

Impact Evaluation of the European Employment Strategy in Ireland

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Executive Summary

Employability

Trends in Employment and Unemployment

Recent years have seen dramatic growth in employment following unprecedented economic growth and development during the 1990s. Total employment in Ireland grew by a remarkable 534,000, or by 46%, in the eight years from 1993 to 2001, and over 220,000 of this was achieved between 1998 and 2001. In very recent years, the rate of growth in employment fallen somewhat, from a peak of almost 7% in 1997-1998 to about 4% in 2000-2001.

The rapid growth in the economy and in employment after 1993 led to a steady decline in unemployment from 220,000 in 1993 to 127,000 in the 2nd quarter of 1998 and to 65,000 in the 2nd quarter of 2001. The unemployment rate thus fell from 15.7% of the labour force in 1993 to 7.8% in the 2nd quarter of 1998 and to 3.7% in the 2nd quarter of 2001. With the deterioration in the international economy, and the slowdown in the Irish growth rate in 2001, unemployment increased to just under 80,000, or 4.3% of the labour force, in the 3rd quarter of 2001.

The fall in long-term unemployment has been particularly dramatic: from 128,000 in 1994 to 63,500 in the 2nd quarter of 1998 and to 20,500 in the 2nd quarter of 2001. Following the trend in total unemployment, long-term unemployment increased to 22,000 in the 3rd quarter of 2001. Thus, between 1993 and 2000, total unemployment fell by 70%, long-term unemployment by 84% and short-term unemployment by 47%. In the 3rd quarter of 1998 the number long-term unemployed fell below the number short-term unemployed for the first time in over a decade-and-a-half. The long-term unemployment rate dropped from 9% of the labour force in 1993 to 4% in 1999 and to 1.2% in 2001.

Long-term unemployment can fall either because the long-term unemployed are exiting (to employment or to economic inactivity) or because the short-term unemployed are exiting before they become long-term unemployed. Our analysis of administrative data on unemployment duration from the Live Register shows that survival rates in unemployment declined throughout the period from 1995 to 2001. The data suggest that the decline in long-term unemployment since 1995 has been due both to a reduction in the inflow to long-term unemployment and an increase in the exit rate. The reduction in the inflow to long-term unemployment is a function of both reduced inflows to short-term unemployment (i.e. declining numbers of short-term unemployed) and a steady reduction in the exit rate from short- to long-term unemployment. With regard to the NEAP activation strategy implemented since September 1998, it appears that the combined effects the strategy of contacting individuals and referring them for interview with FÁS, combined with increased labour demand, led to a significant increase in exits from unemployment. To the extent that the reduction in exit rates can be attributed to the activation strategy, this should be counted as a success of the approach. However, there is little evidence to suggest that the activation measures have contributed to a reduction in the substantial gap in exit rates between the short- and the long-term unemployed.

The Impact of Activation Measures

Arguably, the most innovative element of Irish policy in recent years has been the implementation under the NEAP of a process of engaging systematically with persons at an early stage of unemployment. Under this preventive strategy targeted groups of unemployed people are referred by the Department of Social, Community and Family Affairs to FÁS with a view to offering them a job or access to an employment or training programme to assist their re-integration into the workforce. The process commenced in September 1998 with all those under 25 years of age who were six months on the Live Register were referred for

interview. Over time the process has been progressively expanded to include additional groups crossing specified thresholds of unemployment duration.

Our analysis of monitoring data generated from the NEAP process suggests the process of referral, interview, guidance and counselling appears to have been successful in achieving a substantial movement off the Live Register. For example, 63% of those who were referred for interview in the process between January and October 2001 had left the live register by the end of November that year: 22% were known to be in employment, 14% in education or training and it is very likely that many of the remaining 27% were also in employment. This conclusion must be tentative since the process has as yet not been subject to a rigorous impact evaluation and we cannot identify what proportion of these exits from the register would have been achieved in the absence of the NEAP intervention. However, it is very likely that at least some of the outflow from the register was indeed related to the NEAP process. This conclusion is also consistent with the dramatic decline in long-term unemployment from mid-1998 onwards. The NEAP process was introduced during a period of exceptional demand growth in the labour market, with the result that survival rates in unemployment fell steadily throughout the second half of 1990s and into the early 2000s. In these very favourable circumstances, it is likely that the NEAP preventive strategy represented a very positive contribution to mobilising labour supply.

In the light of projections of some increase in the inflow to unemployment and a decline in labour market demand, it can be expected that the numbers being referred under the NEAP process will expand and that there will be somewhat greater difficulties in placing clients in employment during 2002 and 2003. Under these circumstances it will be essential to ensure adequate provision of high quality and effective education and training programmes to ensure that clients can take advantage of the anticipated upturn in labour demand.

Ireland has a history of strong commitment to the provision of active labour market programmes (ALMPs), including temporary employment schemes and education and training programmes for the unemployed. In the mid-1990s expenditures on ALMPs presented about 1.7% of GDP, well ahead of the OECD average of just over 1% of GDP. The scale of this commitment has been maintained over the currency of the NEAP. ALMPs are a core element in the NEAP process, accounting for 14% of NEAP referrals and 25% of those interviewed in 2001. Moreover, effective ALMPs can reduce social exclusion, mobilise labour supply and contribute to skills formation. The review of current ALMP provision suggests that there is a continued over-reliance on Community Employment, a direct employment scheme with weak linkages to the labour market, and one that has been found in previous effectiveness research to contribute less to the employment prospects of its participants than other available programmes. At a time of labour shortages, it is also argued that there is a greater need for provision of skills training programmes, both to enhance participants' employment prospects, but also to meet skill shortages.

Our analysis of transitions out of unemployment, based on longitudinal data from the Living in Ireland Survey, shows that there was a substantial increase in the rate of transitions from unemployment to work between 1996-97, before the implementation of the NEAP, and 1998-99, after its implementation. Further analysis of that data suggests that, in a context of a smaller, and arguably, more selective, stock of unemployed, and with increasing average rates of transition to employment, the probability of escaping unemployment became more strongly related to individual capacity to compete in the labour market. After 1998, those more likely to exit unemployment to work were younger people; those with educational qualifications; those who had recently participated in vocational training; those with previous work experience, and those who began the period with a spell of short- rather than long-term unemployment. In this sense, the nature of the transition regime after the introduction of the NEAP, suggests a more efficiently functioning labour market which entailed higher rates of transition from unemployment to work, and which rewarded labour market capacities such as

education and previous work experience. Such an efficiently functioning labour market may, however, do little to narrow the gap between those possessing market capacities and those suffering disadvantages in the labour market. This interpretation would be consistent with our finding that there was no shift over the late 1995-2001 period in the gap in survival rates in unemployment between the short versus the long-term unemployed. It also calls into question the effectiveness of ALMPs in assisting the more disadvantaged to reintegrate into the labour market.

Taxes, Benefits and the Financial Incentive to Work: Evolution and Policy Impacts

The Employment Guidelines include a general commitment towards making the taxation system more employment friendly. Targets for reductions in the overall tax burden are called for, and where appropriate, targets for reduction of fiscal pressure on labour and non-wage labour costs, in particular on relatively unskilled and low-paid labour.

A key focus in this area is on the impact of tax and welfare policy on the financial incentive to work facing an individual. A logical corollary is that the most appropriate form of analysis is one involving data on the individual and his or her family situation; and a means of simulating tax liabilities and benefit entitlements for each individual in the family, under alternative labour market states (employed, unemployed and out of the labour force). Essentially, this requires a tax-benefit (simulation) model, based on nationally representative survey data. In our analysis we use SWITCH, the ESRI tax-benefit model to provide estimates of two key measures of the financial incentive to work: replacement rates (measuring the balance between income in work and income out of work) and marginal tax rates (measuring the financial incentive to increase or reduce hours of work).

These measures are used to give an up-to-date estimate of the profile of work incentives for 2002, under current tax and welfare policy. We also provide estimates of the profile of work incentives in 1998. By 2002, about 12 per cent of employees faced a zero marginal tax rate, and about two-thirds faced a tax rate below 30 per cent. This compared with about one-third facing a tax rate below 30 per cent in 1998. The proportion of all those in receipt of UA or UB with a high replacement rate of 70 per cent or above halved between 1994 and 2002 falling from about 30 per cent in 1994 to around 15 per cent at 2002. However, one cannot infer policy impacts from a simple comparison of these “snapshot” pictures of the profile of work incentives. For this purpose, we construct alternative scenarios involving “no policy change”. The first of these is the one typically used in constructing the conventional opening budget: no policy change in nominal terms, as tax and welfare parameters are “frozen” in nominal terms. Moving beyond this, we could define no policy change in real terms as indexation of tax and welfare parameters in line with price inflation. But even under this scenario, average tax rates would rise as real income growth led to fiscal drag. For a neutral scenario, under which the average tax rate does not rise, it would be necessary to define “no policy change in relative terms”, as indexation in line with wage growth.

Policy impacts between 1998 and 2002 are assessed against each of these scenarios. In our view, it is assessment against the only “neutral” scenario, involving policy indexation in line with wage growth, which is of most relevance. The impact of 2002 policy is less dramatic compared with this scenario. Over a fifth of employees saw their point marginal tax rate fall by more than 10 percentage points. About a tenth saw a fall of between 5 and 10 percentage points. The point marginal tax rate facing the majority of employees fell by between 1 and 5 percentage points.

Aggregate statistics on income taxes and national income indicate only a small decline in the share of national income taken by income taxes, and the share of income taxes in total tax

revenues. Evidence from macro-level and micro-level analysis confirm that tax-benefit policy has contributed to recent employment growth, but the extent of the contribution is modest, with a number of other factors playing a more dominant role.

Adaptability: Flexible Working Arrangements

The European Employment Strategy and National Employment Action Plans advocate the promotion of increased flexibility of working arrangements with the aim of making enterprises productive and competitive while achieving the required balance between flexibility and security. The extent of atypical working, including both part-time work and temporary contracts, has increased in Ireland in the past decade or so. In this, Ireland participates in an international trend of increased flexibility of working hours and contractual relationships.

In more recent years, during the currency of the NEAP, the number of employees working either part-time or in non-permanent contracts has increased with the overall rapid increase in employment in the years 1997 to 2001. However, in proportional terms, their share of total employment has increased by little, if at all. Rates of flexibilisation of work thus continue to be lower in Ireland than elsewhere in the European Union.

Given the relative scarcity of empirical information on atypical working in Ireland, Section 3 presents an exploration of part-time work and of employees on fixed-term and other temporary contracts, based mainly on data from the 1997 and 2000 waves of the *Living in Ireland Survey*. In Ireland, as elsewhere in Europe, the majority of part-time work is done by women: in 2000 85% of all part-time workers were women. In contrast to much of the international research findings, part-time work is associated with higher average hourly wages in Ireland. The wage premium associated with part-time work is particularly substantial for men, and remains even when we control for other relevant factors that influence wage rates. We also found that part-time employees are less likely than their full-time colleagues to have access to occupational pension schemes, and they are less likely to benefit from a range of employer-sponsored fringe benefits, including training. While a greater proportion of full-time employees have very long tenure (exceeding 10 years) in their current jobs, we found little evidence to suggest that part-time jobs are particularly lacking in job security. For example, in 2000, 19% of full-time employees, and 13% of part-timers had been in their current job for less than 12 months.

About 85% of employees in Ireland are on permanent contracts, with about 6% each in fixed-term and casual contractual arrangements. Women working on fixed-term contracts earn less than permanent employees, but this is not the case among men, when we take other factors into consideration. Casual workers of both genders earn substantially less than permanent employees, even taking account of other relevant factors.

Equal opportunities between Men and Women

The Male/Female Wage Gap in Ireland

The European Employment Strategy initiated in 1998 has become increasingly focused on gender wage inequality. Section 4 of the report describes recent trends in the size and structure of the gender pay gap in Ireland, with particular reference to the picture before and after the introduction of the EAP (1997 and 2000).

Analysis of the pay gap is based on data from the Living in Ireland Surveys, 1994, 1997 and 2000, which is a comprehensive survey providing information on earnings, education, labour market experience and other characteristics. Gross hourly earnings for men and women were

constructed from this survey, allowing us to measure the gender pay gap up to 2000. We find that the overall gender wage gap has been decreasing since 1987 and stood at 14.7 % in 2000. However the pace of this reduction appears to have slowed since the introduction of the Employment Strategy in 1998, and the gap fell by only .3% between 1997 and 2000.

A breakdown of men and women's hourly earnings by different personal characteristics, shows that the male/female wage gap widens as age increases, and is narrowest in the lowest age category, under 25. There is a negative relationship between education levels and the gender pay gap, in that the gap is narrowest for those with degrees and widest for those with no secondary qualifications. However even among those with degrees, women earn 15% less than men. The size of the gender pay gap is also found to vary substantially within occupations and industrial sectors. The widest gaps were observed in managerial, sales/service and elementary occupations and in the hotel/restaurant sector, transport & communications and finance/business sectors. The narrowest gaps between men and women's hourly earnings occurred in professional and associate professional/technical occupations and in the health, education, public administration sector (largely the public sector).

Between 1997 and 2000 there was a marked decline in the male-female wage ratio among younger employees, those with less than 5 years work experience, those in elementary occupations and in associate professional/technical occupations. Significant declines in women's relative earnings were also evident in the hotel/restaurant industry and in the transport/communications sector.

Standard regression techniques are used to examine the factors which influence wages and the gender pay gap. The main finding is that women get paid 12% less than men, even when a wide range of personal and job characteristics are held constant. Differences in men's and women's labour market histories (years of accumulated work experience and years out of the labour market) reduced the wage gap substantially, but when we controlled for occupation, sector and qualifications this gap increased again. When we analyse whether the effects of the explanatory variables differ for men and women, we find that being married has a much more positive effect on male earnings than female earnings.

The fact that years of work experience and years out of paid work have a strong influence on the pay gap, suggests that policies under the employment strategy to 'reconcile family and working life', should reduce this gap by reducing women's time out of the work-force. A number of policy changes mentioned in the EAPs (e.g. increased paid maternity leave and increased expenditure on childcare) post-date our 2000 data, and hence it is difficult to comment on their effectiveness. Labour force participation has increased rapidly among women over the period 1997-2000, however there is some evidence that the potentially beneficial effects of this change have been cancelled out by the less favourable characteristics of those who have (re)joined the workforce. Finally, our figures suggest that the National Minimum Wage has had little effect on the mean gender pay gap to date, in part because the differences in pay between men and women in the bottom two deciles was already relatively narrow before its introduction.

Overall, the very small decline (0.3%) in the gender pay gap from 1997 to 2000, suggests the Employment Strategy and EAPs have had little impact on this important area of gender inequality. In fact, another element of the strategy- improvements in female participation and employment rates- may have indirectly contributed to the slowdown, although these may have a more positive effect over the longer term.

Employment and Occupational Segregation

The female share of employment in Ireland increased from 34 per cent in 1991 to 37 per cent in 1996 and then to 41 per cent in 2001. The strong growth in women's employment resulted

in significant increases in the female share of employment in most intermediate occupational sub-groups between 1991-96 and 1996-2001. Some of the biggest changes in female shares occurred in occupations in which women's representation was relatively low at the beginning of the 1990s: managers and executives, business and commerce occupations, the Garda Síochána (the police). Significant increases in female shares of employment were also recorded for occupational groups in which women were over represented at the beginning of the period relative to their representation in the labour force: clerical and office workers, social workers and related occupations, personal service and childcare workers, teachers. Existing occupational segregation was, therefore, reinforced in some occupations while it was reduced in others by women successfully competing with men.

Nevertheless, two-thirds of female employment remained concentrated in the same small number of intermediate occupational groups in 1991, 1996, and 2001: clerical and office jobs, sales, health, personal services, and teaching.

Estimates of the index of dissimilarity for the occupations in which men and women are employed show that there was some decline in occupational segregation between 1991 and 1996 and probably also between 1996 and 2001. However, occupations in which one sex dominates to such an extent that the other sex does not have an equal opportunity of getting a job in these occupations still account for more than half of Ireland's 217 non-agricultural occupations (excluding the armed forces). In 2001 there were more than four times as many male-dominated as female-dominated occupations. This means that a majority of men in Ireland do not face much competition for jobs from women and it has the advantage for men that female-dominated occupations tend to have lower pay, lower status, and less opportunities for advancement than male-dominated occupations.

While the increased participation of women in the Irish labour force in recent years appears to be associated with some reduction in the sex stereotyping of occupations, occupational segregation has proved remarkably persistent despite the existence of anti-discrimination, equal pay, and equal employment opportunities policies designed to eliminate sex segregation in employment. Some development of such policies may be needed if that goal is to be achieved. One possibility might be to apply the Council of Europe's gender equality principal to equal opportunities programmes for access to occupational labour markets and to education and training programmes. The Council of Europe's approach to mainstreaming equality between men and women has been adopted as a requirement by the Irish National Development Plan 2000 to 2006 for all policies and programmes to be implemented under the plan. This means that a gender equality perspective must be incorporated in all of the plan's policies and programmes by the actors involved in policy-making at all levels and at all stages. Mainstreaming equality as a requirement for all employment action plans in Ireland could provide a useful means of reducing occupational segregation in the future.

Gender Gaps in Participation and Employment Rates

The EU employment guidelines and Irish employment action plans have consistently maintained the twin objectives of increasing employment rates for women (and reducing gender gaps in employment) and reconciling work and family life, under the pillar of equal opportunities.

There have been very dramatic increases in women's participation and employment rates in Ireland and consequently significant reductions in the very wide gender gaps in these rates. Comparison of Irish and EU female activity rates shows that Ireland has been converging gradually with the EU average since the early 1990s. In 1990, the female participation rate in Ireland was 13 percentage points lower than the EU15 average. By 2000, the Irish female participation rate stood at 55.7%, while the EU15 average was 59.8%, a gap of only 4.1 percentage points. Changes in female employment rates in Ireland have been even more dramatic. In 1983, only one-third of Irish women were in employment, in 2001, 54% were

employed Ireland is close to achieving the target female employment rate of 57% by 2005, but only if the slowdown in employment growth in 2001 is reversed.

These changes in female labour force participation and employment rates have been driven by rapid increases in the employment of married women. Nevertheless, while Irish women without children have activity rates very close to the EU average, the activity rates for women with young children remain very low compared with the EU average. Comparison of participation rates of mothers highlights the importance of childcare and other supports for working mothers. Since the introduction of the Employment Strategy there has been increased investment in childcare provision, although in Ireland, such developments start from an extremely low base.

In the first two years of the EAP investments in childcare were very modest (€14 million over two years, 1998/9). However, the National Development Plan (1999) allocated €317 million for expenditure on childcare for the period 2000 to 2006, and an additional €33.7 million was allocated in 2000. The target for the programme is to create 28,208 new places by 2006. It is estimated that if the NDP targets are reached, the number of new places should just keep pace with new demand to 2006, however further significant funding post 2006 will be needed to meet continuing increases in demand. Given that a considerable proportion of the new provision is expected to be in the private sector, affordability is likely to continue to a problem into the future

Assessment of the Policy-Making Process

A review of Irish labour market and employment policy, in the context of the EU Employment Strategy and Guidelines, indicates that the Guidelines have played an important role in influencing the policy development process in Ireland. This is evident from a review of relevant policy documents, particularly the National Employment Action Plan (NEAP), and from consultations with the various stakeholders involved- government Departments, FAS and representatives of the social partners. The impact of the Guidelines has been most significant in terms of ensuring a continuing focus on labour market and employment policy at national level, particularly in terms of encouraging regular reviews of such policy and related activities.

In a small but significant number of cases the EU Guidelines have influenced the content of Irish labour market policy-e.g. The Preventative strategy, the Lifelong Learning strategy and the Gender Mainstreaming strategy. In other areas, Irish labour market policy, while reflecting the Guidelines, has primarily been formulated in other national level policy arenas, particularly through the Programme for Prosperity and Fairness (PPF) process.

The institutional framework through which the NEAP is developed and reviewed, building on the EU Guidelines, has supported the co-ordination of labour market policy and related activities across the relevant government Departments and state agencies. The social partners have over time played an increasing role in this process through commenting on draft material and through participation in national and EU level discussions on the NEAP and on the EU Guidelines.

The process through which the EU recommends that further attention be applied to certain policy areas is seen as useful, and increasingly forms the starting point for the drafting of the next NEAP.

However, a number of improvements in the process are seen to be required if the EU strategy and Guidelines are to have a greater impact on policy development and planning in Ireland, as distinct from on policy review and co-ordination.

There is general agreement that the Guidelines should have a more medium term focus and that they should be built around identified key EU level strategic themes/ challenges facing the European labour market. Consequently, the time period for the NEAP should also be extended to a 2-3 year time frame. The resulting Plan should focus on identified strategic priorities at national level, building on the EU themes, but also reflecting national priorities. The NEAP should go on then to spell out the co-ordinated range of actions planned to address these strategic priorities. Annual reviews could then be carried out on progress achieved, highlighting any barriers that need to be addressed.

The various government Departments involved, and the representatives of the social partners, would be involved in identifying these strategic priorities and in agreeing and devising plans to address them. EU level reviews could then focus on strategic issues on a 2-3 year basis, and on implementation issues on an annual basis.

In terms of the content of the Guidelines, the following recommendations for the future were made: There should be a greater focus on the demand side of the labour market, and on ensuring the creation of conditions that will support the development of sustainable, high quality employment. Consideration should be given to extending the equality Pillar to cover other areas of equality, beyond gender, thus facilitating more effective linkages between the NEAP and the labour market elements of the National Anti-Poverty Strategy (NAPS).

At a national level consideration should be given to the setting of national targets in identified priority policy areas.

If these recommendations are adapted then it might be useful to bring a higher level of formality to the current institutional framework used to develop the NEAP. This would assist in ensuring that the agreed plans were fully implemented by the relevant stakeholders.

Section 1: Employability

Philip J. O'Connell, ESRI

1.1 Trends in Employment and Unemployment

Recent years have seen dramatic growth in employment following unprecedented economic growth and development during the 1990s. GNP grew at about 8% per annum over the years 1995-2000, before slowing to less than 5% in 2001 and just over 2% in 2002.

Table 1.1 shows the development of the labour force since 1996. Over that period, the total labour force grew by 274,000, and growth between 1998 and 2001 amounted to over 160,000. The average annual rate of labour force growth for the 1996-2000 period was 3.4%. However, in recent years this rapid growth has begun to taper off; from over 4% in 1998-99 to just over 2% in 200-2001. Overall, these growth trends have resulted in an increase in the labour force participation rate from 54.5% in 1996 to 57.95 in 1998 and to 59.1% in 2001. The male labour force increased by 129,000, while the female labour force increased by 146,000, with the result that the female labour force participation rate increased from 41.4% in 1996 to 46% in 1998 and to 47.5% in 2001. This represents a very rapid rate of increase in the female labour force participation rate, and by 2001 the female participation rates was slightly higher than the EU-15 average of 46.9% (CSO, 2001, QNHS, 2001, Second Quarter). The male labour force participation rate also increased somewhat, from 68.1% in 1996 to 70.9% in 2001.

Table 1.1 Trends in Labour Force Participation, 1996-2001

	Labour Force			Labour Force Participation Rates		
	Men	Women	All	Men	Women	All
		(1,000)			%	
1996	925.1	582.4	1507.5	68.1	41.4	54.5
1997	937.3	601.7	1539.0	67.8	42.0	54.7
1998	978.7	642.4	1621.1	69.4	44.0	57.9
1999	1006.7	681.4	1688.1	70.2	46.0	58.6
2000	1034.9	710.8	1745.6	71.0	47.2	58.9
2001	1053.7	728.1	1781.9	70.9	47.5	59.1

Table 1.2 shows the totals at work and unemployed, as well as net migration from 1993 to 2001. Total employment in Ireland grew by a remarkable 534,000, or by 46%, in the eight years from 1993 to 2001, and over 220,000 of this was achieved between 1998 and 2001. Unemployment, which accounted for 220,000 in 1993, equivalent to almost 16% of the labour force, fell to 127,000 (less than 8%) in 1998, and to 65,000 (less than 4%) in 2001. Emigration has fluctuated in accordance with demand in both domestic and external labour markets. It rose dramatically in the late eighties and peaked in 1989, when net emigration (in-migration minus out-migration) rose to 44,000 individuals, representing almost 3.5 per cent of the labour force in that year. The tightening of the labour market has attracted increasing numbers of Irish migrants to return as well as a substantial number of skilled non-Irish immigrants, with the result that in 2001 inward migration exceeded out-migration by about 26,000.

These trends represent a fundamental transformation in labour market conditions in Ireland, from a period of labour surplus in the during the 1980s, which generated mass unemployment and high outward migration, to a situation of booming employment, virtually full-employment, labour shortages and growing inward migration in the late 1990s and early 2000s. This tightening of the labour market represents a new set of challenges for policy, which has shifted from seeking to maximise employment demand to seeking to stimulate labour supply.

Table 1.2: Total At Work, Unemployed, Labour Force, and Net Migration, 1993-2000

Year	At Work	Unemployed	Labour Force	Unemployment Rate	Net Migration
	(1,000)	(1,000)	(1,000)	%	(1,000)
1993	1183	220	1403	15.7	0
1994	1221	211	1432	14.7	-5
1995	1282	177	1459	12.1	-2
1996	1329	179	1508	11.9	8
1997	1380	159	1539	10.3	15
1998	1495	127	1622	7.8	23
1999	1591	97	1688	5.7	19
2000	1671	75	1746	4.3	20
2001	1717	65	1782	3.7	26

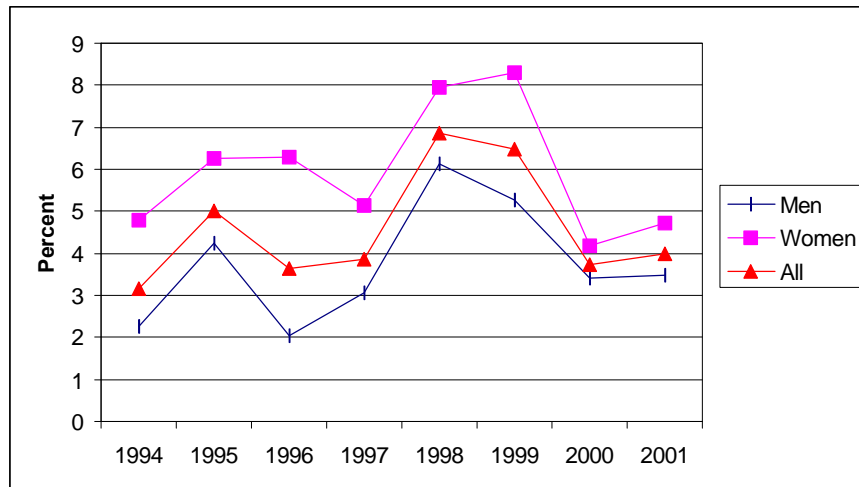
Table 1.3 shows employment by gender in Ireland for the years 1993, 1998 and 2001. Total employment increased by an average of 5% per annum over the entire period, with a somewhat higher average rate of growth in the years 1998-2001.¹ Employment trends have differed markedly between men and women. In 2001, female employment was almost two-thirds higher than its level in 1993, men's employment was about one-third higher, and average annual growth rates of over 6% were achieved among women over the years 1993-2001, compared to 4.3% among men. These differential growth rates resulted in a shift in the balance of employment between men and women, and women's share of total employment increased from 37% in 1993 to almost 41% in 2001. This represents a continuation of a trend from the 1980s: the female share of total employment was only 29% in 1981 and less than 33% in 1988 (O'Connell, 2000).

¹ The data from 1993-1997 are drawn from the annual *Labour Force Survey*. From 1997, the Irish Central Statistics Office switched from its annual survey to the *Quarterly National Household Survey*. In so doing the CSO introduced some changes to the questions relating to employment, with the result that in the second quarter of 1998 an additional 20,000 individuals were recorded in employment: an estimated 8,000 men and 12,000 women. The adjustment is confined mainly to part-time workers in the services sector, with the result that data relating to part-time working after 1997 are not comparable with earlier years. In Tables 1.2 and 1.3 we report the total number employed as recorded in 1998, however, in estimating percentage changes in total employment, we adjust the 1998 total downwards by 20,000 to render the 1998 data comparable with earlier years. This adjustment is consistent with the practice adopted by CSO (1998) in its reporting of change over time in total employment.

Table 1.3: Total Employment by Gender, 1993, 1998 and 2001

	Men	Women	All	Female Share
	(1,000)	(1,000)	(1,000)	%
1993	749.4	433.7	1183.1	36.7
1998	899.9	594.6	1494.5	39.8
2001	1013.9	702.5	1716.5	40.9
<i>Annual percentage change:</i>				
	%	%	%	
1993-1998	3.6	6.1	4.5	
1998-2001	4.6	6.3	5.3	
1993-2001	4.3	6.1	5.0	

**Figure 1.1
Annual Rates of Growth in Employment, by Gender, 1993-2001**



While the years 1993-2001 were characterised by a very high average rate of growth in total employment, there has been some fluctuation around the overall growth rate of 5% per annum. Total employment grew by between 3 and 5% per annum between 1993 and 1997. The growth rate peaked at just under 7% in 1997-1998, before falling to about 4% in 2000-2001. Among women, the growth rate peaked at over 8% in 1998-1999 and fell back to around 4.5% per annum over the following two years. Growth rates among men were more modest, as we have seen, fluctuating between 2% and 4% per annum between 1993-1997, peaking at 6% in 1997-1998, and falling to about 3.5% per annum over the later two years.

Unemployment

The aggregate trends in unemployment over the period from 1993-2001 have already been shown in Table 1.2 above. This section provides a more detailed breakdown by age, gender and duration. Table 4 shows unemployment by age group and gender at the second quarter in 2001. Total unemployment at that point in time was 65,400, consisting of almost 40,000 men

and 25,400 women. The largest number unemployed was in the 25-44 year age group (30,000), which accounted for 46% of total unemployment.

Table 1.4: Unemployment by Age Group and Gender, 2001, Second quarter

	15-24	25-44	45+	Total
Number unemployed		(1,000)		
Men	11.8	18.1	9.9	39.8
Women	8.5	12.3	4.8	25.6
Total	20.4	30.4	14.7	65.4
Rate of unemployment		%		
Men	6.4	3.4	2.9	3.8
Women	5.8	3.1	2.6	3.5
All	6.2	3.3	2.8	3.7
Distribution of unemployment		%		
Men	29.6	45.5	24.9	100.0
Women	33.2	48.0	18.8	100.0
All	31.2	46.5	22.5	100.0

However, the distribution of unemployment by age group is skewed towards younger people: almost 31 per cent of the unemployed are in the smaller 15-24 age group. This is reflected in the data on unemployment rates by age group: 6.2% of the labour force aged 15-24 were unemployed in the second quarter of 2001, compared to 3.3% of the 25-44 year age group, and 2.8% of those aged over 45. The unemployment rate was somewhat higher among men (3.8%) than women, and this differential was maintained across each age group. In this respect Ireland differs from many other EU countries, where women tend to exhibit higher rates of unemployment than men.

Figure 1.2: Trends in Total, Short and Long-term Unemployment, 1993-2001

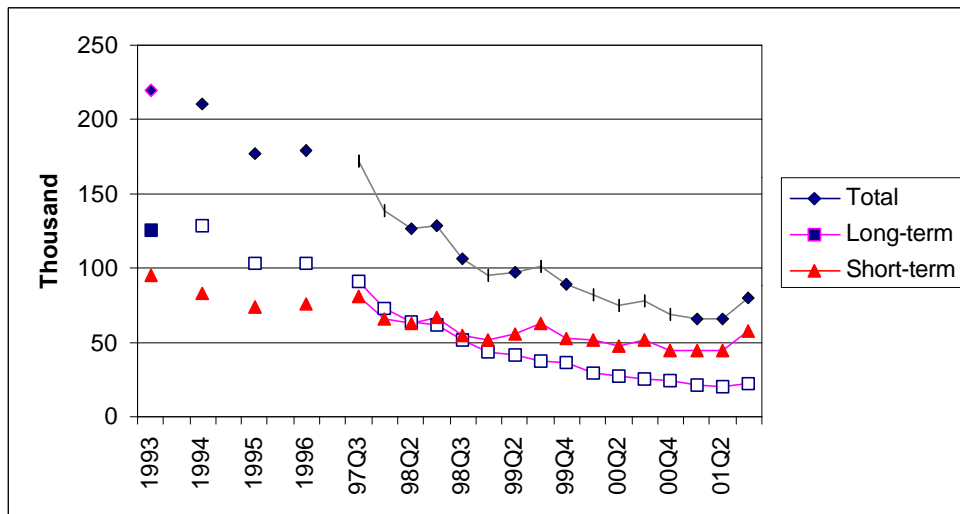


Figure 1.2 shows the trends in total, short- and long-term unemployment, annually from 1993 to 1997, and quarterly thereafter to the 3rd quarter of 2001. The rapid growth in the economy and in employment after 1993 led to a steady decline in unemployment from 220,000 in 1993 to 127,000 in the 2nd quarter of 1998 and to 65,000 in the 2nd quarter of 2001. The

unemployment rate thus fell from 15.7% of the labour force in 1993 to 7.8% in the 2nd quarter of 1998 and to 3.7% in the 2nd quarter of 2001. With the deterioration in the international economy, and the slowdown in the Irish growth rate in 2001, unemployment increased to just under 80,000, or 4.3% of the labour force, in the 3rd quarter of 2001.

The trend in long-term unemployment has followed a somewhat different path, increasing slightly, from 125,000 in 1993 to 128,000 in 1994, before falling steadily and quite dramatically to 63,500 in the 2nd quarter of 1998 and to 20,500 in the 2nd quarter of 2001. Following the trend in total unemployment, long-term unemployment increased to 22,000 in the 3rd quarter of 2001. Thus, between 1993 and 2000, total unemployment fell by 70%, long-term unemployment by 84% and short-term unemployment by 47%. In the 3rd quarter of 1998 the number long-term unemployed fell below the number short-term unemployed for the first time in over a decade-and-a-half. The long-term unemployment rate dropped from 9% in 1993 to 4% in 1999 and to 1.2% in 2001.

