



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Labour market conditions

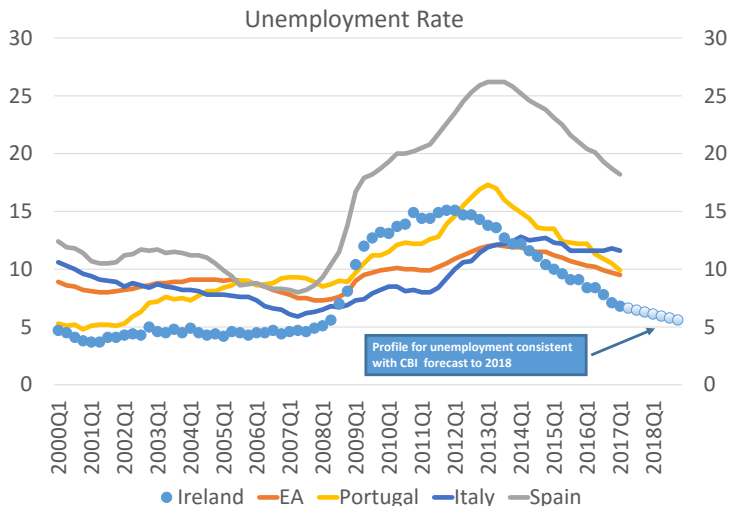
Indicators and implications

Reamonn Lydon, Irish Economic Analysis

8 September 2017



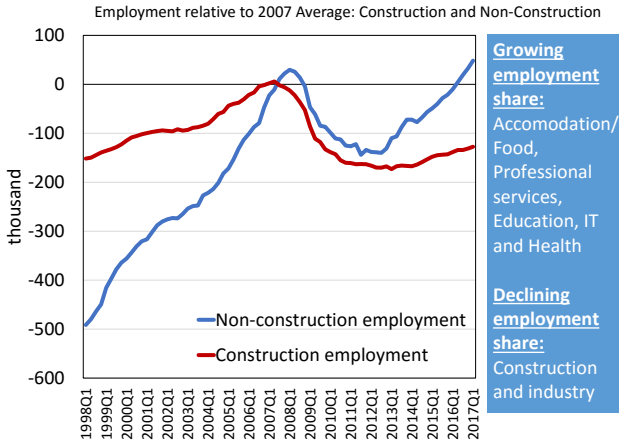
Unemployment rates approaching pre-recession levels



Source: Eurostat



... Composition of employment very different construction vs other

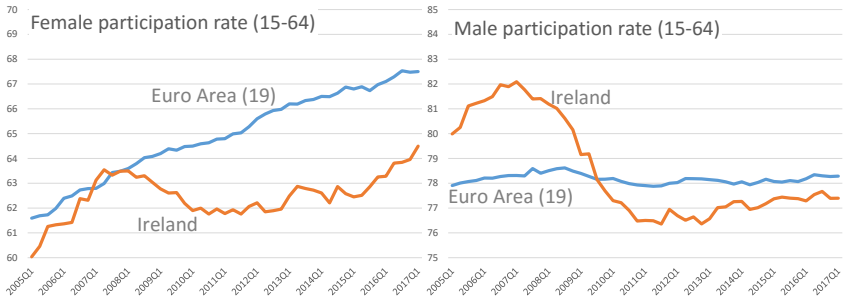


Source: CSO, QNHS/LFS



Participation

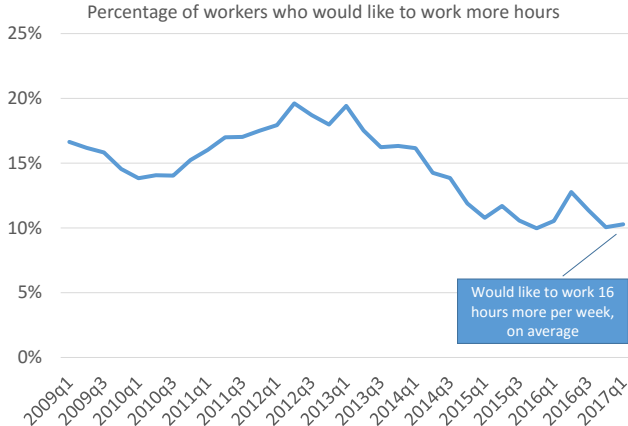
Byrne & O'Brien (ESR, 2017)



