

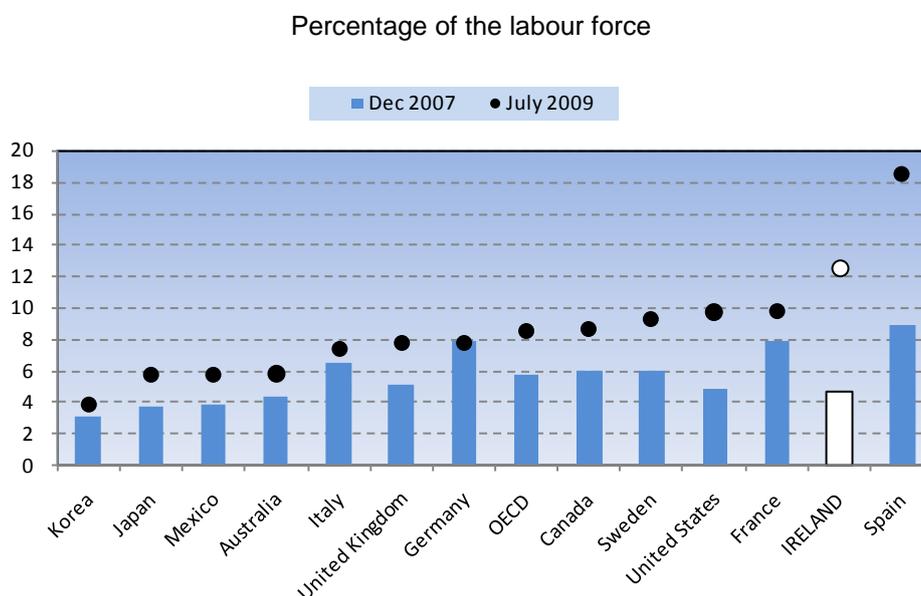


## Employment Outlook 2009 – How does IRELAND compare?

Despite signs that the recession is slowing in Ireland as well as in many other countries, **the short-term labour market outlook remains grim**. The latest OECD projections indicate a further decline in activity in 2009, with a muted recovery surfacing only in 2010. Past experience has shown that job creation lags output early in a recovery because employers still face a lot of uncertainty about their business prospects and many of their existing employees would like to work more hours. Indeed, the *OECD Employment Outlook 2009* indicates that **the unemployment rate is likely to rise further in coming months, and could even approach 15% by the end of 2010 if the recovery fails to gain momentum**. Moreover, these massive challenges need to be confronted in a context of significant fiscal tightening and relatively weak automatic stabilizers.

**Ireland has been hit harder by the jobs crisis than most other OECD countries.** The collapse of the housing price bubble, compounded by the global financial crisis and economic slowdown, quickly translated into sharp job losses and increases in unemployment. From December 2007 to July 2009, 166 000 individuals joined the ranks of the unemployed and the unemployment rate rose by 7.8 percentage points to reach 12.5%, the second-highest level in the OECD after Spain and the highest percentage increase in the unemployment rate witnessed during the current crisis (see Figure 1).

Figure 1: **Unemployment rates in December 2007 and July 2009 in selected countries**



**Temporary and part-time workers, migrants and low-skilled workers have borne the brunt of rising unemployment.** Registered unemployment among temporary and part-time workers increased more than twice as fast as that of the total workforce over the year to July 2009. Migrant unemployment surged in the early months of the crisis, but slowed substantially as many migrants returned to their countries of origin. Recent migrants from the new EU Member States were

particularly hard hit. Employment among the low-skilled fell almost twice as fast as total employment (over the year to the first quarter of 2009). In contrast to some OECD countries, youth unemployment did not rise substantially faster than total unemployment. This largely reflects the fact that many younger job losers have left the labour market. Nevertheless, in July 2009 more than 1 in 4 under 25's found themselves unemployed.

To avoid a return to the high and persistent unemployment of the 1980 and early 1990s, **a key priority is to provide effective employment services to a rapidly rising pool of jobseekers** and ensure that the most vulnerable of them do not lose contact with the labour market and drift into inactivity. Ireland made some progress in the early 1990s with the implementation of back-to-work policies, where, in return for receiving benefits and re-employment services, recipients are required to participate in job search, training or employment programmes, but this process was not pursued vigorously enough during the boom years. It will be important now to re-invigorate past efforts to develop effective back-to-work policies in order to prevent the large hike in unemployment from casting a long shadow over the future.

**Despite significant fiscal tightening, Ireland seeks to double the in-take capacity of its public employment services and to expand educational and training options for the unemployed.** This highlights efforts to maintain adequate levels of job-search assistance during the crisis as well as a shift in emphasis towards training, particularly for those at high risk of becoming long-term unemployed. However, the increase in funding available for active labour market policies has been modest compared with the massive rise in unemployment. This has implied a sharp reduction in the resources available per job-seeker to help them find their way back into employment. **This raises the question whether re-employment assistance to jobseekers is adequate to prevent the sharp recession from turning into a long-term unemployment crisis.**

**There is a risk that the crisis will push more working-age people with health problems to the margins of the labour market and eventually onto disability benefits.** Disability benefits generally are not appropriate for joblosers who have a health problem but are still able to work. It has proved difficult in the past to ensure that workers receiving such benefits return to the labour force when the economy recovers. Even before the economic crisis began, the share of disability beneficiaries in the Irish working-age population had increased from 5.2% in 1990 to 6.3% in 2007.

*OECD Employment Outlook 2009* is available to journalists on the **password-protected** website or on request from the **Media Relations Division**. For further comment on Ireland, journalists are invited to contact Stefano Scarpetta (tel: +33 1 45 24 19 88 or e-mail: [stefano.scarpetta@oecd.org](mailto:stefano.scarpetta@oecd.org)) or Alexander Hijzen (tel: +33 1 45 24 92 61 or e-mail: [alexander.hijzen@oecd.org](mailto:alexander.hijzen@oecd.org)) from the OECD Employment Analysis and Policy Division.