Table 1.5: Unemployment by Duration, 1993 to 2001

	Total unemployed	Unemployed less than 1 year	Long-term unemployed	Total unemployment rate	Long-term unemployment rate	Long-term Share in total
	(1,000)	(1,000)	(1,000)	%	%	%
1993	220.1	94.7	125.4	15.7	8.9	57.0
1994	211.0	82.8	128.2	14.7	9.0	60.8
1995	177.4	74.1	103.3	12.2	7.1	58.2
1996	179.0	75.7	103.3	11.9	6.9	57.7
1997Q3	171.6	81.0	90.6	10.4	5.5	52.8
1998Q1	138.6	66.0	72.6	8.5	4.5	52.4
1998Q2	126.6	63.1	63.5	7.8	3.9	50.2
1998Q3	128.9	67.2	61.7	7.6	3.7	47.9
1998Q3	106.0	54.3	51.7	6.4	3.1	48.8
1999Q1	95.1	51.5	43.6	5.8	2.6	45.8
1999Q2	96.9	55.3	41.6	5.7	2.5	42.9
1999Q3	101.1	63.2	37.9	5.7	2.1	37.5
1999Q4	88.7	52.7	36.0	5.1	2.1	40.6
2000Q1	81.5	51.8	29.7	4.7	1.7	36.4
2000Q2	74.9	47.5	27.4	4.3	1.6	36.6
2000Q3	77.7	52.0	25.7	4.3	1.4	33.1
2000Q4	68.8	44.6	24.2	3.9	1.4	35.2
2001Q1	65.6	44.1	21.5	3.7	1.2	32.8
2001Q2	65.4	44.9	20.5	3.7	1.2	31.3
2001Q3	79.5	57.4	22.1	4.3	1.2	27.8

This dramatic reduction in long-term unemployment in a relatively short period of time represents a remarkable achievement in reintegrating the more disadvantaged in the labour market. This trend appears to confound conventional our conventional understanding of the labour market. We would expect that during an employment boom the ‘short-term’ unemployed would be hired first both because the long-term unemployed are likely to be more disadvantaged in terms of skills and work experience than the ‘short-term’ unemployed, and because of the effects of ‘state dependence’ which suggests that the longer an individual has been unemployed the lower the probability that that individual will escape from unemployment and re-enter work. In Ireland, however, most of the reduction in unemployment has occurred in respect of long-term unemployment: between the 2nd quarters

of 1998 and 2001, short-term unemployment fell by 18,000, long-term unemployment by 43,000.

Long-term unemployment can fall either because the long-term unemployed are exiting (to employment or to economic inactivity) or because the short-term unemployed are exiting before they become long-term unemployed. In order to consider flows into and out of long-term unemployment, we draw on administrative data from the Live Register relating to duration of claims. The Live Register provides a count of claimants for unemployment-related social welfare payments and credits, and includes part-time, seasonal and casual workers entitled to Unemployment Benefit or Assistance, and it is not designed to measure the level of unemployment at any given point in time.² We can, however, use the Live Register Age by Duration Analysis to get a sense of trends over time in flows into and out of long-term unemployment.

Figure 1.3: Survival Rates on the Live Register, 1995-2001

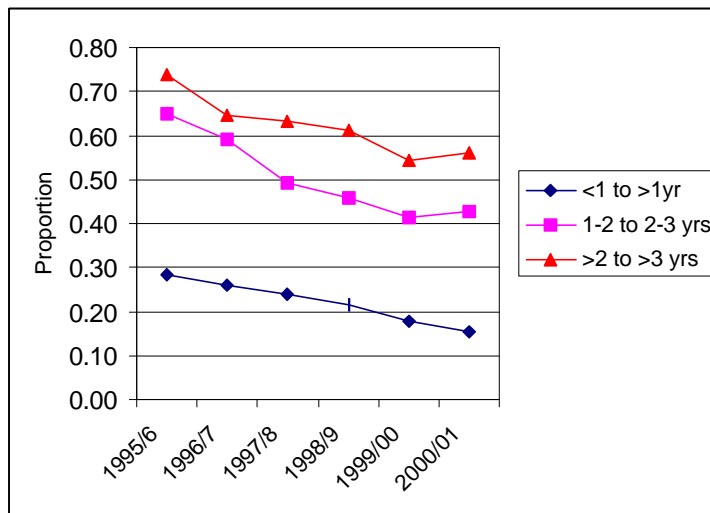


Figure 1.3 shows survival rates by duration of claim derived from the Live Register data relating to April in each of the years 1995 to 2001. We can derive survival rates for three duration categories from the published numbers on duration of claim:

- (1) those who were unemployed for less than 12 months in year 1, and were still unemployed in year 2 – this represents the transition from short-to long-term unemployment;
- (2) those who were unemployed for 1 to 2 years in year 1, and were still unemployed one year later – this represents part of those continuing in long-term unemployment;
- (3) those who were unemployed for more than 2 years in year 1, and were still unemployed in the following year – representing a transition into 3 or more years of unemployment.

The data show a strong relationship between duration of claim and survival rate, and a clear and substantial decline in survival rates between 1995 and 2001. The lowest survival rates occur among those short-term unemployed in year 1. In 1996, 28% of those who had been unemployed for less than 12 months in 1995 were still unemployed, but 65% of those who had been unemployed for between 1 and 2 years in 1995 were still unemployed in 1996. The

² For a discussion of the differences in measurement of unemployment in the Live Register versus Labour Force Surveys (and Quarterly National Household Surveys), see Sexton and O'Connell (1996), Appendix.

short-term survival rate is equivalent to the exit rate from short- to long-term unemployment. This exit rate fell from 28% between 1995-96 to 15% between 2000-2001. So, as labour demand in the economy increased the number short-term unemployed declined, as did the rate at which they entered long-term unemployment. The period since 1998, which entails a continuation in the decline in the exit rate to long-term unemployment, also includes the period during which the activation measures were implemented under the National Employment Action Plan (NEAP). Under the NEAP preventive strategy unemployed people under the age of 25 are referred to FÁS for interview when they cross a threshold of six months on the Live Register. This element of the activation strategy was initiated in September 1998, and the approach was subsequently extended to other groups on the live register.

Survival rates in unemployment among the long-term unemployed are substantially higher than among the short-term unemployed, but they also declined markedly over the 1995-2001 period. Among those unemployed for 1 to 2 years in the initial year, the survival rate fell from 65% between 1995-96 to 43% in 2000-2001, and among those unemployed for more than 2 years, the survival rate fell from 74% between 1995-96 to 56% between 2000-2001.

In general, the data suggest that the decline in long-term unemployment since 1995 has been due both to a reduction in the inflow to long-term unemployment and an increase in the exit rate. The reduction in the inflow to long-term unemployment is a function of both reduced inflow to short-term unemployment (i.e. declining numbers of short-term unemployed) and a steady reduction in the exit rate from short- to long-term unemployment. With regard to the activation strategy, it appears that the combined effects of increased labour demand and the strategy of contacting individuals and referring them for interview with FÁS led to a significant increase in exits from unemployment. To the extent that the reduction in exit rates can be attributed to the activation strategy, this should be counted as a success of the approach. However, there is little evidence to suggest that the activation measures have contributed to a reduction in the gap in exit rates between the short- and the long-term unemployed. The analysis of survival rates above indicates that, notwithstanding the very substantial decline in the numbers long-term unemployed, those who become long-term unemployed continue to confront substantially greater barriers to re-entering employment than the short-term unemployed. This suggests the importance of further efforts to assist the long-term unemployed to return to work.

1.2 The Impact of Activation Measures

In this section we examine developments in active labour market policy (ALMP) provision during the currency of the National Employment Action Plans and evaluate the range of ALMPs on the basis of existing empirical information. Here it is useful to distinguish between the NEAP activation measures which seek to intervene by interviewing registered claimants of Unemployment Benefit or Assistance from the more intensive forms of intervention by way of temporary employment schemes and education or training courses for the unemployed. Arguably, the most innovative element of Irish policy in recent years has been the implementation under the NEAP of a process of engaging systematically with persons at an early stage of unemployment. Under this preventive strategy targeted groups of unemployed people are referred by the Department of Social, Community and Family Affairs to FÁS with a view to offering them a job or access to an employment or training programme to assist their re-integration into the workforce. Unfortunately it has not, as yet, been possible to undertake a rigorous evaluation of the net impact of these preventive measures. We know a great deal more about the labour market impact of the range employment and education or training schemes on the basis of rigorous econometric evaluation, so we are in a better position to evaluate the likely impact of development in their implementation in recent years.

The NEAP Referral Process

In the preventive strategy implemented under the NEAP, unemployed people are referred by the Department of Social, Community and Family Affairs for interview by FÁS as they cross specified unemployment-duration thresholds on the Live Register. The interview aims to initiate a process leading to the offer of a job or placement in an education or training programme with a view to enhancing the employability of the client. The process commenced in September 1998 with all those under 25 years of age who were six months on the Live Register were referred for interview. Over time the process has been progressively expanded to include additional groups crossing specified thresholds of unemployment duration. Since mid-2000, all unemployed people between the ages of 25-54 are being referred for interview as they pass the nine-month threshold, in addition to the original group of 25 years olds as they cross the six-month threshold.

Table 1.6 shows a summary of information published in the most recent *Employment Action Plan Monthly Progress Report*, November 2001 (Department of Enterprise, Trade and Employment, 2001). The table shows the situation at end-November 2001 of all those referred under the NEAP during the period January to end October 2001. Overall, almost 20,000 individuals were referred under the NEP process between January and the end of October 2001. About 66% of them attended an interview with FÁS, 25% did not attend and a further 9% were still pending an interview or were engaged with the Local Employment Service at end November. The most striking point to emerge from the table is that, of the almost 20,000 referred, just over 12,500 left the Live Register, representing 63% of all referrals. Almost 4,400, 22% of referrals, were known to be at work, and 14% of referrals were in education or training at end-November. A further 27% of referrals had left the Live register for other and unknown reasons. The destinations of about half of this latter group are unknown and roughly a further quarter did not sign on the Live Register, with the remainder consisting of small proportions claiming alternative social welfare benefits, being deemed ineligible for the Live Register, or emigrating.

**Table 1.6 Situation at end-November 2001
of Total Referrals Under NEAP, January-October, 2001**

	Number	Per cent
		% of referrals
Referred	19,875	100.0
Interviewed	13,129	66.1
Not attended	5,014	25.2
Pending interview/ LES	1,732	8.7
Left Live Register	12,504	62.9
At Work	4,367	22.0
Education/Training	2,696	13.6
Other/unknown	5,441	27.4
		% of interviews
Interviewed	13,129	100.0
Left Live Register	8,660	66.0
At Work	3,255	24.8
Education/Training	2,491	19.0
Left Live Register to other/unknown destination	2,914	22.2
		% of non-attendees
Not attended	5,014	100.0
Left Live Register	3,844	76.7
At Work	1,112	22.2
Education/Training	205	4.1
Left Live Register to other/unknown destination	2,527	50.4

Of the 13,129 who attended the interview, 66% left the Live Register. This included 25% who are recorded as having become employed 20% in education or training, with the remaining 22% in the other and unknown category.

Among the 5,000 who did not attend the interview (one-quarter of all referrals) 77% left the Live Register. This included 22% recorded as having become employed, just 4% in education and 50% in the other and unknown category. It is noteworthy that a greater proportion of those who did not attend the interview left the live register than those who did attend the interview. Some of those who left the register without attending an interview may have secured employment between the time of referral and interview. Some may not have attended out of fear of a penalty being imposed because they were not actively looking for work, and some may have withdrawn from the labour market and the register because they felt that they had little chance of obtaining a job. However, it may also have been the case that they withdrew from the register without attending an interview because they were not really available for work, and some may have been already in employment and claiming fraudulently. It is also likely that many of those who left the register for unknown destinations without attending for interview, and indeed, those who did attend the interview but whose destinations are unrecorded, subsequently entered employment. Unfortunately we have no information on these issues. Nevertheless, the implications from the data we do have on the NEAP preventive strategy are clear. As Barrett, Whelan and Sexton (2001) commented: "the simple process of contacting individuals and referring them for interview with FÁS led to a significant exit from the Live Register." They also argue that while some of those who left the Live Register without being interviewed might have left anyway, the rate of exit appeared to be greater than for other age groups or at other time periods, and that the exit rate among those who attended interviews was also higher than might have been achieved in the absence of intervention .

Table 1.7 presents the data separately for those under age 25 who were referred as they crossed the 6-month unemployment duration threshold, and each of the age groups 25-34, 35-44 and 45-54 as they crossed the 9 month threshold. There are interesting differences by age and referral group. The proportion referred who left the Live Register varies from 60% in the case of the two older age groups to 66% of the youngest age group. The proportion leaving the Live Register to work increases with age group: 24% of those under 25 years of age entered employment, compared to 22% of those aged 25-44, and 19% of those aged 45-54. The older age groups, on the other hand, were more likely to enter education or training programmes.

Attendance at interview decreases with age group: 56% those under 25 years of age, compared to 76% of those in the 45-54 year age group, attended the interview. When we distinguish between those attending for interview and those not, we find that the general pattern whereby those not attending for interview those attending for interview were more likely to leave the register is repeated across all age-groups and referral bands. We also find that young people were more likely to leave the register than older people. Among those attending interviews, young people were more likely to enter employment, older people to enter education and training programmes. Among those not attending interviews, young people were also more likely to enter employment, but the proportions entering education or training programmes remained low, ranging from 3% the under 25 year age group, to 7% among those aged 45-54.

Table 1.7: Situation at end November 2001 of Total Referrals Under NEAP, January-October, 2001, By Age and Referral Group

Age group	<25		25-34		35-44		45-54	
Referral Group	6 months		9 months		9 months		9 months	
	Number	% of referrals	Number	% of referrals	Number	% of referrals	Number	% of referrals
Referred	6,082	100.0	5647	100.0	4748	100.0	3398	100.0
Interviewed	3,385	55.7	3724	65.9	3430	72.2	2590	76.2
Not attended	2,152	35.4	1440	25.5	892	18.8	530	15.6
Pending/LES	545	9.0	483	8.6	426	9.0	278	8.2
Left Live Register	4,038	66.4	3575	63.3	2857	60.2	2034	59.9
At Work	1434	23.6	1255	22.2	1038	21.9	640	18.8
Education/Training	639	10.5	689	12.2	706	14.9	662	19.5
Other/unknown	1,965	32.3	1,631	28.9	1,113	23.4	732	21.5
	Number	% of interviews	Number	% of interviews	Number	% of interviews	Number	% of interviews
Interviewed	3,385	100.0	3724	100.0	3430	100.0	2590	100.0
Left Live Register	2,358	69.7	2485	66.7	2181	63.6	1636	63.2
At Work	956	28.2	939	25.2	830	24.2	530	20.5
Education/Training	568	16.8	630	16.9	668	19.5	625	24.1
Other/unknown	834	24.6	916	24.6	683	19.9	481	18.6
	Number	% of non-attendeess	Number	% of non-attendeess	Number	% of non-attendeess	Number	% of non-attendeess
Not attended	2,152	100.0	1440	100.0	892	100.0	530	100.0
Left Live Register	1,680	78.1	1090	75.7	676	75.8	398	75.1
At Work	478	22.2	316	21.9	208	23.3	110	20.8
Education/Training	71	3.3	59	4.1	38	4.3	37	7.0
Other/unknown	1,131	52.6	715	49.7	430	48.2	251	47.4

It is also possible to consider trends over time in the referral process. This is clearer if we concentrate on the group under the age of 25 years referred as they crossed the 6 month claim threshold, because this is the target group that has been in the process since the inception of the process in 1998. Table 1.8 shows the data relating to three referral periods – September 1998 to October 1999, January to October 2000, and January to October 2001 – observed in November 1999, 2000 and 2001 respectively. The number of referrals declined over time, mainly reflecting the decline in unemployment until the third quarter of 2001.³ The most striking trend is the decline in the proportion leaving the Live Register, down from 79% in 1998-99, to 73% in 2000 and to 66% in 2001. This would suggest that over time, clients are remaining in the NEAP process for longer, and suggests that clients are proving more difficult to place, either due to changing client characteristics or to changes in labour market conditions, particularly in 2001. Of particular concern here is that the proportion known to have exited the Live Register to work fell from 32% in 1998-99, to 27% in 2000 and 24% in 2001. Also of concern, however, is that the number leaving the Live Register to training or employment programmes declined between 2000 and 2001. If labour market demand was falling over this period, and unemployment increasing, then one might expect that a greater proportion of young people crossing the six-month unemployment threshold would have been placed in programmes to assist their re-integration in the labour force.

Table 1.8: Situation of Persons aged less than 25 years Referred at 6 months on the Live Register Observed at end November 1999, 2000 and 2001

	<i>Referral period:</i> Sept. 1998 to Oct 1999		Jan 2000 to Oct 2000		Jan 2001 to Oct 2001	
	Number	% of referrals	Number	% of referrals	Number	% of referrals
Referred	14,642	100.0	6,919	100.0	6,082	100.0
Interviewed	8,902	60.8	4,107	59.4	3,385	55.7
Not attended	4,727	32.3	2,288	33.1	2,152	35.4
Pending interview/ LES	1,013	6.9	524	7.6	545	9.0
Left Live Register	11,547	78.9	5,060	73.1	4,038	66.4
At Work	4,700	32.1	1,879	27.2	1,434	23.6
Education/Training	2,486	17.0	871	12.6	639	10.5
Other/unknown	4,361	29.8	2,310	33.4	1,965	32.3

On the basis of information presently available on the NEAP referral process, we can draw a number of conclusions. First, the process of referral, interview, guidance and counselling appears to have been successful in achieving a substantial movement off the Live Register. This conclusion must be tentative since the process has as yet not been subject to a rigorous evaluation and we cannot identify what proportion of these exits from the register would have been achieved in the absence of the NEAP intervention. Neither can we measure with precision how many of those exiting the register subsequently took up work, since those recorded as having left the register and subsequently employed represents a lower bound of the total at work. We also lack information on the quality and sustainability of jobs secured subsequent to the NEAP process.⁴ On a more positive note, however, it is very likely that at least some of the outflow from the register was indeed related to the NEAP process. This conclusion is also consistent with the dramatic decline in long-term unemployment from mid-1998 onwards shown in Table 1.5 above. It should also be acknowledged of course that the NEAP process was introduced during a period of exceptional demand growth in the labour

³ The first observation period covers thirteen months, and the two following periods cover ten months each, but the scale of the decrease in numbers referred is far more substantial than can be accounted for by the longer initial observation period.

⁴ An attempt to rigorously evaluate the labour market impact of the NEAP in 2001 was postponed because of difficulties with data collection posed by data protection regulations.

market, with the result that survival rates in unemployment fell steadily throughout the second half of 1990s and into the early 2000s, as rates shown in Figure 1.3. In these very favourable circumstances, it is likely that the NEAP preventive strategy represented a very positive contribution to mobilising labour supply.

Second, in the light of projections of some increase in the inflow to unemployment and a decline in labour market demand, it can be expected that the numbers being referred under the NEAP process will expand and that there will be somewhat greater difficulties in placing clients in employment during 2002 and 2003. Under these circumstances it will be essential to ensure adequate provision of high quality and effective education and training programmes to ensure that clients can take advantage of the anticipated upturn in labour demand.

Active Labour Market Policies

In contrast to the situation with the NEAP preventive strategy, we are in a better position to comment on the impact of the range of temporary employment schemes and education and training programmes currently implemented in Ireland. Systematic evaluation research on the effectiveness of ALMPs in Ireland has appeared in O’Connell and McGinnity (1997), Denny, Harmon, and O’Connell (2001), and O’Connell (forthcoming, 2002). Given a very substantial degree of continuity over time in the nature of ALMPs implemented in Ireland, we can draw on the findings of this research to explore the impact of ALMPs in recent years. ALMPs are intended to enhance the employability of their participants. The central question to be addressed in the evaluation of the effectiveness of ALMPs, therefore, is the extent to which participation in a programme enhances the employment chances of its participants. This goes beyond measurement of placement rates in employment and requires analysis of the net impact of the programme. In effect, effectiveness evaluation addresses the question of what would have been the outcome in the absence of intervention. Answering the question of net impact requires a comparison group of non participants, to compare outcomes among non-participants with those of programme participants, and typically relies on econometric techniques to take account of other factors, in addition to programme participation, which may influence post-programme labour market outcomes.

The evaluation research on Irish ALMPs starts from a four-way typology of active labour market programmes and assesses the relative effectiveness of each in enhancing the employment prospects of their participants. The typology of ALMPs developed by O’Connell and McGinnity (1997) first distinguishes between ALMPs in terms of the conventional distinction between supply and demand measures: training programmes and employment schemes. Each of these two categories are then divided into two further subdivisions in terms of their orientation to the labour market: programmes with strong versus weak linkages to the labour market. This gives rise to four types of ALMP outlined in Figure 1.4:

Figure 1.4: A Typology of Active Labour Market Programmes

<i>Labour Market Leverage</i>	<i>Market Orientation</i>	
	Weak	Strong
Supply - Training	General Training	Specific Skills Training
Demand - Employment	Direct Employment Schemes	Employment Subsidies

General Training includes a range of measures to provide basic or foundation level training in general skills. Most of the programmes in this category are designed for those with poor educational qualifications experiencing difficulties in the labour market. Included in this group also are second-chance education programmes; training courses designed for women seeking to return to the labour market; and community training programmes, oriented toward the development of community resources and responses to unemployment.

Specific Skills Training courses provide training in specific employable skills to meet skill needs in local labour markets. The distinction between General and Specific Skills Training is not simply a question of the level of training, although the latter may often be at a more advanced level than the former. Specific Skills Training can cover a wide range of skill levels - in the Irish case, for example, the category includes courses in basic catering skills as well as advanced courses in Computer Aided Engineering. What these training courses share in common is that they are designed to meet specific skill needs in particular occupations and industries. Examples of such programmes in Ireland include Specific Skills Training implemented by FÁS and tourism training implemented by CERT.

Direct Employment Schemes. These programmes consist of subsidised temporary employment in the public or voluntary sectors - variants of the conventional public works programmes. Most work in this type of programme is of a nature which would not be commercially viable - e.g. environmental improvements, provision of community-based childcare. The main such programme in Ireland is Community Employment, for some years, the single largest ALMP implemented.

Employment Subsidies. These provide subsidies to the recruitment or self-employment of unemployed workers in the private sector. Typically they are targeted on those who would otherwise be hard to place in employment - e.g. the long-term unemployed. The Back to Work Allowance Scheme represents a current example of such a scheme in Ireland.

O'Connell and McGinnity (1997) test the hypothesis that programmes with a strong orientation to the open labour market are more likely to enhance the employment prospects of participants than programmes with weak market linkages. Thus skills training programmes should have a greater positive impact on subsequent employment to the extent that they provide participants with skills that meet identified needs of employers. Similarly, employment subsidies are designed to insert participants in real jobs in the marketplace, with the result that the work experience and skills learned on the job are likely to be closer to those in demand in the labour market than work experience or skills learned while participating in direct employment schemes on projects which, by their nature, are not viable in the market. Their findings, based on a follow-up survey of young programme participants in the early 1990s and a comparison group of non-participants, provide strong support for the importance of market orientation: programmes with strong linkages to the labour market were found to both enhance the employment prospects of their participants, and increase their employment duration, and earnings from employment, even when account was taken of relevant individual characteristics such as education and previous labour market experience.

O'Connell (forthcoming, 2002) combines information from two data sets to compare the employment outcomes of participants in ALMPs with a comparison group of non-participants over the 1994-1996 period in Ireland. The analysis shows that skills training and employment subsidies - both of which are characterised by strong linkages to the labour market - have strong positive effects on subsequent employment chances, controlling for other relevant

personal characteristics. General training has a positive but much smaller effect, and direct employment schemes show no statistically significant effect on subsequent employment chances. The analysis confirms the importance of the market orientation of programmes for participants' subsequent employment prospects. Further work using the same data but entailing a more detailed examination of individual programmes provides additional confirmation of the greater effectiveness of both training and employment programmes with strong market linkages importance (Denny, Harmon and O'Connell, 2000). These more recent studies provide substantial support for the argument that programmes with strong market linkages are more effective than those with weak linkages because they draw on new data, relate to a later time period characterised by strong labour demand, and extend the original findings, which related to young people, to the entire population of ALMP participants – including older as well as young participants.

It should be noted that one of the policy implications stressed in these studies is not that less effective programmes should be discontinued. Rather, progression paths should be developed to ensure that those suffering particularly severe labour market disadvantages, particularly the long-term unemployed, who might need to enter a reintegration process by participating in a programme with a weak link to the market, should be able to progress to more effective programmes with strong links to the market.

These research findings indicating the relative effectiveness of different types of ALMP have important implications for the structure and nature of ALMP provision. Ireland has a history of strong commitment to ALMP provision. In the mid-1990s expenditures on ALMPs presented about 1.7% of GDP, well ahead of the OECD average of just over 1% of GDP. The scale of this commitment has been maintained over the currency of the NEAP. Table 1.9 shows the evolution of ALMPs from 1998 to 2001, derived from administrative data published in the annual NEAP documents and from the Department of Enterprise Trade and Employment.

Table 1.9 Indicative Active Labour Market Programme Provision, 1998-2001

	1998		1999		2000		2001	
	Number	%	Number	%	Number	%	Number	%
FAS Training of Persons								
from Live Register	12,108	14.7	12,959	13.5	12,301	12.2	11,158	12.6
Community Employment	40,000	48.7	38,927	40.6	36,131	35.8	33,571	37.8
Back to Work Allowance	24,250	29.5	31,931	33.3	39,067	38.7	32,191	36.3
Back to Work Enterprise All.			5,681	5.9	6,152	6.1	4,163	4.7
Vocational Training								
Opportunities Scheme	4,630	5.6	5,169	5.4	5,298	5.2	5,544	6.2
Tourism Training	1,196	1.5	1,178	1.2	2,071	2.1	2,145	2.4
Total	82,184	100.0	95,845	100.0	101,020	100.0	88,772	100.0
Unemployment (ILO definition, QNHS 4 th Quarter)	106,100		88,700		68,800		79,500	
ALMPs as % of ILO Unemployment		77.5		108.1		146.8		111.7
ALMPs as % of ILO Unemployment + ALMPs		43.6		51.9		59.5		52.8
Live Register (12 month ave.)	227,100		193,233		155,408		142,253	
ALMPs as % of Live Register		36.2		49.6		65.0		62.4
ALMPs as % of LR + ALMPs		26.6		33.2		39.4		38.4

Total numbers participating on ALMPs increased from 82,184 in 1998 to just over 101,000 in 2000, before falling to 88,772 in 2001. In each year after 1999, total ALMP participants

represented over 100% of the total number unemployed according to the ILO definition (which includes those not working and actively seeking work). The scale of ALMP provision is thus exceptionally large. Even if we express the number of ALMP participants as a ratio of total Live Register claimants plus ALMPS participants, the ratio of provision is still very high, and increased from 27% in 1998 to 39% in 2000. These ALMP provision ratios are all substantially higher than the 20% guideline set out in the European Employment Strategy.

There are two very large programmes, both temporary employment schemes. The Back to Work Allowance Scheme provides continued income support for long-term unemployed claimants to return to work, with the income support gradually declining over time. A similar scheme, the Back to Work Enterprise Allowance provides continued support for the long term unemployed to enter self-employment. Numbers on the two schemes have increased during the currency of the NEAP, from 24,00 in 1998 to over 45,000 (combining the two schemes) in 2000, and falling again to 36,000 in 2001. These two schemes provide subsidies to real jobs in the market place and both are characterised by strong linkages to the labour market. As such they are the type of programme which previous research has shown to enhance subsequent employment chances. The two schemes have certainly proved successful in enabling transitions from unemployment to work. It should also be noted, however, that an early evaluation of the schemes suggested that they appear to be less successful in promoting sustained employment due to high drop-out rates social welfare support is progressively reduced over time (WRC Economic and Social Consultants, 1997).

The other very large programme is Community Employment, which has contracted somewhat in recent years, but which nevertheless accounted for 32,191 participants, or 38% of total ALMP participants in 2001. Community Employment is a Direct Employment Scheme with weak linkages to the labour market, and the research on effectiveness shows that this programme is less effective in improving participants' employment prospects (Denny et al., 2001).

Training and education programmes, including FÁS training of persons from the Live Register, the Vocational Training Opportunities Scheme, and Tourism Training, combined accounted for less than 19,000 individuals and about 21% of ALMP activity identified in the NEAP in 2001. The numbers participating in education and training have fallen slightly over the 1998-2001 period. At a time of growing skills shortages, this does not seem to be consistent with wider policy objectives of seeking to increase the supply of skilled workers, ease skill shortages, and promote life long learning. With regard to the individual programmes involved, it should be noted that the effective Skills Training programme accounts for about 40% of total FÁS throughput (FÁS Annual Report, 1999), so many of those participating in FÁS training are in the less effective general training programmes. It should be acknowledged that one of the beneficial outcomes of the Medium-term Review of human resources investments under the Community Support Framework, implemented in the FÁS Action Plan on Long Term Unemployment, has been that participation of the long-term unemployed on skills training programmes has, as a matter of policy, been increased from 11% in 1998 to 22% in 1999. However, this proportion subsequently fell in 2000, due, apparently to the rapid decline in long-term unemployment. Tourism Training is a programme with strong market linkages and is thus of the type to significantly enhance employment prospects, although the programme has not been subject to a rigorous evaluation of net impact. The Vocational Training Opportunities Scheme is a comparatively small programme providing 'second-chance' education to unemployed adults. While it has not been the subject of a rigorous net effectiveness evaluation, monitoring data suggests substantial placement in further education and training from this programme.

The effectiveness of ALMPs is a matter of interest for several reasons. First, ALMPs are a core element in the NEAP process, accounting for 14% of NEAP referrals and 25% of those

interviewed in 2001. Second, to the extent that they enhance the employment prospects of those disadvantaged in the labour market, are important for combating social exclusion. Third, they represent an important component in the objective of mobilising labour supply. And fourth, education and training programmes can contribute to skill formation and thus to national competitiveness and promote life long learning, particularly among those less likely otherwise to engage in continuing education or training. To achieve these objectives it is necessary that ALMP provision be effective and balanced. Our review of current ALMP provision would suggest some restructuring of programmes to achieve a more appropriate balance between supply and demand measures, and a greater emphasis on market oriented education and training programmes.

1.3 Unemployment Transitions

In this sub-section we look at mobility between unemployment and labour market situation between waves of the Living in Ireland Survey (LIS). The LIS is the Irish component of the European Community Household Panel Survey (ECHP) carried out in 12 EU member states with the aim of collecting panel data over time on the economic, financial, labour market and other circumstances of households and their members. The novel feature of the survey is its longitudinal design in which the same households and individuals are re-interviewed in each successive year. . This allows us to assess the extent of ‘one-year’ mobility or stability of those who occupied a labour market status at a given point in time and thus to gauge the probability of remaining in of moving out of that status. We focus in particular on flows out of unemployment. Analysing transition rates from unemployment by differing sub-groups of the population (e.g. men *versus* women or the long- *versus* the short term unemployed) allows us to assess differential escape probabilities from unemployment and to identify which groups are more likely to make a relatively early escape from unemployment and which are more likely to face longer unemployment spells. Analysing the data series over time allows us to assess transition rates at different points in the economic cycle. Measuring labour status at the point of interview in each successive wave of the LIS does not provide a complete picture of labour market activity in the periods intervening between waves, so someone unemployed in at time of interview in both 1996 and 1997 may have had a period of employment in the intervening period. However, it does allow us to compare annual transition patterns across different population sub-groups.

We turn now to an analysis of transitions between employment states. One of the key features of a more effective labour market is that it reduce the duration in unemployment and increase the rate of transition. We would also expect to see this in a booming labour market.

Table 1.10 shows a simple transition matrix between a set of labour market positions in from one year to the next. Panel A shows 1996-97, before the implementation of the NEAP, Panel B shows 1998-99, after the implementation of the NEAP. The most noteworthy feature of the table is the very high degree of stability in two labour market statuses: almost 93% of those who were at work at time of interview in 1996 were also at work in 1997, and almost 90% of those who were not economically active in 1996 were also inactive in 1997. There was a slight increase in the stability of employment over time: almost 93% of those employed in 1996 were also employed in 1997, and of those who were at work in 1998, almost 94% were employed in 1999.

We are particularly interested in transitions out of unemployment. Of those who were unemployed in 1996, 30% had made the transition to work by 1997, 42% were unemployed in 1997, 21% were not economically active, and a further 7% were in temporary employment

schemes or in education or training. Between 1998-99, the proportion of those unemployed in 1988 who made the transition to work increased to almost 40%, and the proportion unemployed fell to 31%. The proportions moving from unemployment to other destinations, including inactivity, temporary employment schemes and education or training were broadly similar in both pairs of years. So during the period of the introduction of the NEAP there was a clear increase in transitions out of unemployment to work, and a decrease in the proportion remaining unemployed.

Table 1.10 Transitions Between Labour Market Statuses, 1996-97 and 1998-99.

	At Work	Temporary Employment Scheme	Education /Training	Unemployed	Inactive	Column %
	%	%	%	%	%	%
Panel A: 1996-97 (N=6139)						
	Labour Market Status in 1997					
Status in 1996						
At Work	92.7	0.3	1.6	2.2	3.2	49.3
Temporary Employment Sch	24.5	50.0		14.9	10.6	1.5
Education/Train	28.8	1.5	59.2	6.1	4.3	5.3
Unemployed	30.1	5.7	1.5	42.0	20.8	5.5
Not ec. active	5.4	1.1	0.6	3.3	89.6	37.9
Row %, 1997	51.4	1.7	4.3	5.2	37.5	100.0
Panel A: 1998-99 (N=5491)						
	Labour Market Status in 1999					
Status in 1998						
At Work	93.9	0.2	0.7	1.0	4.1	54.7
Temporary Employment Sch	19.8	56.2	1.7	7.4	14.9	2.2
Education/Train	44.4	0.4	46.3	3.1	5.8	4.7
Unemployed	39.3	6.8	0.9	31.5	21.5	4.0
Not ec. active	7.2	1.1		1.3	90.5	34.4
Row %, 1999	57.9	2.0	2.6	2.6	34.9	100.0

The table also suggests that the proportions moving from temporary employment schemes, from education or training, and from economic inactivity, to work all increased, while the proportions moving into unemployment or economic inactivity all decreased.

Table 1.11: One-year Transition Rates from Unemployment by Gender, 1996-97 and 1998-99

	Unemployed in 1996, Status in 1997		Unemployed in 1998, Status in 1999	
	Men	Women	Men	Women
	%	%	%	%
At Work	28.2	33.6	31.1	49.0
Unemployed	49.1	29.3	41.2	20.0
Education, Training or Temporary Employment Scheme	5.5	7.6	5.0	7.0
Not Economically Active	18.6	25.0	21.8	21.0
Total	100.0	100.0	100.0	100.0

We can use the same data to analyse transitions from unemployment in greater detail. Table 1.11 shows labour market statuses in year 2 for all those who were unemployed in year 1 by gender. There were important gender differences. First, in both periods women were more likely than men to be at work in the succeeding year. Thus, for example, almost 34% of women who were unemployed in 1996 were at work in 1997, compared to 28% of men. Second, men were more likely to be unemployed one year later: 49% of men who were unemployed in 1996 were unemployed in 1997, compared to 29% of women. Third, there was a substantial increase in transitions from unemployment to employment between the two periods, and the gap between men and women increased over time: the proportion of women unemployed in year 1 and employed in year 2 increased from 34% in 1996-97 to 49% in 1998-99, compared to rates of 28% and 31% in 1996-97 and 1998-99, respectively, among men.

