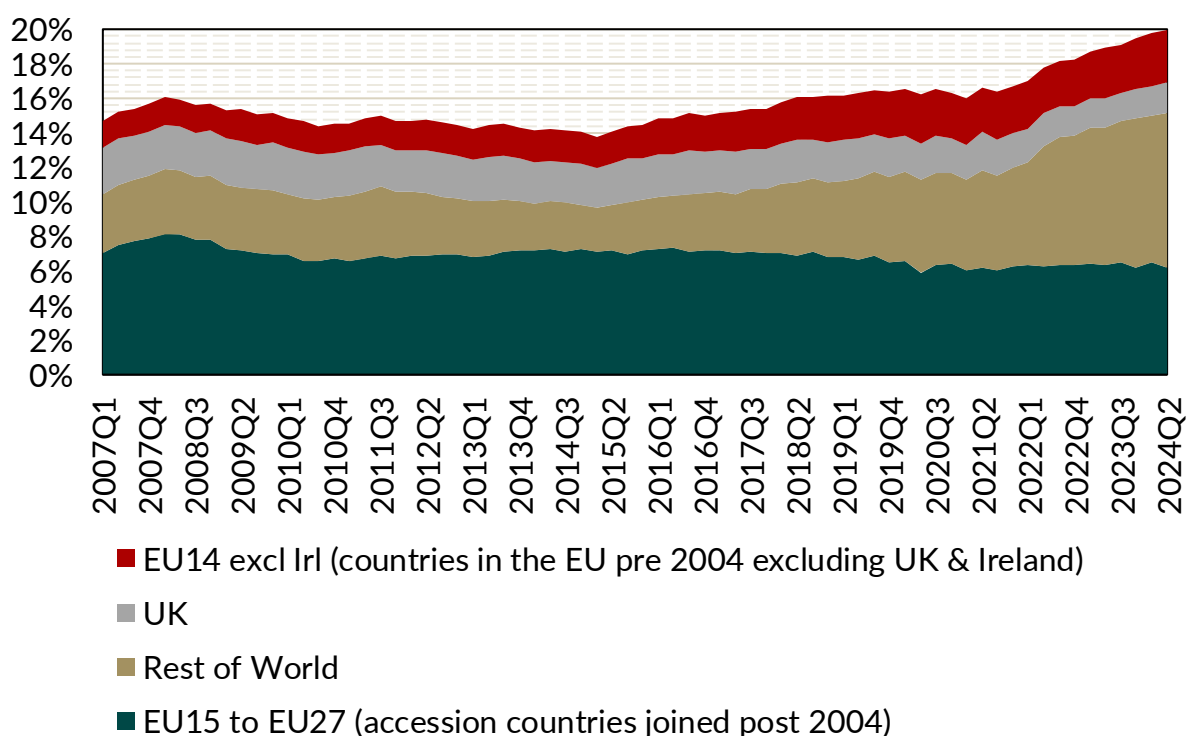
The proportion of non-Irish citizens<sup>2</sup> in employment has remained broadly steady since 2007, at 16 percent on average. The proportion of non-Irish to Irish citizens in

<sup>2</sup> Note: Prior to Q1 2021 the LFS recorded data based on nationality rather than citizenship. For continuity, and given the similarity in survey questions, this analysis refers only to ‘citizenship’ despite this change constituting a break in the data.

employment stands at 20 to 80 percent as of Q2 2024.

As illustrated in Figure 1.5, of Non-Irish citizens in employment in Ireland, EU15 to EU27 countries (EU accession countries from 2004) were the largest group. However, this group has been exceeded from Q2 2022 onwards by the 'Rest of World' category, with this change being driven by a significant increase in numbers of 'Rest of World' citizens working in Ireland, rather than a decrease in numbers of EU15 to EU27 citizens. As of Q2 2024, 246,100 of the 2,754,200 people in employment in Ireland were 'Rest of World' citizens. The CSO estimated that approximately 20,900 and 21,800 Beneficiaries of Temporary Protection from Ukraine were in employment in Ireland in April and May 2024, respectively<sup>3</sup>. The proportion of Irish citizens in employment has decreased slightly in the same period, from 82 percent to 80 percent. The proportion of total employment held by each non-Irish citizenship is depicted in Figure 1.5 below.

**Figure 1.5: Proportion of Employment by Non-Irish Citizenship (Q1 2007 – Q2 2024)**



Source: CSO LFS (QLF35 and QLF48)

Note: Data on Citizenship (QLF48) is available with effect from Q1 2021. Previously, data were collected on the basis of Nationality (QLF35).

