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EMPLOYMENT TRENDS AND SKILLS PROFILE

EMPLOYMENT SINCE JOINING THE EUROPEAN COMMUNITY

The number of people employed in Ireland has increased by 5% since 1973, exactly in line with the average performance of the European Community. Since 1973 there have been wide fluctuations in our economic performance. The first half of the intervening period was one of intermittent fast growth stimulated in part by increased government borrowing punctuated by two major oil crises. The second half of the period comprised attempts to cope with escalating public debt and the eventual implementation of a firm programme to reduce exchequer borrowing.

Taking the period as a whole, the Irish economy has made significant progress within the European Community. Our share of European economic output grew by about 20%. Our population increased more rapidly than any other member state. As our higher economic output had to be spread over a larger population, there has been much more modest improvement in the relationship between Irish and European GDP per capita which increased from 56% in 1973 to about 64% now.

The employment situation in Ireland is now better than it has been for many years. The Central Bank has forecast that there will be an increase in total employment in the economy of 13,000 for this year. I consider this estimate to be conservative, but even if it is not exceeded the increase in employment this year will be the seventh fastest over the last forty years. This increase in employment is due to sustained export growth which has fed back into higher spending by consumers and industrialists. Consumer spending is growing, investment is increasing and construction activity is expanding at a fast pace.

The employment performance of the European economy has been improving since 1982. In 1982 employment fell by one million, in 1983 employment fell by half a million, in 1984 employment was stable. In 1985 employment expanded by a half million, in 1986 by 0.7 million, in 1987 by 1.2 million and in 1988 by 1.8 million. Ireland paralleled this gradually improving experience although with a considerable time lag due to the need to bring public finances under control. The percentage increase in Irish employment in 1987 matched that of the European Community two years earlier. It is likely that our performance this year will be at least as good as the European average and should continue to compare favourably provided the economy is managed prudently.

The outlook is even more favourable. Employment in the European Community is now growing at its fastest rate for 30 years, and Ireland can expect to participate in this expansion. Ireland has held its share of European employment since 1973. The most recent central forecast for the Community indicates that for the period from 1990 to 1995 employment will increase by 7%. The central forecast increase in European employment over the next five years is therefore almost one-and-a-half times greater than the total increase achieved over the last sixteen years. It is possible that Ireland can perform better than this. For example, over the last three years employment in Britain has increased by more than 2% per annum on average.

The reasons for this optimism are that the European economy is in good shape, and that progress towards achieving the Single Market in 1992 will improve the competitiveness of European goods not only in Europe itself but also in world markets.

EMPLOYMENT RISING, POPULATION STATIC

Over the last two decades Ireland has had to cope with a rapidly growing population and very slow growth in employment which in turn has lead to a sharp increase in unemployment from 6% of the workforce in 1972, to 17.5% today. Over the next five years the total population is expected to remain static due to the falling birth rate but declining migration. If Irish employment only keeps pace with European trends the proportion of the total population in paid employment will rise from about 32% at present to 34% by 1995. There is a good prospect that Irish GDP per capita can reach 70% of the European Community average for the first time by 1995.

ECONOMIC OUTPUT AND JOBS

Throughout Europe in the 1960s and early 1970s a 4.5% growth in annual economic output was necessary in order to maintain the level of employment. In the 1980s the rate of improvement of productivity per employee in the EC has dropped to about 2%. Achievement of a growth rate in excess of this figure now leads to an increase in total employment.

This trend may seem surprising in the light of the massive advances in technology which have occurred over the last fifteen years and which were reflected in sharp increases in the productivity of the manufacturing sector. However, they do conceal major changes in the structure of European employment. Since 1970, employment in agriculture fell from 23% to 8% of total employment; employment in industry from 40% to 33%; and employment in the services sector increased from 37% to 60%.

Ireland has experienced similar changes to those in the European economy generally. However, the proportion of total employment accounted for by industry in Ireland has been much more stable than in the rest of Europe falling marginally from 28% in 1970 to 26% in 1988. Employment in Irish industry is now increasing once more.

Industry is the main contributor to the growth in Ireland's national output and to increased employment throughout the economy. Strong growth in manufacturing industry, which accounts for one-third of our total economic output, has made a substantial contribution to increased employment in the country.

The multiplier effect of each manufacturing job is increasing. Technological change and greater recourse to sub-contracting have resulted in each industrial job being associated with five jobs elsewhere in the economy compared with only four jobs at the beginning of the decade. The relationship between total economic output and total employment in the economy has remained stable. The change in the manufacturing multiplier reflects a reallocation of employment within the economy and changes in business practice, particularly in the area of sub-contracting.

The switch to sub-contracting is one of the hallmarks of an industrialised economy and reflects the thrust towards greater sophistication and efficiency. For many years Japanese automobile firms have achieved much higher levels of output per person than their counterparts in other countries because of the existence of a very well developed sub-contracting infrastructure. A similar trend is evident in Ireland as large firms sub-contract a wide range of services such as transport, cleaning, maintenance, computer services, accounting services etc. The larger firm can, therefore, concentrate on its core business and can rely on a vibrant small firm sector to provide a wide range of components and services.