Fourth, there was a decrease in the proportion still unemployed in year 2 between 1996-97 and 1998-99, and the fall was particularly marked among women: 29% of women who were unemployed in 1996 were still unemployed in 1997, compared to 20% in the 1998-99 period. Finally, the proportion of women exiting unemployment to inactivity fell between the two periods, while that among men increased somewhat.

Table 1.12: One-year Transition Rates from Unemployment by Duration of Unemployment, 1996-97 and 1998-99

	Unemployed in 1996, Status in 1997		Unemployed in 1998, Status in 1999	
	<i>Less than 12 months</i>	<i>More than 12 months</i>	<i>Less than 12 months</i>	<i>More than 12 months</i>
	%	%	%	%
At Work	39.8	21.9	67.4	18.6
Unemployed	36.1	46.4	12.6	43.2
Education, Training or Temporary Employment Scheme	12.8	3.1	12.6	4.2
Not Economically Active	11.3	28.6	7.4	33.9
Total	100.0	100.0	100.0	100.0

Table 1.12, which shows transitions from unemployment by unemployment duration, suggests that there are marked differences between the long versus short-term unemployed. As might be expected, those unemployed for less than 12 months in the initial year are much more likely to be at work and much less likely to be unemployed in the succeeding year: 40% of the short-term unemployed in 1996 were at work in 1997, compared to only 22% of the long-term unemployed. The rate of transition to employment increased dramatically among the short-term unemployed: from 40% in between 1996-97 to 67% between 1998-99. However, the corresponding transition rate among the long-term unemployed actually fell, from 22% over the years 1996-97 to 19% between 1998-99.

We observe the opposite pattern in relation to continued unemployment. While the proportion unemployed in the succeeding year fell markedly between 1996-97 and 1998-99 in the case of those who had been unemployed for less than 12 months, the proportion of the long-term unemployed who were also unemployed in the following year remained remarkably stable. Thus, the proportion short-term unemployed in the initial year who were unemployed in the succeeding year fell from 36% between 1996-97 to less than 13% between 1998-99, compared to virtual stability in the proportion of the long-term unemployed (46% in 1996-97 and 43% in 1998-99). It should also be noted that in both periods the short-term unemployed

were more likely to exit to education, training or a temporary employment scheme while the long-term unemployed were much more likely to exit to economic inactivity.

Table 1.13: One-year Transition Rates from Unemployment by Age Group, 1996-97 and 1998-99

	Unemployed in 1996, Status in 1997			Unemployed in 1998, Status in 1999		
	<25	25-44	>45	<25	25-44	>45
	%	%	%	%	%	%
At Work	43.9	25.7	20.3	56.0	34.2	32.7
Unemployed	39.8	45.7	35.9	24.0	39.3	23.1
Education, Training or Temporary Employment Scheme	6.1	5.1	14.1	12.0	3.4	13.5
Not Economically Active	10.2	23.4	29.7	8.0	23.1	30.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Table 1.13 shows one-year transition rates from unemployment by age group. In general, transition rates to employment decrease with age: young people under the age of 25 show the highest rates of employment in the succeeding year and those aged over 45 show the lowest rates. Transition rates of all age groups increased strongly over time. The proportion of the unemployed aged under 25 who were at work one year later increased from 44% in 1996-97 to 56% in 1998-99, compared to 20% and 33%, respectively, among those aged over 45. Those in the older age groups were more likely to be unemployed, although the proportion fell over time. Those in the older age groups were also more likely to exit unemployment to economic inactivity, and the proportions exiting unemployment to this status remained largely stable between the two periods.

We have seen above that the likelihood of exiting from unemployment is influenced by a range of factors, including gender, age and the duration of unemployment. The bivariate approach provides essential descriptive information about who is more likely to remain unemployed or move in to employment. However, it does not allow us to assess the separate effects of different factors, nor to assess the impact of other potentially influential factors, such as education, previous employment or marital status, on the transition probability. In order to disentangle the separate effects of a series of potentially influential factors, it is necessary to move to a multivariate methodology within which we can control for the effect of each variable when assessing the effect of another.

Table 1.14 shows a pair of simple logistic regression models of the probability of being employed versus unemployed in at two points in time, 1997 and 1999, respectively, as a function of the characteristics of individuals measured in the previous year. The dependent variable in each model is a dichotomous variable coded 1 if the individual was at work at the time of interview in year 2, and zero if the individual was unemployed. The explanatory variables for each model consist of a vector of variables measured in year 1 across the sample of those who were unemployed in that year. We are concerned both with the factors influencing transitions and also with changes over time in the influence of such factors.

In the model for transitions between 1996 and 1997, the only variables which influenced an individual's chances of exiting unemployment to work were age, education and duration of unemployment. Those aged over 25 were less likely to make the transition to employment. With respect to education, those with Junior Certificate level qualifications were less likely than those with no qualifications to enter employment, but no other educational qualifications

had any statistically significant impact. With respect to the length of the spell of unemployment in 1996, the long-term unemployed were less likely to move to employment in 1997.

Table 1.14: Logistic Regression of Transition from Unemployment at time t-1 to Employment versus Unemployment at time t, 1996-97 and 1998-99

	Employed / Unemployed in 1997		Employed / Unemployed in 1999	
	Coefficient	Std. Error	Coefficient	Std. Error
<i>Explanatory variables, t-1:</i>				
Gender (Female=1)	0.537	0.329	-0.206	0.587
Age less than 25	<i>Ref.</i>			
Age 25-44	-0.950 *	0.450	-3.131 **	1.172
Age 45+	-2.041 **	0.758	-2.891 *	1.291
Single	<i>Ref.</i>			
Married	0.841	0.519	1.551 *	0.745
Living with Partner	-0.093	0.588	0.509	1.314
Number of Children	0.092	0.162	0.159	0.229
Child under 5 years	-0.246	0.459	-1.369	0.897
No Qualifications	<i>Ref.</i>			
Junior Cert. Level	-1.305 *	0.550	1.055	0.708
Leaving Certificate	-0.912	0.620	2.080 *	1.012
Tertiary/PLC	-0.202	1.013	0.937	1.026
Any vocational training	4.129	1.866	2.171 **	0.729
Long-term unemployed	-0.731 *	0.334	-1.765 ***	0.538
Ever Worked	-0.296	0.465	4.457 **	1.487
Constant	1.738	0.981	-0.470	1.615
N of cases	205		108	
-2 log likelihood (initial)	298.98		202.24	
-2 log likelihood (final)	270.30		107.86	
Nagelkerke R ²	0.17		0.63	

* p < 0.05, ** p < 0.01, *** p < 0.001

The model for 1998-99 achieves a better fit to the data and a wider range of variables was influential. Younger unemployed people continued to have higher rates of transition to employment than their older counterparts and the effect of age strengthened over time, suggesting that young people benefited more than the older unemployed from the increase in the overall rate of transition to employment. Married people were more likely to make the transition to employment. Those with the Leaving Certificate were more likely than those with no qualifications to enter employment. Long-term unemployment had a negative impact, substantially stronger in 1998-99 than in 1996-97. Previous work experience also had a strong positive impact of employment chances in the later period. So also did participation in vocational training during the previous year. Gender had no effect on the probability of transition to work in either year, and neither did the presence of children in the household.

When comparing the two models it is important to note that the national level of unemployment fell markedly between 1996 and 1998, the two 'origin' years for the analysis, so the stock of unemployed was smaller, and potentially more disadvantaged in 1998 than in 1996. We have also shown above that the average transition-to-work probability increased from 30% in 1996-97 to almost 40% over the years 1998-99 (see Table 1.10 above). So in a

context of a smaller, and arguably, more selective, stock of unemployed, and with increasing average rates of transition to employment, the pattern of results suggests that the probability of escaping unemployment became more strongly related to individual capacity to compete in the labour market. Those more likely to exit unemployment to work were younger people; those with educational qualifications; those who had recently participated in vocational training; those with previous work experience, and those who began the period with a spell of short- rather than long-term unemployment. In this sense, therefore, the nature of the transition regime after 1998, after the introduction of the NEAP, suggests a more efficiently functioning labour market: a market which entailed higher rates of transition from unemployment to work, and a market which rewarded labour market capacities such as education and previous work experience. Such an efficiently functioning labour market may, however, do little to narrow the gap between those with market capacities and those suffering disadvantages in the labour market. This interpretation would be consistent with our finding above that there was no shift over the late 1995-2001 period in the gap in survival rates in unemployment between the short versus the long-term unemployed. It also calls into question the effectiveness of active labour market programmes in assisting the more disadvantaged in the labour market to reintegrate into the workforce.

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Section 2: Taxes, Benefits and the Financial Incentive to Work: Evolution and Policy Impacts

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2.1 Introduction

Pillar Two of the Guidelines from the European Employment Strategy (1998) states that the taxation system should be made more employment-friendly by reversing the long-term trend towards higher taxes and charges on labour. Targets for reductions in the overall tax burden are called for, and where appropriate, targets for reduction of fiscal pressure on labour and non-wage labour costs, in particular on relatively unskilled and low-paid labour. In this section we review and extend research on the employment/labour market impact of the reform of the Irish tax and benefit systems.

A key focus in this area is on the impact of tax and welfare policy on the financial incentive to work facing an individual. A logical corollary is that the most appropriate form of analysis is one involving data at micro-level, on the individual and his or her family situation; and a means of simulating tax liabilities and benefit entitlements for each individual in the family, under alternative labour market states (employed, unemployed and out of the labour force). Essentially, this requires a tax-benefit (simulation) model, based on nationally representative survey data, rather than a spreadsheet style analysis for supposedly typical households. Our proposal is based on SWITCH, the ESRI tax benefit model as the key engine for the analysis. A fuller description of the model can be found in Callan *et al.* (2001), along with some recent applications to topical issues. Here we outline the analysis which will be possible using this model.

First, we will describe key measures of “financial incentive to work” which can be constructed using the model. These include measures of the financial incentive to become or remain employed, such as the “replacement rate” – the ratio of income when in employment to income when unemployed; and measures of the financial incentive to increase or reduce hours of work, such as the marginal rate of tax. Secondly, we will use these measures to provide an up-to-date estimate of the profile of work incentives for 2001, under current tax and welfare policy. Third, we will examine alternative policy scenarios against which the impact of policy changes during 1998 to 2001 can be measured.

These analyses are at the heart of this section (in subsections 2.3 and 2.4). In section 2.2 we consider some background issues including the evolution of wages, the introduction of the national minimum wage, the aggregate tax burden as a proportion of national income and some information on the incentive to offer employment viewed from an employer perspective.

2.2 Evolution of Wages, Taxes and Welfare

Evolution of wages

Table 2.1 shows the evolution of hourly and weekly wages for industrial workers from 1994 up to 2001. This is the longest established and most commonly used indicator of the trend of earnings, although most employees are not “industrial workers in industry”. While there is no formally published series on economy-wide earnings, estimates from a number of sources suggest that over this period trends in industrial earnings were indicative of wider trends, though there were some deviations from year to year over the business cycle.

Table 2.1 Wage rates of all industrial workers per hour and per week 1994-2001

	<i>Industrial Earnings (all adult and Non-adult workers)</i>			
	<i>Per hour</i>	<i>Per week</i>	<i>Real wage rates 1994=100</i>	
	£	£	<i>Per hour</i>	<i>Per week</i>
1994	6.47	265.13	100	100
1995	6.62	270.70	102.3	102.1
1996	6.82	278.68	105.4	105.1
1997	7.14	292.59	110.4	110.4
1998	7.51	305.23	116.1	115.1
1999	7.91	322.34	122.3	121.6
2000	8.39	343.54	129.7	129.6
2001*	9.51	366.74	147.0	138.3

Notes: * Preliminary

Source: CSO Databank

The real value of the hourly wage rate increased between 1994 and 2001 by something under half of its initial value. The rise in the weekly wage was somewhat less, as average hours worked per week fell. This reflected an increase in the incidence of part time working and a shortening of the standard work week. During the three year period 1998-2001, the average real hourly wage in industry rose by almost 27 per cent, while the cumulative rise from 1998 to 2002 is expected to be close to 35 per cent.

The distribution of earnings is also a labour market outcome which is important in a number of respects, including the incidence of low pay and the impact of a national minimum wage.. In charting how earnings dispersion has evolved in Ireland Barrett *et al.* (2000) use individual level data on weekly earnings and hours worked from the ESRI Living in Ireland surveys to construct distributions of gross hourly wages. The comprehensive coverage of all employees, economy-wide contrasts with the more restricted coverage of a series such as average earnings of production workers. Since the dispersion at both the higher and lower ends of the wage distribution are relevant, figures are shown for the ratio of the top and bottom deciles to the median hourly wage as well as for the ratio of top to bottom deciles.

Table 2.2 Distribution of hourly earnings in 1994 and 1997 all employees

	<i>1994</i>	<i>1997</i>
<i>All employees, hourly earnings:</i>	<i>Proportion of the median hourly wage rate</i>	
Bottom decile	0.47	0.48
Bottom quartile	0.68	0.69
Top quartile	1.50	1.53
Top decile	2.24	2.33
Top decile/bottom decile	4.77	4.81

Source: Barrett *et al.*, 2000, 130

Between 1994 and 1997, during a time of unprecedented economic growth, the hourly wage at the top decile had moved away from the median, reaching a ratio of 2.33 by 1997. The top quartile also increased at a faster pace than the median income change between 1994 and 1997. In the bottom half of the distribution, both the bottom decile and bottom quartile kept pace with the development in the median hourly earnings rate but did not make any substantial headway into narrowing the earnings distribution from the bottom region towards the median. As a result, the ratio of the top to the bottom decile was driven by higher earnings growth at the top of the distribution. This increase in dispersion was, however, much less than what had occurred in the 1987 to 1994 period (Barrett *et al.*, 2000) when the 90th to 10th percentile ratio rose from 4.17 to 4.77.

Introduction of a National Minimum Wage

A National Minimum Wage Commission for Ireland was set up in 1997 and reported in 1998. The Commission concluded that the minimum wage for Ireland should be set at about two-thirds of median hourly earnings (with a lower rate for those aged under 18). On the basis of a study for the Commission using Living in Ireland survey data for 1994 (Nolan 1998), it was estimated that this would amount to £4.40 per hour in 1998. While the ratio of minimum to average wages varies across countries, a figure of two-thirds of average earnings would have been at the high end of the spectrum. Government

decided that the minimum wage would be £4.40 per hour but that its introduction would be delayed until April 2000.

A study of the likely impact of the minimum wage (Nolan *et al.*, 1999) projected forward from the distribution of earnings in the 1997 ESRI Living in Ireland survey, taking into account the concurrent exceptionally rapid growth in median earnings and the likelihood that the bottom of the distribution probably rose more rapidly under these conditions. This suggested that the minimum wage would represent about 56 per cent of median earnings for those aged 18 and over. This *ex ante* study showed that 13 per cent of all employees were likely to benefit producing an immediate increase in gross earnings of about 1.6 per cent of the total wage bill.

The study also concluded that the minimum wage would lead to a significant improvement in the incentive to be in paid work facing the unemployed or those engaged in home duties, while also improving the reward to employment for those currently employees. These improved incentives would in turn improve participation rates in the labour force, with the largest increase in participation coming from women. From the labour demand aspect, a decline in demand for low-wage labour in industry due to the direct impact of the minimum wage might be expected. If there were demands for wage increases above the minimum wage, to maintain differentials, this might reduce competitiveness and reduce the demand for labour further up the wage distribution.. Another potential impact noted was the effect that the minimum wage might have on effort, productivity levels and turnover of employees. In a survey of firms carried out as part of the Irish *ex ante* study, a substantial number of employers stated that they expected lower profit margins, improved staff morale, productivity increases, reduced staff turnover and more investment in the human resources of existing staff.

A follow up study (Nolan *et al.*, 2002) re-interviewed the same sample of firms (and some additional firms) after the introduction of the minimum wage, in order to monitor the actual impact of its introduction. By late 2000/early 2001 most sectors and firms reported that they were doing well in terms of trends in profits and volume of business but firms with low-paid employees were doing less well. Staff turnover had increased particularly in retail and personal services and recruiting staff was seen as a problem by many firms. Labour costs were also reported to be a larger burden since the previous survey. This highlights the tightness of the labour market around the time that the minimum wage was introduced. Only a very small minority of firms availed of the reduced rates of the minimum wage payable for young/inexperienced workers. Only 5 per cent of employees were said to have received an increase in pay as a direct result of the minimum wage and 13 per cent of firms said that they had to increase pay for employees above the minimum wage to restore differentials. However, over 80 per cent of firms said that, in light of trends in the Irish labour market, they would have had to increase wage rates anyway. Only 16 per cent of firms said that the minimum wage directly increased their labour costs and for half of those the increase was less than five percentage points. A very small number of firms stated that the minimum wage had affected their labour demand to the extent that they would have employed more people in 2001 in its absence. Moreover, the structure of employment was also found to be substantially unchanged in the period since 2000. In 1999, one in five workers earned €5.71 (IR£4.50) or less per hour. By 2001 this had fallen to one worker in 20, while the risk of being low-paid according to full/part-time status, sector, gender and age had not changed over the period. This *ex post* study reveals that the introduction of the minimum wage had little effect over and above changes in labour patterns that occurred in the context of the generally more favourable macroeconomic conditions facing firms.

Aggregate Taxes, Social Insurance Contributions and National Income

The Employment Guidelines included a focus on reducing the tax burden on labour, and in particular on low-income groups. As regards the former, a useful overall indicator is given by measuring income taxes as a proportion of total national income. In Ireland's circumstances it is GNP rather than GDP which provides a more appropriate base for such calculations.

Table 2.3 Taxes as percentage of GNP

<i>Year</i>	<i>Taxes on income and profits as % of GNP</i>	<i>Taxes on personal income as % of GNP</i>	<i>Employees social insurance as % of GNP</i>	<i>Employer social insurance as % of GNP</i>
1994	12.3	12.3	2.0	3.5
1995	11.2	11.2	1.8	3.3

1996	11.3	11.4	1.7	3.0
1997	11.5	11.5	1.5	3.0
1998	11.2	11.5	1.3	3.0
1999	11.4	11.3	1.5	3.1

Source: Derived from OECD Revenue Statistics (2001) and CSO National Accounts (2001)

Total taxation on income and profits includes capital gains tax and corporation tax as well as income tax and social insurance contributions made by both employers and employees. Personal income includes wages and salaries, along with other personal income such as savings, investment returns and rents. Employee and employer social insurance contributions do not include contributions by the self-employed or the non-employed. Table 2.3 shows that the share of income deducted in income taxes fell by about 1 percentage point between 1994 and 1995, and remained approximately steady since then. Employee social insurance contributions fell from 2 per cent to 1.5 per cent, and employer contributions also fell by about half of a percentage point.

Table 2.4 shows that taxes on income and profits rose somewhat as a proportion of all tax revenue, but personal income taxation fell as a proportion of total taxation. Employee and employer social insurance contributions fell as a proportion of total taxation, by about 1½ percentage points.

Table 2.4 Irish taxation and social insurance as percentage of total taxation

<i>Year</i>	<i>Taxes on income and profits as % of total taxation</i>	<i>Taxes on personal income as % of total taxation</i>	<i>Employees social insurance as % of total taxation</i>	<i>Employers social insurance as % of total taxation</i>
1994	40.3	31.5	5.0	8.6
1995	39.1	30.7	4.8	8.9
1996	40.6	31.1	4.5	8.2
1997	41.4	31.4	3.9	8.2
1998	41.6	30.9	3.6	8.2
1999	42.2	30.1	3.9	8.1

Source: OECD Revenue Statistics (2001), Tables 9, 11, 17 p.67-72

Incentives to employers to offer a job

The National Action Plan for Ireland (1998) places most emphasis on the employability pillar. It seeks both to diminish flows into long-term unemployment and to reduce the existing stock of long-term unemployed. According to the National Action Plan (2001), increasing the reward for work involves both improving the incentive for persons to remain in work as well as seeking and accepting a job and moving from unemployment. This runs in parallel with incentives for employers to offer a job.

The total labour cost to employers includes both the wage level offered and the social insurance contribution that must be made by the employer on behalf of each employee. Any change in either of these components will affect the financial incentive to employers to offer employment. In decreasing for the employer the cost of hiring workers from the Live Register, employment subsidies “enhance the employment opportunities for groups at the margin of the labour market” Fitoussi (2000:116).

Employer's PRSI Exemption scheme

An Employer's PRSI Exemption scheme is in place that exempts the employer from their share of the PRSI contribution in respect of additional workers for the first two years of their employment. The employees' PRSI contributions are payable in the normal way. There is no limit on the number of people whom the employer can employ under the scheme. In order to qualify under the scheme, the employer must be a registered as a private sector employer with the Revenue Commissioners on the date of recruitment of the additional staff or be registered as self-employed with the Department of Social, Community and Family Affairs or be a commercial semi-state body. The employer must also submit a current Tax Clearance Certificate, take on full-time workers who satisfy the qualifying conditions of full-time work for at least 4 days' work a week and work a minimum of 20 hours per week. The additional workers must represent a net increase in the number of workers in the employment. The position must be a new position, not previously carried out by another employee or former employee. The net increase must be retained throughout the two years of the exemption period and recruited employees must commence employment within 14 days of ceasing to sign-on the Live Register. To qualify for the Employer's PRSI Exemption scheme, an employee must have been on the

Live Register for at least 13 continuous weeks immediately before recruitment or be under age 23 years at the date of recruitment and taking up full-time employment for the first time. Recipients of a One Parent Family Payment or the Back-To-Work Allowance (BTWA) are also eligible.

Reductions in employer PRSI

In 1994, the employer rate of social insurance contribution was 12.2 per cent. This had been reduced slightly to 12 per cent by 1998. By 2002, the rate of A class PRSI paid by employers is 10.75 per cent, or 8.5 per cent if the employee earns less than €56 per week. A special concessionary rate of employer PRSI of 0.5 per cent exists for if the employee is employed as part of a Community Employment Scheme.

Employer social insurance contributions in respect of higher waged employment (earnings in excess of Ir£ 36,000) were increased in 2001 when the ceiling on employer contributions was abolished.

Special Employer Incentive schemes

The potential usefulness of employment subsidies is generally accepted, though concerns about issues such as the “deadweight” arising from subsidising jobs which would exist in the absence of a subsidy are also well established. In a country with a relatively high wage floor, employment subsidies reduce the cost of labour for firms, allowing for increased employment. The introduction of the statutory minimum wage in 2000 makes Ireland more likely to fall into this category. Here we outline the employer subsidies which have operated during the period of interest.

Revenue Job Assist

Extra tax deductions may be available if an employer takes advantage of the Revenue Job Assist scheme introduced in April 1998. This scheme gives employers a double deduction in their tax liability if a person who has been unemployed for 12 months or more is employed. The double deduction is for three years for wages paid to a qualifying employee in qualifying employment and employers PRSI contributions paid in respect of such wages. The double wages deduction is an additional deduction in arriving at the employers tax liability for the year of assessment. The scheme applies to jobs, taken up by a qualifying employee, which commenced after 6 April 1998, are for a minimum of 30 hours and the job is capable of lasting at least 12 months.⁵ It does not operate if either the employee or the employer has benefited or is benefiting under an alternative employment scheme in respect of the job. Employers who have had to reduce their number of employees by way of redundancy in the 26 weeks prior to the date of commencement of the employment are not eligible. However, the genuine replacement of an existing employee will qualify (e.g. replacing an employee who retires or voluntarily leaves the employment). Unlike other employment schemes there does not have to be an increase in the employer’s workforce to qualify for Revenue Job Assist. The employer may also qualify for the Employer’s PRSI exemption scheme for the first two years at the same time as Revenue Job Assist if the qualifying conditions are met.

Thus, the scheme can be regarded as focused on breaking the cycle of long-term unemployment. It aims to do so by providing an incentive for employers to favour job applicants who are experiencing long-term unemployment. Under the Revenue Job Assist scheme, eligible employees must have been unemployed for the 12 months up to the commencement of the employment who throughout that period was receiving Unemployment Benefit, Unemployment Assistance or One Parent Family Payment. Periods spent on certain training courses, the Community Employment Scheme, the Job Initiative Programme or the Back to Education scheme also qualify as periods of unemployment for the purposes of this scheme provided they were receiving one of the three social welfare payments above. The employee participating on the Revenue Job Assist Scheme also benefits and can claim special tax allowances.

Part-time Job Incentive Scheme

This scheme allows persons who are long-term unemployed to take up part-time employment for up to 24 hours per week and receive a special weekly income supplement. Participants are expected to

⁵ The scheme cannot apply to jobs which are mainly commission-based (not more than 75% of the wages can consist of sales commission), jobs already grant aided by other agencies (statutory or otherwise) or supported by other employment schemes. Other restrictions dictate that the job cannot be one where the previous holder of the job was unfairly dismissed or the job is taken up by a proprietary director of the company or the spouse of such a director.

continue to make efforts to find full-time employment. It was set up in December 1986 and is administered by the Department of Social, Community and Family Affairs Local Offices. To qualify for the scheme, a person must be in receipt of Long Term Unemployment Assistance and undertake to remain on the scheme for at least two months. It cannot be claimed at the same time as any other work allowance or allowance in respect of a course in education, training or development. The job must be subject to Social Insurance contributions.

Back to Work Enterprise Allowance and Back to Work Allowance Schemes

The Back to Work Enterprise Allowance was formulated in March 1999.⁶ It is designed to encourage the long-term unemployed to take up self-employment opportunities by allowing them to retain a reducing proportion of their social welfare payment plus secondary benefits over four years. The allowance is paid on a reducing scale over the four-year period, i.e. 100 per cent of a person's social welfare payment in year one, 75 per cent in year two, 50 per cent in year three and 25 per cent in year four.

The Back to Work Allowance Scheme is a non-statutory scheme was introduced in 1993. In 1997 an additional 1,000 places were provided on the scheme for people with disabilities. In 1999, the scheme was extended to those in receipt of the Carers Allowance. In 2000, the Scheme was extended to those in receipt of Invalidity Pension, Unemployment Supplement and Pre-Retirement Allowance. The allowance itself is not subject to tax or PRSI. However the income earned from (self-)employment is assessed for tax and PRSI.

Increased participation by the long-term unemployed on both temporary employment schemes and recruitment support has, in conjunction with the buoyancy in the labour market up until 2001, contributed to a sharp fall in long-term unemployment referred to above. The National Action Plan for Ireland (2001) aims to strike a balance between preventative and curative labour market measures. The measures aim to reward the financial returns to work alongside fiscal reforms. These combined effects are discussed in the next section.

⁶ It replaces the Area Allowance (Enterprise) scheme aspect of the Area Based Initiative (year one), while years two to four were known as the Back to Work Allowance (Self-employed).

2.3 Financial Incentives to Work: Replacement Rates

Empirical studies of work incentives generally measure the financial incentive facing individuals in the form of replacement rates, the ratio of income when unemployed to income when in work. Our analysis of replacement rates in Ireland via the SWITCH microsimulation model is based on data obtained in a large-scale household survey carried out in 1994 as part of the Living in Ireland survey series. The data is then uprated annually to reflect growth in earnings and reweighted to reflect changes in important population parameters e.g. the unemployment rate. (See Callan *et al.*, (2001) for a full description of the uprating process.). At the same time, the annual tax and social welfare policy changes (tax rates and bands, social welfare rates etc.) are included in the microsimulation model.

The financial incentive to work for the unemployed depends on the expected wage. This cannot be observed directly, but is modelled econometrically based on the age and education levels of the individual. The net impact of additional earnings on the family unit can then be simulated using the tax-benefit model. This takes account not only of tax and social insurance deductions from pay, but also of reductions in means-tested benefits, including the Family Income Supplement scheme. For a fuller description, see Callan *et al.* (1997). There has been one methodological development since then which is worthy of note in this context. The counterfactual wage now includes a random error term, which makes the proportion of very low and very high wages closer to what is found in reality, and as a result, gives rise to a greater incidence of high replacement rates. The simulation of out-of-work incomes of those currently employed is based on predicted welfare entitlement versus actual in-work income.⁷

Distribution of replacement rates in 2002

Table 2.5 shows the distribution of replacement rates for 2002 according to three main types of labour force activity. The table shows that the numbers of individuals currently employed who would be better off out of work (i.e. with a replacement rate of 100 per cent or more) is negligible, while about 4 per cent of those currently unemployed face such replacement rates. It is assumed that two-thirds of those entitled to a Family Income Supplement payment actually take it up.⁸ About one in six of those unemployed and in receipt of unemployment payments (benefit or assistance) face a replacement rate of over 70 per cent.

Table 2.5 Distribution of replacement rates in 2002 across activity

	<i>Employee</i>	<i>Unemployed and in receipt of Unemployment Assistance or Benefit</i>	<i>Home Duties</i>
<40%	49.8	49.8	9.6
<50%	17.2	17.3	14.6
<60%	13.8	11.9	15.7
<70%	9.0	6.9	24.0
<80%	5.1	6.5	20.8
<90%	2.8	4.0	12.1
<100%	1.4	2.4	3.1
>100%	0.8	3.7	0.3
Total	100.0	100.0	100.0
	1,261,900	59,200	510,900

A low replacement rate for someone currently employed indicates that they would be significantly poorer if they were to become unemployed. This shows that for over 600,000 individuals the financial incentive to remain in employment is very strong (as their replacement rate would be 40 per cent or lower). The number of people engaged in home duties is often considered to be an element of the potential labour supply that can be particularly responsive to financial incentives to work. Our estimates suggest that over one-third of these individuals face a replacement rate of more than 70 per cent in 2002.

⁷ Non-cash benefits such as the value of medical card entitlement, fuel allowance and differential rent for local authority tenants are not taken into account in these calculations.

⁸ The allocation of individuals to take-up or non-take-up is random. Given that full take-up of FIS has never occurred, it is not possible to assume all who are eligible will benefit from this income supplement in a counterfactual scenario.

Table 2.6 Distribution of Replacement rates for unemployed persons in receipt of UA or UB

	1994	1998	2002
<40%	24.3	39.4	49.8
<50%	18.0	19.0	17.3
<60%	14.7	13.4	11.9
<70%	13.1	10.3	6.9
<80%	12.1	7.9	6.5
<90%	5.9	5.3	4.0
<100%	6.6	3.1	2.4
>100%	12.8	4.8	3.7
Total	100.0	100.0	100.0
	198,200	137,200	59,200

The proportion of all those in receipt of UA or UB with a high replacement rate of 70 per cent or above halved between 1994 and 2002 falling from 30.8 per cent in 1994 to 14.1 per cent at 2002. The falls in unemployment shown in Table 2.6 are due to both structural change in the population between the years shown as well as the effect of tax and social welfare policy changes.

Tax and welfare policy impact

In order to assess the impact of policy changes, we must ask first of all what would constitute a “no policy change” scenario. One interpretation, commonly used in the construction of the annual budget, is that tax and welfare policies would be frozen in nominal terms. We term this the “conventional opening budget”. This is at odds, however, with the approach used in framing much of the rest of the budget, when the concept of “no policy change” is translated into “constant levels of service”. This could equate to price indexation. But on a broader view, constant levels of welfare service could be seen as linked to indexation in line with wages or earnings.

How should the choice between these different frames of reference be made? In what follows, we provide information on policy impacts assessed against each of the three benchmarks, since readers may be more familiar with only one of them. But in our view it is the wage-indexed budgetary policy which provides the most appropriate benchmark against which to assess actual policy changes. With rising real incomes, the share of income taken in taxes will rise under either the conventional opening budget, or the price-indexed budget. Only under the wage-indexed budget will the share stay constant. From a distributional point of view, only this benchmark would ensure that similar growth in net income was enjoyed by different income groups.

The implementation of this approach is straightforward. Tax rates are held constant, but tax credits or tax allowances, and income tax bands, are indexed either in line with prices or with wage growth. Similarly, welfare rates are indexed either in line with wage growth or with price inflation. Our estimate of economy-wide wage growth between 1998 and 2002 is 29.8 per cent, while price growth is estimated at 16.8 per cent.

Table 2.7: Policy impact from 1998 to 2002 (UA/UB recipients)

	Price indexed budget 1998-2002	Wage- indexed (neutral) budget 1998-2002	Actual 2002 policy
<i>Index</i>	16.8%	29.8%	<i>Not applicable</i>
<40%	51.2	50.7	44.6
<50%	17.2	18.4	19.4
<60%	12.0	15.3	12.6
<70%	7.8	5.4	7.8
<80%	5.7	4.9	6.8
<90%	3.9	3.1	3.8
<100%	0.8	1.9	3.5
>100%	1.5	0.2	1.5

Total	100.0	100.0	100.0
	59,200	59,200	59,200

Table 2.7 shows that the proportion facing a low replacement rate (less than 40 per cent) has fallen compared with both the price- and wage-indexed benchmarks. In terms of the broader distribution of replacement rates, the policy impact measured relative to either the price-indexed or wage-indexed benchmark involves an upward shift in replacement rates.

Impact of the Minimum Wage on Replacement Rates

Callan and Walsh (2000) estimated the impact of the introduction of the national minimum wage on the distribution of replacement rates for the unemployed. Those results, reported in Table 2.8, show a substantial downward shift in replacement rates associated with the introduction of a national minimum wage equivalent to Ir£4.40 in 2000.

Table 2.8: Impact of the Introduction of a National Minimum Wage, 2000 (UA/UB recipients)

	<i>Baseline 2000</i>	<i>2000 with National Minimum Wage</i>
<30%	19	20
30-40%	22	22
40-50%	19	36
50-60%	14	6
60-70%	9	6
70-80%	7	5
80-90%	5	4
90-100%	4	1
>100%	2	1
<i>Total</i>	<i>100</i>	<i>100</i>

Since then, however, wage growth in the wider economy has been more rapid than the increase in the National Minimum Wage, which will stand at the equivalent of Ir£4.70 for most of the year 2002. By contrasting a scenario based on current, 2002 policy with a hypothetical 2002 policy without a National Minimum Wage we can identify the current impact of the national minimum wage on the distribution of replacement rates. This is shown in Table 2.9. It is clear that the impact of the National Minimum Wage in 2002 is a good deal more limited than in 2000, but is still significant.

