

# Employment & Unemployment

## Chapter 13

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# Learning Outcomes

In this chapter we will:

- 1 investigate data patterns to describe the main features and trends in Ireland's labour force in relation to factors such as age, population, gender, geographic location, employment and unemployment.
- 2 Investigate the causes of unemployment in the Irish context and evaluate its impact on the individual and the economy
- 3 examine the relationship between unemployment and poverty.

# Important Terminology

## Full Employment

This refers to a situation where everybody who wants a job can find one at existing levels.

## The Labour Force

The Labour Force comprises those who are unemployed (seeking work) and those in employment.

$$\text{Labour Force} = \text{Employed} + \text{Unemployed}$$

## The Participation Rate

Refers to the proportion of the population of a country that is in the Labour Force.

$$\text{Participation Rate} = \frac{\text{Labour Force}}{\text{Population}} = \frac{\text{Employed} + \text{Unemployed}}{\text{Population}}$$

# Measuring Unemployment

The Live Register records all those receiving social welfare payments ('The Dole') from the State.

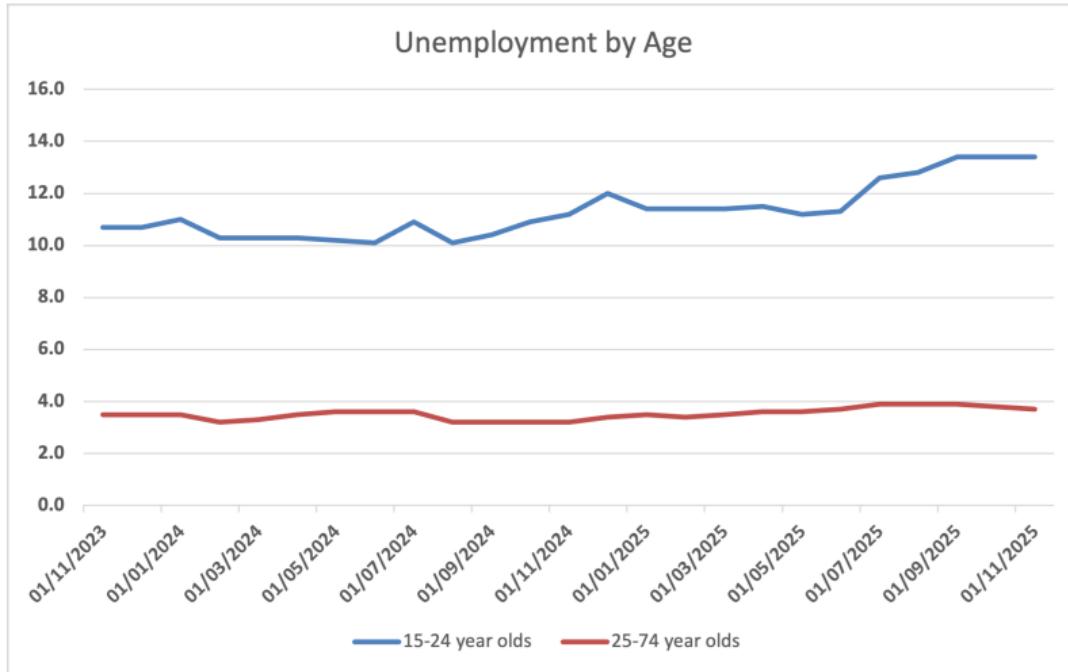
## Reasons why live register is an inaccurate measure of unemployment

- 1 Many who are claiming benefits are not unemployed but may have illegal jobs in the Black Economy.
- 2 There are people with legal jobs who receive the dole illegally.
- 3 There are people who are unemployed but do not seek the dole or register themselves as unemployed.
- 4 There are many people who are available for work, for legal reasons, cannot claim benefit such as men and women in full time home duties.
- 5 People incapable of work and thus not in the Labour Force, are on the Live Register.