THE 1992 EFFECT

The Single European Act sets a key target for member states to create a single internal market of 320 million consumers (by 31st December 1992). It defines the Internal Market as an area without frontiers, in which the free movement of goods, persons, services and capital is ensured in accordance with the provision of the EC Treaty.

The Community realised that the development of the Internal Market would require additional financial support for the less developed regions in order to reduce regional disparities and to help them to participate more fully in the market. This resulted in a doubling of the Structural Funds (the European Social Fund, the European Regional Development Fund, and the FEOGA Guidance Fund).

The EC Commission's White Paper on the Completion of the Internal Market concentrates on the elimination of barriers to free movement of goods, services, capital and people - the three main barriers to achieving the objective of creating a Single European Market.

1. **Elimination of Physical Barriers**

   It is the Commission's intention that customs posts at frontiers should disappear by 1992. At present customs posts are used to collect statistics, check VAT documents, and to control animal movements, security, emigration and drugs.

   The cost in terms of time and money of transport delays in administrative procedures from such activities has been estimated at about 2% of Community GDP annually. As Ireland exports 80% of its industrial output, the elimination of such transport delays would considerably improve our competitiveness.

2. **Removal of Technical Barriers**

The Community has drawn up a timetable for the abolition of technical barriers by means of technical harmonisation and standards policy. The number of technical barriers within the Community has grown over the last ten years. The new approach is that where goods are lawfully marketed to adequate quality standards in one member state, all member states must admit the products into circulation. In future, mutual recognition of national regulations and standards will be the rule.

In addition, the opening up of public purchasing throughout the Community will offer significant business opportunities to Irish industry; free movement of self-employed and employees by 1992 is required and member states will be prevented from reserving positions for their own nationals. Furthermore, there will be free movement of services such as financial services and transport.

3. **Fiscal Barriers**

The harmonisation of Value Added Tax and indirect taxes is a major feature of the completion of the Internal Market. Each harmonisation would involve two rates of Value Added Tax - a standard rate and a reduced rate. Limited rates of Excise Duty would apply to alcohol, tobacco and mineral oils.

SECTORAL IMPLICATIONS

It is estimated that about half of industrial employment in the European Community is in sectors which are potentially sensitive to the impact of 1992. This includes high growth sectors which must undergo rationalisation in order to improve European competitiveness vis-a-vis the United States and Japan; industries which are protected by non-tariff barriers and where there are high price differentials between the different member states such as pharmaceuticals and drinks; consumer goods industries where there is considerable import penetration from outside the Community and where there are expected to be major changes in distribution such as clothing and footwear, motor vehicles, radio and television and domestic electrical appliances. Many services sectors such as wholesale distribution, financial services and transport are also likely to undergo significant change.

The overall impact of these changes is expected to be very positive. The completion of the Internal Market will mean that Europe will become more efficient and more competitive, and it is expected that the European economy will grow 7% faster than it otherwise would have and will create five million more jobs than would otherwise have happened in the years after 1992.

In 1973 the home market in the Republic accounted for 40% of the sales of Irish manufacturers, today that has dropped to 20%. About 25% of Irish industrial output is sold on the British market and 40% in Continental Europe. As time progresses the relative importance of the home market will decline further and Irish sales throughout the European Community are likely to reflect more closely the proportion of European economic wealth concentrated in the different member states.

DEMOGRAPHIC TIME BOMB

Europe is facing what has been called a "demographic time bomb" as falling birth rates in recent decades are leading to a decline in population. There is comparatively little migration between member states and only 2% of Europe's workforce are working other than in their native member state. Falling birth rates in southern European countries which in the past have had high rates of population growth, mean that these countries are unlikely to fill the labour shortages of northern Europe. People are less prone to migrate between EC countries than they have been. This trend may offer a substantial advantage for countries such as Ireland which have a low proportion of the population in paid employment, and I believe that Ireland will become more attractive as a base for firms from other European member states to set up branches in order to gain access to an available and well-qualified labour force.

WOMEN AT WORK

There were nearly 400,000 women in the Irish labour force in 1988 - an increase of more than 56,000 since 1979. Over the same period, the male labour force increased by 18,000 persons. Following this trend, the proportion of women in the Irish labour force has risen from nearly 28% in 1979 to 32% in 1988.

In spite of this, there are still proportionately fewer women in the Irish workforce than in most other European Commuity countries.

According to 'Eurostat', in 1987, women comprised nearly 39% of the civilian workforce in the EC XII - in contrast with 32.4% in Ireland. Ireland has a lower proportion of women in the civilian workforce than in all other EC countries except Spain.

I mentioned earlier the increased job opportunities which should be available to Irish people as the EC economy grows and populations decline in most member states. These opportunities could be even greater for Irish women if they are encouraged to acquire the wide ranges of modern skills which business will need.