Table 2.9: Impact of the Introduction of a National Minimum Wage, 2000 (UA/UB recipients)

	<i>Baseline 2002</i>	<i>2002 with National Minimum Wage</i>
<30%	27.9	28.2
30-40%	21.9	22.5
40-50%	17.3	18.4
50-60%	12	15.3
60-70%	6.7	5.4
70-80%	6.5	4.9
80-90%	4.1	3.1
90-100%	2.3	1.9
>100%	1.3	0.2
<i>Total</i>	<i>100</i>	<i>100</i>

2.4 Financial Incentives to Work: Marginal Tax Rates

Replacement rates focus on the balance between income in-work and out-of-work income, as a measure of the financial incentive to take up employment. For those in employment, however, the financial incentive to work more or fewer hours is more directly linked to the marginal tax rate that they face. The measure used here includes not only the marginal rate of income tax, but also the employee rate of social insurance contribution, and, for those modelled as in receipt of Family Income

Supplement, the “benefit withdrawal rate” of 60 per cent implicit in that scheme. We look first (Table 2.10) at a comparison of “snapshots” of the 1998 and 2002 situations in terms “total marginal tax rate”

Table 2.10: Distribution of total marginal tax rate, employees only

<i>Total marginal tax rate (includes income tax, employee social insurance contribution and FIS benefit withdrawal</i>	<i>1998</i>	<i>2002</i>
	<i>%</i>	<i>%</i>
<10%	4.4	12.2
10 to 20%	0.0	0.0
20 to 30%	31.0	53.5
30 to 40%	19.0	0.0
40 thru 50%	22.8	33.2
50 thru 60%	21.5	0.0
60 thru 70%	0.2	1.0
70 to 80%	0.0	0.0
over 80%	1.0	0.2
Total	100.0	100.0
	1,016,500	1,189,600

By 2002, about 12 per cent of employees faced a zero marginal tax rate, and about two-thirds faced a tax rate below 30 per cent. This compared with about one-third facing a tax rate below 30 per cent in 1998.

Tables 2.11 to 2.13 show estimates of the impact of policy changes between 1998 and 2002 on the distribution of total marginal tax rates, measured against the different benchmarks discussed earlier. Budgetary documentation from year to year usually takes the “opening budget”, under which tax and welfare parameters are frozen in nominal terms, as its benchmark. On this basis 42 per cent of employees would have had total marginal tax rates 10 percentage points lower under actual 2002 policy than under the 1998 policy. But as discussed earlier, the “conventional opening budget” scenario is not a neutral one: it sees average tax rates rise over time. Part of the “policy impact” arises even if policy is simply indexed in line with price inflation. Measured against a policy which simply indexed 1998 values in line with price inflation, the proportion of employees experiencing a drop in the marginal tax rate of 10 percentage points or more falls from 42 per cent to 30 per cent.

Table 2.11: Change in Point Marginal Tax Rate for Employees: Impact of 2002 Policy Relative to 1998 Policy, Frozen in Nominal Terms

	<i>Number of cases (thousands)</i>	<i>Percent</i>
10 or more point fall	496.7	41.8
5 to 10 point fall	140.4	11.8
1 to 5 point fall	412.2	34.7
Little change	131.2	11.0
10 or more point rise	8.9	0.8
Total	1189.6	100.0

Table 2.12: Change in Point Marginal Tax Rate for Employees: Impact of 2002 Policy Relative to 1998 Policy, Indexed in Line with Price Inflation

	<i>Number of cases (thousands)</i>	<i>Percent</i>
10 or more point fall	358.2	30.1
5 to 10 point fall	168.5	13.9
1 to 5 point fall	585.1	49.2
Little change	59.6	5.0
10 or more point rise	21.2	1.8
Total	1189.6	100.0

Table 2.13: Change in Point Marginal Tax Rate for Employees: Impact of 2002 Policy Relative to 1998 Policy Indexed in Line with Wage Growth

	<i>Number of cases (thousands)</i>	<i>Percent</i>
10 or more point fall	267.7	22.5
5 to 10 point fall	134.7	11.3
1 to 5 point fall	703.6	59.1
Little change	417.7	3.5
10 or more point rise	41.8	3.5
Total	1189.6	100.0

Even this price-indexation scenario is not neutral: it still involves a rise in the average income tax rate when, as here, wage growth is faster than price inflation. For a measure of policy impact against a “neutral” policy, which would keep the average tax rate constant, we must look to a comparison based on tax and welfare parameters being indexed in line with wage growth. Table 2.13 shows that over a fifth of employees saw their point marginal tax rate fall by more than 10 percentage points. About a tenth saw a fall of between 5 and 10 percentage points. The point marginal tax rate facing the majority of employees fell by between 1 and 5 percentage points.

Which factors were most important in generating these substantial reductions in the point marginal tax rate? The greatest effects came from the widening of the standard rate band and the substantially increased, standardised tax-free allowances. More than 160,000 individuals who would, under the benchmark indexation policy, have faced the high rate of tax found that under actual tax policy all their income was taxed at the standard rate, which became their marginal rate of tax. A further 110,000 individuals saw their marginal tax rate fall to zero, as standardised tax free allowances exceeded their incomes. Most of these were previously facing the standard rate of tax. The remainder – about 14,000 individuals – were initially receiving “marginal relief” as they had incomes just above the income tax exemption limits. The effective marginal tax rate facing these individuals was 40 per cent. The net effect of policy over the period was to reduce the tax rate faced by these low-income individuals from 40 per cent to zero.

For a small proportion of cases (less than 4 per cent), there is a sharp rise in the marginal tax rate. Most of these cases arise where an indexation of the allowances and of the standard rate band would have

combined to leave the individual on the standard rate of tax; but the actual tax policy implemented left them facing the top rate of tax. In a smaller number of cases, the indexation policy would have kept the individuals out of the tax net, while they are liable for tax under the policy actually implemented.

2.5 Impact on Employment

Total employment grew by between 3 and 5 per cent per year during most of the 1994 to 2001 period; in 1998 and 1999 employment growth was in excess of 6 per cent. This strong and sustained expansion in employment was a key part of the strong performance of the Irish economy over the period. How much of a contribution did reforms of income tax and social welfare policy make to this employment growth? In order to answer this question we consider two kinds of evidence. First, we examine some attempts to explain Ireland's recent growth experience, which try to identify the key factors and their relative contributions to the growth in employment and output. Second, we consider some more direct micro-level evidence on the strength of the labour supply responses to changes in financial work incentives.

It is clear that much of Ireland's growth in output and employment is linked to a substantial increase in the effective labour supply. Bradley *et al.* (1997) estimate that the increase in the "total effective labour supply" i.e., total labour supply adjusted for human capital attributes was 2.6 per cent per annum. About 1 percentage point of this is due to natural increase, 1 percentage point to increased female participation in the labour force, and 0.6 percentage points to the rising educational attainment of the labour force. Of these factors, neither the natural increase, nor the rising educational attainment could be linked to tax-benefit policy. Only the rise in female participation could be substantially influenced by changes in tax-benefit policy. But over much of the period, the structure of the income tax system remained inimical to the participation of married women in the labour market. Furthermore, women's participation in the labour market had been rising secularly since the 1960s, with little in the way of encouragement from the tax code. Thus it is far from clear how much even this 1 percentage point growth in effective labour supply could be attributed to tax/benefit policy changes. More direct evidence on this will be considered below, based on a labour supply model estimated at micro-level.

Other substantial factors contributing to Irish growth include increasing openness, through such measures as the Single European Market project of the EU; investment from the EU in physical and human capital, particularly through the Community Support Framework; and stability of the macroeconomic environment, including correction of public finance imbalances, a process of institutional reform, social partnership, and consistency of industrial policy.

A key feature of policy from 1987 onwards was the "trading" of tax concessions for pay moderation, in the framework of social partnership agreements to which government, employers and unions were parties. Honohan and Walsh (2002) note that Irish wage growth, relative to other countries, slowed down sharply after 1986, but that this has proved resistant to a conclusive econometric explanation. Despite this, Honohan and Walsh say that "most observers regard the coincidence of timing of the reversal of the deteriorating trend in competitiveness with the new approach to pay bargaining as suggestive that the latter did pay dividends". Honohan and Walsh (2002) also conclude that "Some reduction in disincentives to employment arising from the social welfare-tax system, and an increased emphasis on active labour market measures, helped the labour market to function more smoothly, but their role was secondary".

What of the microeconomic evidence on the size and strength of the influence from taxes and transfers on labour supply? Models suited for this analysis have been estimated by Callan and van Soest (1996) and Layte and Callan (2001). The former estimated a discrete choice model of labour supply for married couples, taking into account fixed costs of work and possible involuntary rationing of employment. Key features of the tax and welfare systems - including the floor on income provided by social assistance, and the high effective tax rate on the earnings of a second worker because of the full transferability of tax allowances and tax bands between spouses. Using 1987 data, the aggregate own-wage elasticity for women was estimated as 0.67, with the corresponding elasticity for men being 0.15. The model was used to simulate the effect of a move from the 1987 Irish income tax system to a system of fully independent taxation, in order to assess the maximum impact of a change in the tax treatment of couples. It was found that on a revenue neutral basis the change could lead to a rise in the employment rate of married women of close to 4 percentage points, with a negligible impact on male labour supply. A more limited change, closer to that actually introduced in the individualisation of tax bands, was found to have a more limited impact - a rise in the married women's participation rate of

about one percentage point. These results can be compared with the rise in the participation rate of married women from about 17 per cent in 1980 to around 45 per cent by 2000. These results could be seen as suggesting that while changes in tax levels and structures are likely to have had some positive impact on employment rates, particularly for women, that other factors have played more important roles in stimulating increased labour supply.

Layte and Callan (2001) examine another aspect of the financial incentive to work: the influence of replacement rates on the duration of unemployment. Using measures of replacement rates calculated from the SWITCH model (similar to those reported in Section 2.3 above), they find some evidence of an effect on the duration of unemployment. However, this is limited to recipients of Unemployment Benefit. Even for UB claimants, the estimated elasticities of duration with respect to the level of the replacement rate are very small (around 0.013) when compared to those found in the UK, Continental Europe and North America. Again, these microeconomic estimates suggest that while financial incentives do matter and their effects can be identified, the size of the impact may be relatively small.

Taken together, our conclusion from the available evidence is that on balance, tax and welfare policy changes over the period have been favourable for employment growth, but that the net contribution of this factor to total employment growth over the period was probably rather modest.

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Section 3: Adaptability – Flexible Working Arrangements

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Introduction

Flexible working arrangements can be advantageous to both employers and workers. For employers, flexibility may offer the capacity to smooth out fluctuations in demand, and, in the context of labour shortages, as experienced in Ireland in recent times, may increase labour supply by tapping new sources of labour, either part-time or temporary that might not otherwise be available. For workers, flexible working arrangements, particularly part-time work, may offer the opportunity to combine work with other activities, such as education and training or housework and caring commitments. Non-standard forms of work also appear to be more accessible to labour market ‘outsiders’, groups who are excluded from, or exclude themselves from, full-time continuous employment (Fagan and O’Reilly, 1998; Schmidt, 1998). This relates to the young and the old, and to those with histories of long-term unemployment, as well as women with domestic responsibilities. However, the growth of non-standard working arrangements has also been accompanied by increased concern about the quality of part-time jobs, particularly with respect to pay and occupational benefits (Kalleberg, Reskin and Hudson, 2000; Rubery, 1998).

The extent of atypical working, including both part-time work and temporary contracts, has increased in Ireland in the past decade or so. In this, Ireland participates in an international trend of increased flexibility of working hours and contractual relationships. In 1997 part-time employment accounted for just over 12% of total employment in Ireland, lower than the EU average of 17%, and well behind the rates in the Netherlands (38%), as well as Sweden, the United Kingdom, and Denmark (all between 22% and 25%) (O’Connell, 2000). The numbers working on fixed term contracts increased somewhat in Ireland from 8.5% in 1990 to 9.4% in 1997, while over the same period, the average incidence of fixed-term contracts across the EU increased from 10% to 12% (European Commission, 2000). Thus with regard to both part-time working and temporary contracts, Ireland has participated in a common European trend towards increased flexibility, although the rate of flexibilisation has been slower than elsewhere in Europe, and Irish rates of both part-time and temporary working remained lower than the EU average in the latter half of the 1990s.

Given the relative scarcity of empirical work on atypical working in Ireland, this section takes the form of a descriptive exploration of part-time work and workers, and of employees on temporary or fixed-term contracts, based mainly on data from the 1997 and 2000 waves of the *Living in Ireland Survey* (LIS). The LIS collected a wide range of information about labour market activities, among other things, from a nationally representative sample of over 4,000 households, with almost 10,000 individuals aged 17 years or over. The data are weighted and grossed up to be representative of the national population. The years covered span the period immediately before, and during the currency of, the implementation of the European Employment Strategy.

3.1 Part-time Working

Table 3.1, derived from the *Quarterly National Household Survey* (QNHS) shows that the numbers engaged in part-time work increased from 250,000 in 1998 to 284,000 in 2001. The

rate of increase in part-time working was similar to that of total employment, with the result that the share of part-time working in total employment remained at just under 17% throughout the years 1997-2000. Growth in the share of part-time in total employment took place between the mid 1980s and mid 1990s, and Sexton and O'Connell (1996) show that part-time work accounted for all of the modest increase in employment between 1983 and 1993.

Table 3.1: Incidence of Part-time Working and Underemployment By Gender, 1998-2001

	1998	1999	2000	2001
	%	%	%	%
Men	7.8	7.4	7.2	6.5
Of which underemployed	8.0	4.2	2.4	1.8
Women	30.1	30.5	30.7	31.1
Of which underemployed	2.6	1.5	0.9	0.6
All	16.7	16.7	16.8	16.6
Of which underemployed	4.1	2.2	1.3	0.8
Number (1,000)	249.6	266.5	280.6	284.3

Source: CSO, *Quarterly National Household Surveys*

The QNHS also identifies those who were working part-time and were underemployed, mainly those working part-time who indicated that they were looking and available for another part-time job or a full-time job. Table 3.1 suggests that the vast majority of part-time working in Ireland is a matter of choice: in 1998, only 4% of part-time workers were underemployed, and this fell to less than 1% in 2001. O'Connell (2000) shows that the extent of such involuntary part-time working fell from 18% of all part-time workers in 1992 to less than 13% in 1997, and the continued decline in this indicator reflects the buoyant labour demand over the period. Underemployment among male part-timers fell from 8% in 1998 to less than 2% in 2001, while the rate among women fell from 2.6% to 0.6% over the same period.

Having identified the incidence of part-time working on the basis of the data published in the *Quarterly National Household Survey* data, we now turn to the detailed information provided by the *Living in Ireland Survey* (LIS) to explore the characteristics of part-time workers and part-time jobs in some depth. For purposes of analytic clarity we focus on employees. The LIS questionnaire makes a basic distinction between: (1) Those whose main activity is work, defined as those who work 15 or more hours in a normal working week; and (2) Those whose main activity is not work but who, nevertheless work for less than 15 hours in a normal work. Part-time workers are defined as those who work less than 30 hours in a normal week. More detailed information is collected in respect of those whose main activity is work, those who work 15 or more hours per week, so for some indicators, such as the length of tenure in the current job, or access to occupational pension schemes, we have no information on those working less than 15 hours per week, and must confine our comparisons to part-time workers working 15-30 hours per week versus full-timers. We can only report on more than We have adopted the term 'marginal' to designate this latter group.

Table 3.2 drawn from the *Living in Ireland* surveys show that the number of employees working part-time increased from 181,000 in 1997 to 257,000 in 2000, a slight increase in proportional terms: from just under 17.5% to just under 19%.

Table 3.2 Working Time by Gender among Employees, 1997 and 2000

	<i>Distribution</i>			<i>Gender Share</i>		Total (1,000)
	Men	Women	All	Men	Women	
1997	%	%	%	%	%	
Full-time	93.3	67.8	82.5	65.2	34.8	855.3
Part-time	6.7	32.2	17.5	22.0	78.0	181.2
All	100.0	100.0	100.0	57.7	42.3	1036.5
Number (1,000)	597.7	438.8	1036.5			
2000						
Full-time	94.8	64.9	81.2	63.8	36.2	1113.9
Part-time	5.2	35.1	18.8	15.3	84.7	257.1
All	100.0	100.0	100.0	54.7	45.3	1371.0
Number (1,000)	749.6	621.4	1371.0			

The vast majority of men (93-95%) are full-timers, with part-timers accounting for 7% of total male employees in 1997 and 5% in 2000. The distribution of women by working time is very different: in 1997, 68% of women worked full time and 32% part-time. The proportion women working part-time increased to 35% in 2000. These differential patterns are reflected in the gender share of working time categories: in 2000, women accounted for 45% of all employees, but only 36% of full time employees and 85% of those working part time.

Figure 3.1 Distribution of Working-time Categories by Age Group and Gender, 2000

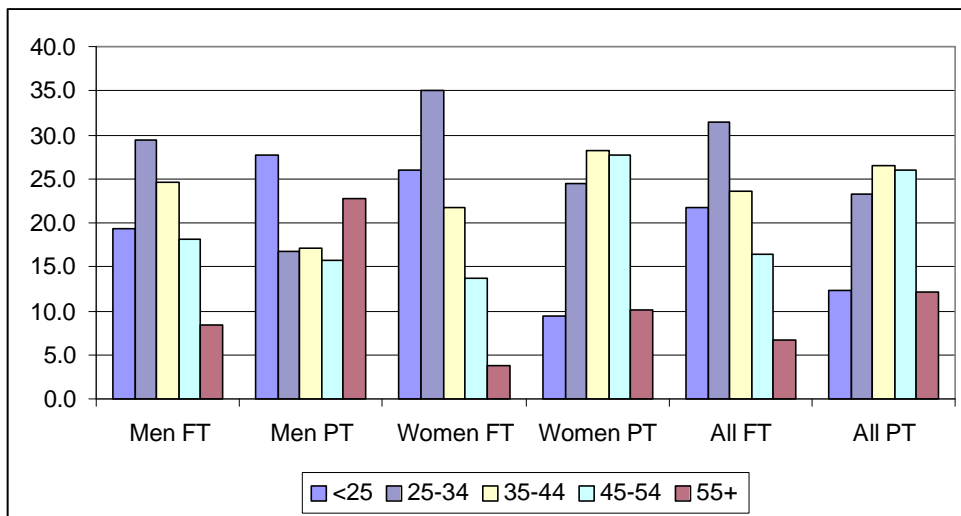


Figure 3.1 shows the distribution of working time categories by age group and gender in 2000. Overall, part-time workers tend to be skewed towards the older age groups, so almost 40% of part-time workers are aged over 45, compared to 23% of full-timers. However, there are important gender differences in the relationship between working time and age. Among men, about 55% of full-time employees are aged between 25 and 44 years, with 20% less than 25, and 8% over 55. Among male part-timers, 28% are aged less than 25, another 23% are

aged over 55, and only one-third are in the prime working age group, 25-45. Women full-timers are skewed towards the younger age groups: 26% of women working full time are aged less than 25, and another 35% are aged 25-34. Women part-timers, on the other hand, are concentrated in the middle age ranges, with one-quarter or more in each of the age groups, 25-34, 35-44 and 45-54. Only 10% of women part-timers are aged less than 25, and another 10% are aged over 55.

Figure 3.2 Distribution of Working-time Categories by Education, 1997 and 2000

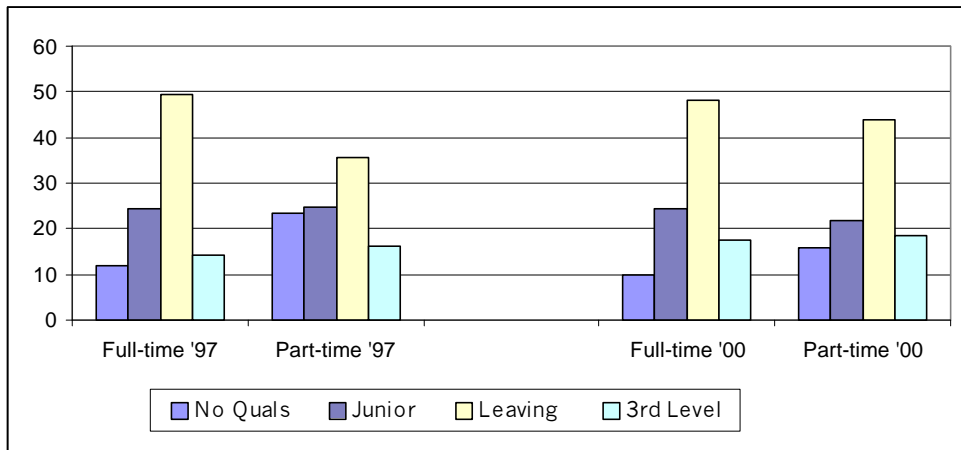
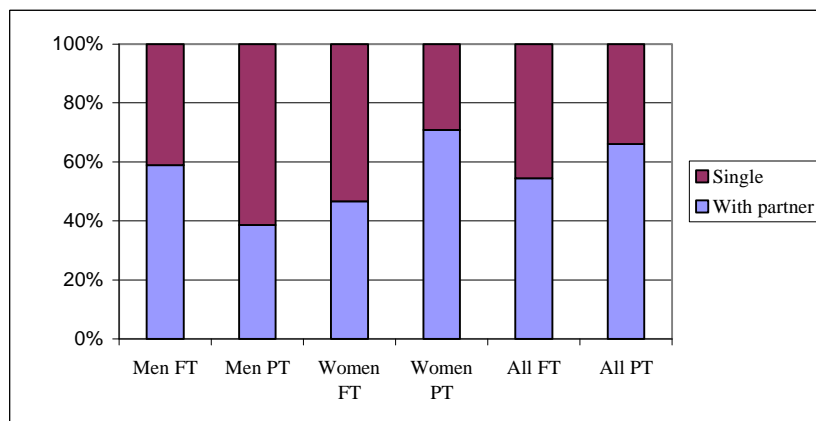


Figure 3.2 shows the distribution of working time by education in 1997 and 2000. In general, full-time employees show a more favourable distribution of educational attainment than part-timers: full-timers are less likely than part-timers to have no qualifications, and more likely to have a Leaving Certificate, although the proportions with Junior Certificate and tertiary education are roughly similar. Over time, the educational gap between full-time and part-time employees appears to have declined, due mainly to an increase in the proportion of part-timers with the Leaving Certificate (up from 35% in 1997 to 44% in 2000, and a decline in the proportion with no qualifications (down from 23% to 16%).

Figure 3.3 Working-time Categories by Marital Status, 2000



In general, a greater proportion of part-time than full-time employees are married or living with a partner. Again, however, gender dominates this relationship. Among men, about 60% of full-time employees are married or living with a partner, compared to 39% of part-timers. Among women, however, the relationship is reversed, with about 47% of full-timers married or living with a partner, compared to 71% of part-timers.

Table 3.3 Distribution of Employees by Gender, Working time and Occupation 2000

	Men			Women		
	Full-time	Part-time	All	Full-time	Part-time	All
	%	%	%	%	%	%
Agricultural workers	2.7	3.2	2.7	0.4	0.9	0.6
Producers etc	32.6	11.5	31.5	7.5	1.6	5.4
Labourers	6.5	5.3	6.4	1.7	1.3	1.5
Transport, communic	10.7	10.1	10.6	2.1	1.1	1.8
Clerical	7.8	5.1	7.7	34.2	21.5	29.7
Commerce etc	7.3	11.3	7.5	9.6	16.9	12.2
Service	8.1	16.7	8.5	14.4	30.4	20.0
Professional, manager	14.7	36.1	15.8	23.3	25.2	23.9
Others	9.6	0.7	9.2	6.7	1.3	4.8
	100.0	100.0	100.0	100.0	100.0	100.0

The distribution of employees by occupation varies by both gender and working time. Among male full-time workers, the two most numerous occupations are producers (accounting for 33%) and professionals and managerial workers (15%). Among male part-timers, the largest occupations are professionals and managerial workers (36%) and service workers (17%). Among women employees working full time, the largest categories are clerical workers (34%) professional and managerial workers (23%), and service workers (14%). These three occupations are also predominant among women part-time employees, but their shares differ: service workers account for 30%, professional and managerial workers for 25%, and clerical workers for 21%.

Table 3.4 Distribution of Employees by Gender, Working time and Economic Sector 2000

	Men			Women		
	Full-time	Part-time	All	Full-time	Part-time	All
	%	%	%	%	%	%
Agriculture	2.8	2.5	2.8	0.5	0.5	0.5
Construction	14.2	3.8	13.6	1.5	0.4	1.1
Production	25.6	11.3	24.8	15.0	8.3	12.7
Commerce, finance	17.5	17.5	17.5	22.6	21.6	22.2
Transport, communic.	10.9	4.5	10.6	5.8	3.8	5.1
Professional services	7.7	39.1	9.4	26.8	36.3	30.1
Public administration	10.4	0.0	9.9	8.0	3.2	6.3
Other	10.9	21.3	11.4	19.9	25.7	22.0
	100.0	100.0	100.0	100.0	100.0	100.0

Table 3.4 shows the distribution of employees by economic sector, gender and working time. Men and women working full-time are clustered in different economic sectors. Among male

full-time employees, 26% work in production industries, and a further 18% work in commerce and finance. Among women full-timers, the most numerous industries are professional services (27%), commerce and finance (23%) and other economic sectors (20%). Among part-time employees, the distribution of men and women across economic sectors is very similar: 39% of male part-timers, and 36% of female part-timers work in professional services, 21% of males and 26% of females work in other economic sectors, and 18% of men, and 22% of women, work in commerce and finance.

Table 3.5 Incidence of Part-time Working in Public versus Private Sectors

	Part-time share		Part-time Distribution	
	1997	2000	1997	2000
	%	%	%	%
Men				
Private Sector	6.1	4.5	64.1	63.8
Public Sector	8.2	7.2	35.9	36.2
All	6.7	5.2	100.0	100.0
Women				
Private Sector	33.0	36.8	72.5	74.1
Public Sector	30.2	30.8	27.5	25.9
All	32.2	35.1	100.0	100.0

It is also possible to look at the breakdown of part-time working in the public and private sector. Men working part-time accounted for 6% of employment in the private sector in 1997 and this proportion fell to 4.5% in 2000. The proportion of male part-timers in public sector employment also fell, from 8% to 7%. Women part-timers accounted for 35% of total employment in 2000, almost 37% of private sector employment and 30% of public sector employment. The majority of part-time employees work in the private sector, 64% of men and 74% of women in 2000, and this pattern has remained stable over time. Part-time working is more common

Table 3.6 Main Reason for Working Less than Full-time

	1997			2000		
	Men	Women	All	Men	Women	All
	%	%	%	%	%	%
Education, training	5.0	2.4	2.9	20.6	3.9	6.4
Housework	0.3	35.1	28.6	1.9	48.0	41.2
Illness	3.4	0.5	1.1	2.5	3.5	3.4
Cant find full-time job	34.5	16.9	20.2	21.6	6.6	8.8
Don't want more hours	10.4	25.3	22.5	17.8	18.6	18.5
Consider this full-time	36.9	18.6	22.0	20.3	15.9	16.6
Other	9.5	1.2	2.7	15.4	3.4	5.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
Number	31518	139141	170659	35593	207385	242978

Respondents working part-time were asked to indicate their main reason for working less than full-time. The pattern of responses differs markedly between men and women, so it is necessary to consider them separately. Almost 35% of male part-timers in 1997 indicated that they were working part-time because they could not find a full-time job, and another 37% considered their part-time job to be full-time. By 2000, the proportion of men who were

working part-time because they could not find a full-time job had fallen to less than 2%, and the proportion who considered that the present job was full-time had fallen to 20%. The proportion who did not want more hours had increased from 10% to 18%, and the proportion combining part-time work with education had increased from 5% to 20%. These changes over time, entailing a decline in the proportion of male part-timers who were underemployed, and an increase in the proportion who either did not want more hours, or who were combining education and part-time work, reflect the effects of increased labour demand.

Among female part-time employees, 35% were working part-time because they were involved in housework in 1997, and this increased to 48% in 2000, so the proportion of women combining housework with part-time work increased strongly over the period. The proportion of women who were working part-time because they could not find a full-time job fell from 17% in 1997 to less than 7% in 2000, and the proportion who did not want to work more hours also fell from 25% to 19%.

One of the concerns raised about the expansion of part-time work is that it represents a flexible pool of labour, available to smooth out fluctuations in production or services, and that, consequently, part-time workers are at greater risk of job loss. Table 3.7 shows the duration of current job for full-time and part-time employees in 1997 and 2000 (data were not available on this question for individuals working less than 15 hours per week). If part-time work were substantially less stable than full-time employment, then we would expect to see a disproportionate concentration of part-timers in the short duration categories.

Table 3.7 Tenure in Current Job By Working Time and Gender, 1997 and 2000

	Men		Women		All Employees	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
	%	%	%	%	%	%
1997						
<12 months	16.1	29.7	17.7	24.6	16.7	25.8
1-5 years	19.8	24.7	30.5	32.5	23.5	30.7
5-10 years	20.9	12.7	24.4	18.3	22.1	17.0
≥10 years	43.2	32.9	27.4	24.6	37.7	26.5
	100.0	100.0	100.0	100.0	100.0	100.0
2000						
<12 months	15.4	13.5	24.4	13.3	18.5	13.3
1-5 years	34.4	34.7	34.2	50.1	34.4	48.3
5-10 years	13.1	7.6	18.0	14.4	14.7	13.6
≥10 years	37.1	44.2	23.4	22.2	32.5	24.7
	100.0	100.0	100.0	100.0	100.0	100.0

Table 3.7 suggests that the pattern of job tenure changed between 1997 and 2000, largely because of the substantial growth in employment during the period discussed in Section 1 above. The proportion of full-time employees who had been in their current job for less than 12 months increased slightly from 17% to 18%, and the proportion who had been in their current job for 1 to 5 years increased from 24% to 34%. Among part-timers, the proportion of recent entrants dropped from 26% in 1997 to 13% in 2000, but the proportion who had been in their current job for 1 to 5 years increased from 31% to 48%. In general, a greater proportion of full-time employees have long tenure: for example, in 2000, 33% of full-time employees and 25% of part-time employees had been in their current job for more than 10 years. The exception to this rule is that there was a substantial proportion of men (44%) with

tenure of greater than 10 years in the current job, although this should be interpreted with some caution because of the comparatively small number of cases involved. It is also the case that men tend to have longer tenure than women: in 2000, 37% of male full-timers, compared to 22% of female full-timers, had been in their current jobs for ten or more years. In general, part-time workers tend to be disproportionately concentrated in the 1-5 years job tenure category, which indicates greater labour market mobility among part-time workers, but the evidence for the year 2000 does not suggest that part-timers are at greater risk of working in job with very short durations. Nor does it suggest that their exposure to job loss increased over the period.

In the debate over the quality of part-time jobs, the question of earnings is central. Given differences in hours, it is to be expected that the weekly or monthly wages of part-time workers will fall well below that of full-timers. Here we focus on gross hourly wages, which provides us with a basis for comparing earnings of people working different hours. Table 3.8 shows mean and median wages by working time and gender in 1997 and 2000. Mean gross hourly wages among part-timers were slightly higher than among full-timers (£8.60 versus £8.25) in 1997, but the position reversed in 2000, with mean hourly wages among full-timers (£9.66) slightly higher than among part-timers (£9.36). If we consider the median hourly wage, which, reflecting the wage at the mid-point of the distribution is less sensitive to outliers (particularly highly paid individuals) then we find that the median was lower among part-timers in both years.

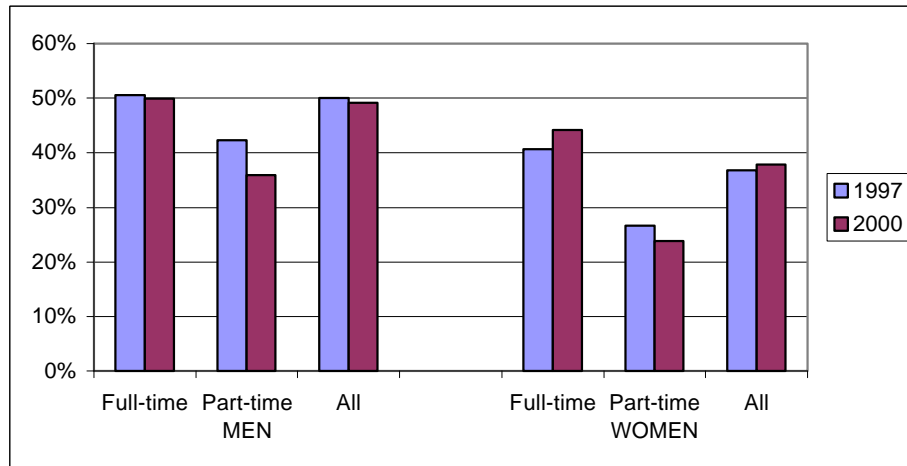
Table 3.8 Mean and Median Gross Hourly Wages, by Working Time and Gender,

	1997		2000	
	Mean	Median	Mean	Median
Full-time	£	£	£	£
Men	8.67	7.25	10.15	8.88
Women	7.48	6.23	8.81	7.58
All	8.25	6.97	9.66	8.29
Part-time				
Men	11.80	8.50	12.94	7.22
Women	7.69	5.24	8.71	6.15
All	8.60	5.71	9.36	6.25
All Employees				
Men	8.88	7.26	10.29	8.87
Women	7.55	6.00	8.77	7.19
All	8.31	6.75	9.61	8.00

In both years, mean wages among part-time male employees were higher than among full-timers. In 2000, this difference was particularly marked: male employees working full time earned £10.15 per hour on average, while the average among part-time employees was £12.94 per hour. This difference appears to be largely due to the strong representation of professional and managerial workers among male part-time employees (see Table 3.3 above). There was little difference between mean incomes of women part-timers and full-timers, although median incomes of women working part-time were lower than among women working full-time in both years. Men earned more than women in both years and irrespective of working time, an issue which is analysed in greater detail in Section 4 of this report. There is little evidence in Table 3.8 to suggest any substantial wage gap between full- versus part-

time workers. On average, male part-timers generally earn more than full-timers, women part-timers earn about the same as full-timers, and the most important variable influencing hourly wages is gender, not working time.

Figure 3.4 Membership of Occupational Pension Schemes by Working Time and Gender, 1997 and 2002



Pension entitlement represents an important occupational benefit which influences the long-term economic well-being of employees. Figure 3.4 shows the incidence of membership of occupational pensions by working time and gender in 1997 and 2002. The information relates only to those working 15 hours or more, since the data are not collected in respect of those who work less than 15 hours per week. About 50% of male employees have access to occupational pension schemes, but this is the case among less than 40% of women employees. Part-time workers are less likely to be covered by occupational pension schemes. In 1997, about 50% of male full-time employees were covered by occupational pension schemes, but only 42% of male part-timers were covered. In 2000, the proportion had fallen to 36%. Among women, the proportion of full-time employees with access to pensions increased from 41% in 1997 to 44% in 2000, while the proportion of part-timers fell, from 27% to 24%. In general then, part-time employees have less access to occupational pension schemes, and between 1997 and 2000, the proportion of part-timers with occupational pension entitlements declined. This is likely to mitigate against increased flexibility of working time since it renders part-time working less attractive to potential employees.