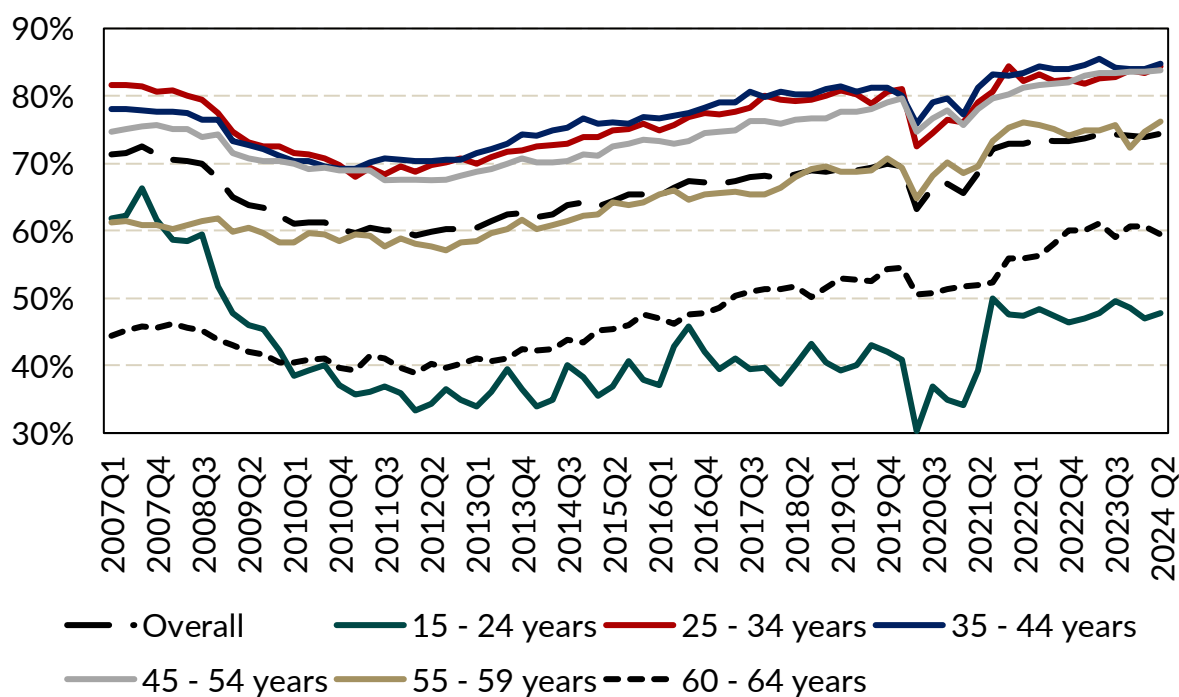
<sup>3</sup> [Arrivals from Ukraine in Ireland Series 13 - Central Statistics Office](#)

## Employment Rate

The overall employment rate for persons aged 15-64 is up 0.2 percentage points from Q2 2023, standing at 74.4 percent as of Q2 2024. The male employment rate stands at 78.1 percent with the female employment rate at 70.8 percent, up 0.1pp and 0.2pp, respectively, from the previous year. The largest quarterly changes were seen in the oldest cohorts, with the 55-59 year cohort up 1.6pp and the 60-64 cohort down 1.2pp.

The 15-24 year old age group has had the lowest employment rate since Q1 2010, standing at 47.7 percent in Q2 2024, remaining unchanged on an annual basis. The largest annual increase was seen in the 25-34 year old age group, up 1.7pp from the previous year to 84.3 percent. The 35-44 year old age group continues to have the highest employment rate since Q1 2022 at 84.7 percent, although this is down 0.8pp on an annual basis. In addition to having the largest decrease in participation, as detailed above, the 60-64 year cohort had the largest annual decrease in employment, down 1.7pp from Q2 2023 to 59.4 percent. Trends in the employment rate are depicted in Figure 1.6.