Source: Eurostat



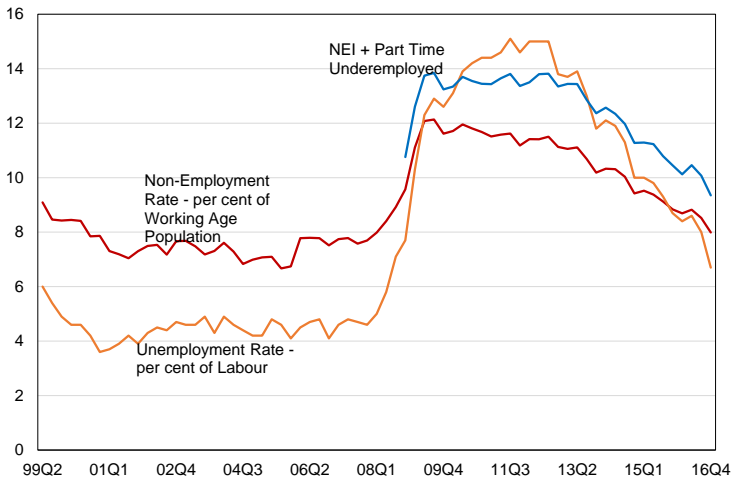
10% of workers would like longer hours



Source: CSO, QHNS



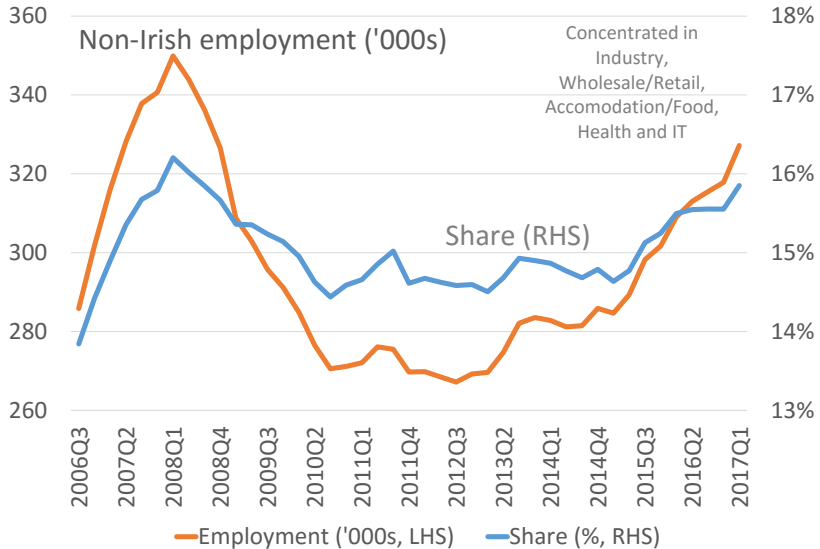
Non-employment index



Source: Byrne & Conefrey (CBI Economic Letter, 2017)

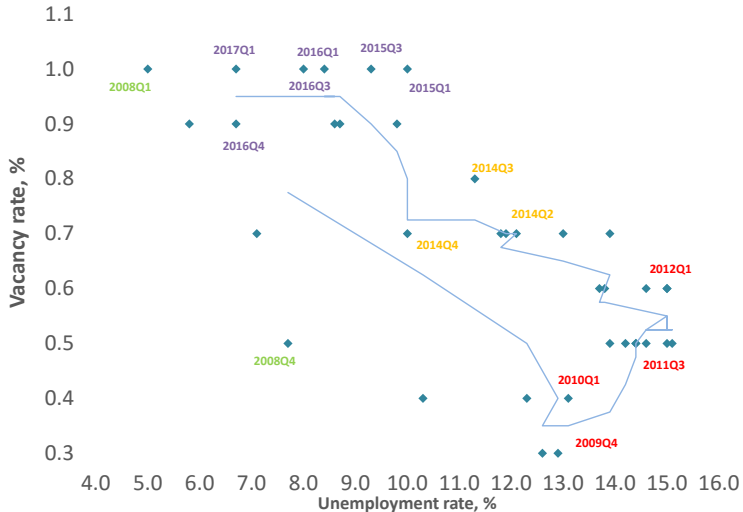


Migration – non-Irish employment





Vacancies – moving on up (and to the left)