The *Living in Ireland Survey* also collects information about a range of free or subsidised services or benefits offered by employers to their employees. Table 3.9 shows the incidence of access to such benefits by working time and gender in 1997 and 2000. The most common benefit is employer sponsored education or training. This is an important benefit because it may influence future earnings and employability. Part-time workers are less likely to have access to employer sponsored education or training. For example, in 1997, 45% of women full-time employees had access to this benefit, compared to only 25% of part-timers. Between 1997 and 2000 the proportion of employees with access to education or training benefits declined. Women working part-time, among whom the proportion with access to this benefit remained stable, were the only exception to this trend.

Table 3.9 Access to Employer Provided Benefits

	Creche/Child care	Health care/ insurance	Education/ training	Sports/ leisure facilities	Housing benefit
1997	%	%	%	%	%
Men Full-time	1.6	22.0	40.8	21.1	5.4
Men Part-time	0.9	13.6	34.3	14.6	5.9
Women Full-time	3.9	19.1	45.2	19.7	5.5
Women Part-time	3.7	6.7	24.5	9.4	2.8
2000					
Men Full-time	1.8	20.3	35.6	15.2	2.6
Men Part-time	4.0	6.2	26.7	14.3	0.0
Women Full-time	2.5	17.4	41.5	12.8	3.8
Women Part-time	1.4	5.4	25.0	6.6	1.2

Employer-subsidised creche or childcare is extremely rare in Ireland, and in general part-timers are less likely to have access to this benefit than full-time employees. Over time, the proportion of male employees with access to childcare benefits, particularly part-timers, appears to have increased over time, while that among women workers appears to have fallen. In respect of most other benefits, including employer subsidised health care or insurance, housing benefits, and sport and leisure facilities, there are two common patterns: (1) part-time workers are less likely to enjoy these benefits; and (2) the proportion of employees with access to such benefits has fallen somewhat over time.

3.2 Temporary Working

Little is currently known about workers with temporary, non-permanent contracts in Ireland. No data on the nature of contracts is published from the *Quarterly National Household Survey*, the basic source for labour market indicators in Ireland. While information on fixed-term contracts is published in *Employment in Europe*, based on the *European Labour Force Survey data*, this relates only to fixed term contracts, and thus ignores casual and other non-standard contracts.

Fortunately the *Living in Ireland Survey* does collect information on the nature of contracts, and this section presents a first look at this data. For clarity, the analysis focuses on employees. Given that the information relating to contract type is collected only among those whose main activity is work, the analysis is confined to those working 15 or more hours per week.

Table 3.10 shows the nature of contract by gender in 1997 and 2000. In 1997, 83% of all employees had permanent contracts, almost 6% had fixed-term contracts with a specified termination point, and 8% were in casual contractual arrangements. In 2000 the distribution had changed little, with a small increase in the proportion with permanent contracts, and a small decline in the proportion of casual workers. Women are less likely to working in permanent jobs than men, although the proportion of women in some form of non-permanent working arrangement fell from 23% in 1997 to 20% in 2000. This is reflected in the gender share of employment by different contract types: women account for 45% of total employment, but only 42% of permanent employment, and about 58% of both fixed term and

casual employment. O'Connell (2000) shows that the extent of temporary working in Ireland was lower than the European average in 1997, and the data presented above suggest that little has changed in more recent years.

Table 3.10: Nature of Contract by Gender, 1997 and 2000

	Distribution			Gender Share		Total (1,000)
	Men %	Women %	Total %	Men %	Women %	
1997						
Permanent	88.4	76.6	83.4	61.6	38.4	810380
Fixed-term	3.4	8.9	5.7	34.8	65.2	55610
Casual	7.0	10.1	8.3	49.0	51.0	80280
Other	1.3	4.4	2.6	28.7	71.3	24877
	100.0	100.0	100.0	58.2	41.8	971147
2000						
Permanent	88.9	80.2	85.0	57.7	42.3	1106448
Fixed-term	4.9	8.2	6.4	42.1	57.9	83068
Casual	4.5	7.8	6.0	41.7	58.3	77951
Other	1.7	3.8	2.6	34.9	65.1	33969
	100.0	100.0	100.0	55.1	44.9	1301436

Table 3.11 Nature of Contract by Working Time, 2000

	Distribution			Breakdown of total		
	Full-time %	Part-time %	All %	Full-time %	Part-time %	All %
Permanent	89.3	63.5	85.0	74.5	10.5	85.0
Fixed-term	5.5	10.7	6.4	4.6	1.8	6.4
Casual/other	5.2	25.9	8.6	4.3	4.3	8.6
	100.0	100.0	100.0	83.4	16.6	100.0

Table 3.11 shows the relationship between nature of contract and working time. Almost 90% of full-time employees are permanent. Only 64% of part-time employees are permanent, 11% are on fixed-term contracts, and almost 26% are in casual or other non-permanent contractual arrangements. It is also useful to consider the breakdown of all employees by both working time and contract type: almost three-quarters of all employees are in standard full-time permanent jobs, another 11% of all employees are working part-time in permanent jobs, and less than 5% are in any other combination of working time and contractual relationship. The smallest category is part-time workers on fixed-term contracts, accounting for less than 2% of all employees in 2000.

Figure 3.5 shows the distribution of contract type by age group. Over three-quarters of all permanent employees are in the three age groups between 25 and 54 years of age. Among employees on fixed-term contracts, over one-third are aged less than 25 and a further third are aged 25-34, with much lower representation among the older age groups. Casual working arrangements are also heavily skewed towards the older age groups.

Figure 3.5: Contract Type by Age Group, 2000

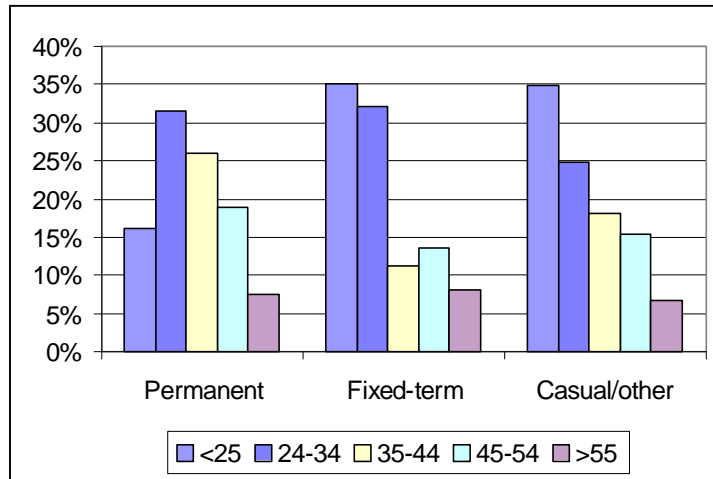


Figure 3.6 shows contract type by educational attainment in 2000 and reveals substantial variation. Almost half of all permanent employees have a Leaving Certificate level of education, about one-quarter have a Junior Certificate, and a further 18% have third level qualifications. In contrast, 42% of those on fixed-term contracts have third level qualifications, and another 36% have a Leaving Certificate, so fixed-term employees have a substantially more favourable distribution of qualifications. Casual workers, however, display a much less favourable distribution of educational attainment, with greater proportions of casual workers having either no qualifications, or a Junior Certificate, than is the case in either of the other two groups. Less than 10% of casual workers have a third level qualification. These differences in educational attainment highlight the differences between fixed-term and casual workers, and indicate the importance of considering the two groups separately, rather than considering all non-permanent workers as a homogenous group.

Figure 3.6 Contract Type by Educational Attainment, 2000

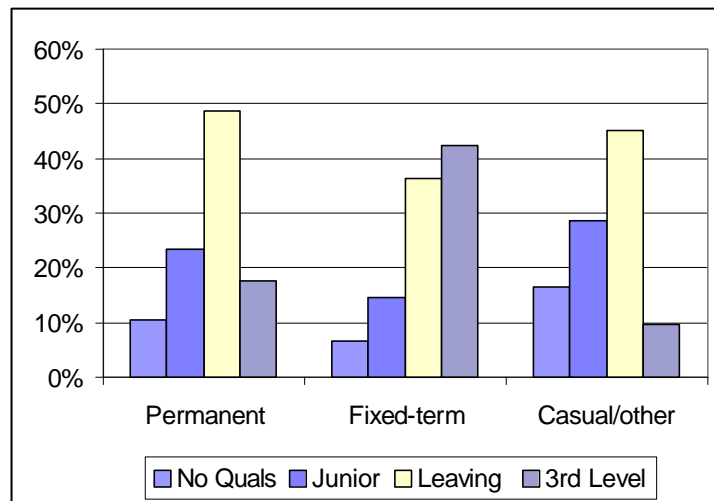


Table 3.12 Nature of Contract by Occupation, 2000

	Permanent	Fixed Term	Casual	All
	%	%	%	%
Agricultural workers	1.5	2.0	4.8	1.8
Producers etc	20.1	10.4	14.0	18.9
Labourers	4.1	1.6	8.9	4.3
Transport, communications	7.5	4.4	2.4	6.9
Clerical	18.3	18.8	15.8	18.2
Commerce etc	9.5	3.7	16.0	9.7
Service	10.9	20.8	27.6	12.9
Professional, manager	20.0	29.4	9.7	19.7
Others	8.2	8.9	0.7	7.6
	100.0	100.0	100.0	100.0

Table 3.12 shows the distribution of contract types by occupation. Compared to the distribution to total employment, fixed-term employees are disproportionately represented among professional and management occupations, and among service workers, and under-represented among producers. Casual workers are over-represented among service workers, and commercial and financial workers, and under-represented among professional and managerial workers.

Table 3.13 Nature of Contract by Economic Sector, 2000

	Permanent	Fixed Term	Casual	All
	%	%	%	%
Agriculture	1.6	1.6	4.1	1.8
Construction	7.8	3.3	6.7	7.4
Production	20.8	11.7	14.3	19.7
Commerce, finance	20.0	13.7	22.6	19.8
Transport, communications.	9.2	4.0	4.4	8.4
Professional services	18.0	29.7	17.5	18.7
Public administration	8.8	11.9	3.1	8.5
Other	13.8	24.1	27.2	15.6
	100.0	100.0	100.0	100.0

Table 3.13 shows the distribution of contract types by economic sector. Fixed-term employees are substantially over-represented in professional services and in the miscellaneous 'other' sector. They are under-represented in the more traditional production industry sector, and in commerce and finance. Casual workers are heavily concentrated in the 'other' sector, and are also over-represented in agriculture. They are under-represented in production industries and public administration.

Table 3.14 Nature of Contracts in the Public and Private Sectors, 2000

	Distribution by Contract			Distribution by Sector		
	Private	Public	All	Private	Public	All
	%	%	%	%	%	%
Permanent	70.9	29.1	100.0	84.7	85.8	85.0
Fixed Term	54.0	46.0	100.0	4.8	10.2	6.4
Casual/ other	86.5	13.5	100.0	10.5	4.0	8.6
All	71.1	28.9	100.0	100.0	100.0	100.0

Over 70% of permanent employees work in the private sector. About 54% of employees on fixed-term contracts work in the private sector, and 46% in the public sector. The vast majority (87%) of casual employees work in the private sector. About 85% of employees in both the public and private sectors are permanent. In the private sector, only 5% of employees are on fixed-term contracts, and 10% are casual. This distribution is reversed in the public sector, where 10% of employees are on fixed-term contracts, and only 4% are casual.

Table 3.15 Mean Gross Hourly Wages by Contract Type, 1997 and 2000

	Permanent	Fixed-term	Casual	All	Ratio	
					Fixed-term/ Permanent	Casual/ Permanent
	£	£	£	£	%	%
1997						
Men	9.45	7.96	5.04	9.03	84.2	53.3
Women	8.36	6.65	5.20	7.75	79.5	62.2
All	9.03	7.11	5.13	8.50	78.7	56.8
2000						
Men	10.80	9.94	6.03	10.46	92.1	55.8
Women	9.33	7.77	5.96	8.82	83.3	63.9
All	10.18	8.70	5.99	9.73	85.5	58.8

Table 3.15 shows mean gross hourly wages by contract type in 1997 and 2000. The table reveals a strong relationship between contract type and earnings: permanent employees earn more than fixed-term employees, fixed-term more than casual workers. In 2000, the average gross hourly wage was £10.18 among permanent workers, £8.70 among employees on fixed-term contracts, and £5.99 among casual workers. The gaps between permanent and both fixed-term and casual employees narrowed somewhat between 1997 and 2000. For example, the mean wage for fixed-term employees was 79% of the mean for permanent workers in 1997, and increased to 86% in 2000. The gain among casual workers, relative to permanent employees, was more modest: from 57% in 1997 to 59% in 2000.

The gender wage gap was evident among both permanent employees and those on fixed-term contracts. However, there was little difference between men and women in the much lower mean wage rates earned by casual workers. In fact, in 1997 female casual workers earned slightly more, and in 2000 slightly less, than male casual workers.

3.3 Wage Differences

The previous two sub-sections have shown differences in hourly wages between full-time and part-time employees, and between employees working under different contractual arrangements. This raises the question of whether these wage differences are due working arrangements *per se*, or to the differential distribution of influential factors, such as characteristics of individuals or jobs, across of working hours or contractual arrangements. So, for example, we cannot tell from the bivariate descriptive analysis whether employees on fixed-term contracts earn less than permanent employees because the former tend to be younger (or some other factor), or because workers on fixed term contracts earn less, irrespective of age.

Table 3.16 Regression Model of Log Gross Hourly Wage in 2000

	All		Men		Women	
	Coefficient	Std. Err.	Coefficient	Std. Err.	Coefficient	Std. Err.
Constant	1.591 ***	0.042	1.648 ***	0.051	1.284 ***	0.087
Female	-0.146 ***	0.016				
Part time	0.065 **	0.021	0.173 ***	0.046	0.053 *	0.023
Fixed Term	-0.131 ***	0.029	-0.060	0.045	-0.195 ***	0.038
Casual/ other	-0.233 ***	0.025	-0.263 ***	0.040	-0.212 ***	0.031
Junior Cert	0.103 ***	0.024	0.080 **	0.030	0.112 **	0.040
Leaving Cert	0.239 ***	0.025	0.199 ***	0.032	0.294 ***	0.039
3 rd Level	0.542 ***	0.032	0.549 ***	0.044	0.563 ***	0.048
Age 25-34	0.068 ***	0.026	0.124 **	0.036	0.010	0.038
Age 35-44	0.070	0.041	0.141 *	0.055	-0.049	0.063
Age 45-54	0.130 *	0.058	0.260 **	0.077	-0.088	0.089
Age 55+	0.065	0.078	0.199 *	0.101	-0.184	0.120
Married/Partner	0.119 ***	0.016	0.178 ***	0.024	0.068 **	0.022
Public Sector Job	0.161 ***	0.021	0.078 **	0.029	0.254 ***	0.031
Yrs out of work	-0.008 ***	0.002	-0.012 **	0.004	0.001	0.003
Yrs at work	0.006 **	0.002	0.002	0.003	0.014 ***	0.003
Occupation						
Agricultural	-0.080	0.082	-0.162	0.096	0.123	0.166
Producer	0.129 ***	0.034	0.099 *	0.039	0.172 *	0.082
TransCom	0.075	0.041	0.026	0.046	0.242 *	0.098
Clerical worker	0.142 ***	0.038	0.081	0.051	0.237 **	0.076
Commercial	0.037	0.041	0.040	0.053	0.088	0.079
Service worker	0.062	0.039	0.124 *	0.049	0.078	0.078
Professional/ Mgt	0.403 ***	0.040	0.345 ***	0.050	0.477 ***	0.081
Other Occupation	0.375 ***	0.041	0.364 ***	0.049	0.426 ***	0.085
Economic Sector						
Agriculture	-0.283 ***	0.077	-0.244 **	0.090	-0.346 *	0.162
Construction	0.120 ***	0.029	0.105 **	0.032	-0.127	0.110
Commerce, Finance	0.019	0.024	-0.036	0.031	0.081 *	0.039
TransCom	-0.008	0.030	0.039	0.036	-0.079	0.055
Prof. Services	-0.047	0.029	-0.130 **	0.041	-0.019	0.044
Public Admin	-0.059	0.035	-0.047	0.044	-0.102	0.057
Other sector	-0.153 ***	0.026	-0.161 ***	0.037	-0.116 **	0.040
N of cases	3019		1688		1330	
Adjusted R ²	0.54		0.50		0.59	

* p < .05, ** p < .01, *** p < .001

Reference categories: Full-time, permanent, No Qualifications, age less than 25 years, single, private sector, labourer, production industry.

In the regression analysis presented in Table 3.15, we test the influence of non-standard working arrangements on hourly wages, more formally by examining their impact in models which control for a range of other likely influential factors. These are conventional wage regression models, which use the log of gross hourly wages in order to render the dependent variable more linear, and to minimise the influence of outlying values (such as very high or low income values) on the estimated parameters.

The first model combines men and women, and shows a negative effect for women: women earn about 15% less per hour than men. Part-time employees earn about 6% more than full-time employees, when all other relevant variables, including personal and job characteristics are controlled for. This is an important finding, since it is somewhat counterintuitive, and because it suggests that at least some of the concerns about the quality of part-time jobs is misplaced, at least in Ireland. Fixed-term workers earn about 13% less than permanent employees, and casual workers about 23% less than permanent workers.⁹

In other respects, the results of this model are familiar and in accordance with previous research. Education increases earnings, and the effect of education increases by level, so those with the Leaving Certificate earn, on average, 25% more than those with no qualifications, those with third level education earn about 54% more. Age is also associated with higher earnings, although not all of the differences by age group achieve statistical significance. Married people tend to earn more than single individuals. The number of years out of the labour market has a negative impact on wages, years spent working, reflecting work experience, has a positive effect. Public sector employees earn more than those in the private sector. Professional and managerial workers, as well as those in the miscellaneous 'other' occupations earn substantially more than labourers (the reference category), and employees in the agricultural sector earn appreciably less.

Given the evident differences in earnings between men and women, it is useful to consider the models separately for men and women. Among male employees, part-time workers earn about 17% more than their full-time counterparts, a substantial wage gap, and much larger than the 5% difference found between female part- and full-time employees. Women employees on fixed-term contracts earn almost 20% less than their permanent counterparts, but there is no statistically significant difference between male permanent and fixed term employees. Casual work has a strong negative effect on the wages, reducing the wages of men by 26%, and those of women by 21%, compared to their permanent colleagues.

In this section we have shown that the number of employees working either part-time or in non-permanent contracts has increased with the overall rapid increase in employment in the years 1997 to 2001. However, in proportional terms, their share of total employment has increased by little, if at all. Rates of flexibilisation of work thus continue to be lower in Ireland than elsewhere in the European Union. In Ireland, part-time working is associated with higher hourly wages. The wage premium associated with part-time work is particularly substantial for men, and remains even when we control for other relevant factors that influence wage rates. We also found that part-time employees are less likely than their full-time colleagues to have access to occupational pension schemes, and they are less likely to benefit from a range of employer-sponsored fringe benefits, including training. Women working on fixed-term contracts earn less than permanent employees, but this is not the case among men, when we take other factors into consideration. Casual workers of both genders earn less than permanent employees, even taking account of other relevant factors.

⁹ We also estimated these models with the addition of a measure of tenure in current job. The negative effects of both fixed-term and casual work remained.

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Section 4: Equal opportunities between Men and Women

4.1 The Male/Female Wage Gap in Ireland

Helen Russell, ESRI and Brenda Gannon, ESRI

Introduction

Reducing the pay gap between men and women has become an increasingly important element of the European Employment Strategy. The first set of Employment Guidelines issued in 1998 did not include a specific reference to the gender wage gap nor was the wage gap one of the employment indicators included in the 1998 joint employment report. In 1999, the topic of equal pay was given greater prominence and was explicitly included in Guideline 20, which stated that Member States will 'initiate positive steps to promote equal pay for equal work or work of equal value and to diminish differentials in incomes between women and men'.

The Stockholm European Council in 2001 placed an enhanced focus on the quality of work, of which pay remains one important constituent. The Stockholm summit specifically identified the gender pay gap as a priority and called for a strengthening of Guideline 17 on gender gaps. The pay gap is seen as problematic both directly (as an source of gender inequality) and as indirectly as a disincentive for female employment. The 2002 Employment Guidelines explicitly call for member states to

adopt a multi-faceted strategy to achieve gender pay equality in both the public and private sectors, and consider the setting of targets to tackle the pay gap. Such a strategy could include inter alia a review of job classification and pay systems to eliminate gender bias, improving statistical and monitoring systems, and awareness-raising and transparency as regards gender pay gaps.

Policy development in Ireland reported in the National Employment Action Plans

Although reducing the gender pay gap was not an explicit element of the 1998 employment guidelines, the 1998 EAP referred to number of important policies with indirect implications for the pay gap. The main policies reported under the Equal Opportunities Pillar for Ireland were the introduction of the Employment Equality Act 1998, the establishment of the Equality Authority, the introduction of the Parental Leave Act, 1998.

The only action reported in 1999 EAP that was directly linked to gender pay gap was the implementation of the Employment Equality Act, 1998. A number of new provisions in relation to gender were identified.¹⁰ Firstly, the extension of ground of discrimination to include family status. Secondly, for equal pay purposes allowing an employee to select a comparator who worked for the same/associated employer during the previous or following three years. Thirdly, the 1998 Act introduced a more proactive approach to equality issues with the Equality Authority given power to conduct *equality reviews* and prepare *equality*

¹⁰ The report on 1999 EAP outcomes also mentions that the 1998 Act removed the requirement that the comparator be employed in the same place as the claimant, however the original Anti-Discrimination (Pay) Act, 1974, applied the same criteria, of someone employed by the same or associated employer.

action plans. Businesses failing to implement the provisions of an equality action plan will be issued with substantive notice, which can be enforced by the Courts.

Other developments, in areas which may have an indirect impact on gender pay differentials, were a modest investment in childcare (£11 million over two years, 1998/9) and providing childcare support to participants in a number of specific education/training programmes.

In the 2000 EAP the only reference to pay differentials in the 'actions planned' report is a commitment to establishing a consultative group, which would consider the results of research commissioned on the gender pay gap, contained in Barrett et al. (2000). The introduction of the National Minimum Wage is mentioned under the Employability Pillar of the plan, and the relevance of this policy for the wage gap is considered below. Other policy proposals such as the individualisation of the tax system, the encouragement of family-friendly policies, a review of maternity provision, and the development of childcare services through the National Development Plan (NDP), may also have an indirect impact on gender pay gaps by facilitating women's participation in the labour market.

The 2001 EAP reports in more detail on the provisions of the NDP and again reports that a consultative group will consider the recommendations of the report on male-female wage differentials (by Barrett et al, 2000) and will develop proposals for action for consideration by government. However, no specific proposals are mentioned. The EAP also reports the implementation of some of the recommendations of the report on Access by Women to the Labour Market, including the introduction of a childcare allowance for FAS trainees.

In this section of the report we examine the evolution of the gender pay gap in Ireland over time, with particular reference to the situation in 1997 before the employment strategy/EAPs was initiated and the year 2000, which provides a picture after three years of the strategy. As far as possible, we will consider the influence of the EAP actions, outlined here, on the size and distribution of the gender pay gap.

Analysis of the Gender Wage Gap in Ireland

1. Methodology – data and measures

The analysis in this Chapter is based on the Living In Ireland Surveys, which form the Irish component of the European Community Household Panel (ECHP): an EU-wide project to conduct harmonised longitudinal surveys dealing with household income and labour situation in the member states. The ECHP involves a household questionnaire which is completed by the 'reference person' or person responsible for the accommodation, and an individual questionnaire which is completed by each adult (age 17 or over) in the household.

The first wave of the ECHP was conducted in 1994, and the same individuals and households were then followed each year. The total number of households successfully interviewed in 1994 was 4,048, representing 57 per cent of the valid sample. Within these households, 9,904 eligible respondents completed the full individual questionnaire (964 on a proxy basis).

In 1997, the fourth wave of the panel, the sample had declined somewhat due to attrition. In total, 2,945 household interviews had declined to giving a response rate of 88%. The final number of individuals interviewed was 6,868, representing 95% of all suitable candidates within the sample households.

In 2000, the Irish sample of individuals and households followed from Wave 1 was supplemented by the addition of 1,500 new households to the total. This was done in order to

increase the overall sample size, which had declined due to attrition since 1994. A larger sample size ensures that the precision of estimates of key figures and allows a greater disaggregation of the data so that the situation of policy-relevant sub-groups, can be examined. The sample supplementation exercise, together with the follow-up of continuing households, resulted in a completed sample in 2000 of 3,467 households. Individual interviews were conducted with 8,056 respondents, representing 93 per cent of those eligible.

In each survey, detailed information was provided on earnings, education, labour market experience and other characteristics. Individuals are assigned a Labour Force Status based on information provided throughout the questionnaire. For this analysis of earnings we selected employees only, which includes apprentices and employees either working full time or part time. Employees were asked about their gross pay (including overtime) received in the last pay period. They were then asked the periodicity of this pay, and how many hours worked during that period. This information was combined to provide an gross hourly wage for each individual. In some cases, this was not their usual pay, and these respondents were asked to provide their usual gross pay and usual hours. For these individuals hourly earnings is constructed from their usual pay and hours. This format means that regular overtime is included in the calculation, but irregular overtime which leads respondents to classify their last pay packet as not 'usual' is excluded. Combining all this information provides us with a reliable measure of individuals' gross hourly earnings, covering both full time and part time employees.

The overall representativeness of the sample data in all Living in Ireland Surveys, has been validated by comparison with a variety of external information and on this basis it appears to represent the target population well in terms of, for example age and sex, household composition and taxable income. For our analysis, the 1994 sample contained information on over 3,000 employees who responded fully to the relevant labour market questions, 1917 men and 1,390 women. By 1997, this sample was reduced slightly to 1,563 and 1,180 men and women respectively. Sample supplementation in 2000, provides us with 1,974 men and 1,596 women employees. This data allows us to analyse the trend in national gender wage differentials from 1994 to 2000.

3: Trends in wage gap over time

Figures on the economy-wide pay gap are available for the period 1987 to 2000. Fortunately, they cover the period when the employment guidelines were introduced: the 1997 figures represent the period immediately prior to the introduction of the employment strategy, while those for 2000 give the picture following its introduction.

The figures presented in Table 1 show that the gender wage gap across the economy as a whole is narrower than that reported in the manufacturing sector. In 2000 the mean gross hourly wage for men was £ 10.29 while for women it was £ 8.77, which was 14.7% less. The results also show that (despite a significant increase in the hourly wages) there was a very small decrease in the gap between average male and female wages between 1997 and 2000 of .3 of one per cent. Prior to the introduction on the employment strategy in 1998 the male-female wage gap was already on the decline, and if anything the pace of this reduction has slowed since its introduction.

Table 4.1: Gender wage gap in Ireland 1987 – 2000, Living in Ireland Surveys

F/M Ratio	Wage Gap	Mean Hourly Wage ₂₀₀₀	
		Male	Female

	%	%	£	£
1987 ¹	80.1	19.9	4.27	3.59
1994	82.8	17.2	7.71	6.38
1997	85.0	15.0	8.88	7.55
2000	85.3	14.7	10.29	8.77

¹ Taken from Callan & Wren (1994)

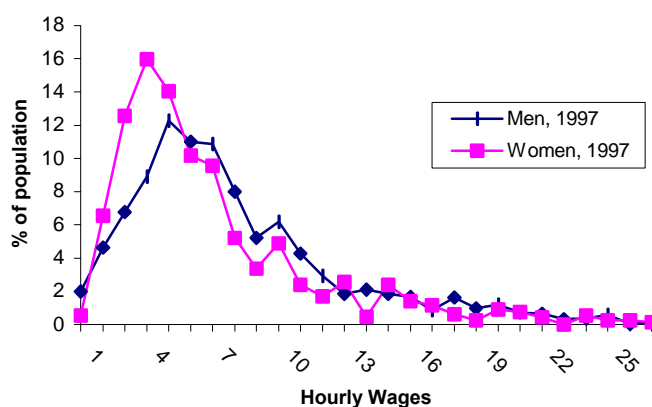
² The figures for 1994 and 1997 vary marginally from those reported in Barrett et al (2000) because they are weighted by individual weights rather than household weights.

4: Wage Distribution for Men and Women

The average wage differential described above tells only part of the story of gender wage differences. As Barrett et al (2000) outline “an average wage differential of say, 10 per cent is consistent not only with a situation in which all women are underpaid by 10 per cent but also with one in which half of the women are underpaid by 20 per cent and the other half receive the same wages as men.” This information is crucial to policy makers in selecting appropriate measures for alleviating wage discrimination. A more comprehensive analysis of gender wage differences may be obtained by looking at the entire distribution of wages.

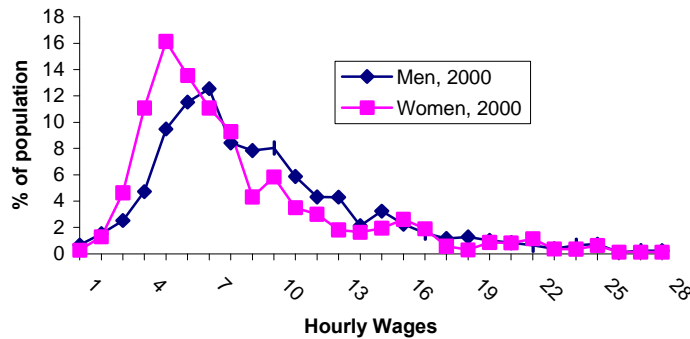
Figures 1 and 2 below plot the distribution of gross hourly earnings for men and women in 1997 and 2000 respectively. In both years, the men’s earnings distribution is skewed more to the right of the graph, indicating higher average hourly earnings for men. Furthermore, this shows a higher variability in earnings for men. In 1997, we see that the earnings distribution for women peaks at between £3.00 and £4.00 per hour, and the rest of the distribution clusters tightly around this point. Conversely, men’s earnings are less tightly clustered around the mode of approximately £4.00 an hour.

Figure 1: Distribution of Hourly Wages, 1997



By the year 2000, the earnings distribution for both sexes has moved slightly towards the right, showing an increase in hourly earnings overall (however we have not corrected for inflation here so this is not necessarily a rise in real earnings). Nonetheless, the picture remains the same, with more variability in men’s earnings. The peak in women’s earnings is now approximately £4.00 an hour, and once again we see that a high proportion of women fall within close range of the mode. The distribution for men holds a similar shape to that in 1997, reaching a maximum at approximately £6.50 an hour.

Figure 2: Distribution of Hourly Wages, 2000



To establish the size of the earnings gap between men and women at different parts of the earnings distribution, we look at the average hourly income within each decile of the distribution. Table 2 shows the largest gender gaps in earnings lie towards the middle of the earnings distribution. In 2000, the narrowest gaps are amongst the two highest paid deciles and the two lowest paid deciles. Between 1997 and 2000, before and after the introduction of the Employment Strategy, the gender wage gap narrowed slightly in most parts of the earning distribution, most noticeably in the ninth decile, the biggest increase in the wage gap was in the bottom decile but it remained the decile with the narrowest gap overall. Small increases in the gender wage gap also occurred in the sixth to eighth deciles.

Table 4.2: Mean hourly earnings in each decile, 1997 and 2000

	1997			2000		
	Men £	Women £	F/M ratio %	Men £	Women £	F/M ratio %
1 Low	2.54	2.53	99.4	3.70	3.48	94.1
2	4.17	3.54	84.8	5.46	4.76	87.3
3	5.16	4.17	80.9	6.47	5.41	83.6
4	6.03	4.87	80.7	7.32	6.06	82.7
5	6.87	5.57	81.0	8.23	6.83	83.1
6	7.76	6.43	82.9	9.42	7.69	81.6
7	9.01	7.49	83.1	10.69	8.73	81.7
8	10.80	9.20	85.2	12.44	10.48	84.2
9	13.96	11.95	85.6	15.30	13.63	89.1
10 High	22.47	19.73	87.8	23.73	20.77	87.5

The comparison of the wage gap at different deciles suggests that the story is not primarily one of glass ceilings, since the gap between higher paid women and higher paid men is narrower than in the middle of the distribution.¹¹ Barrett et al (2000, p79) argued that the similarity of men and women's wages in the bottom of the wage distribution would limit the

¹¹ Analysis of Swedish data shows that the gender wage gap gets much wider towards the top of the earnings distribution, suggesting a greater exclusion of women from higher paid jobs (Albrecht et al. 2001).

impact of a National Minimum Wage on the gender wage gap. The 2000 data provide a picture of the situation just after the introduction of the NMW at the value of £4.40 in April 2000.¹² As we saw the drop in the average wage gap pre and post the introduction of the NMW was very small (0.3%). The NMW is likely to have had the greatest impact on the bottom two deciles, but there is a widening of the gap in the first decile and a narrowing of the gap in the second decile since 1997. It is a matter of concern that 6.1% of men and 9.5% of women were earning less than £4.40 in 2000. Some of these workers may be legitimately paid a reduced minimum if they are under 18, are in the first two years of employment or are trainees.¹³ Further research is necessary to establish the extent of non-compliance with this new legislation.

5: Breakdown of Gender Wage Gap by Personal and Labour Market Characteristics

The average wage gap can disguise widely varying ratios between categories of workers. Therefore in order to get a more comprehensive picture of the structure of gender wage differentials we look at the female/male ratio across different subsets of the population of employees. Comparing these figures over time can help to identify groups whose situation has particularly improved or disimproved over time, especially over the period of the Employment Strategy. Subdividing the data-set in this manner can lead to small numbers of observations in certain cells, for which the margin of error attached to our estimates of average wages or wage ratios would be unacceptably high. For this reason we omit cells with less than 25 observations for either sex.

Age

In general, earnings tend to increase with age as the worker builds up experience and seniority. However, this relationship may be affected by differences in men's and women's labour market participation patterns over the life-cycle. For this reason, it is instructive to consider the female/male wage ratio across age groups and this is done in Table 3. The first point to note is the general trend for the wage ratio to fall as age increases, except in the oldest age group, which may reflect the fact that men's labour market careers tend to have fewer and shorter interruptions than women's. The gap is narrowest among the youngest age group, aged under 25 and is widest among those aged 45-54 years.

Table 4.3: Male Female Wage Differential by Age Group.