**Figure 1.6: Employment rate, overall and by age group (Q1 2007 - Q2 2024)**

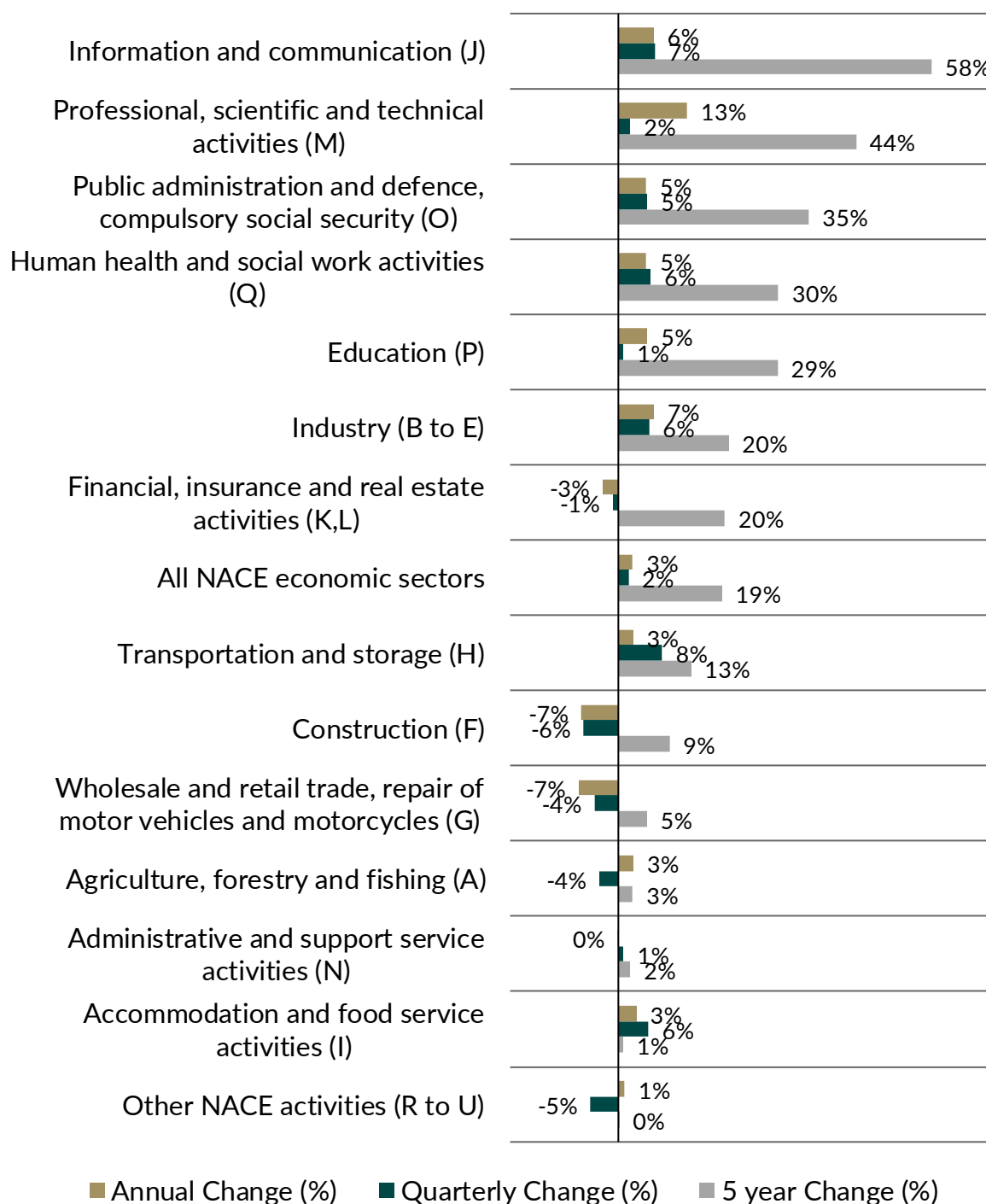


Source: CSO LFS QLF18 (figures subject to revision)

## Employment by Sector

Figure 1.7 shows the quarterly, annual, and five-year change in employment by sector.

**Figure 1.7: Growth in Employment by Sector, Quarterly and Annually, and over 5 years.**



Source: CSO LFS QLF03 (figures are subject to revision).

Employment has increased across all sectors over the past five years. The largest

relative increases from Q2 2019 were noted in ICT (58 percent or 18,600) and Professional/Scientific (44 percent or 61,300). In absolute terms, the Health sector experienced the largest increase at 86,000 or 30 percent.

On the other hand, relative annual decreases of 7 percent were seen in both Construction and Wholesale and Retail Trade (11,700 and 24,900, respectively). The largest relative annual increase was observed in the Professional/Scientific sector (13 percent or 4,300). In absolute terms, the largest annual increases were seen in Industry (21,100) and Health (18,600), while the largest decreases were in Wholesale and Retail Trade (24,900) and Construction (11,700).

### Full-Time, Part-Time and Underemployment

#### Key messages:

- Both full-time and part-time employment have grown in the past year, by 3.1 percent and 1.2 percent respectively.
- Overall, the number of part-time workers as a percentage of all workers has declined by 0.3pp on an annual basis, currently standing at 20.8 percent.
- The annual increase in part-time employment was driven by the movement of males into part-time employment (+10.5 percent), while female part-time employment decreased in the period (-2.9 percent).
- The underemployment rates for both males and females remain unchanged on an annual basis, with an underemployment rate of 29.1 percent for males and 22.7 percent for females.