GRADUATE EMPLOYMENT

There are encouraging trends in the report from the Higher Education Authority on the patterns of employment amongst the holders of academic awards. In 1988, 7,228 primary degrees were conferred - an increase of 5.5% on 1987; 1,334 higher degrees were conferred in 1988 - an increase of 14.1% on 1987. By ~~the end of April 1989,~~ by the end of April 1989 ~~more than 58% of primary degree graduates had obtained employment.~~ ~~Overall,~~ a higher proportion of academic award recipients entered employment in 1988 (62.3%) than in 1987 (59.6%); a lower proportion were pursuing further studies + training, down from in 1988 (32.4%) compared to 1987 (33.4%); and less were seeking employment in 1988 (5.0%) compared to 1987 (5.1%).

Table 1 indicates the increasing proportion of primary degree graduates who obtained employment in Ireland, after 1988 graduation compared with 1987. Increasing proportion of employment in Ireland occurred in all faculties except law - which fell from 80.8% to 77.6%.

APPLICATION OF TECHNOLOGY

Implementation of new technology requires the employment of a high proportion of well qualified technologists. More than one-third of the total staff of many firms in the new technology sectors of the economy have third-level qualifications. But technological advances are relevant for all sectors of industry. The availability of qualified staff enables firms to exploit the potential of patents, and of licensing opportunities, to carry out product and process development, and to interact productively with research institutes and universities. It is vital for the continued development of the Irish economy that there should be a sustained increase in the number of technical and business graduates qualifying each year. Demand for these graduates at home and abroad is now rising faster than the supply from our universities.

New technologies, products and processes, have transformed entire sectors of economic activity, creating new industries and new jobs. Advanced technologies are evolving so rapidly that it is estimated that two-thirds of the technologies that will be in use in the year 2000 are not yet available. Industry must ensure that technological progress in the laboratory is efficiently translated into technical progress and production leading to improved competitiveness, expansion of industrial output and increased employment. The challenge in all our countries is to create conditions which will enable firms to improve competitiveness.

JOBS IN IRELAND

Employment in Ireland is likely to increase by at least 15,000 this year. The demand for executive staff, as shown in newspaper advertisements, has increased by 30% in 1988, and has increased by a further 30% in the first six months of this year. Unemployment among new graduates from our universities at 2% is at the lowest level for fifteen years. Migration of graduates has levelled out while demand in Ireland is increasing. A recent survey by the CII showed growing opportunities in Irish industry for graduate engineers, computer, finance and marketing staff.

Every month there are 13,000 advertisements for jobs in our national newspapers. These reflect the areas in greatest demand. In the last three months the top five job categories advertised were :

Office staff	13%
Marketing/sales	12%
Hotel/catering	11%
Education	10%
Skilled crafts people	9%

These five categories accounted for more than half of all the advertisements appearing in our national newspapers.

The message is clear. The jobs situation is steadily improving and the increase in employment is at the highest level for a decade. However, the challenge is to create the business environment to provide many more opportunities for our young people to work in satisfying and self-fulfilling employment.

NEED TO EXAMINE TOTAL STATE SPENDING ON HUMAN RESOURCE PROGRAMMES

I believe that it would be worthwhile to examine closely the total expenditure of State resources on education, training, and income maintenance in order to determine if funds can be allocated more effectively. Education and training reduces the likelihood of unemployment. Participation in work experience schemes can help unemployed people to re-enter the labour market. It is possible that greater involvement by young people in education, and training, could lead to more job opportunities for those currently unemployed without necessarily increasing the total budget for personal development and income maintenance. Investment in education and training raises the productive capacity of the economy, and offers the prospect of a better future for the individual and the country.

TABLE 1

Primary Degree		Gained Employment Ireland % 1987	Gained Employment Ireland % 1988
1.	Arts and Social Science	39.3	40.0
2.	Science	54.6	56.8
3.	Commerce and Business Studies	65.6	67.7
4.	Medicine, Dentistry and Paramedical Studies (1)	68.4	71.6
5.	Engineering	40.7	46.6
6.	Law (2)	80.8	77.6
7.	Agriculture	52.8	74.6
8.	Veterinary Medicine	40.7	62.8
9.	Architecture	22.0	57.9
10.	Food Science and Technology	42.3	66.7
All Faculties		52.8	56.2

TABLE 2

	Primary Degree	Manufacturing and Other Non-Services Industries % 1987	% 1988
1.	Arts and Social Science	13.4	12.5
2.	Science	28.8	40.9
3.	Commerce and Business Studies	20.8	18.6
4.	Medicine, Dentistry and Paramedical Studies	-	-
5.	Engineering	83.4	75.7
6.	Law (1)	7.9	2.4
7.	Agriculture	36.8	39.6
8.	Veterinary Medicine	-	-
9.	Architecture	-	4.5
10.	Food Science and Technology	81.8	96.2
All Faculties		25.6	26.9