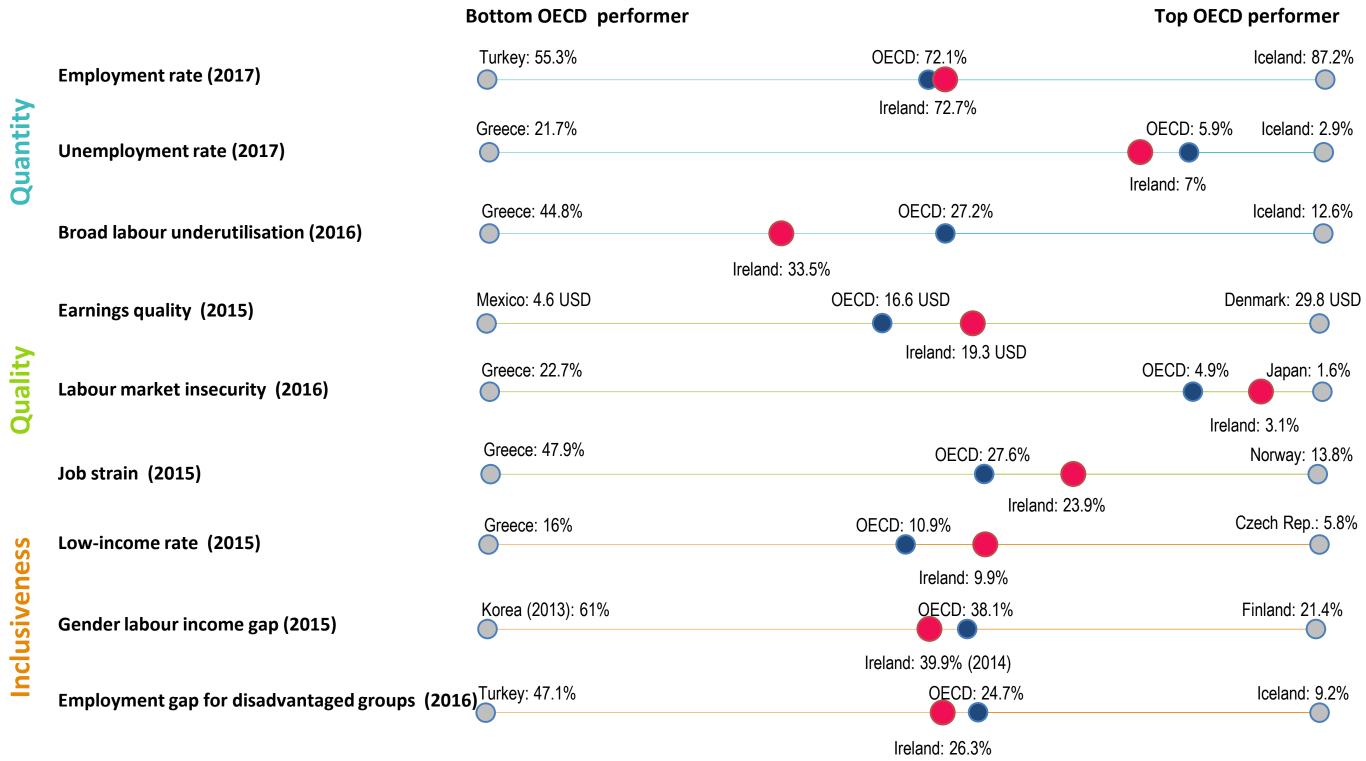
How does Ireland compare?

The digital revolution, globalisation and demographic changes are transforming labour markets at a time when policy makers are also struggling with slow productivity and wage growth and high levels of income inequality. The new ***OECD Jobs Strategy*** provides a comprehensive framework and policy recommendations to help countries address these challenges. It goes well beyond job quantity and considers job quality and inclusiveness as central policy priorities, while emphasising the importance of resilience and adaptability for good economic and labour market performance in a rapidly changing world of work.

Dashboard of labour market performance for Ireland



Notes: Employment rate: share of working age population (20-64 years) in employment (%). Broad labour underutilisation: Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (%). Earnings quality: Gross hourly earnings in PPP-adjusted USD adjusted for inequality. Labour market insecurity: Expected monetary loss associated with the risk of becoming unemployed as a share of previous earnings. Job strain: Percentage of workers in jobs with a combination of high job demands and few job resources to meet those demands. Low income rate: Share of working-age persons living with less than 50% of median equivalised household disposable income. Gender labour income gap: Difference between per capita annual earnings of men and women (% of per capita earnings of men). Employment gap for disadvantaged groups: Average difference in the prime-age men's employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men's rate).