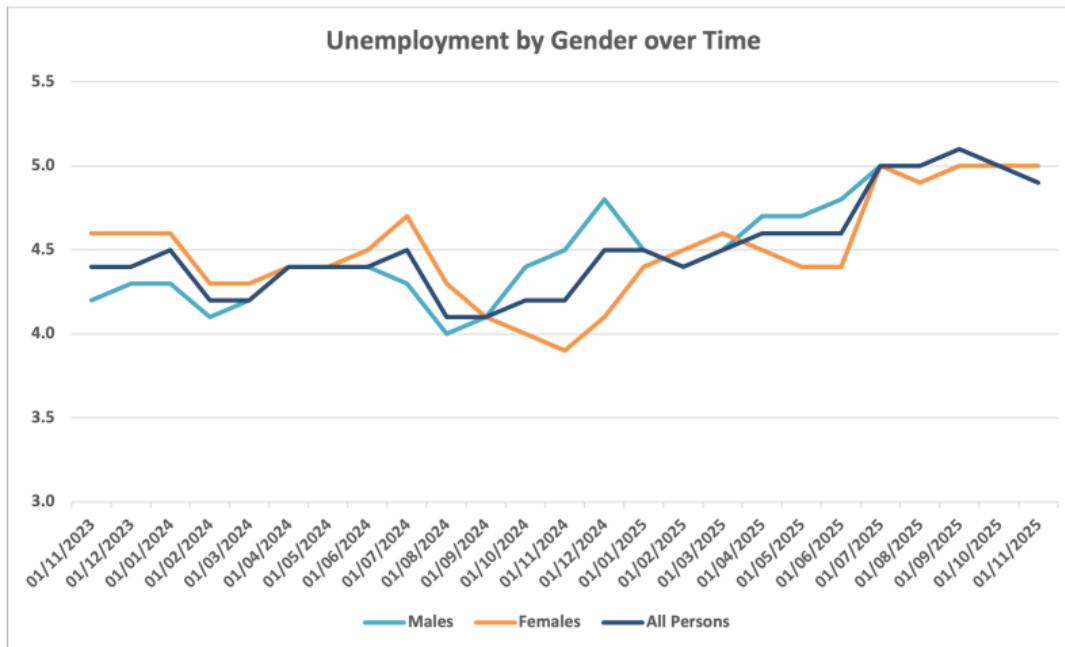
The Labour Force Survey (LFS) replaced the Quarterly National Household Survey (QNHS) from Q3 2017 as the primary measure of unemployment in Ireland. It's a large-scale, nationwide survey of Irish households. It is designed to produce quarterly labour force estimates that include the official measure of employment and unemployment in the state.

It's accurate because it uses a large sample size of 32,500 households and asks directly whether or not they have a job, as opposed to relying on existing data, which LFS does.