<i>Age Category</i>	<i>1994</i>	<i>1997</i>	<i>2000</i>	<i>Mean Hourly Wage 2000</i>	
	<i>Ratio</i>	<i>Ratio</i>	<i>Ratio</i>	<i>Male</i>	<i>Female</i>
	%	%	%	£	£
17-24	107.3	107.0	96.3	6.79	6.54
25-34	96.8	90.8	90.3	9.75	8.80
35-44	81.8	91.5	87.4	10.88	9.51
45-54	70.7	72.6	73.3	13.29	9.75
55-64	77.7	74.3	80.1	12.41	9.94

Comparing the age specific ratios in 1997 and 2000 shows that there has been a relative decline in female wage rates among the youngest age group, which reverses gains made by women in this age group since 1987 (Barrett et al. 2000). The strongest relative growth in female wages since 1997 has occurred among the oldest age group where the female-male wage ratio rose from 74.3 to 80.1%.

¹² The interviews were carried out from May 2000 to early 2001, with the majority taking place between September and November, 2000.

¹³ Initial analysis suggests that 38% of those earning less than £4.40 per hour fall into these categories.

Education

Our analysis shows that while education is an important wage determinant for men and women, there remains a substantial gap in hourly earnings between men and women at each educational level (Table 4). Furthermore, the wage gap widens as level of education decreases. In 2000, we find that among those with no secondary qualifications, women earn only 70% of men's mean hourly rate, this rises to 75% among those who have completed the lower secondary school cycle, 82% for those with upper secondary and/or diploma level education, and to 85% for those with university degrees. Smaller wage gaps among highly qualified women may in part be due to greater labour market attachment among this group. For example, previous research in the UK has shown that women with university degrees spend much shorter periods outside the labour market and are more likely to work full-time (McRae 1993; Rubery, Smith, & Fagan 1999). The fact that wages differences within each educational category are wider than the mean gender wage gap suggests that differences in men and women's qualifications cannot account for the continuing gap in hourly earnings. The size of the wage gap within educational groups remained remarkably constant between 1997 and 2000, except for the widening of the gap between men and women with degrees.

Table 4.4: Male/Female Wage Differential by Educational Qualification

	1994	1997	2000	Mean Hourly Wage 2000	
	Ratio	Ratio	Ratio	Male	Female
	%	%	%	£	£
No secondary quals	65.6	68.3	69.5	7.72	5.37
Group, Inter. etc	73.3	75.5	75.0	8.41	6.30
Leaving cert./Diploma	80.5	81.9	82.3	10.03	8.26
Degree	84.9	90.6	84.9	16.40	13.93

Part-time Work

Previous studies in Ireland have shown that part-timers are over-represented amongst the low paid, i.e. those earning less than half or two-thirds of the median gross hourly pay (Nolan, 1997). Part-time work is also highly feminised in that three-quarters of part-timers in Ireland are female. Therefore we might expect the higher incidence of part-time employment among women to contribute to the overall gender wage gap. For our analysis, part-time employment is defined as less than 30 hours per week; but teachers working 24 hours or more are classified as full-time.

Figures for 2000 show that the ratio of female to male hourly wages among full-time workers is only marginally narrower than the overall wage gap. The gap is much wider among part-timers, but this is due to high mean hourly wages for male part-timers rather than a low mean wage for female part-timers. In fact, on average, female part-timers earn only 10p less per hour than female full-timers. This comparison, demonstrates the limits of the using only the mean wage. The median wage for both male and female part-time workers is significantly lower than for full-timers: for women the difference between median hourly wage for full-time and part-time workers rises to £1.43. Therefore, part-time work is likely to contribute to a clustering of women workers at the lower end of the distribution even though it does not appear to have a major influence on the size of the average gender wage gap.

Table 4.5: Male/Female Wage Differential by Full/Part-time Working Hours

1994	1997	2000	Hourly Wage 00 mean	Hourly wage 00 median
------	------	------	------------------------	--------------------------

	<i>Ratio</i>	<i>Ratio</i>	<i>Ratio</i>	Male	Female	Male	Female
	%	%	%	£	£	£	£
Full time	85.5	86.3	86.8	10.15	8.81	8.88	7.22
Part time	59.1	65.2	67.3	12.94	8.71	7.58	6.15

Note: Part-time < 30 hrs per week except teachers < 24 hours per week

Work Experience

As human capital theory would suggest, the mean hourly wage for both men and women increases with the level of accumulated work experience. In 2000, the gender wage gap is found to be narrowest amongst those with least experience (less than 5 years) and those with most experience (15 years or more). Comparing the wage gap in 1997 to that in 2000, the most striking feature is the relative loss for women with least work experience, who move from earning 11% more than men with similar levels of work experience in 1997 to earning 9% less on average in 2000. A small relative decline is also noticeable among women with 5 to 10 years experience.

Table 4.6: Male/Female Wage Differential by Length of Work Experience

<i>Work experience</i>	<i>1994</i>	<i>1997</i>	<i>2000</i>	<i>Mean Hourly Wage 2000</i>	
	<i>Ratio</i>	<i>Ratio</i>	<i>Ratio</i>	<i>Male</i>	<i>Female</i>
	%	%	%	£	£
Under 5 yrs	109.2	111.2	91.1	7.29	6.64
5-10 yrs	92.0	90.6	87.9	9.27	8.15
10-15 yrs	85.6	78.9	80.3	10.74	8.62
15-25 yrs	89.7	95.0	92.9	10.93	10.16
Over 25 yrs	92.8	102.7	102.8	12.13	12.47

Occupation

The Irish labour market is highly segregated by sex both horizontally, in that men and women tend to be concentrated in different occupations, and vertically in the sense that within occupations women tend to cluster at lower levels of the occupational hierarchy (see section X of this report, and Ruane & Sutherland, 1999).

In Table 4.7 we present figures on gender wage differentials in nine broad occupational categories.¹⁴ The results for 2000 show that the female/male wage gap is narrowest among those in professional occupations, where women earn 93% of male hourly wages on average and among clerical workers where the ratio is 89%. The widest gaps can be observed among both high and low status occupations. Women managers and senior officials' mean hourly earnings are only 70% of male managers' earnings. In sales and service occupations the gap reaches a staggering 35%, while a gap in elementary occupations the gap is 25.8%.

Table 4.7: Male-female Wage Differentials by Broad Occupational Group

	<i>1994</i>	<i>1997</i>	<i>2000 Hourly Wage 2000</i>		
	<i>Ratio</i>	<i>Ratio</i>	<i>Ratio</i>	<i>Male</i>	<i>Female</i>
	%	%	%	£	£
Managers/senior officials	61.0	66.5	69.7	14.67	10.22
Professionals	82.6	94.0	92.5	15.82	14.63
Tech & assoc. profess	92.1	92.4	82.7	11.71	9.68
Clerical	87.0	94.7	89.0	8.39	7.46

¹⁴ The categories are based on the ISCO 1988 classification of occupations.

Service & sales workers	61.5	63.9	64.4	8.85	5.70
Ag. workers	(too few)	(too few)	(too few)	6.29	(6.23)
Craft workers	(too few)	(too few)	(too few)	8.20	(6.92)
Plant & machine operators	74.3	81.5	84.0	7.98	6.70
Elementary (man and non-man)	89.9	87.3	74.2	7.10	5.27
All	82.3	85.0	85.3	10.29	8.77

* Armed forces excluded

Comparing the situation in 1997 and 2000, pre and post the introduction of the employment strategy, we see that the only improvements in the wage ratio are among managers (an increase of 3.2 percentage points) and among plant/machine operators (+ 2.5 percentage points). Within most of the occupational groups women have lost ground relative to male workers, most noticeably among elementary workers (where the ratio has dropped 13 percentage points) and associated professionals and technicians (-9.7). There are too few women agricultural employees and craft workers in the sample to calculate a reliable wage gap.

The female/male wage ratio within five of the seven occupational categories examined is lower than the overall wage ratio. This tells us that the differences within groupings are at least as important than differences across groupings in determining the overall wage gap, at this broad level of occupational classification.

Industrial Sector.

Pay levels vary widely by sector. These differences arise not only from variation in productivity, but also factors such as market position, levels of unionisation, and traditional patterns of pay differences. Table 8 presents the female–male wage ratio in eight industrial sectors (there are too few women employees in the agriculture and mining sector to estimate a ratio). In 2000, the gap *within* sectors was wider than the overall wage gap in all categories except ‘health, education, & public administration’ where the gap was equal to the overall gap.

The widest gender gap is observed in the Hotel & Restaurant industry, where women’s mean earnings amount to only 62% of male hourly earnings. The hourly wages show that this is a low pay sector, especially for women. The gender wage gap is also particularly wide in the two higher pay sectors: Financial and Business Services and Transport and Communication.

Table 4.8: Male-Female Wage Differentials by Industrial Sector

	1994	1997	2000	Mean Hourly Wage 00	
	Ratio	Ratio	Ratio	Male	Female
	%	%	%	£	£
Agriculture & mining	(too few)	(too few)	(too few)	(6.95)	(5.88)
Manufacturing	74.5	79.1	78.7	9.31	7.33
Construction & Utilities	(too few)	(too few)	79.2	9.38	7.43
Retail & Wholesale	75.9	69.6	78.2	8.24	6.44

Hotels/Restaurants	75.8	85.9	61.7	8.31	5.12
Transport & Communic.	70.8	80.1	73.2	10.54	7.72
Financial & business service	66.1	79.7	74.1	12.31	9.12
Health, Ed. & Public admin	81.0	82.5	85.3	13.69	11.67
Other community & personal services	70.2	79.8	75.5	7.80	5.89

() less than 25 cases in cell

* Based on NACE 1 digit codes.

A comparison of 2000 and 1997 shows that the strongest increase in the relative earnings of women to men has occurred in the retail and wholesale sector, however much of this was a regaining of ground lost between 1994 and 1997. Significant declines in women's relative position are evident in the Hotel and Restaurant industry and Transport and Communication industry between 1997 and 2000, although in the later case, the ratio in 2000 remains marginally higher than in 1994.

Public/Private Sector.

The final job characteristic examined is employment in the public or private sector. As might be expected, the gender wage gap in the public is significantly narrower than in the private sector, this is likely to be due in part to greater compliance with anti-discrimination legislation in the public sector, better employment practices and perhaps a more homogenous set of employees. The gender wage ratio in the public sector has improved slightly in the public sector since 1997 but has marginally disimproved in the private sector.

Table 4.9: Male-Female Wage Differentials in the Public and Private Sectors

	<i>1994</i>	<i>1997</i>	<i>2000</i>	Mean Hourly Wages 2000	
	<i>Ratio</i>	<i>Ratio</i>	<i>Ratio</i>	<i>Male</i>	<i>Female</i>
	%	%	%	£	£
Private sector	76.9	80.0	78.0	9.35	7.29
Public Sector	93.7	92.6	95.2	12.93	12.31

Characteristics of Male and Female Employees

To understand the significance of these results for the overall gender wage gap it is important to look at the distribution of these characteristics across the male and female workers. Table 10 provides the distribution of various characteristics for men and women. The distribution of educational levels, indicates that a higher proportion of female employees in the sample have Leaving Cert./Diploma and University qualifications, which suggests that the gender wage differential cannot be attributed to lower levels of educational attainment among women.

Our earlier analysis showed the largest gaps between men and women's earnings occurred in managerial occupations and low status occupations (elementary, and sales/service work). Occupational segregation by gender is discussed in detail elsewhere in this report. Here it is worth noting that women are over-represented in two of the three highest earning groups: professionals and associate professionals/technicians. However, there is also a high concentration of women in clerical occupations, which have below average pay levels and in sales/service occupations, which have one of the lowest levels of pay and a wide male-female pay gap. Turning now to industrial sectors, we observe an over-representation of women in the hotels/restaurant sector, finance/business sector, and the health, education, public

administration sector. The first of these is a low pay sector particularly for women, but the other two sectors are relatively high paying. Men are particularly strongly over-represented in the manufacturing and construction/utilities sectors.

Table 4.10: Characteristics of Male and Female Employees, 2000.

	Men	Women
	%	%
<i>Education</i>		
No secondary qualifications	12.9	8.8
Junior/Inter Cert.	30.8	15.4
Leaving Cert./Diploma	39.6	56.7
Degree	16.6	19.1
<i>Occupation</i>		
Managers & Senior Officials	10.5	6.7
Professionals	14.8	19.9
Tech & Assoc. Professionals	9.9	13.1
Clerical	8.7	25.1
Service	9.3	22.5
Agricultural workers	0.8	0.1
Craft and Related Trades	19.4	1
Plant and Machine Operators	15.2	4.4
Elementary (man & non-man.)	10.3	7
<i>Industrial sectors</i>		
Agriculture and Mining	3.4	0.5
Manufacturing	22.6	12.6
Construction and Utilities	15.1	1.3
Retail and Wholesale	11.2	13.9
Hotels/Restaurants	2.8	7.5
Transport and Communication	10.6	4.5
Financial and Business	11	17.1
Health, Ed and Public Admin	18.4	35.2
Other Community and Personal service	4.7	6.1
Working Part-time	5	33.7
Public Sector	26.3	29.5
	Mean	Mean
Years worked	17.8	12.7
Years out of paid work	3.4	9.6
Age	36.9	36.1
N(unweighted)	1974	1596

The distribution of part time workers shows that it is mostly women involved in this type of work. As mentioned earlier, the pay gap is much wider among part-time than full time employees, and therefore this distribution may contribute to the overall gender wage gap. In Table 9, we observed the lower wage differential in the public sector compared to the private sector. In Table 10 below we see that there are almost 30% of women and 26% of men work in this sector.

Finally, we compare the mean number of years worked and years out of paid work for men and women. In Table 10 we see that the average number of years worked is much higher for men and the mean number of years out of paid work is greater for women. The fact that the average age of employees in our sample is the same for men and women, suggests age is not a

factor in determining gender differences in the average length of years worked and year out of paid work.

Regression Analysis of Hourly Wages.

The descriptive tables presented above outline the size of the gender pay gap among different groups of workers and provides some insight into potential sources of the gender wage differentials. In the following models we test the influence of these factors more formally by examining the impact of gender on wages (or log wages) when these other factors are controlled.

We use the log of gross hourly wages in order to make the dependent variable more linear, which is a requirement of the regression model. The first step in the analysis was to add each explanatory variable individually to a model containing only a coefficient for sex, in this way the impact of each variable on the gender effect could be examined. Once each variables was individually tested, we constructed a larger model that included all variables that had a significant effect on log wages. Finally, interactions between sex and all the explanatory variables were tested.

When sex alone was included in the model the observed coefficient was -.16, which shows that being female reduces log wages by 16 per cent. However sex alone only explains 2% of variance in log wages. Adding education to the model significantly improved the model fit, but led to an increase in the gender coefficient (to -.19), which suggests that the gender gap in wages cannot be explained by differences in men and women’s qualifications. Because female employee’s educational qualifications are higher than male employees (see Table 10), the gender wage gap is even wider when this is taken into account. Model 1, shows the effect of education when all other main effects are controlled, and shows that education qualifications lead to a significant increase in log wages. For example, those with degrees, earn 41% more than those with no secondary qualifications, all else being equal.

Occupation also leads to a significant improvement to the model fit compared to a model including sex alone. Controlling for occupation also leads to an *increase* in the sex coefficient (to -.21). Therefore occupational segregation at this broad level cannot account for the overall gender wage gap observed. However, segregation *within* these categories, may well contribute to the persistent sex effect. Those in elementary occupations are the reference group and the results in Model 1, show that all of the other occupational groups earn more than these workers, with the largest effects observed for managerial and professional workers. Controlling for industrial sector again increases the main effect of sex (from -.16 to -.22). and explains an additional 20% of variance in log wages. Therefore the model is showing that the gender pay gap is wider than we would expect on the basis of the industrial distribution of men and women. Industrial sector is strongly correlated with a number of other variables in the wage model such as occupation and ‘public sector’. When these factors are not included positive wage coefficients are observed in Transport & communications, Finance/Business and Health, Education etc. compared the reference industry – manufacturing. However when occupation and public sector are also included (model 1) all sectors have negative coefficients except, Finance and Construction, which are not significantly different from manufacturing.

Table 4.11: Regression Models of Log Wages

	<i>Model 1</i>	<i>Model 2</i>
	<i>B</i>	<i>B</i>
Constant	1.47**	1.44**
Sex (female)	-.12**	-.05*

<i>Education</i>		
Junior/Inter Cert.	.08**	.08**
Leaving Cert./Diploma	.19**	.19**
Degree	.41**	.42**
<i>Occupation</i>		
Managers & Senior Officials	.42**	.41**
Professionals	.48**	.48**
Tech & Assoc. Professionals	.30**	.30**
Clerical	.16**	.15**
Service, sales, retail	.06*	.05
Craft and Related Trades	.08*	.06*
Plant and Machine Operators	.08*	.08*
Other	.01	.00
<i>Industrial sectors</i>		
Construction and Utilities	-.01	-.01
Retail and Wholesale	-.17**	-.16**
Hotels/Restaurants	-.18**	-.18**
Transport and Communication	-.09*	-.09*
Financial and Business	-.02	-.03
Health, Ed and Public Admin	-.07*	-.07*
Other community and personal	-.24**	-.25**
Other	-.34**	-.34**
Working Part-time	.05*	.06**
Public Sector	.18**	.17**
Years worked	.01**	.01**
Years out of paid work	-.005*	-.004
Age 25-34 yrs	.15**	.15**
Age 35-44 yrs	.11*	.11
Age 45-54 yrs	.11	.11
Age 55 yrs	.00	.00
Married	.13**	.20**
Female Married		-.14**
Adjusted R ²	.527	.534
N (unweighted)	3478	3478

Reference categories are male, no secondary qualifications, elementary occupation, manufacturing sector, private sector, full-time work, aged under 25 years, single.

* P < .05 ** P < .005

The remaining job characteristics tested are part-time working and public sector. Controlling for location in the public or private sector explains an additional 15% of variance compared to a model with sex as the only control. Adding public sector leads to a marginal increase in the size of the sex effect (to -.17). Working in the public sector leads to a 18% increase in log hourly wages even when factors such as occupation, qualifications and experience are held constant.

Part-time work explains very little (less than 1%) of the variation in log wages. When added to the model with gender, it reduces the gender coefficient slightly (to -.14) suggesting that differences in part-time working accounts for a small part of the gender wage gap. The

coefficient of part-time work is originally negative (-.05) but when the other variables in model 1 are controlled such as occupation, sector, education and experience the effect becomes positive. This suggests that the low earnings among part-time workers are due to differences in job and personal characteristics rather than working hours per se. Nevertheless, occupational options may be restricted for those wishing to work part-time hours, so occupational effects may hide indirect discrimination.

When years worked is added to the model the effect of sex is reduced significantly, from -.16 to -.06, which suggests that a significant portion of the gender wage gap is due to differences in the years of work experience possessed by male and female workers. We saw in Table 10 that on average men had 5 years more work experience than women. The increase in the amount of variance explained in the model (+ 14%) and the coefficient for years worked confirms the earlier finding that experience has a strong influence on wages overall. Each year of experience adds 1% to wages holding all else equal (Model 1).¹⁵

Adding years out of the labour market (due to unemployment, home duties, sickness, or additional education/training) has a similar impact on reducing the sex effect (to -.09), but does not have such a strong impact on wages overall (explains an additional 3% of variance). This result suggests that differences in time spent out of the labour market by men and women, predominantly due to caring responsibilities, explains a significant part of the male-female wage gap. Years of experience and years out of the labour market are correlated with each other, and both are correlated with age. When these other factors are controlled in Model 1, each year out of the labour market is found to reduce log hourly wages by 0.5%.

Although age has a strong impact on wages overall and improves the model fit substantially¹⁶ it does not influence the size of the sex effect. Therefore age differences between male and

female workers cannot account for the gender wage gap. Model 1 shows that when other occupational and personal factors (including work experience) are controlled, those aged 25-34 and 35-44 earn significantly more per hour than workers aged under 25, but the difference between workers over 44 and younger workers were not statistically significant.

The final characteristic included in the model was marital status. Number of children was also tested but found to be insignificant.¹⁷ Including partnership status in the model had only a minor impact on the sex effect, reducing it from -.16 to -.15. The coefficient in Model 1 shows that being married increases log hourly wages by 13%. However when we examine the sex interactions below it is clear that this effect is different for men and women.

The results in Model 1 show that when all these job and personal characteristics are controlled, being female leads to a 12% reduction in log hourly wages. This result appears to be due to a cancelling out of some of the individual effects observed above. Differences in men and women's labour market histories (work experience and years out) reduced the wage gap below this level but controlling for occupation, sector and qualifications increased the gap again. This is because women's qualifications, occupational and sectoral distribution mean should mean they earn *more* than men, if men and women were paid equally within the groups and all else being equal.

¹⁵ The standardised beta takes into account the different units of measurement and therefore allow comparison across the explanatory variables. These show that work experience has one of the largest effects on log wages, alongside having a degree, being in a professional or managerial occupation.

¹⁶ R square change=.14.

¹⁷ Once marital status is in the model the main effect of children is insignificant. The interaction between sex and number of children is statistically significant for men having two or more children has a positive influence on wages while for women the effect is negative (having 1 child did not impact on the wages of men or women). However this sex interaction also becomes insignificant if the interaction between sex and marital status is included.

Sex Interactions

The final element of this analysis was to test the interaction between sex and the other explanatory variables. This establishes whether the effects observed in Model 1, apply equally to men and women. When the interactions were tested individually a number of effects proved to differ by sex: age group (being aged 35-54 positive effect for men, no effect for women); years of work experience (more positive impact on wages for male workers); location in the retail sector (small positive effect on wages for men but a negative effect for women); location in the financial/business sector (small negative effect on men but positive effect on female wages); employment in the health, education, public admin sector (greater positive effect on female wages); occupying a managerial position (more positive impact on male wages), and marriage/partner (positive effect on male wages, little effect on female wages).

However when these sex interactions were included simultaneously only the interaction between sex and partnership status was significant.¹⁸ The results of Model 2 show that marriage or living with a partner has a positive impact on male (log)wages but for women most of this positive impact is lost. Including an interaction term changes the interpretation of the main effects, therefore the main sex term now applies to single women only. Therefore, single women earn 5% less than single men, while married women earn 19% less than married men, *ceteris paribus*.¹⁹ Similarly, single men earn 20% less than married men and single women earn 25% less than married men. This result is not easy to explain, since factors such as years worked and years out of the labour market are controlled. Furthermore, explanations based on unobserved characteristics such as commitment and motivation would have to explain not only the wide difference between married women and married men but also the wide difference between single people and married men. It seems implausible that such a large wage premium attached to married men can be explained in this way.

Discussion and Conclusions

The findings outlined here are consistent with those presented in Barrett et al (2000) which contained a decomposition of the wage gap using 1994 data. That study found that a significant part of average wage gap was due to differences in years of experience and years out of the labour market. The current findings show that years of work experience and years out of the labour market remain an important influence on the gender pay gap in Ireland. This suggests that policies under the employment strategy to 'reconcile family and working life' are likely to be important in reducing the gender wage gap. Policies such as parental leave schemes, maternity leave, childcare provision, are likely to increase continuity in women's working lives and therefore reduce the gap due time out of the labour market. Similarly, efforts to assist the reintegration of those who have been working full-time in the home are likely to have an impact on this element of the wage gap.

As mentioned at the outset of this chapter, a number of important policy changes have been introduced in this area, although some of the changes post-date our 2000 data. Parental leave was introduced in 1998, however because the leave is unpaid it is likely to mean that many families will be unable to avail of this 'right'. The National Social and Economic Council has expressed concern that because the leave is unpaid 'it will remain an option open only to those on higher incomes.' (NESC 1999, p42). The loss of income might be more sustainable if employers are flexible in how parental leave is taken, for example as a day per week rather than in one block. The Department of Justice Equality and Law Reform have

¹⁸ The same result was obtained if the interactions were entered using a stepwise technique.

¹⁹ The figures are obtained by putting the coefficients into the regression equation. So for married women the estimate will be (Constant -.05 +.20 -.14 etc.) while for married men it is (Constant + .20).

recently undertaken a survey on the uptake of parental leave, which will clarify the numbers and characteristics of those availing of leave.

The duration of paid maternity leave was extended from 14 weeks to 18 weeks in Budget 2001, however this change did not occur within the period for which data is currently available. Significant investments in childcare have also been promised as part of the NDP, £250 million was allocated for expenditure on childcare between 2000 and 2006 and an additional £26.5 million was allocated to childcare in October 2000. Given that there was a significant under-spend on the childcare measure of the NDP in year one²⁰ it is unlikely that many of the respondents to the 2000 survey will have benefited from this programme.

It is difficult to assess what, if any, effect these 'participation enhancing' measures have had on the wage gap in the short term. While there was a very significant increase in female participation rates over the period 1997 to 2000²¹, this did not translate into a significant reduction in the overall wage gap, which declined by less than half a per cent. The failure of increased participation rates to reduce the gender pay gap could be due to the characteristics of those rejoining the labour market. Barrett et al, (2000) argued that women in the labour market in 1994 were a selective group and had more favourable characteristics than women outside the labour market, therefore if policy or economic changes encouraged women with less favourable characteristics to (re)join then the gender wage gap could widen. In 1997, female employees had spent an average of 6.0 years outside the labour market and men 1.3 years. In 2000, we saw this had increased for both sexes to 9.6 years and 3.4 years respectively. Years of work experience decreased from 14.7 years to 12.7 years among female employees and from 20.4 years to 17.8 years for men. These figures suggest that improving labour market conditions drew both female and male workers with less favourable characteristics into employment. The net result was a wider gender gap in the number of years out of employment (from 4.7 years to 6.2 years), and a slightly narrower gap in years of work experience (from 5.7 years to 5.1 years). These changes may have had a dampening effect on any reduction in the wage gap, a further indicator of this, is the observation that the gender pay gap has widened among those with under five years experience which would include labour market entrants. However, if the policy changes in these areas facilitate women already in the labour market to combine family and work life without lengthy periods out of employment, reductions in the wage gap should be seen in the longer term.

It is also difficult to assess the impact of the new equality legislation has had on the gender pay gap. A number of factors suggest that it has had a limited effect at the aggregate level. Firstly, neither the original anti-discrimination legislation nor the new Employment Equality Act refer to a job classification or evaluation system, which limits the extent to which different jobs can be compared on the basis of 'equal value'. Secondly, as comparisons are restricted to those working for the same or associated employer, the capacity of the legislation to reduce wage differentials that arise through segregation is restricted and the economy-wide effects of court rulings are small. Thirdly, complaint-driven approaches, like that specified by Irish legislation, appear to be less effective than those where class actions are taken or where government inspectorate pro-actively ensures compliance (Gunderson 1989). The latest annual report from the Equality Authority (July 2001), reports that only 21 gender related equal pay cases were taken in 2000.²² While, individual court cases can have

²⁰ In the BMW region expenditure in 2000 was estimated to be 8.7% of the target (BMW Operational Programme, 2001). The Southern and Eastern region progress report for 2000 also notes that expenditure on childcare facilities was lagging behind planned spending 'due to capacity constraints in construction and the establishment process.'

²¹ The female participation rate increased from 49.8% in 1997 to 55.7% in 2000 (European LFS, New Cronos Database).

²² The outcome data is not broken down by details of complaint but only 7 of the 120 cases brought under the gender ground were won in the labour court or Office for Equality Investigations, with 7 further cases 'resolved to satisfaction.'

little impact on economy wide gender pay gaps, legislation and the work of the Equality Authority may have an influence by promoting a culture of compliance. The current evidence provide little evidence of an impact of this new legislation to date.

The current analysis suggests that the segregation of male and female employees in different occupations and industrial sectors, not only has implications for equal pay claims, but may also enhance the gender pay gap. The gap in men and women's (log)wages widened rather than declined when occupation and sector were controlled. A number of small scale initiatives aimed at reducing gender segregation in education and training policy were included in the EAPs. The analysis in section X (Gerry Hughes) of the report argues that there has been a slight decrease in occupational segregation between 1996 and 2001, but that it remains at a very high level. It appears that further inroads into occupational segregation, both horizontal and vertical (e.g. in terms of promotion opportunities) are necessary to make an impact on the gender pay gap.

The final policy measure considered was the National Minimum Wage, introduced in 2000. Analysis conducted before its introduction suggest that at the level introduced (£4.40) the NMW would have relatively little effect on the male-female wage gap (Barrett et al, 2000). The figures presented here from 2000 confirm that the pay gap has fallen only marginally since the introduction of the NMW. The fact that a significant minority of the sample (especially women) were still earning less than £4.40 per hour suggests that the change may not have been fully enforced at the time of the 2000 survey. Further investigation of these workers is needed to assess the extent of non-compliance and the room for further improvement.

The very small decline in the gender pay gap since the introduction of the Employment Strategy and the EAPs, suggest that they have had little impact on this important area of gender inequality. If anything, the pace of the decline in the pay gap evident before 1997 has slowed during the lifetime of the strategy. There is some evidence that improvements in female participation and employment rates, also a central element of the strategy, may have indirectly contributed to the slowdown because some of those who have (re)joined the labour market have less favourable characteristics. However these changes in participation may have a more positive impact in the longer term.

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4.2 Employment and Occupational Segregation

Gerry Hughes, ESRI

Introduction

The persistent gap in men and women's hourly wages in part reflects the segregation of men and women into different occupations. In this section of the report we will use special tabulations from the Census of Population and the Quarterly National Household Survey to provide a picture of changes in occupational segregation over time using the old National Occupational Classification (NOC) and the new Standard Occupational Classification (SOC). The new classification was first used by the Central Statistics Office (CSO) to classify the results of the Census of Population in 1996 and subsequently to classify the results of the Quarterly National Household Survey (QNHS). In order to provide a bridge between the old and new classifications the CSO reclassified the 1991 Census results using the new occupational classification. Our analysis of occupational segregation will focus primarily on the period 1991 to 2001 but the existence of a bridge between the new and old occupational classifications means that it can be pushed back to 1983 using data from the Labour Force Survey.

Two measures will be used to investigate changes in occupational segregation – the Index of Dissimilarity and the Gender-Dominated/Gender-Integrated Occupational Division of the labour force. The Index of Dissimilarity is the most commonly used summary measure of occupational segregation and how it is changing over time. The Gender-Dominated/Gender-Integrated Division of the labour force identifies cases where one sex dominates occupations to such an extent that the other sex does not have an equal opportunity of getting a job in these occupations. Identification of such “sex-stereotyped” occupations provides information which is essential for the understanding of occupational segregation, the different processes by which it can occur, and for the promotion of equal employment opportunities for men and women.

Change in Number in the Labour Force by Occupation 1991-1996

Table 4.12 presents information from the Census of Population on the number of males and females in the labour force in each occupational sub-group in 1991 and 1996. There were 891,000 males in the labour force in 1991 and 458,000 females so the ratio of male to female was about 2 to 1. Between 1991 and 1996 the total number in the labour force grew by almost 12 per cent but the number of females increased by almost twice as much, 23 per cent, and the number of males by only half as much, 6 per cent. Consequently, the number of males in the labour force had increased to 943,000 in 1996 and the number of females increased to 563,000 so the ratio of male to female workers fell to around 1.5 to 1.

Strong growth was recorded in the number of females in most occupational sub-groups in the labour force during the period 1991-96. The strongest growth occurred in occupational sub-groups in which there were few females at the beginning of the period. For example, there were less than 1,300 females in building and construction occupations in 1991 compared to 86,000 males and only 95 women in the army and 500 in the police compared to 11,000 and 10,000 men respectively. The very low base from which the number of females in building and construction

Table 4.12: Number of Males and Females in the Labour Force in Intermediate Level Occupational Groups, 1991 and 1996

Occupational Sub-Group	Males		Females	
	1991	1996	1991	1996
Farming, fishing and forestry workers	147,955	127,627	15,594	12,998
Electrical trades workers	27,676	25,919	826	900
Engineering and allied trades workers	62,884	67,284	1,898	2,701
Textile, clothing and leather workers	7,552	8,538	16,456	14,078
Food, drink & tobacco prod. Workers	22,532	25,464	5,613	6,875
Chem., paper etc., plastics & print	13,622	17,857	5,437	5,995
Other manufacturing workers	32,333	40,574	18,346	20,961
Building and construction workers	86,402	106,805	1,259	2,993
Managers and executives	38,798	44,217	13,487	20,640
Communic., warehouse & transport	75,079	82,231	5,228	6,997
Clerical and office workers	31,674	27,555	102,383	113,949
Sales occupations	84,862	83,179	59,277	73,080
Business and commerce occupations	19,086	25,758	7,728	13,649
Computer software occupations	7,751	12,426	6,207	7,172
Scientific and technical occupations	20,687	28,300	4,396	7,019
Health and related workers	13,314	14,885	45,169	53,191
Social workers and related occupations	1,825	2,133	3,270	4,948
Religious occupations	5,001	4,659	4,066	1,889
Other professional workers	11,548	16,463	6,246	11,061
Personal service and childcare workers	37,195	49,760	48,716	76,832
Teachers	20,415	21,454	34,004	40,255
Central and local government workers	16,993	21,914	14,683	17,930
Garda Siochana	10,403	9,815	502	855
Army occupations	11,022	10,905	95	210
Other gainful occs. (incl. not stated)	84,027	67,774	37,333	45,698
All occupations	890,636	943,496	458,219	562,876

Source: Census of Population 1996, Volume 7, Table 8

occupations, the army, and the police were starting from in 1991 largely accounts for the increases of 138, 121, and 70 per cent respectively in women's' employment in these occupational sub-groups between 1991 and 1996. Percentage increases well above average were also recorded for occupational sub-groups in which there were significant numbers of women in 1991. Thus, there were over 13,000 female managers and executives in 1991 and this number increased by 53 per cent by 1996 to 21,000 while the 4,000 or so females in scientific and technical occupations in 1991 increased by 60 per cent to 7,000 in 1996.

Table 4.13 shows that there were only a small number of occupations in which the number of women fell between 1991 and 1996. The largest absolute and relative decline occurred in agricultural occupations where the number of women fell by almost 2,600 or nearly 17 per cent. The only other occupations in which the number of women fell were in textiles, clothing and leather, down by 2,400 or 14 per cent, and religious, down by 2,200 or 53 per cent.