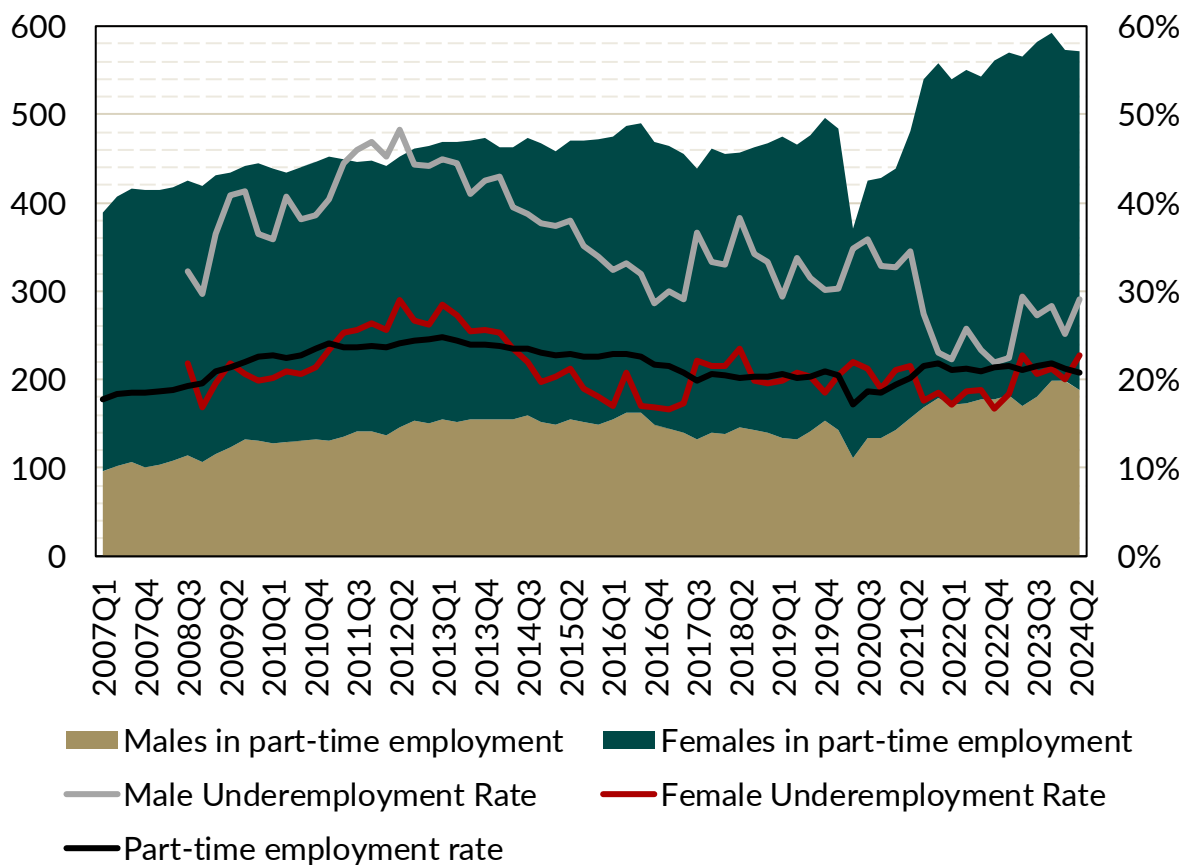
Full-time employment levels are up 64,900, or 3.1 percent on an annual basis, standing at 2,182,500 as of Q2 2024. Part-time employment levels have also increased in the past year to 571,600 (+6,500 or 1.2 percent). The increase was driven by higher levels of male part-time employment (+17,800 or 10.5 percent), while female part-time employment decreased over the year (-11,300 or 2.9 percent). Part-time employment as a share of total employment stood at 20.8 percent as of Q2 2024, down 0.3 percentage points on an annual basis.

Males in part-time employment continue to be more likely to be underemployed than

females. Male underemployment grew by 4,600 (+9.2 percent) in the past year, equivalent to an underemployment rate<sup>4</sup> of 29.2 percent, while female underemployment declined by 2,900 (-3.2 percent), an associated underemployment rate of 22.7 percent.

Figure 1.8 below shows the levels of male and female part-time employment and male and female underemployment as a share of part-time employment, as well as part-time employment as a share of total employment.

**Figure 1.8: Part-time employment (000s) and underemployment by gender, and part-time employment as a share of total employment (Q1 2007 to Q2 2024)**



Source: CSO LFS QLF01 (figures are subject to revision).

Note: Data on underemployment is available with effect from Q3 2008.

<sup>4</sup> The underemployment rate is defined as the percentage of part-time workers who are underemployed, i.e., working part-time, willing and available to work additional hours.

## Job Vacancies

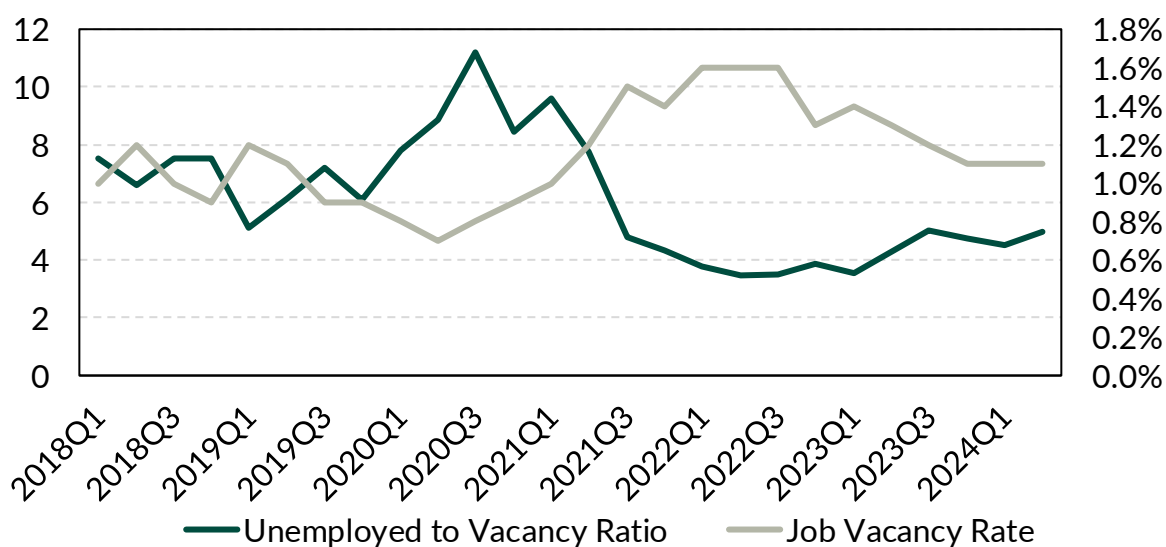
### Key messages:

- The vacancy rate has remained at 1.1 percent over the last three quarters, above the long-term average, but below levels achieved in recent economic expansion.
- There are an average of 5 unemployed persons per vacancy (+0.7 the past year).