# Unemployment Rate in Young People vs Everyone Else

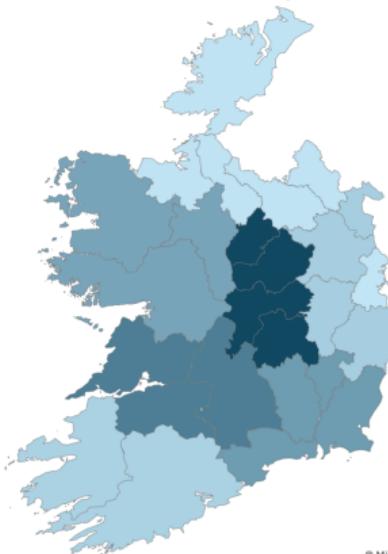


# Unemployment Rate in Split by Gender



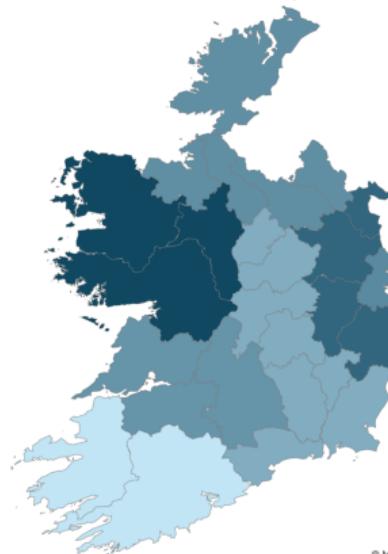
# Unemployment Rate in Split by Region

Irish Regional Unemployment in Q1 2012



Unemployment Rate (%)  
13.6      22.6

Irish Regional Unemployment in Q3 2025



Unemployment Rate (%)  
3.6      6.7

# Types of Unemployment

## Frictional Unemployment

Its unemployment that results from people who are between jobs and therefore temporarily unemployed and to job seekers that are not located where suitable jobs are available.

If a construction worker loses his job in Jan but finds a new one that will start in August, he's frictionally unemployed for those 7 months. Another example is where a construction worker is unemployed in Dublin but there's a huge demand for workers in Limerick. The Dublin worker is frictionally unemployed.

## Structural Unemployment

Arises from the change in the structure in an industry brought about by the changing pattern of demand in an economy or increasing mechanisation (technological progress)

When Dell left Ireland, Pfizer were still hiring. However the Dell workers (computer programmers etc) did not have the necessary skills (pharmaceutical education) to fill those jobs and so remained unemployed.

## Seasonal Unemployment

Unemployment that results from a change in the time of year. The unemployment levels fall in Brittas Bay during the Summer as there is increased employment in the services sector to cope with the influx of tourists and falls again in the Winter months as the summer tourists leave.

# Types of Unemployment Cont'd

## Cyclical Unemployment

Refers to unemployment that results from a decline in a business cycle. Following the 2008 credit crunch, demand for goods and services fell. With decrease in demand, there's a decrease in economic growth. People start to spend less. Firms earn less profit and as such make people unemployed in order to survive.

## Institutional Unemployment

This refers to the unemployment that arises due to the obstacles to the mobility of Labour or the removal of incentives to work. For example:

- 1 If there are jobs available in Galway and the unemployed in Dublin wish to move to Galway to avail of these jobs but can't due to a lack of housing in Galway.
- 2 If there is high unemployment benefit this removes the incentive to work.
- 3 If there are legal restrictions on foreign Labour taking up employment.

## Disguised Unemployment

This refers to those people who do not appear on the live register but are willing and able to work.

# Causes of Unemployment

- Economic recession: this occurs when an economy's GDP declines over two consecutive quarters. So, it leads to a drop in aggregate demand. Falloff in demand means firms sell less, so business contracts or shuts down, causing layoffs.
- Change in the exchange rate: if the euro becomes weaker against the dollar, Irish exports to the US become more expensive, so US demand for Irish exports is likely to fall. This decline in demand may cause a revenue hit to domestic firms, and have to cut stuff.
- An unforeseen crisis: this is a scenario which destabilises the entire economic system not just particular firms or industries. For example, the Coronavirus outbreak triggered an unforeseen health crisis, and lockdown followed. All businesses experienced challenges and were forced to let go of workers.
- Firm/firms move geographical region: if Google's operating costs in Ireland become too high, they may look to relocate. They cease operations in Ireland and relocate to Australia where costs are lower. Thus, Irish Google workers are left without a job.

# Impacts of Unemployment on the Economy

## Balance of payments current account

- 1 Less spending on imports: job losses lead to a drop in disposable income. Given that consumers have less money to spend, their consumption of exports falls.
- 2 Reduction in exports: with less workers, many businesses may not have the resources available to expand their operations into foreign markets.