Table 4.13: Percentage Change Between 1991 and 1996 in Number of Males and Females in Intermediate Level Occupational Groups and Female Share in Each

Occupational Group in 1991 and 1996

Occupational Sub-Group	Percentage Change		Female Share	
	Males	Females	1991	1996
Farming, fishing and forestry workers	-13.7	-16.6	9.5	9.2
Electrical trades workers	-6.3	9.0	2.9	3.4
Engineering and allied trades workers	7.0	42.3	2.9	3.9
Textile, clothing and leather workers	13.1	-14.5	68.5	62.2
Food, drink & tobacco prod. Workers	13.0	22.5	19.9	21.3
Chem., paper etc., plastics & print	31.1	10.3	28.5	25.1
Other manufacturing workers	25.5	14.3	36.2	34.1
Building and construction workers	23.6	137.7	1.4	2.7
Managers and executives	14.0	53.0	25.8	31.8
Communic., warehouse & transport	9.5	33.8	6.5	7.8
Clerical and office workers	-13.0	11.3	76.4	80.5
Sales occupations	-2.0	23.3	41.1	46.8
Business and commerce occupations	35.0	76.6	28.8	34.6
Computer software occupations	60.3	15.5	44.5	36.6
Scientific and technical occupations	36.8	59.7	17.5	19.9
Health and related workers	11.8	17.8	77.2	78.1
Social workers and related occupations	16.9	51.3	64.2	69.9
Religious occupations	-6.8	-53.5	44.8	28.8
Other professional workers	42.6	77.1	35.1	40.2
Personal service and childcare workers	33.8	57.7	56.7	60.7
Teachers	5.1	18.4	62.5	65.2
Central and local government workers	29.0	22.1	46.4	45.0
Garda Siochana	-5.7	70.3	4.6	8.0
Army occupations	-1.1	121.1	0.9	1.9
Other gainful occs. (incl. not stated)	-19.3	22.4	30.8	40.3
All occupations	5.9	22.8	34.0	37.4

Source: Census of Population 1996, Volume 7, Table 8

The strong growth recorded over the period 1991-96 in the number of women working in most occupations resulted in an increase in the female share of employment for three-fifths of the occupational sub-groups. The biggest changes in female shares were for managers and executives and business and commerce occupations, both up by 6 percentage points, social workers and related occupations, sales occupation, and other professional workers, all up by over 5 percentage points, and clerical and office workers, and personal service and childcare workers, both up by about 4 percentage points. Significant reductions in female shares were recorded for religious, down 16 percentage points from 45 to 29 per cent, and for textile, clothing and leather workers, down 6 percentage points from 68 to 62 per cent.

It is evident from the data on female shares that women workers are concentrated in a relatively small number of occupational sub-groups. Table 4.14 shows the distribution of women across the sub-groups in 1991 and 1996 for women in the labour force and for 1996 and 2001 for women at work. In 1991 nearly two-thirds of all women in the labour force were found in just five occupational sub-groups: clerical and office workers, sales occupations, health and related occupations, personal service and childcare workers, and teachers. Despite the strong growth in the number of women in the labour force between 1991 and 1996 about two-thirds of women in the labour force in 1996 remained concentrated in these five occupational sub-groups.

Table 4.14: Percentage Distribution by Intermediate Occupational Group of Females in the Labour Force in 1991 and 1996 and of Females At Work in 1996 and 2001

Occupational Sub-Group	Percentage Distribution of Females in the Labour Force		Percentage Distribution of Females At Work	
	1991	1996	1996	2001
	Farming, fishing and forestry workers	3.4	2.3	2.5
Electrical trades workers	0.2	0.2	0.2	0.2
Engineering and allied trades workers	0.4	0.5	0.5	0.3
Textile, clothing and leather workers	3.6	2.5	2.0	0.8
Food, drink & tobacco prod. Workers	1.2	1.2	1.1	0.9
Chem., paper etc., plastics & print wrkrs.	1.2	1.1	1.0	1.0
Other manufacturing workers	4.0	3.7	3.5	4.7
Building and construction workers	0.3	0.5	0.5	0.4
Managers and executives	2.9	3.7	3.9	4.7
Commun., warehouse & transport workers	1.1	1.2	1.3	1.6
Clerical and office workers	22.3	20.2	21.1	19.4
Sales occupations	12.9	13.0	12.3	15.6
Business and commerce occupations	1.7	2.4	2.6	3.5
Computer software occupations	1.4	1.3	1.3	1.7
Scientific and technical occupations	1.0	1.2	1.3	1.5
Health and related workers	9.9	9.4	10.2	8.4
Social workers and related occupations	0.7	0.9	0.9	1.1
Religious occupations	0.9	0.3	0.4	0.1
Other professional workers	1.4	2.0	2.0	2.1
Personal service and childcare workers	10.6	13.6	13.2	14.5
Teachers	7.4	7.2	7.8	6.9
Central and local government workers	3.2	3.2	3.5	4.0
Garda Siochana	0.1	0.2	0.2	0.2
Army occupations	0.0	0.0	0.0	0.0
Other gainful occupations (incl. not stated)	8.1	8.1	6.7	4.9
All occupations	100.0	100.0	100.0	100.0

Source: Census of Population 1996, Volume 7, Table 8; CSO, special tabulation of Quarterly National Household Survey, March-May 2001.

Change in Number At Work by Occupation 1996-2001

The occupational data from the Quarterly National Household Survey for the latest year available, 2001, differ in two respects from the Census data for 1991 and 1996, (a) they refer to people "At Work" rather than to those in the labour force (the difference is the number unemployed) and (b) they are classified on an ILO basis rather than on a "Principal Economic Status" basis. These differences mean that it is not possible to directly compare those in the labour force in 1996 with those at work in 2001. However, a comparison can be made of those at work in 1996 and 2001 as the Central Statistics Office has produced a special tabulation for this project of the Census data for 1996 to show the number at work in each occupation. This comparison is presented in Table 4.15.

Table 4.15: Number of Males and Females At Work in Intermediate Occupational Groups, 1996 and 2001

	Males		Females	
	1996	2001	1996	2001
Farming, fishing and forestry workers	119,094	101,948	12,429	11,528

Electrical trades' workers	23,841	34,031	845	1,703
Engineering and allied trades' workers	57,072	70,052	2,372	2,020
Textile, clothing and leather workers	6,122	3,985	10,125	5,685
Food, drink and tobacco production workers	19,094	20,643	5,321	6,060
Chemical, paper, wood, rubber, plastics and printing	15,254	19,382	5,039	6,868
Other manufacturing workers	33,111	56,991	17,815	32,687
Building and construction workers	72,993	129,984	2,480	2,733
Managers and executives	42,576	50,236	19,814	32,940
Communication, warehouse and transport workers	70,185	99,915	6,415	11,542
Clerical and office workers	25,367	25,004	106,435	136,508
Sales occupations	74,247	104,435	62,217	109,899
Business and commerce occupations	25,216	35,904	13,301	24,462
Computer software occupations	11,944	25,368	6,766	12,067
Scientific and technical occupations	26,995	46,931	6,712	10,283
Health and related workers	14,341	15,486	51,303	58,668
Social workers and related occupations	1,951	3,122	4,747	7,620
Religious occupations	4,620	3,136	1,791	519
Other professional workers	14,478	18,698	10,019	14,931
Personal service and childcare workers	42,564	52,031	66,802	101,680
Teachers	20,994	22,269	39,397	48,203
Central and local government workers	20,879	21,823	17,665	28,256
Garda Siochana	9,773	8,808	852	1,222
Army occupations	9,634	6,952	202	258
Other gainful occupations (incl. not stated)	40,302	36,822	33,725	34,164
Total	802,647	1,013,956	504,589	702,506

Source: CSO, special tabulation of Census of Population occupational data for 1996 and of Quarterly National Household Survey occupational data for March-May 2001.

In 1996 there were 1,307,000 people at work. Of these 803,000 were male and 505,000 were female and the ratio of male to female workers was about 1.6 to 1. The five year period 1996-2001 was one of unprecedented employment growth in Ireland with over 400,000 net new jobs being created and employment growing by 31 per cent. In contrast to the earlier period 1991-96 when the growth in the number of women in the labour force substantially exceeded the growth in the number of males, the net new jobs which were created during the period 1996-2001 were more or less equally divided between men and women. However, the growth rate was significantly higher for women, 39 per cent, than for men, 26 per cent (see Table 4.16).

The growth rate of female employment was significantly higher than the average for all females for about half of the occupational sub-groups. Growth was particularly strong for other manufacturing workers, up 83 per cent, managers and executives, up 66 per cent., communications and transport workers, up 80 per cent, sales occupations, up 77 per cent, business and commerce workers, up 84 per cent, and social workers and central and local government workers, both up about 60 per cent. The strongest growth rate was recorded for women in electrical trades, up 101 per cent, but this was off a low base of only 800 women workers in 1996. Negative growth rates were recorded for women in a number of occupational sub-groups, with the biggest declines being for textile, clothing, and leather workers, down 44 per cent, and religious occupations, down 71 per cent.

Table 4.16: Percentage Change between 1996 and 2001 in Males and Females At Work in Intermediate Occupational Groups and Female Shares in Each Group in 1996 and 2001

Intermediate Occupational Group	Percentage Change		Female Share	
	Males	Females	1996	2001
Farming, fishing and forestry workers	-14.4	-7.2	9.5	10.2

Electrical trades' workers	42.7	101.5	3.4	4.8
Engineering and allied trades' workers	22.7	-14.8	4.0	2.8
Textile, clothing and leather workers	-34.9	-43.9	62.3	58.8
Food, drink and tobacco production workers	8.1	13.9	21.8	22.7
Chemical, paper, wood, rubber, plastics and printing workers	27.1	36.3	24.8	26.2
Other manufacturing workers	72.1	83.5	35.0	36.4
Building and construction workers	78.1	10.2	3.3	2.1
Managers and executives	18.0	66.2	31.8	39.6
Communication, warehouse and transport workers	42.4	79.9	8.4	10.4
Clerical and office workers	-1.4	28.3	80.8	84.5
Sales occupations	40.7	76.6	45.6	51.3
Business and commerce occupations	42.4	83.9	34.5	40.5
Computer software occupations	112.4	78.3	36.2	32.2
Scientific and technical occupations	73.9	53.2	19.9	18.0
Health and related workers	8.0	14.4	78.2	79.1
Social workers and related occupations	60.0	60.5	70.9	70.9
Religious occupations	-32.1	-71.0	27.9	14.2
Other professional workers	29.1	49.0	40.9	44.4
Personal service and childcare workers	22.2	52.2	61.1	66.1
Teachers	6.1	22.4	65.2	68.4
Central and local government workers	4.5	60.0	45.8	56.4
Garda Siochana	-9.9	43.4	8.0	12.2
Army occupations	-27.8	27.7	2.1	3.6
Other gainful occupations (incl. not stated)	-8.6	1.3	45.6	48.1
Total	26.3	39.2	38.6	40.9

Source: Census of Population 1996, Volume 7, Table 8; Special tabulation of QNHS, 2001 Q2.

The strong growth in the number of women at work in most occupational sub-groups during the period 1996-2001 led to some significant changes in the female share of employment in a number of sub-groups, as Table 5 shows. The female share of women workers in central and local government occupations increased by 10 per cent points from 46 to 56 per cent. Women's share of managerial and executive jobs rose 8 percentage points from 32 to 40 per cent and their share of sales occupations and business and commerce occupations both rose by 6 percentage points. The largest decreases in women's share of employment were registered by religious occupations, down by 14 percentage points from 28 to 14 per cent, computer software occupations, down 4 percentage points from 36 to 32 per cent, and textile, clothing and leather occupations, down 3.5 percentage points from 62 to 58 per cent.

The data on women's share of employment within occupational sub-groups reveals a similar pattern of concentration in 1996 and 2001 as the labour force data for 1991 and 1996. The comparison of the distributions for women in the labour force and women at work in Table 3 show that there is very little difference between the distributions for the two ways of measuring their involvement in the labour market. The five occupations which the labour force data for 1991 and 1996 revealed women were concentrated in remain the same when data for women at work in 1996 and 2001 are used. In both years almost two-thirds of women workers were engaged in clerical and office jobs, sales, health, personal services, and teaching.

Measures of Occupational Segregation

Establishing the degree of occupational segregation in the labour market is not straightforward as all of the measures conventionally used have strengths and weaknesses and some of the most commonly used measures are strongly influenced by the number of occupational groups used in the calculation. In order to extract more specific information about occupational segregation from the data than we have done up to this point using descriptive statistics on female shares and the percentage of all women workers in an occupation, we will use two commonly employed measures of inequality: the index of dissimilarity and the gender-dominated/gender integrated occupational division of the labour force.

The index of dissimilarity (ID) is defined as half of the sum of the absolute differences between the proportion of all females (F_i/F) and the proportion of all males (M_i/M) in each occupation:

$$ID = \frac{1}{2} \sum_i |F_i / F - M_i / M|$$

where F_i and M_i are the number of females and males in occupation i and F and M are the total number of females and males. The index has a minimum value of 0 if there is no occupational segregation (the same percentage female in each occupation) and a maximum value of 1 if there is complete segregation (each occupation is completely female or completely male). The index, as Anker (1998, p. 75) points out, is “interpreted as the sum of the minimum proportion of women plus the minimum proportion of men who would have to change their occupation in order for the proportion female to be identical in all occupations.”

Ideally we would like to calculate the index of dissimilarity using consistent data to track changes in occupational segregation over time. However, this is precluded because of the change from the National Occupation Classification to the Standard Occupation Classification in 1996, the use of an ILO definition of employment in the QNHS data for the second quarter of 2001 rather than a definition based on “Principal Economic Status”, and the provision of data for the same quarter for those at work rather than for those in the labour force. The CSO has helped us to address the latter problem by providing a special tabulation for this project of the 1996 Census data for people at work. Unfortunately, it is still not possible to directly compare changes in the index of dissimilarity between 1991, 1996 and 2001 because of the different definitions of employment (PES for 1991 and 1996 and ILO for 2001) and labour force participation concepts (labour force for 1991 and 1996 and at work for 1996 and 2001). However, piecemeal comparisons can be made for overlapping periods for which common definitions are available and some inferences can be drawn which allow us to surmise what the overall trend may have been between 1991 and 2001. In addition since data are available from the Labour Force Survey for 1983 on the basis of the same definitions as were used in 1991 we can extend our trend analysis back to 1983. Our estimates of the index of dissimilarity for Ireland at the three digit occupational level for 1983, 1991, 1996, and 2001 are shown in Table 6. It is helpful to be able to interpret the results for Ireland in the context of index values for other OECD countries. Data from Anker’s (1998) book are included in Table 4.17 for this purpose.

Table 4.17: Index of Dissimilarity for Occupations (excluding Agriculture and the Armed Forces) at the Three Digit Level in Ireland and OECD Countries around 1990 and in Ireland in 1996 and 2001

Country	No. of Occs.	1983	1991 ID	1996 ID	2001 ID
Ireland NOC	188	.653	.611		
Ireland SOC	218			.572	

Ireland SOC *	218	.607	.582	
Ireland SOC (ILO)	218			.582
Finland NOC 1990	264	.673		
France NOC 1990	433	.607		
Netherlands ISCO 68 1990	151	.588		
New Zealand ISCO 68 1986	281	.620		
Norway NOC 1990	291	.646		
Switzerland NOC 1980	452	.654		

Source: Anker (1998, Tables 4.1 and 6.8)

* Number in the labour force

Note: NOC = National Occupational Classification; SOC = Standard Occupational Classification; ISCO 68 = International Standard Classification of Occupations 1968.

The indices in Table 4.17 for 1983 and 1991 are calculated at the three digit level for people at work in all occupations except agriculture, the armed forces and unreported occupations using the old National Occupation Classification (NOC). The value of the index fell from .653 in 1983 to .611 in 1991. This indicates some weakening in occupational segregation by sex over this period. Indices for 1991 and 1996 have been calculated for people in the labour force using the new Standard Occupational Classification (SOC) introduced by the Central Statistics Office for the 1996 Census of Population. The index of dissimilarity fell from .607 to .582 thereby indicating that the decline in occupational segregation observed during the period 1983 to 1991 continued during the period 1991 to 1996 as women increased their participation in the labour force.

The data from the Quarterly National Household Survey for the latest year available, 2001, are classified using the ILO definition of employment rather than the definition based on Principal Economic Status (PES) used in the Labour Force Survey. The PES definition is based on each respondent's view of his or her employment circumstances whereas the ILO definition is based on a criterion which specifies that a respondent is in employment if he or she has worked for payment or profit in the reference week of the survey for more than one hour, including work in family businesses or farms. An analysis of the difference between the PES and ILO definitions in Hughes, McCormick, and Sexton (2000) shows that employment under the ILO definition is over 3 per cent higher than under the PES definition, that the increase is much higher for women than for men, and that a large part of the increase relates to occupations, such as sales and personal services, in which women are concentrated. Consequently, one would expect the index of dissimilarity to be higher on the basis of the ILO definition than on the PES definition.

Table 4.17 shows that the index for 1996 using the PES definition is the same as the index for 2001 using the ILO definition. This suggests that the index for 2001 could have been lower than the index for 1996 if both had been compiled on the basis of the PES definition. It can be inferred therefore that occupational segregation continued to weaken in Ireland between 1996 and 2001. Considering the data for 1991 and 2001 the evidence suggests that there was some decline in occupational segregation during the decade of the 1990s.

Whether this weakening has been more or less in Ireland than in other countries it is not possible to say because of the lack of comparable international data for the 1990s. However, Table 4.17 compares the index of dissimilarity for Ireland with the index for other OECD countries at the three digit level. As the indices for the six countries shown were compiled by Anker (1998, Table 6.8) using data for 1990 or earlier years on the basis of national occupational classifications or the International Standard Classification of Occupations, the appropriate comparison is with the index for Ireland based on its national occupational classification for 1991. This comparison suggests that Ireland ranked in the middle of the list of seven OECD countries for which the data were available at the beginning of the 1990s

with occupational segregation in the Netherlands and France being somewhat less and somewhat more in New Zealand, Norway, Switzerland, and Finland.

Table 4.18: Index of Dissimilarity for Occupations (excluding Agriculture and the Armed Forces) at the Two Digit Level in Ireland and OECD Countries Early 1990s

Country	No. of Occupations	ID
Finland NOC 1990	64	.606
France NOC 1990	119	.607
Ireland NOC 1983	75	.576
Ireland NOC 1991	75	.534
Netherlands ISCO 68 1990	63	.556
New Zealand ISCO 68 1986	77	.583
Norway NOC 1990	65	.564
Switzerland NOC 1980	66	.573

Source: Anker (1998, Table 6.3)

Note: NOC = National Occupational Classification; SOC = Standard Occupational Classification; ISCO 68 = International Standard Classification of Occupations 1968.

One of the problems in comparing the index of dissimilarity across countries at the three digit level is that the value of the index increases as the number of occupations increases (see Anker (1998)). Ireland's middle ranking in Table 6 may therefore be influenced by the fact that the index is based on a smaller number of occupations than any country in the list except the Netherlands. This problem can be addressed by basing the index on a more homogeneous number of occupational groups. This is done in Table 4.18 by using two digit occupational groups which range in size from 63 in the Netherlands to 119 in France. All of the indices at the two digit level are less than or equal to the indices at the three digit level, as expected given the relationship between the value of the index and the number of occupations. Overall, the indices show that there was a high level of occupational segregation at the beginning of the 1990s in Ireland and the other OECD countries for which we have comparable data.

In terms of rankings at the two digit level, Ireland appears to have had somewhat less occupational segregation than the remaining six countries whether the comparison is made using the old National Occupational Classification or the new Standard Occupational Classification. However, as in the case of the rankings based on three digit data Ireland's position may be influenced by differences in the number of occupations used to compile the index at the two digit level. The issue of the influence of the number of occupations on the size of the index of dissimilarity is considered by Anker (1998) and he argues that it can be solved by standardising the number of occupation groups used to compile the index for different countries.

This necessitates using an adjustment factor to increase the value of the index for countries which have less than the standard number of occupations and decreasing it for countries which have more than the standard number. Using the 1968 International Standard Classification of Occupations (ISCO 68) as the reference classification and Rubery and Fagan's (1993) data for EU countries, Anker uses 75 occupational groups at the 2 digit level to produce standardised indices for the countries shown in Table 8. According to the standardised measure Ireland ranked in the middle of the list of EU counties at the beginning of the 1990s after West Germany and France. The Netherlands and the United Kingdom came next with each having the same index value and Spain and Luxembourg were ranked as having the highest levels of occupational segregation in the EU countries listed.

Gender Dominated Occupations

Although there has been progress in the last decade in reducing segregation in employment occupational segregation remains high in Ireland and other EU countries. It is important therefore for policy purposes to identify occupations which are so dominated by one gender that the other gender has little chance of getting or holding a job in the occupation. Such occupations can be described as “male” or “female” occupations. As Anker (1998, p. 206) notes:

Seen from the perspective of the dominant sex, these are occupations where the dominant sex is protected to a large extent from competition from the other sex. Such occupations could be either valuable havens, or ghettos where the dominant sex is relegated to poor quality jobs.”

The existence of male or female occupations adversely affects gender equity and men and women’s equality of opportunity in finding employment. In addition virtual exclusion of men or women from particular occupations hinders occupational mobility and labour market flexibility and may reduce economic growth and living standards.

Table 4.19: Estimates by Rubery and Fagan of Index of Dissimilarity for Occupations at the Two Digit Level in E.U. in 1990 Based on ISCO 68 Using Standardised Number of Occupations

Country	ID75
France	.556
Ireland	.560
Germany (West)	.523
Luxembourg	.589
Netherlands	.567
Spain	.569
United Kingdom	.567

Source: Anker (1998, Table 6.10); Rubery and Fagan (1993).

The definition of “male-dominated” and “female-dominated” occupations varies in the research literature. Anker (1998, Chapter 5) argues in his review of this literature for a cut-off point of 80 per cent to identify occupations where one sex is so dominant that the probability of the other sex finding a job in it is very low. This definition highlights the fact that an extreme situation exists in which sex stereotyping is quite clear.

Table 4.20: Percentage of Female and Male Non-Agricultural Employment (excluding Armed Forces) and Number of Occupations in Gender Dominated Occupations at the Three Digit Level, 2001

Numb er of Occs.	% of Non- Ag. LF Female	Female Non-Ag. LF (%)			Male Non-Ag. LF (%)		
		In FDOM occ.	In MDOM occ.	In either FDOM or MDOM	In MDOM occ.	In FDO M occ.	In either FDOM or MDOM
217	43.3	41.0	4.5	45.5	54.5	4.7	59.2
		No. of Occ. in Non-Ag. LF			% of Non-Ag. LF		

		In FDOM occ.	In MDOM occ.	In either FDOM or MDOM	In MDOM occ.	In FDOM occ.	In either FDOM or MDOM
217	43.3	21	98	119	30.9	17.7	48.6

Applying this definition to data from the Quarterly National Household Survey for the second quarter of 2001 gives the results presented in Table 4.20. Gender-dominated occupations make up more than half of the 217 non-agricultural occupations but there are over four times as many male-dominated as female-dominated occupations. This is partly due to men having higher labour force participation rates than women and partly to the occupational classification being more detailed for the type of occupations men hold compared with the type of occupations held by women. A significantly smaller proportion of women work in female-dominated occupations, 41 per cent, compared with the proportion of men working in male-dominated occupations, 55 per cent. A very small proportion, less than 5 per cent, of men and women work in occupations dominated by the other sex. This is not simply true by definition as in countries where the percentage of women in the labour force is low (less than 25 per cent) occupational labour markets are so dominated by men that a significant proportion of women could be employed in “male” occupations. Anker (1998, p. 212) points out that in India where women comprise only 12 per cent of the labour force about 40 per cent of women work in male-dominated occupations.

The fact that a majority of male non-agricultural workers were working in male-dominated occupations in 2001 and that a majority of those at work were employed in gender-dominated occupations indicates that occupational segregation remains at a high level in Ireland. Nevertheless, women have made significant progress during the 1990s in increasing their participation in the labour force and some progress in making inroads into occupational labour markets in which they had very poor representation in the past.

Top Twenty Gender-Dominated Occupations

Despite the implementation in Ireland over a long period of time of anti-discrimination and equal opportunities policies women continue to be seriously under represented in a wide range and men in a small range of occupations. This suggests that policies may need to be developed which will focus on specific occupations, or groups of occupations, with the objective of eliminating the gender stereotypes and prejudices which effectively shut most women out of nearly half of the occupations which they could take up and some men out of a tenth of existing occupations.

Table 4.21: Top Twenty Gender-Dominated Occupations at the Three Digit Level in 1996

Male-dominated Occupations	Per cent Male	Female-dominated Occupations	Per cent Female
500 Bricklayers and masons	99.7	459 Secretaries, medical, legal, personal assistants, typists and word processor operators	98.2
502 Plasterers	99.6	670 Housekeepers (domestic and non-domestic)	97.1
501 Roofers, slaters, tilers, sheeters and cladders	99.5	460 Receptionists and receptionist-telephonists	96.9

885 Mechanical plant drivers/operatives and crane drivers	99.5	342 Medical radiographers	93.3
570 Carpenters and joiners	99.4	340 Nurses and midwives	92.3
923 Road construction workers etc.	99.4	343 Physiotherapists and chiropodists	91.2
540 Motor mechanics, auto electricians, tyre and exhaust fitters	99.2	652 Educational assistants	90.5
504 Builders and building contractors	99.1	553 Sewing machinists, menders, darners and embroiderers	88.6
895 Pipe layers/pipe jointers and related construction workers	99.1	660 Hairdressers, barbers and beauticians	87.3
922 Rail construction and maintenance workers	99.1	953 Counterhands and catering assistants	86.7

Source: Census of Population 1996, Volume 7, Table 8

Table 4.21 lists the top ten male- and female-dominated occupations in 1996.²³ Men employed in the top ten male-dominated occupations are concentrated in building and construction and they amount to 56,000 or about 5 per cent of the total number at work. There were less than 400 women working in the top ten male-dominated occupations. Women employed in the top ten female-dominated occupations are concentrated in medical and personal service sectors and they amount to 110,000 or about 10 per cent of the total at work in 1996. There were about 7,500 men working in these female-dominated occupations. While sex segregation is extreme in the case of both the male and female top ten gender-dominated occupations the top ten female occupations are somewhat more integrated than the top ten male occupations. The full list of gender-dominated occupations in 1996 shows that the number of occupations which were male-dominated was six times larger than the number which were female-dominated. In terms of the depth and breadth of sex segregation the difficulties of access to a wide range of occupations, therefore, are far more acute for women than for men.

Conclusions

This section has shown that some progress has been made between 1991 and 1996 and probably also between 1996 and 2001 in reducing the sex segregation of occupations in Ireland but that much remains to be done in integrating occupations as a very unequal situation persists. Almost half of those at work in 2001 were employed in occupations where one sex dominates to such an extent that the other sex does not have an equal opportunity of getting a job in these occupations.

Sex segregation in employment is much more common in male-dominated than in female dominated occupations. There were nearly five times as many male-dominated as female-demand occupations in 2001 and almost 60 per cent of men worked in male-dominated occupations compared with 45 per cent of women working in female-dominated occupations.

The relatively high degree of occupational segregation indicates that a majority of men in Ireland do not face much competition for jobs from women. This has the advantage for men that female-dominated occupations tend to have lower pay, lower status and less opportunities for advancement than male-dominated occupations.

²³ The Quarterly National Household Survey, Second Quarter 2001 is not used to identify gender-dominated occupations as it is based on a sample of the population which is not suitable for use at the three digit level.

The increased participation of women in the Irish labour force in recent years appears to be associated with some reduction in the sex stereotyping of occupations but occupational segregation has proved remarkably persistent despite the existence of anti-discrimination, equal pay, and equal employment opportunities policies designed to eliminate sex segregation in employment. Some development of such policies may be needed if that goal is to be achieved. One possibility might be to apply the Council of Europe's gender equality principal to equal opportunities programmes for access to occupational labour markets and to education and training programmes. The Council of Europe's approach to mainstreaming equality between men and women has been adopted as a requirement by the Irish National Development Plan 2000 to 2006 for all policies and programmes to be implemented under the plan (see www.justice.ie). This means that a gender equality perspective must be incorporated in all of the plan's policies and programmes by the actors involved in policy-making at all levels and at all stages. Mainstreaming equality as a requirement for all employment action plans in Ireland could provide a useful means of reducing occupational segregation in the future.

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4.3 Gender Gaps in Employment and Participation Rates

Helen Russell

The EU employment guidelines and Irish employment action plans, first introduced in 1998 have consistently maintained the twin objectives of increasing employment rates for women (and reducing gender gaps in employment) and reconciling work and family life, under the pillar of equal opportunities.

In the earliest sets of guidelines the objective of increasing female employment was stated in general terms. However, at the Lisbon Summit (2000) the EU set a specific target of 60% female employment rates to be achieved by 2010. The Stockholm Summit set an intermediate target of 57% female employment rate target by January 2005 and retained the 60% target for 2010.

The objective of reconciling work and family life has included at various times, commitments to promoting family friendly policies such as leave schemes, improving the provision of ‘affordable, accessible, and high quality cares services for children and other dependants’, and assisting women to return to work after a absence. Additional actions to promote female labour market participation are included under other pillars of the employment strategy. For example, the Employability Pillar includes actions to reform tax and benefit systems in a way that removes disincentives to married women’s employment. Similarly, the employability pillar includes commitments to lifelong learning and improving the access of women to training, which are likely to be particularly beneficial to women trying to re-enter the labour market.

Actions included in the Irish EAPs to reduce gender gaps in employment and participation have focused on improving the provision of childcare (see section 4.1 and below for further detail), the provision of a childcare allowance for those training with FAS, the introduction of the Parental Leave Act, 1998, extension of maternity leave rights, the individualisation of the standard rate tax band, public awareness campaigns on the issue of family-friendly work policies.

In this section of the report we will describe trends in female labour market participation and female employment in Ireland, paying particular attention to the changes that have occurred post 1997, which covers the period of the European Employment Strategy. We will then examine how these changes in employment patterns are related to individual characteristics particularly parental status. Finally, we discuss these changes in the context of policy developments outlined in the Irish Employment Action Plans. We rely mainly on data from the Irish and European labour force surveys (since 1998, the Irish Quarterly National Household Survey) and this is supplemented by information from the European Community Household Panel.

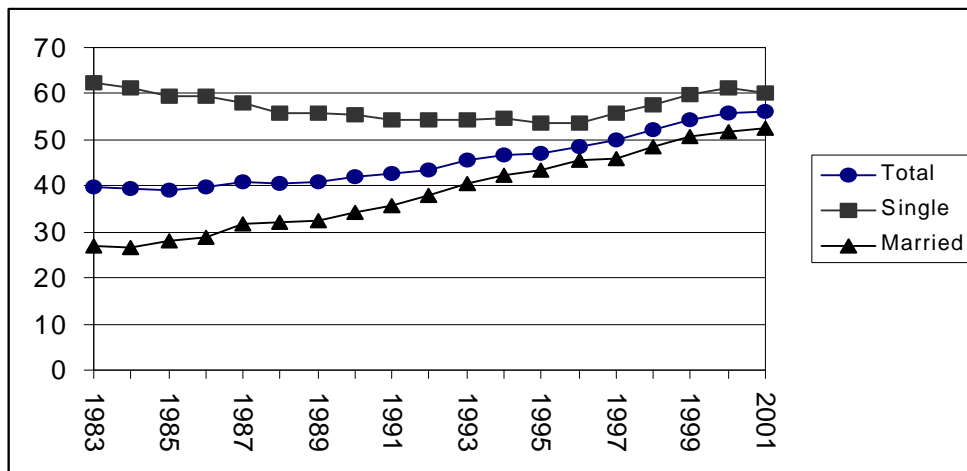
Trends in Female Employment and Participation Rates

In examining trends in female labour market participation and employment in Ireland we apply the ILO definitions of employment, unemployment and labour market participation. We adopt these definitions because they allow greater international comparability, and because measures based on self declared employment status undercount short-hours employment among women and unemployment (Russell,). The ILO defines employment as any work for pay or profit over the last seven days, of at least one hours’ duration. The ILO unemployment count includes anyone not employed, who has actively sought work in the last

two weeks and who is available to start work in the next seven days. This measure tend to produce a higher count of female unemployment than measures based on unemployment registers or self definition. The active labour force consists of those employed and unemployed so defined.

Since the late 1980s there has been a very significant rise in women’s participation in the Irish labour market (see Figure 1). Up to 1997 this change was driven primarily by the increase in married women’s participation (see also (Fahey, Russell, & Smyth 2000)). The activity rates of single women declined somewhat between the early eighties and mid nineties but began to rise in 1997. These two patterns mean that the gap between married and single women’s participation rates has narrowed considerably since the early 80s. There appears to have been a levelling off of participation rates for both single and married women between 2000 and 2001, and it remains to be seen whether rates will stabilise at this level.

Figure 1: Female Participation Rates in Ireland, Ages 15-64 (1983-2001)

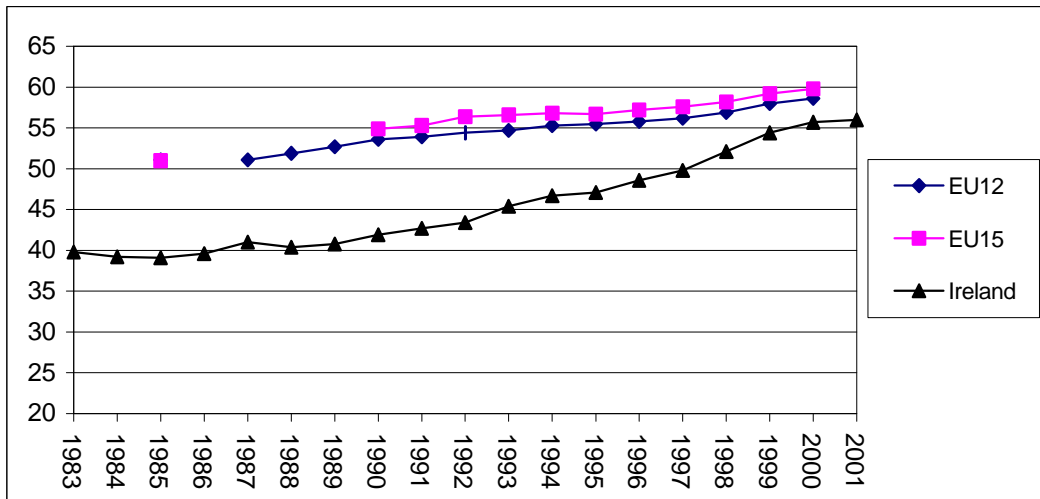


Source: European Labour Force Surveys.

Note- the total also includes divorced and widowed who are not shown separately.

A comparison of Irish and EU female activity rates shows that Ireland has been converging gradually toward the EU average since around 1993 (Figure 2). In 1990, female participation rate in Ireland was 13 percentage points lower than the EU15 average. By 2000, the Irish female participation rate stood at 55.7 per cent while the average for EU15 was 59.8%. a gap of only 4.1 percentage points.