Source: CSO



... much like UK and US

Figure 10a: Beveridge curve

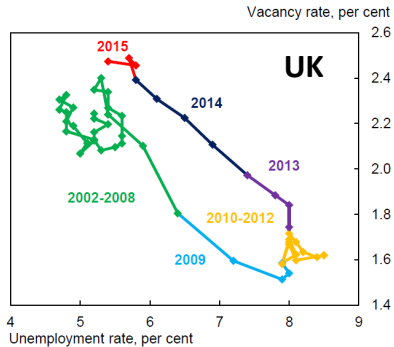
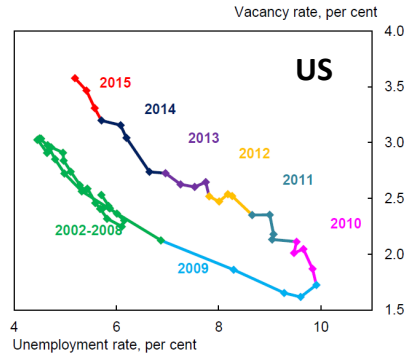


Figure 10b: Beveridge curve

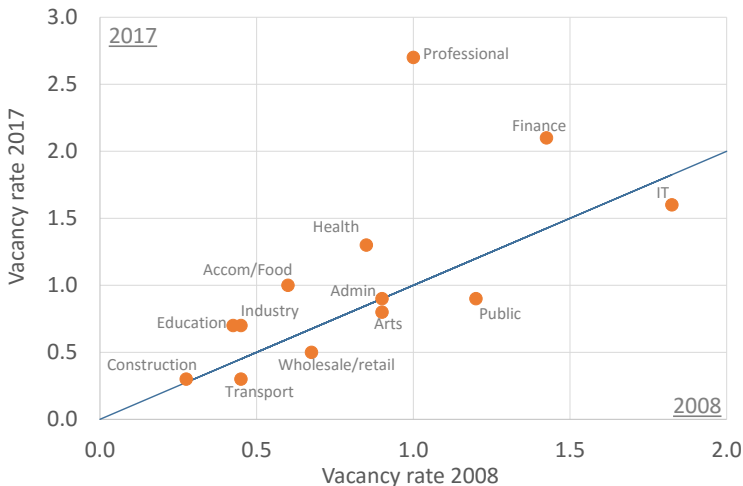


Source: Forbes (2016)



... but variation across sectors (Ire)