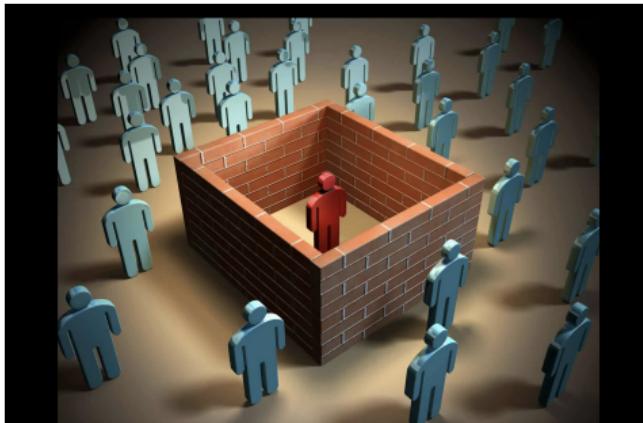
## Strain on Exchequer current account

- 1 Decline in tax receipts: less people working means reduction in income tax receipts. The unemployed buy less so revenue on VAT and other indirect taxes will likely fall.
- 2 Increase in social welfare expenditure: as more and more people become unemployed, they are left without an income. Thus, the State is forced to intervene and provide income for these people until they can find work again

## General prices

- 1 Short run decrease in CPI: prices moderate and fall. More are unemployed, so their purchasing power (ability to buy goods & services) falls. Agg demand falls so demand-pull inflation declines.
- 2 Long run increase in CPI: to offset the strain on exchequer finances, the government may increase the nominal rate of taxation. Likewise, firms may have to raise prices to make up for lost demand. Thus, prices increase.

# Impacts of Unemployment on the Individual



**Depression and Social Exclusion:** Many people who lose their jobs feel ashamed and lose their sense of self worth. This may lead to depression and drug addiction leading to greater social problems and increased expenditure on crime prevention.

**Reduced Disposable Income:** The unemployed have very little money available to them to spend. The less money people have to spend the lower the level of demand in the economy. The lower the demand the lower the level of economic growth which causes more unemployment. It is a self perpetuating cycle.

# Reducing the Level of Unemployment

- Improve occupational mobility of labour: make training/upskill programmes more accessible to workers. If a worker has more skills they may find it easier to move between jobs and thus spend less time drawing unemployment benefits.
- Improve transport networks: make it easier for workers to commute from home to work. Public transport in Ireland can often be crowded and inconvenient. By putting money towards transport improvement, workers can take up jobs easier.
- Incentivise firms to invest in new technologies: offer tax credits or subsidies to encourage firms to buy equipment that makes employment more convenient more accessible. For example, building wheelchair access to cater for those with a physical disability.
- Attract investment from abroad: bringing in foreign direct investment (FDI) can combat unemployment. FDI helps create private sector jobs which are flexible and offer job opportunities to a wide range of individuals.
- Wage subsidies: during the pandemic the government introduced the Temporary Wage Subsidy Scheme (TWSS) to prevent firms from laying off workers. This meant that such workers could continue in their employment when business recommenced, rather than claiming the dole.
- Capital investment/infrastructure initiatives: the public sector can boost employment by announcing new projects, such as building new road.

# Unemployment and Poverty

The CSO publishes “Survey on Income and Living Conditions” once a year. You can access releases [here](#). An example of the release for 2024 is shown below.



An  
Phriomh-Oifig  
Stáidrimh  
Central  
Statistics  
Office

## Survey on Income and Living Conditions (SILC) 2024\*



**€58,922**

Median household  
disposable income in 2024  
Up 6.8%



Adjusting for inflation,  
income  
Up 0.5% in 2024



**11.7%**

of people were  
at risk of poverty in 2024



compared with  
**10.6% in 2023**



**14.1%**

of people would have been  
at risk of poverty in 2024  
without the Cost of Living  
measures



**5.0%**

of people were  
in consistent poverty\*\*



compared with  
**3.6% in 2023**

\*SILC 2024 income relates to calendar year 2023. \*\*People who are both at risk of poverty and experiencing enforced deprivation