The proportion of total posts that are vacant which fell from 1.3 percent in Q2 2023, has remained at 1.1 percent for the past three quarters. The decrease in the number of vacancies and increase in number of unemployed persons has resulted in an increase in the unemployed to vacancy ratio to 5 unemployed persons for each vacancy.

From Q2 2023 to Q2 2024, the number of vacant posts decreased by 2,000 (-7.04 percent) and the number of unemployed persons increased by 9,000 (7.36 percent). The jobseeker to vacancy ratio and job vacancy rate are depicted in Figure 1.9 below. The largest decrease in vacancies at a sectoral level over the past year was in public administration and defence, where vacancies fell by 57 percent (-3,800) to 2,900. Notable increases were observed in transportation and storage sector(+260 percent to 1,800), and in the construction sector (+238 percent to 1,900, over the past year).

**Figure 1.9: Unemployed persons per vacancy and vacancy rate, Q1 2018 to Q2 2024.**



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



## Earnings and Inflation

### Key messages:

- As of July 2024, inflation stood at 2.2 percent.
- Central Banks have increasingly greater capacity to lower lending rates as many of the elements which contributed to elevated inflation, notably energy price shocks, have normalised.
- Across most sectors, and on average, nominal and real wage growth has resumed.

The Consumer Price Index (CPI) rose by 2.2 percent over the 12 months to July 2024. Across each of the last twelve months, inflation rose by an average annualised rate of 3.86 percent. Labour intensive domestic services continue to experience strong price inflation e.g. average annualised increases of 7.5 percent and 6.2 percent for Recreation and Culture and Restaurants and hotels respectively.

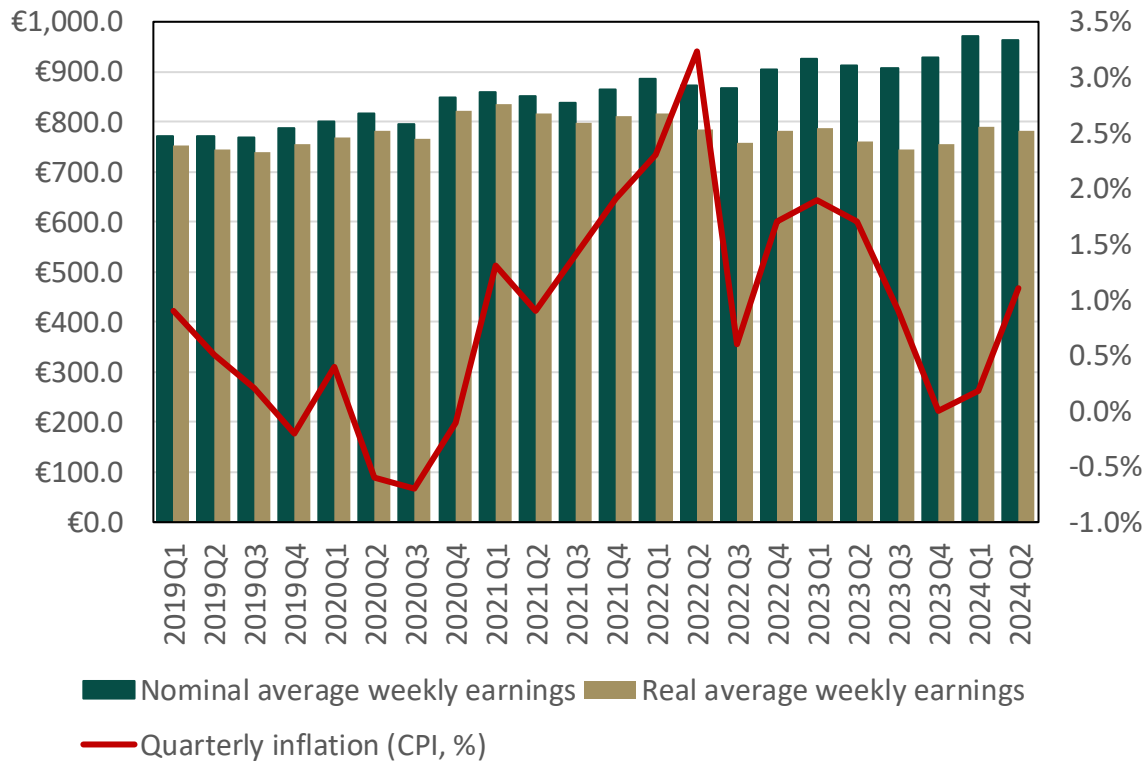
As illustrated in Figure 1.10, nominal earnings, including irregular earnings such as bonuses (green bars), has been increasing consistently since Q3 2022. However, real earnings (gold bars), which are nominal earnings deflated by the inflation rate (red line), has only recently resumed growing.