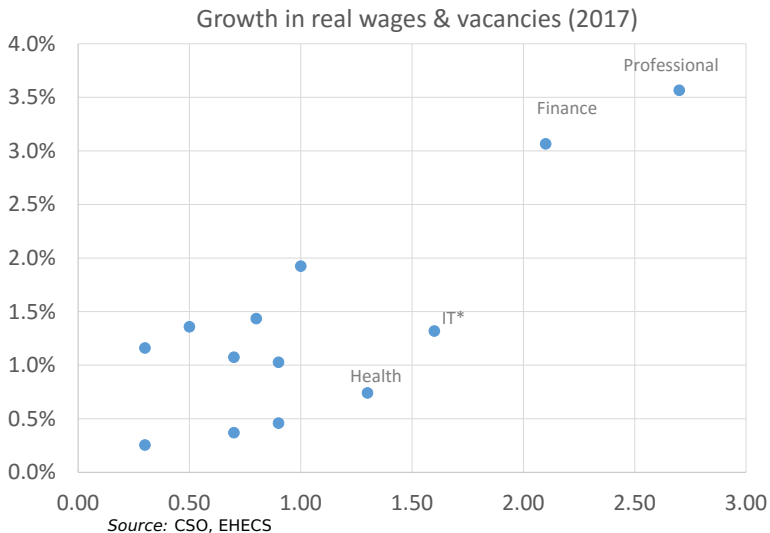
Vacancy rates by sector



Source: CSO

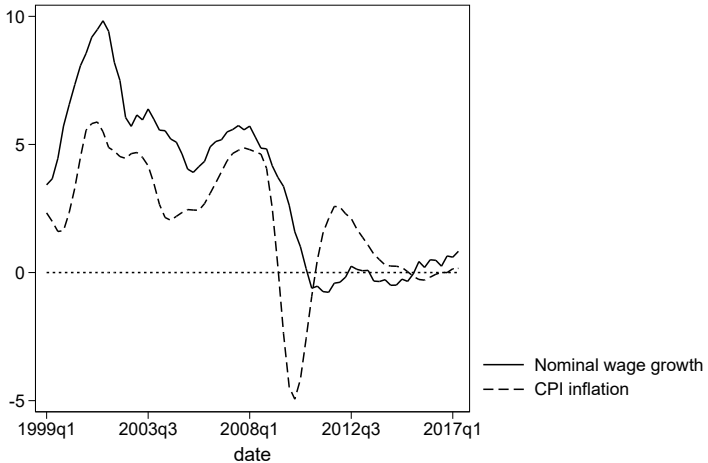


Vacancies and wage growth (2017)





... Since 2015, low (real) wage growth – a puzzle?

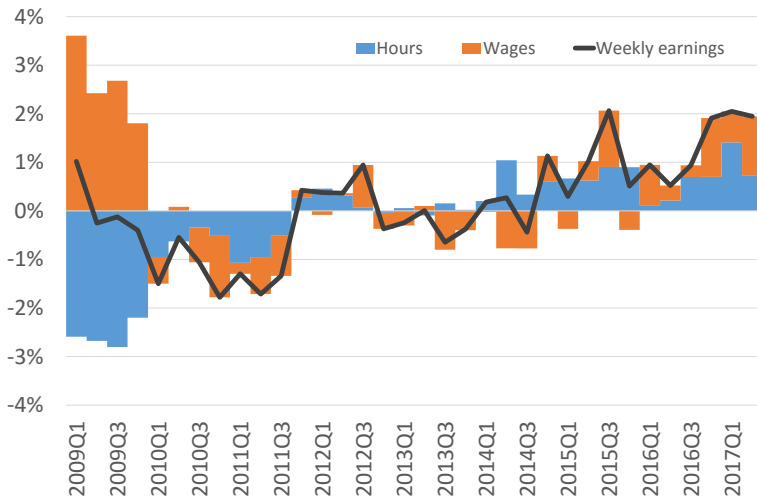


Source: CBI using CSO data. 4Q moving average



Δ Weekly earnings = Δ Hours + Δ Wages

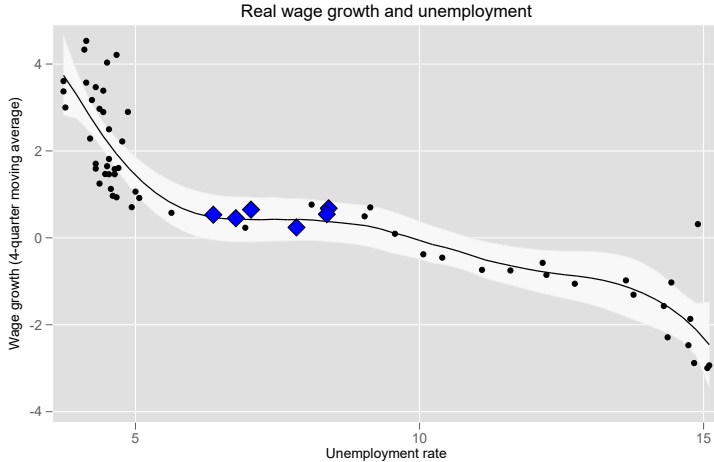
Growth in average nominal weekly earnings (all sectors)



Source: CSO:EHECS.



Wage growth and unemployment



*Note: Exclude 2009q1-2010q2 when exceptional real wage growth driven by collapse in CPI.



Missing wages, missing workers?

On wages ...

- ▶ Threshold effects in the wage-unemployment relationship ... one 'observation'!
- ▶ Composition – new hire pay tracks unemp. (Lydon & Lozej, 2016)
- ▶ Significant institutional changes since 2007: [WDN 2007](#), 60% firms apply NWA; [WDN 2014](#) < 10%
- ▶ Job security – Little evidence of growth in 'temporary contracts' since: 2008=7.8%, 2017=7.1%.
- ▶ Trend productivity? Measurement problems ... (output, composition)

On supply

- ▶ Vacancies point to tighter conditions in the near term.
- ▶ In the past migrants have boosted supply – now?
- ▶ Scope for increasing supply through longer hours and increased participation?