ASSESSING JOB QUANTITY, QUALITY AND LABOUR MARKET INCLUSIVENESS

The new *OECD Jobs Strategy* presents a dashboard of labour market performance that provides a comprehensive overview of the strengths and weaknesses of different national labour markets, going well beyond the standard measures of employment and unemployment rates. These include measures of job quantity (employment, unemployment and broad underemployment), job quality (pay, labour market security, working environment) and labour market inclusiveness (income equality, gender equality, employment access for potentially disadvantaged groups). Some countries score well on most or all indicators, implying that there are no hard trade-offs that prevent countries from performing well in all areas.

- Ireland's employment rate is close to the OECD average. Although having declined rapidly over the past years, the unemployment rate remains slightly higher than the OECD average. The incidence of underemployment in Ireland is markedly higher than in many other OECD countries. This is mainly due to the high incidence of part-time employment.

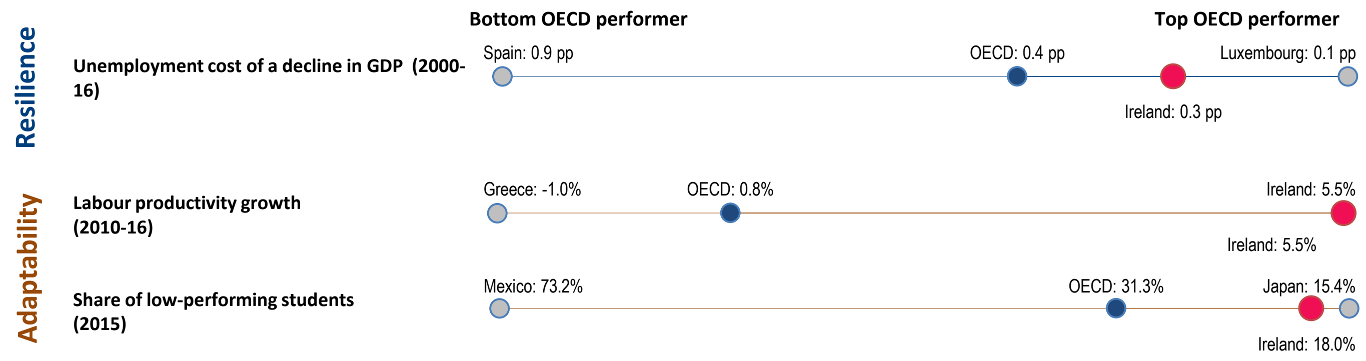
- Earnings quality is higher than the OECD average, as hourly wages are higher than many OECD countries, although wage disparity is also somewhat higher than the OECD average. Labour market insecurity is lower than the OECD average, essentially due to generous social benefits which limit income loss associated with unemployment. Finally, Ireland has a lower share of workers experiencing job strain than the OECD average, as the incidence of long working hours is low.
- Labour market inclusiveness has some scope for improvement. The poverty rate is lower than the OECD average, as Ireland's income redistribution system reduces market income inequality by the largest margin in the OECD. However, the gender labour income gap in Ireland is somewhat higher than the OECD average, reflecting mainly the relatively low employment rate for women, notably among low-educated women. Also, the employment gap for disadvantaged groups, such as mothers with children, youth, older workers, non-natives, and persons with partial disabilities, is slightly higher than the OECD average.

FRAMEWORK CONDITIONS FOR RESILIENCE AND ADAPTABILITY

Labour market resilience and adaptability are important to absorb and adjust to economic shocks and make the most of new opportunities. Resilience is crucial to limit the short-term costs of economic downturns. Labour productivity is a key pre-condition for high growth of output, employment and wages and central to long-term growth in living standards. Finally, skills are key to improving workers' productivity and wages and provide an indication of the readiness to respond to future challenges.

- Ireland performs better than the OECD average in all the key indicators of labour market resilience and adaptability.
- Good labour market resilience reflects the fact that the rise in unemployment was limited compared with the depth of the decline in output following the severe financial crisis. This resilience reflects Ireland's flexible labour market, which allowed employment to be re-allocated from declining sectors to expanding sectors, thereby not only limiting joblessness but also contributing to higher labour productivity. Labour market reforms implemented in the aftermath of the financial crisis also contributed to flexible adjustments of labour costs.
- Labour productivity growth was the highest among OECD countries over the period 2010-16, which was largely due to the activity of multinational enterprises (MNEs). Excluding MNEs, productivity developments among local Irish firms have been relatively modest, which needs to be addressed by fostering innovation and removing barriers to entrepreneurship and competition. The share of low-performing students is much lower than the OECD average, while the gap in employment outcomes between high-skilled and low-skilled young people is very large.

Framework conditions for Ireland



Notes: Resilience: average increase in unemployment rate over 3 years after a negative shock to GDP of 1% (2000-16); Labour productivity growth: annual average productivity growth (2010-16), measured in per worker terms. Share of low performing students: Share of 15-year-olds not in secondary school or scoring below Level 2 in PISA (%) (2015).