Nominal average weekly earnings increased 5.6 percent from €912 in Q2 2023 to €963 in Q2 2024 and real average weekly earnings increased 2.8 percent from €762 to €783 (in Q1 2008 euros). Looking at earnings by sector, in both nominal and real terms, most sectors experienced earnings growth over the past year except for Mining, Real estate, and of Other service activities. The Construction, Administrative, ICT, and Wholesale/Retail trade sector saw above-average real earnings growth of between 3 and 9 percent.

Both in Europe and Ireland, energy price growth has normalised, or, in many instances, experienced declines. This, together with the resolution of many supply chain challenges and the effectiveness of Central Banks' monetary policy has resulted in falling inflation rates. Eurozone HICP inflation stands at 2.6 percent, as of July 2024 and is expected to continue to fall closer to the 2 percent target, giving the European Central Bank capacity to lower lending rates, which may benefit borrowers at the

expense of savers, and have an overall stimulatory effect on the economy.

**Figure 1.10: Average weekly earnings, real weekly earnings, and CPI inflation, by quarter.**



Source: Nominal earnings – CSO PxStat table EHQ03. Real earnings and Quarterly CPI inflation are authors' own estimates. Real earnings adjust nominal earnings taking account of inflation and are in 2008 Q1 euros: these estimates may differ from those of other institutions as methods differ. Figures are subject to change.

## Box B: Outcomes for Disadvantaged Groups – Insights from Labour Market

### Spotlights

- To reflect the principles of strand IV of *Pathways to Work 2021 – 2025*, “Leaving No One Behind”, the [Q3](#) and [Q4](#) 2023 Labour Market Updates featured spotlights examining outcomes for groups that face disadvantages in the labour market, namely Irish Travellers/Roma people and lone parents respectively.
- According to Census 2022, the first to include ‘Roma’ as an ethnicity, 61 percent of working age Roma were “persons at work” and 17 percent were unemployed.
- Outcomes for Irish Travellers improved between the 2016 and 2022 Censuses, but significantly lag the general population. The employment rate for working-age Irish Travellers increased from 11 to 17 percent over this period (corresponding to 19 percent for males and 15 percent for females). Likewise, the unemployment rate reduced from 80 to 60 percent. Labour force participation among Irish Travellers, however, reduced, from 57 percent in 2016 to 43 percent in 2022. One contributing factor could be the large increase in the number who are unable to work due to disability/illness, which represented 18.5 percent of those aged over 15 in 2022, compared to 11 percent in 2016 and 9.5 percent in 2011.
- The employment rate for lone parents stood at 66.2 percent in Q3 2022. It averaged 63 percent, in 2019, when a target to reach 74 percent by 2025 was set.
- The employment rate of female lone parents was, on average, 21.2 percentage points lower than that of male lone parents, in the past two years, and, in Q3 2023, stood at 63.1 percent.
- Administrative and payslip data was used to analyse the labour market situation of those in receipt of income supports targeted to lone parents. It found lone parents with older children were more likely to be in employment than those with younger children.<sup>5</sup> The former group also had higher average weekly earnings.
- In 2022, over 75 percent of lone parents were in the bottom five income deciles.
- Note: Recent data from the CSO shows that 70.7 percent of lone parents with children under the age of 15 were in employment, up 3.7 pp in the past year.

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<sup>5</sup> Comparing those in receipt of Jobseeker’s Transitional Payment (whose youngest child must be between 7 and 14) and One Parent Family Payment (whose youngest child must be under 7).

# Unemployment

## Unemployment Rate

### Key messages:

- The unemployment rate has remained below 5 percent since January 2022.
- Quarterly unemployment has increased by 0.2 pp over the past 12 months to 4.6 percent, as of Q2 2024.

The labour market has been operating with an unemployment rate between 4 and 5 percent, the rate conventionally considered full employment in Ireland, since Q4 2021. It currently stands at 4.6 percent, modestly up (+0.2 percentage points) compared with the previous year. Figure 1.11 below shows higher frequency monthly unemployment estimates. As illustrated, on seasonally adjusted terms the unemployment rate has been broadly stable.

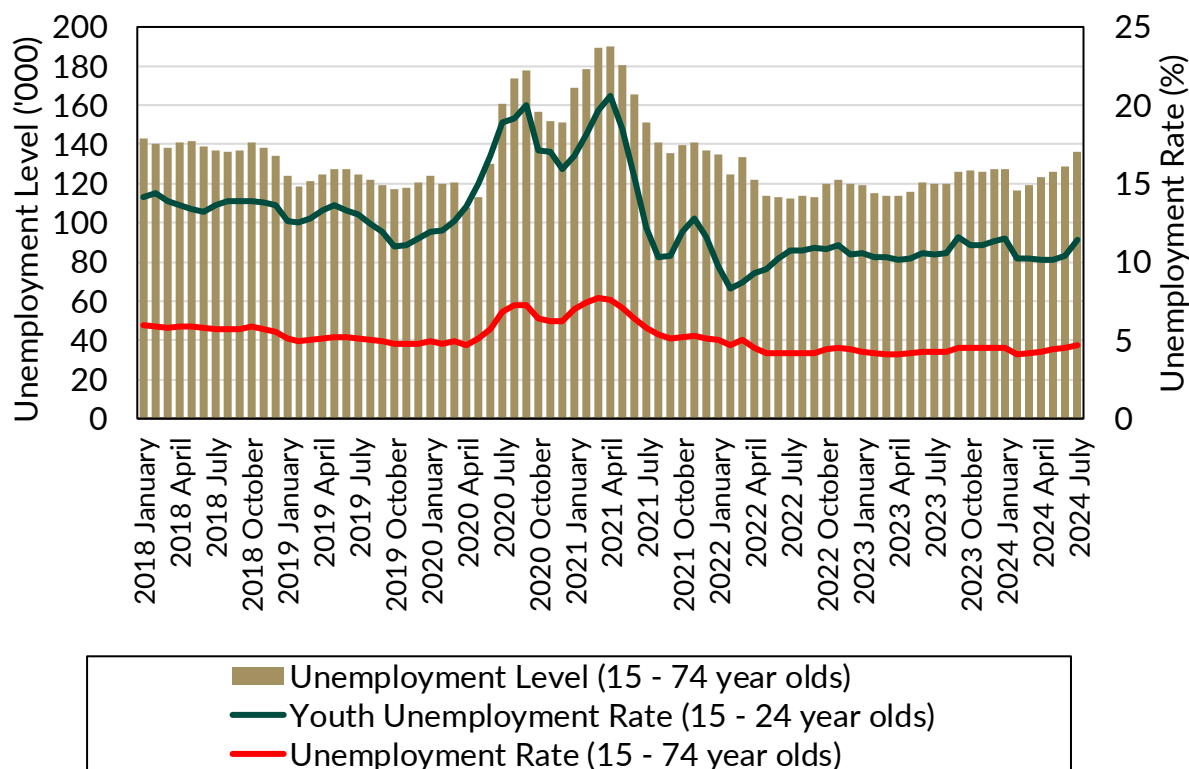
The number of unemployed people increased by 9,000 people in the past 12 months to 131,200. This increase is driven primarily by females, who accounted for two-thirds of the increase (6,100 people). In this regard, female unemployment is rising at a faster rate than that of males, up 0.3 percentage points from Q2 2023, while male unemployment remained unchanged over the period.

By age group, female unemployment in the 45 -54 year old age group increased by 1.3 percent to 3.4 percent, over the past 12 months. Meanwhile the largest increase in unemployment in males was the 35-44 year old category, which increased by 1.9 percent to 4.4.

The youth unemployment rate stands at 12 percent, down 0.2 percentage points compared with the previous year and up 3.2 percentage points on the previous quarter. However, this increase is in line with normal seasonal variation.

The rate of those 'Not in Employment Education or Training (NEET)', stands at 8.6 percent, as of Q1 2024, representing a fall of 0.2 pp from Q1 2023. This remains 2.4 percentage points below the EU-27 average of 11 percent.

Figure 1.11: Monthly unemployment rates and levels, Jan 2018 to July 2024, seasonally adjusted.



Source: CSO MUM01 (figures are subject to revision).

## Live Register

### Key messages:

- There are 187,000 persons in the Live Register at the beginning of August 2024.
- The Live Register is 7.6 percent smaller than at the end of Q2 2023.

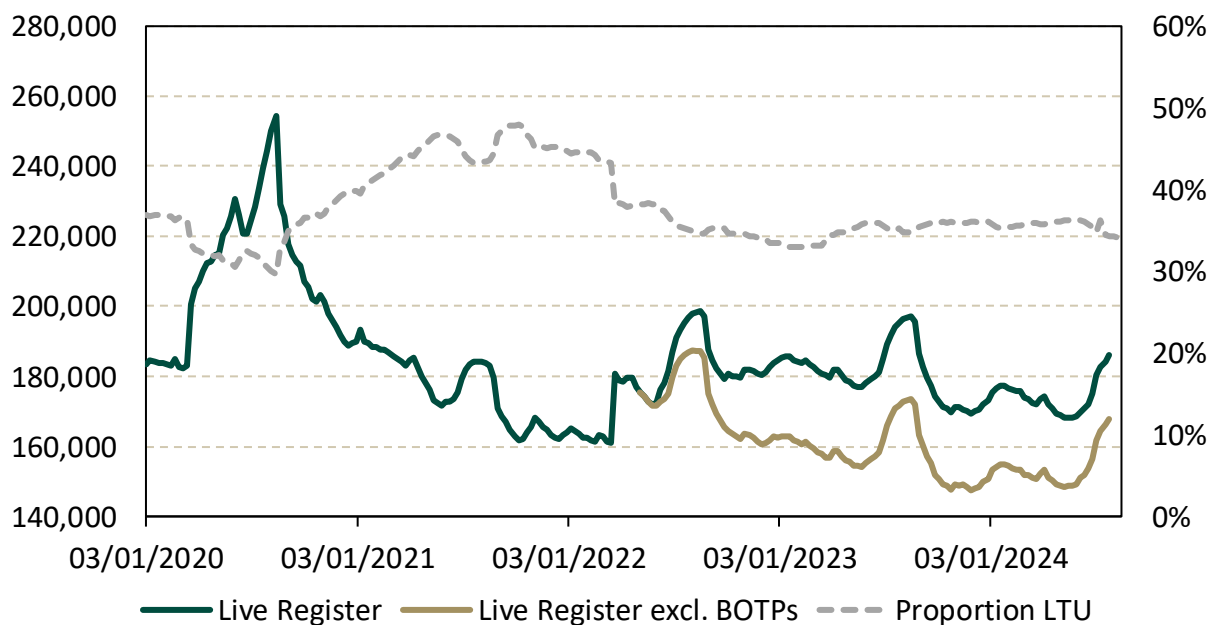
As of 2 August 2024, the Live Register stood at 187,000. This is a decrease of around 9,000 claimants, compared with the same point last year. The Live Register has been trending upwards since the last week of May, over which period it increased by 18,921, from 168,079. These recent increases are in line with normal seasonal variation. As illustrated in Figure 1.12, August usually experiences the annual peak in terms of Live Register claims.

The proportion of those who are long term unemployed has remained consistent over the past 12 months, staying between 34 and 37 percent, and is at the lowest in the last

year at 34.3 percent. The current low levels are likely a result of the cyclical variation, as the proportion of people who are long term claimants decreases as a result of seasonal increases in the total number of claimants in the summer months. The total number of people who are long term unemployed is 64,147 – this is about 5,000 people or 7.6 percent lower than the same point in 2023.

The proportion of Beneficiaries Of Temporary Protection (BOTPs) has been reducing consistently for the past 12 months, falling from 11.9 at the end of Quarter 2 2023 to 9.7 at the end of Q2 2024. This represents a fall of 5,000 persons in the last year.

**Figure 1.12: Live Register Claimants, including and excluding Beneficiaries of Temporary Protection (BOTPs), and proportion who are long-term unemployed (LTU) Jan 2020 to Jul 2024.<sup>6</sup>**



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

<sup>6</sup> Income support policy for BOTPs has changed in 2024, which may have the effect of impacting the number of BOTPs on the Live Register. BOTPs who have arrived in the State since 14 March and are being accommodated in Designated Accommodation Centres (DACs) are no longer eligible for jobseeker payments, meaning they will not appear on the Live Register. From 9 September 2024, this policy will be extended to all BOTPs living in DACs, regardless of when they arrived in the State. BOTPs remain eligible for activation and employment supports. In line with other income support recipients, the level of support received is based on the scheme in which they participate e.g. BOTPs on Community Employment (CE) are paid typical CE rates.

## Economic Outlook

Since the mid-term review, and the second annual report of *Pathways to Work 2021-2025*, the Irish economy overall, and the labour market, have continued to perform well. This period has been characterised by decreasing gender gaps, in both employment and participation, successive record highs in terms of numbers of people employed, and an unemployment rate between 4 and 5 percent, since January 2022, the rate conventionally considered full employment in Ireland.

For the remainder of the lifecycle of the strategy, to end-2025, the unemployment rate is expected to remain low, according to various forecasting institutions (shown in Figure 1.13 below). Those same institutions forecasts continued increases in employment and in the size of the total labour force. These increases are a function, both of demographic effects, greater participation and the overall performance of the economy. Despite this, a deceleration in the rate of increase is expected given the capacity constraints on the economy and the downside risks detailed below.

Commentary from several institutions highlights the continued effect of skills gaps in growing employment. In the short/medium term, employment permits may alleviate some of the pressures associated with acute labour market shortages. There is also continued concern over the ability of the economy to deliver the infrastructure and housing required for both the current population and the population Ireland needs to attract to plug those skills gaps in the labour market.

Workers are expected to benefit from improved living standards over the next two years owing to the resumption in real wage growth. This is both a function of policy action, namely the movement towards a 'Living Wage', nominal wage increases and a decrease in the inflation rate. Inflation both in Ireland and the Eurozone is forecast to be at or close to 2 percent over the next two years, which may result in lower interest rates. The Irish Central Bank has highlighted the risk that expansionary fiscal policy may increase inflation and partially diminish real wage gains.

A major risk to Ireland's steady state growth path, and to the future performance of the labour market, is a deterioration in economic conditions among key trading

partners, resulting from changing political, social or economic conditions. For example, Ireland’s exports, or the continuation of Foreign Direct Investment, may be affected by changes in administration in partner countries, as well as tariff (and retaliatory tariff) policy.

Technological advances in manufacturing, digitalisation, and artificial intelligence present both opportunities and risks to the Irish labour market. Owing to these factors, and otherwise, it will be instrumental to ensure that the ambitious targets and commitments outlined in *Pathways to Work 2021-2025* are being achieved, and that this progress, is contextualised with respect to sectoral analysis and emerging developments.

**Figure 1.13: Unemployment rate (official and forecasted) by institution.**