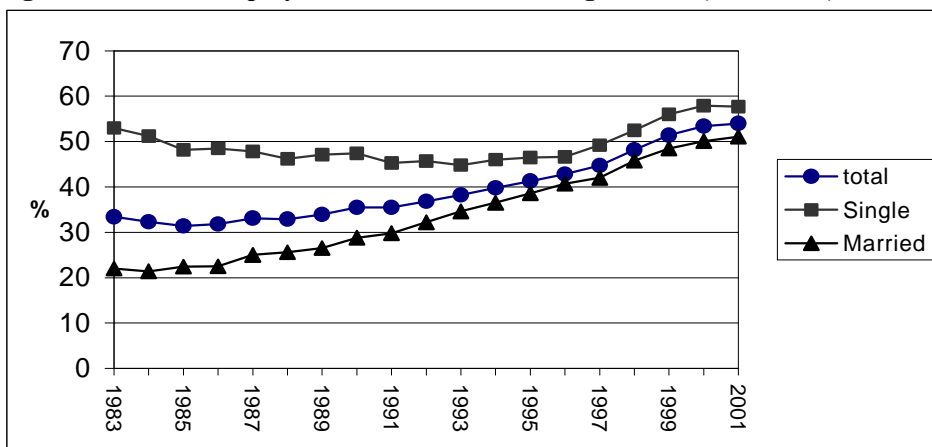
Figure 2: Female Activity Rates in Ireland and the EU, 15-64 years



Source: European Labour Force Surveys.

Changes in female employment rates in Ireland have been even more dramatic (see Figure 3). In 1983 only a third of Irish women were in employment, however by 2001, 54 per cent were employed. Again, it is married women that have driven this change. Between 1986 and 2001 married women's employment more than doubled from 22.5% to 51.1%. This growth was sustained even during the economic downturn in the early 1990s, which is probably because they were entering jobs in the expanding services rather than in manufacturing, which was worst hit by the recession. In contrast, employment rates among single women declined during the recession of the early to mid-1980s and only started to recover again in 1996.

Figure 3: Female Employment Rates in Ireland Ages 15-64 (1983-2001)

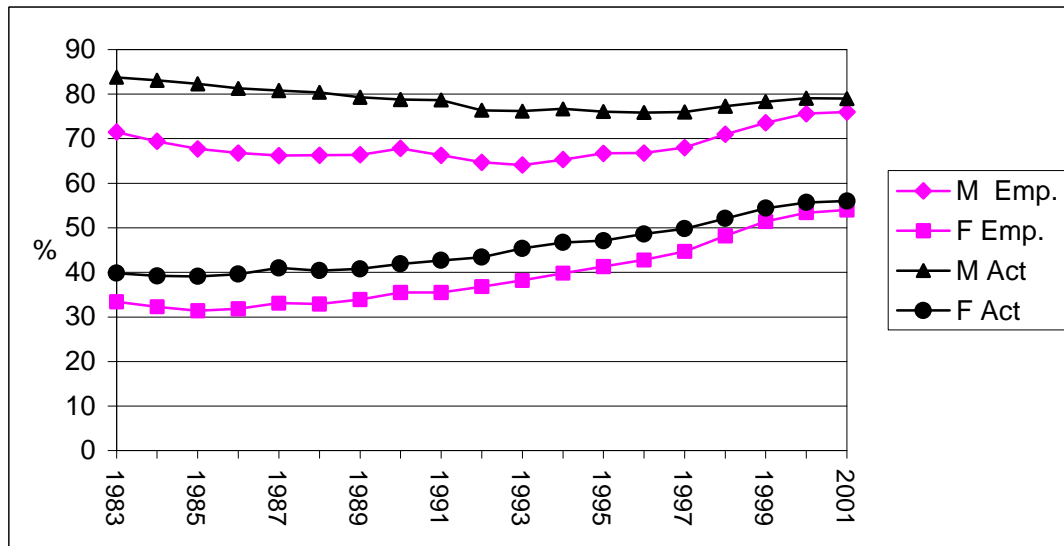


Source: European Labour Force Surveys.

The results displayed in Figure 3, suggest that Ireland is close to achieving the target of a female employment rate of 57% by 2005 but only if the slowdown in employment growth in 2001 does not continue. The changes in female participation and employment have also meant considerable progress has been made in reducing gender gaps in these rates (see Figure 4). In 1983, 71.5% of men were employed compared to 33.4% of women a gap of 38

percentage points. The decline in male employment during the 1980s coupled with the continuous rise in female employment since 1985, has meant this gap was reduced to 22 percentage points in 2001. Over the period of the Employment Action Plans, 1998 to 2001, the gap has not narrowed significantly because male and female employment increased at a similar rate (the gap declined from 22.8 to 22.0 percentage points over the period).

Figure 4: Gender Gaps in Employment and Participation Rates, 15-64 years



Source: European Labour Force Surveys.

A very similar picture emerges when we compare the gender gap in activity rates over time (dark markers in Figure 4), which has declined from a difference of 44 percentage points in 1983 to 23 percentage points in 2001. The narrowing of the gender gap in participation rates, like that in employment, has slowed in the late 1990s as men's participation began to increase for the first time since 1983.

While it is difficult to make any precise assessment of the role of the EU Employment Strategy in these trends, it is worth noting that the rise in both female activity and employment rates were already well underway prior to its implementation and that the patterns since 1998 have been consistent with this longer term trend. The rise married women's participation and employment is a particularly longstanding trend, having been in train since the late 1980s and being relatively resistant to broad economic cycles. The downward trend in the employment and participation gap between men and women also preceded the introduction of the EAP, and appears to have slowed slightly during its lifetime, however this has been due to the positive trend in male employment/participation, which is also consistent with the Employment Strategy of increasing employment generally. We will discuss the impact of specific policy changes in greater detail at the end of this chapter.

These overall rates of participation disguise very significant variation by factors. Analysis of female participation using the 1994 Living in Ireland survey (Barrett et al. 2000, p103) found that female participation decreased with age, and with the number of children under age 12, but children aged between 13 and 18 years increased the probability of participation. Women's predicted hourly wage had a positive effect on participation, in that the more a woman was expected to earn the more likely she was to participate. The participation elasticity was 0.9, which means that each increase of 1% in hourly wages leads to 0.9% increase in the participation rate. Educational level was not included in the participation model but had a strong impact on the predicted wage.²⁴ Living in an urban area had a positive impact on participation, while husband's unemployment had a negative effect, finally husband's net income had a small negative effect on participation.

Doris (2001) compares the results for 1994 to those from the 1998 Living in Ireland survey, and runs separate models for those with no qualifications and those with Group Certificate or higher. Doris found that the negative impact of young children, age and spouse's income on women's participation remained stable between 1994 and 1998 (p11-12). However, the effect of wages becomes weaker for women with some educational qualification, while those with no qualifications become more responsive to wage levels over the time period. This means that women's pay levels, particularly those at the lower end of the earnings distributions will continue to influence female participation decisions. Therefore the policies discussed in section 4.1 on wage gaps are also likely have a complementary influence on participation.

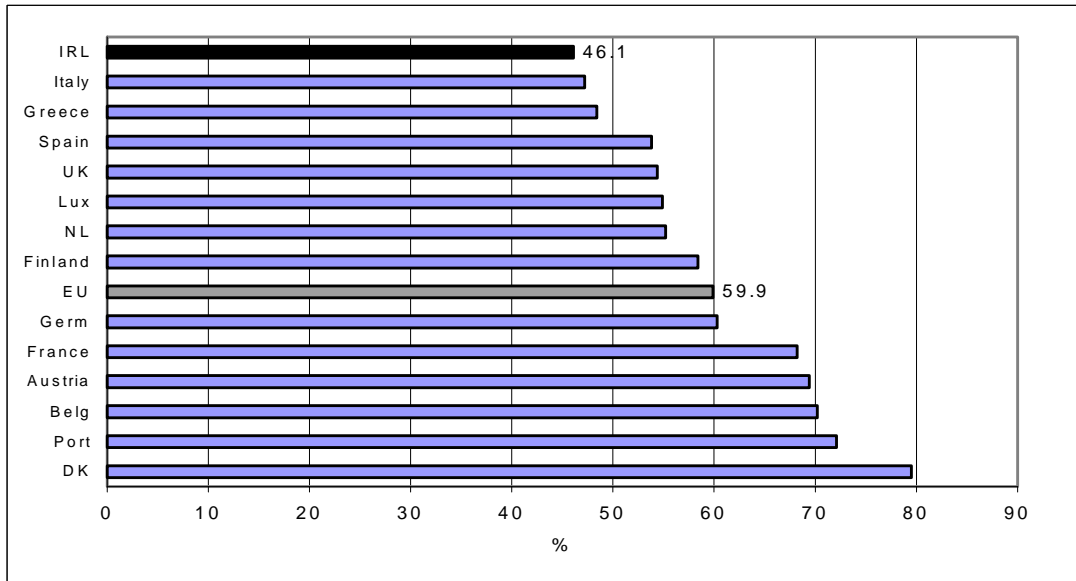
Given the strong link between female participation and age/number of children we examine in some greater detail at the influence of parental status. Analysis of data from the European Community Household Panel allows us to compare the participation rates of Irish mothers with those elsewhere in Europe. Figure 5 shows that although Irish female activity rates have been catching up with the EU average, the activity rates for women with young children remain very low compared to elsewhere in Europe. Irish women with children under five had the lowest rate of participation in the EU, 46% compared to an EU mean of 60%.

Similarly, the number of children under 18 has a much more negative impact on Irish women's labour market participation than in the EU as a whole. Figure 6 presents the activity rates among women aged 25-45 years with different family commitments.²⁵ Irish women without children have activity rates very close to the EU average (higher than in Italy, Greece, Spain and Portugal, not all shown in graph). However the participation rate drops significantly with each additional child. Irish women with three or more children have an exceptionally low participation rate (36%). Only Italy has a lower rate of participation of women in this age group with three or more children (31%, not shown). Denmark represents a completely contrasting situation, in which the number of children under 18 has no impact on participation rates, while in France an appreciable drop in participation rates only occurs among women with three or more children.

²⁴ This formulation means that the influence of education is seen purely in terms of wages however, those with higher levels of education may be more likely to participate because they have more intrinsically satisfying jobs or because they are more committed to employment.

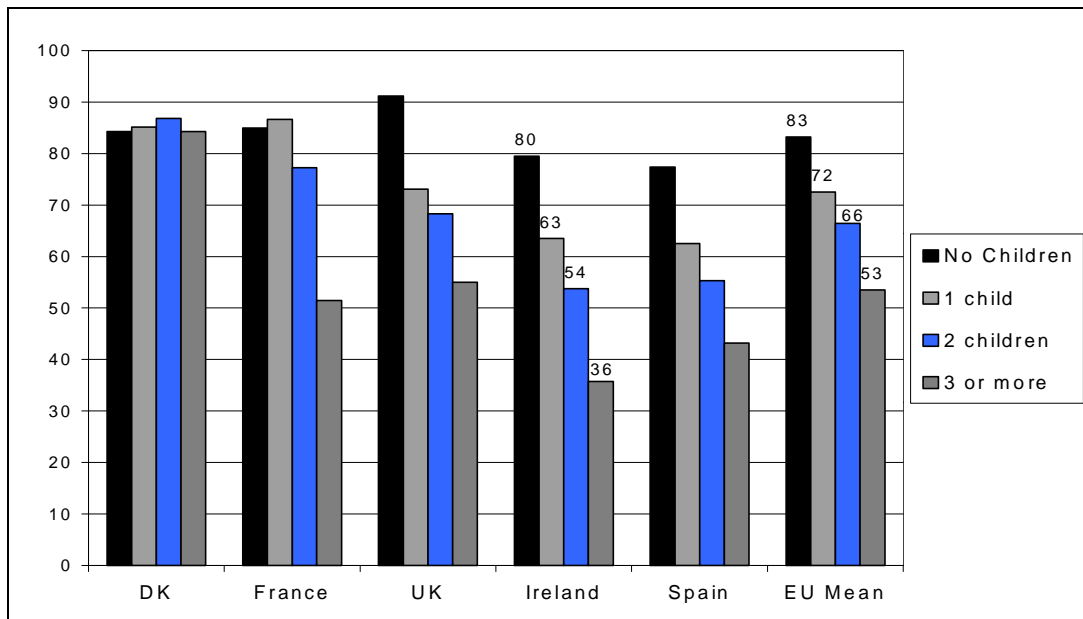
²⁵ We apply this age cut off, so that the effect of 'no children under 18' is not confounded with age.

Figure 5: Activity Rates Among Women with Children Under 5 years of Age, 1996



Source: ECHP 1996, analysis of micro-data. EU mean excludes Sweden, each of the 14 countries is given an equal weighting (i.e. not weighted by national population).

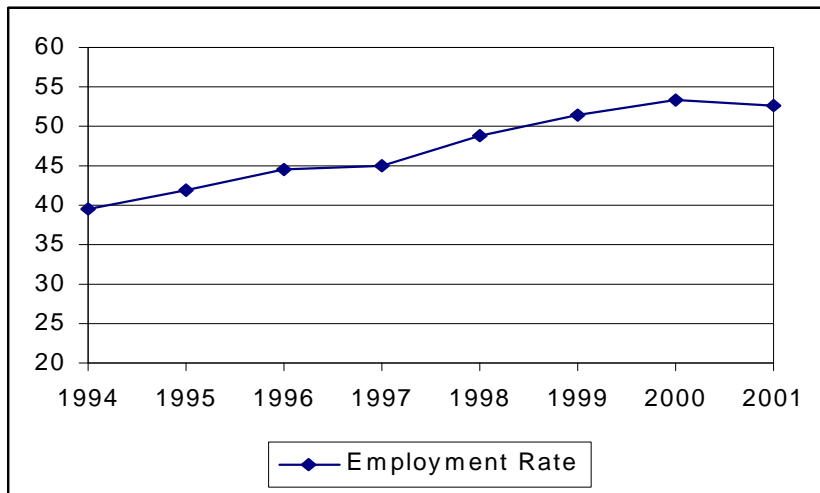
Figure 6: Activity Rates of Women 25-45 Years by Number of Children Under 18, 1996



Source: ECHP 1996, analysis of micro-data. EU mean excludes Sweden, each of the 14 countries is given an equal weighting (i.e. not weighted by national population).

In figure 7 we examine the latest trends in the employment of mothers with young children. The results show that employment rates among those with pre-school children has risen from 39.5% in 1994 to 52.5% in the second quarter of 2001. Since the introduction of the EAP in 1998 there was a rise from 48.9% to 53.4% in 2000 but there was a small decline in employment among this group in 2001. These results suggest that there has been an improvement in access to employment rates among those with pre-school children, which has occurred alongside the general increase in employment rates. However the multivariate analysis reported in Doris (2001) suggests that participation (and hence employment) among this women with pre-school children is still significantly lower compared to women of the same age, educational level, wage level, without young children.

Figure 7: Employment rate of Mothers With Children Under 5, 1994-2001



Source: 1994-1997 LFS microdata; 1998-2001 QNHS published results.

Discussion and Conclusions

The figures outlined here show that there have been very dramatic increases in women's participation and employment rates in Ireland and consequently significant reductions in the very wide gender gaps in these rates. However these trends have been underway since the mid-1980s and therefore cannot be directly linked to the Employment strategy or EAPs. This is not to say that the trends have not been influenced by European economic and social policy. Equalising opportunities between men and women has been a longstanding aim of the European Community, as exemplified by the four Community Action Programmes on Equal Opportunities for Men and Women, the first of which ran from 1982 to 1985. These programmes incorporated many of the same objectives as the Employment Guidelines (see European Commission, 1997).

The comparison of the participation rates of mothers outlined here highlight the extent to which government policy can shape these patterns, one of the most important differences between the Member States is in the extent of childcare and other supports for working mothers (Gornick et al. 1997). Therefore we discuss in some detail the impact of childcare policies introduced over the period of the Employment Strategy (leave schemes are discussed in section 4.1), we also look a policy change in relation to facilitating returns to work and more briefly moves to individualise of the tax system.

Childcare and Caring for other Dependants

Since the introduction of the Employment Strategy there has been an increased investment in childcare provision. However, it should be noted that such developments are starting from an extremely low base: Ireland has one of the lowest levels of publicly funded childcare in the EU and the cost of private childcare as a proportion of average earnings in Ireland is amongst the highest in the EU (National Childcare Strategy, 1999).

In the first two years of the EAP investments in childcare were very modest (€14 million over two years, 1998/9). However, the National Development Plan (1999) allocated €317 million for expenditure on childcare for the period 2000 to 2006, and an additional €33.7 million was allocated in 2000. The target for the programme is to create 28,208 new places by 2006. Funding approved to the end of 2001 is expected to create 12,278 places, 7575 (61%) in community based facilities and 4703 (39%) in private facilities. However no information is available of the number of new places created to date, and there are signs that providers are experiencing difficulty in drawing down these funds.²⁶

The Irish Congress of Trade Unions has expressed concern about the ability of the plan to meet the demand for childcare or to make it affordable for parents (EAP, 2001). The Goodbody report on childcare (1998) predicted that at a minimum the demand for childcare places will increase by 40,000 by 2011, and by another 14,000 if the ratio of women working part-time to full-time decreases. On the basis of these predictions, if all the NDP targets are reached, the number of new places should just keep pace with new demand to 2006²⁷, however further significant funding post 2006 will be needed to meet continuing increases in demand. Given that a considerable proportion of the new provision is expected to be in the private sector, affordability is likely to continue to be a problem into the future.

Recent research has shown that there is a high reliance on informal childcare arrangements in Ireland. The childcare survey included in the Commission on the Family report found that the majority of mothers in paid employment used informal types of childcare (Williams & Collins, 1998). Similarly, a survey of members of six ICTU affiliated unions which was carried out in 2001 found that 43% of respondents used informally paid childcare, 22% used unpaid childcare and 35% used formally paid services (ICTU 2002). This type of childcare is highly contingent and is dependent upon having a large reserve of women who are not involved in formal employment who can provide this support. This resource will not be available if participation continues to rise. This reliance on informal care also has implications for older women, since the expectation that they will provide care for their grandchildren limits their own opportunities to participate in employment and education (Russell et al. 2001).

While there has been considerable policy discussion on childcare the *Joint Employment Report 2000*, noted that very little action has been taken under the Irish EAPS to assist those who wish to combine employment with caring for other dependants for example elderly or sick/disabled relatives. Force Majeure leave introduced in the Parental Leave Act, provides for only 3 days leave over 1 year and a maximum of five days in any 36 months.

Access to Employment, Education and Training among Women Returners

Recent research by the ESRI (Russell et al. 2001) has looked at the barriers facing women who wish to return to the workforce or to education/training. The main barriers highlighted in the report included childcare difficulties, lack of information, eligibility requirements for (training/education/employment schemes) that give priority to those in receipt of welfare payments and which in some cases exclude non-recipients, lack of confidence, lack of formal

²⁶ The extent of under-spending in the first year of the NDP is outlined in section 4.1 of this report.

²⁷ This assumes that rate of take-up of childcare among the employed and mothers in home duties remains the same as in 1996. Goodbody's estimate that if rate doubles for those in home duties demand would rise by another 43,000 (1998, p23).

education qualifications and/or recent work experience, and limited availability of family-friendly working/training opportunities (especially in non-urban areas).

The study showed that annual transition rates into employment from home duties between 1994 and 1998 were in the order of 7%, with a slightly higher transition rate of 12% recorded between 1998 and 1999 (the first year of the EAP). In all, 27 per cent of those who were in home duties in 1994 had made a transition into work and some point over the 6 years for which they were followed. The research also examined the types of jobs entered by returners and found a high concentration in low status personal service type jobs such as cleaning/domestic work, shop assistant and waitressing/catering. There was also evidence of downward mobility when these destinations were compared to the women's previous jobs. This suggests that attention needs to be paid not just to increasing the numbers entering employment but also to the quality of jobs obtained and the opportunities for progression and training.

The Irish national employment actions plans has implemented one of the important recommendation of the report from Women's Access to Labour Market Opportunities, (DFSCA, 2000), that is the introduction of a £50 child care allowance for trainees with the state training agency FAS. However this payment is considerably below current costs in the regulated childcare sector, and may not be taken up by those working informally (see Russell et al 2001).

Tax Individualisation

The impact of measures to move towards individualisation of the tax system in 2000, cannot be directly assessed using the trend data outlined here (see section 2, for further discussion of tax changes). Nevertheless it is likely that some of the positive impact on participation may have counter-acted by the Home Carer's Tax Allowance of £3000 introduced following protests about individualisation from some sectors of the community. The community and voluntary pillar of the National Partnership agreement have also expressed concern that the measures introduced only assist household paying the higher rate of tax and therefore 'only benefits relatively affluent married women who wish to return to work' (EAP 2001).

Research relating to returners highlights the more general point that reducing inequalities in employment rates and participation rates is only one dimension of gender equality, and that the characteristics of jobs obtained by women is equally important. The persistence of very strong gender segregation in the work force and a wide gender pay gap outlined in sections 4.1 and 4.2, suggest that the exceptional increases in Irish women's employment and participation over the last decade have not yet led to significant changes in these areas. Therefore the most recent focus in the Stockholm summit on the quality of employment, is extremely important for the issue of equal opportunities between men and women, must be acted on in parallel with efforts to reach employment targets.

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Section 5 Assessment of the Policy –Making Process

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1.1 Introduction

In this section of the report the Irish labour market and employment policy-making process is reviewed and assessed in the context of the EU Employment Strategy and Guidelines.

1.2 Objectives

The objectives of this component of the evaluation are:

1. To examine and assess the ways in which national employment and labour market policy, as outlined in Ireland's Annual Employment Action Plan, is formulated and reviewed to take account of the EU Employment Strategy and Guidelines.
2. To examine and assess the institutional frameworks used in developing such policy, particularly in relation to the role played by the social partners in the development. Implementation and monitoring of the EU Employment Strategy and Guidelines and of the national Employment Action Plan.

1.3 Approach

The approach used to achieve the above objectives was as follows:

1. Review all relevant national policy documents that underpin the Employment Action Plan and the Employment Action Plan itself and assess:
 - The influence of the EU Employment Strategy and Guidelines on the development of such policy; and
 - Efforts made to ensure the consistency of such policy with the EU Employment Strategy and Guidelines.
2. Hold discussions with relevant policy making Departments and related agencies, where required, on the above themes.
3. Examine and assess existing institutional arrangements for policy development, implementation and monitoring in this area.
4. Explore the role played by each of the social partners in these institutional frameworks through discussions with key representatives of each pillar, and make an assessment of the capacity of the social partners to participate in the process.
5. Make an assessment of the adequacy of the policy development, implementation and monitoring process and related institutional frameworks in the light of the EU Employment Strategy and Guidelines.

2 Assessment of the way in which Irish Labour Market and Employment Policy is developed in the light of the EU Employment Strategy and Guidelines

2.1 Introduction

In this section an assessment is made of the way in which Irish labour market and employment policy is developed, in the light of the EU Employment Strategy and Guidelines, drawing on the available documentation that underpins the NEAP. This done under two main headings:

- The Policy Formulation Process; and
- The Policy Review Process.

The section concludes by outlining the steps taken, and the institutional framework involved, in preparing the NEAP, in the light of the EU Employment Strategy and related Guidelines.

2.2 Examination of the National Employment and Labour Market Policy Formulation Process as outlined in Ireland's Annual Employment Action Plan (NEAP) in the light of the EU Employment Strategy and Guidelines.

2.2.1 The Programme for Prosperity and Fairness (2000)

Irish employment and labour market policy is primarily articulated in the Programme for Prosperity and Fairness (PPF) and further developed in the National Development Plan 2000-2006 (NDP) and related Operational Programmes (OP), particularly the Employment and Human Resource Development Operational Programme. These policies are then in turn reflected in the strategies of the relevant Government Departments and State Agencies. (e.g. Department of Enterprise, Trade and Employment, FAS) A review of these documents indicates a high level of concurrence between national labour market policy and the EU Employment Strategy and Guidelines. The PPF states that:

“The core objective of the Programme is to build a fair, inclusive society in Ireland based on:

- *A dynamic and competitive economy;*
- *Full employment and the effective elimination of long-term unemployment;*
- *Equal opportunity;*
- *Lifelong learning;*
- *Adaptation to the Information Society;*
- *The promotion of research and development;*
- *Balanced and sustainable development between and within regions and between urban and rural areas;*
- *An entrepreneurial culture; and*
- *Ireland playing its full part in the European Union and the international community.”*

In relation to employment and the labour market the PPF summarises the key measures being adopted as follows:

“Competitiveness

- *Strengthen each of the main enterprise sectors, including small business and the services sector;*

- *Promote indigenous industry including agriculture, agri-food and marine and forestry;*
- *Address skill shortages; and*
- *Accelerate e-commerce infrastructure and the information society....*

People on Low Incomes

- *The Pay agreement associated with this Programme will provide significant minimum increases in each phase;*
- *A National Minimum Wage: this will be set at a rate of £4.4. from 1 April, 2000, and the Pay Agreement supports increases to £4.70 from 1 July, 2001, and to £5 from 1 October, 2002;*
- *Reduce Taxation: the personal tax packages will produce substantial increases in take-home pay at all income levels over the period of this Programme;*
- *Social Welfare Reform: all rates of social welfare will be increased in real terms and substantial progress will be made towards targets for the lower rates and for child benefit set out in Framework III; and*
- *Training: a range of measures will be introduced to upskill the workforce generally, which will have a particular impact on those on low incomes and those returning to the workforce; and*
- *Pensions: the parties have agreed to co-operate to actively promote improvements in the coverage of occupational pension schemes and the level of State old age pensions will be improved in line with the commitments given in the Review of the Government's Action Programme for the Millennium.....*

Childcare and Family Friendly Policies

The Programme for Prosperity and Fairness recognises that policies to support childcare and the family are a cornerstone of future social and economic progress. Accordingly, the Programme aims to:

- *Increase childcare places in both private and community sectors;*
- *Protect the well being of children by appropriate training of childcare workers and by regulation of childcare provision;*
- *Increase out-of-school childcare services by community groups and school managements; and*
- *Further national fiscal and social policy measures to reconcile work and family life, including family-friendly policies in employment....*

Equality

- *A progressive legislative framework which eliminates discrimination in employment and in services;*
- *Institutions to combat discrimination and to provide redress and support to people experiencing problems;*
- *Further measures to tackle equality issues; and*
- *A system of equality proofing and ongoing monitoring mechanisms.*

The Challenge of Continuing Change

This Programme for Prosperity and Fairness sees lifelong learning as the key to a future of sustained economic growth and social development at a time of ongoing change. It contains a radical package of lifelong learning measures which will:

- *Improve early and adult literacy, as well as IT, science and language skills;*
- *Support maximum participation in education and training programmes by all;*
- *Make sure that our education and training courses respond to economic and social needs;*
- *Promote development of the adult learning sector; and*
- *Improve school staffing to meet greatest needs.*

The Programme also contains a series of measures designed to speed up Ireland's transition to an Information Society. It includes measures aimed at:

- *Building people's skills so they can participate in the Information Society;*
- *Fostering an affordable and inclusive Information Society;*
- *Developing Ireland as a centre for e-commerce; and*
- *Encouraging and supporting teleworking."*

These measures are clearly consistent with, and reinforcing of, the EU Employment Strategy and Guidelines.

2.2.2 The National Employment Action Plan (NEAP)

The NEAP represents a distillation of these policies and related actions using the framework laid out in the EU Guidelines. The NEAP 2001 reiterates the key objectives of Irish labour market policy:

- *"To promote employment growth and employment for all who seek it.*
- *To mobilise labour supply, including through increased female participation, equal opportunities and a balanced increase in immigration, in order to contribute a consistent, strong, sustainable and non-inflationary level of economic growth.*
- *To enhance labour quality through education, training and in particular lifelong learning in order to strengthen the employability of individuals and to promote competitiveness and adaptability in firms.*
- *To promote the economic and social inclusion of excluded persons, eliminate long-term unemployment and prevent a future drift into long term unemployment.*

The twin strategy being adopted to achieve the above objectives is to provide supports and mobilise labour supply from all available sources and to provide the necessary education, training and lifelong learning opportunities to ensure that supply matches demand and that employed persons and those seeking employment have the required skills"

These objectives reflect the new EU-wide strategic employment goal set in Lisbon (2000):

"to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more better jobs and greater social cohesion"

The actual policy mix developed to implement this strategy is set out in the NEAP under the four Pillars outlined in the Guidelines- Employability, Entrepreneurship, Adaptability and Equal Opportunities between Women and Men.

The NEAP (2001) also spell out the objectives, strategies and policies being pursued in Ireland in relation to the Horizontal Guidelines. This is expressed in terms of:

- a commitment to full employment and to increasing Ireland’s employment rate;
- a commitment to lifelong learning and to increased expenditure on education with related targets;
- a commitment to active social partner involvement as demonstrated most clearly in the PPF process; and
- a commitment to greater regional economic and social balance.

Such overall objectives clearly reflect the horizontal Guidelines set at EU level.

2.2.3 The NEAP and the Guidelines

In relation to the individual Guidelines there is a high level of consistency and concurrence between the individual Guidelines and the actions described in the NEAP. This is summarised in Table 2.1.

Table 2.1. Comparison of Guidelines and of Related Actions in the NEAP

Guidelines (2002) *	Summary of Action as stated in the NEAP (2001)
A. Improving Employability	
1. Every Unemployed persons offered a ‘new start’ before 6 months-for young people and, 12 months, for adults.	Every Unemployed Person’s offered a new ‘start’. Employment Service modernised.
2. Review and Reform of benefits and tax system to reduce poverty traps and provide incentive to work.	Programme of tax reform outlined. Increase in percentage of those on the Live Register involved in active labour market programmes.
3. Develop policies and enhance capacity and incentives for older workers.	Programme of research carried out. Equality legislation enacted.
4. Improve quality of education and training systems.	Task force on lifelong learning established. A wide range of programmes introduced to increase skill levels of both the employed and unemployed. National framework for qualifications being established.
5. Develop e-learning for all citizens.	All school having access to Internet and multi-media.
6. Identify and prevent emerging employment and skills bottlenecks.	Actions taken to identify and address areas of skills shortages. More open immigration policy adopted.
7. Identify and combat all forms of labour market discrimination.	Equality legislation and related structures put in place.

Guidelines (2002) *	Action as stated in the NEAP (2001)
B. Developing Entrepreneurships	
8. Reduce overhead costs and administrative burdens for business.	Reduce tax on SMEs.
9. Encourage entrepreneurial activities.	Increased emphasis on enterprise education and SME supports.
10. Remove barriers to the provision of services.	Implementation of the IRS 2007. Opportunities for Ireland's High Technology Internationally- Traded Services.
11. Take the regional development dimension into account in overall employment policy.	Emphasis in NDP on a new spatial strategy and on regionalisation of investment programmes. Increased local governance at county level.
C. Encouraging Adaptability	
13. Review the existing and proposed new regulatory framework to make sure it will contribute to reducing barriers to employment and will encourage more flexible working and better work practices.	Legislation to Protect Part-time workers, carers leave. Development of family 'friendly' policies in the workplace.
14. Invite social partners to conclude agreements on lifelong learning to facilitate adaptability and innovation particularly in ICT.	Increased emphasis on in-company training. Increased apprenticeships/ traineeships. Initiatives to support ICT.
D. Strengthen Equal Opportunity policies for Women and Men	
15. Adopt a gender mainstreaming approach in implementing the Guidelines across all 4 Pillars.	Commitment to gender mainstreaming and related monitoring in NDP/OPs.
16. Strengthen efforts to reduce the gap in employment rates between women and men.	Tax individualisation introduced. Improved labour market access. Research on the nature of pay gaps- carried out recommendations being implemented.
17 Design, implement and promote family-friendly policies including care for children and other dependants.	PPF Committee has developed programme of action in this area.

*This is an abbreviated version of the Guidelines. Full details can be found in "Proposal for a Council Decision on Guidelines for Member States' Employment for the year 2002"

2.2.4 EU Recommendations on NEAP 2001

The process currently being used to develop the 2002 NEAP clearly indicates that the EU recommendations on the 2001 NEAP are being taken into account as central issues in the new Plan. All the Departments and agencies involved have been asked to specifically address the following issues, as outlined in the EU recommendations on the 2001 NEAP, in their submissions to the 2002 Plan:

- increasing labour force participation rates;
- lifelong learning, especially in-company training; and
- regional disparities.

2.3 Areas where Guidelines have played a Key Role in Irish Labour Market and Employment Policy

2.3.1 Direct Effect

While each of the EU Guidelines are addressed in the NEAP, and in related labour market policies, a number of Guidelines have played a particularly important role in influencing Irish policy. These are:

- 1) the Preventative Strategy (Guideline 1)
- 2) the Lifelong Learning Strategy (Guideline 4)
- 3) the Gender Mainstreaming Strategy (Guideline 16)

The Preventative Strategy has had a profound effect on national labour market policy. It called for a major response and the allocation of related resources by the Irish employment and training system, and became for a time, the number 1 priority in Irish labour market policy.

This impact can be attributed to a number of inter-related factors:

- a) the scale of response required;
- b) political commitment to the policy and related actions;
- c) early success of the initiative;
- d) timeliness of the initiative (i.e. when the Irish economy and related job opportunities were expanding); and
- e) the level of co-operation achieved between the Irish social welfare and training systems in implementing the strategy.

The Lifelong Learning Guideline has had a much less dramatic but more ‘slow burning’ effect on Irish labour market and employment policy. Gradually a coherent strategy to ensure both basic and on-going learning and skill development for young people, the unemployed and those at work is becoming a key element of national economic and social policy.

The Gender Mainstreaming Guideline has been very influential in putting, and keeping, issues of gender equality in the labour market on the mainstream employment policy agenda. Again the impact has been gradual but significant, with a growing realisation of the benefits of such a policy and on how it should best be implemented.

2.3.2 Indirect Effects:

The EU Guidelines have also had a more indirect effect on Irish labour market and employment policy. This indirect effect is reflected in the extent to which the annual NEAP and the EU Guidelines have:

- brought together the key actors involved in the development, implementation and monitoring of Irish employment policy; and
- established an agreed common labour market policy agenda that acts as a backdrop to all related developments.

This indirect effect is particularly important in the Irish context where many of the policies involved have been developed in a range of other fora, rather than within one overall framework.

2.4 Areas where the EU Guidelines have to date had a limited impact on Irish Employment Policy

In a limited number of areas the Guidelines have not been fully addressed to date in the NEAP or in related policy areas. These areas relate primarily to the setting of national targets (on employment rates, participation rates, active measures, Investment in Human Resource Development etc).

The response at national level to the call for the setting of such targets is that the open nature of the Irish economy, and the likelihood of unexpected external economic shocks impacting on the economy and the labour market, would render many such targets meaningless.

2.5 Overall Impact of the EU Guidelines on Policy Formulation

The Guidelines process has been important in maintaining a coherent and co-ordinated focus on labour market and employment policy in Ireland and has led to significant policy changes in a small number of key areas.

However while almost all of the Guidelines are reflected in Irish labour market and employment policy they were not the driving force behind the development of most policies. Many of these policies had already been identified at national level and implemented through national level policy-development processes, including the PPF, the NDP and the related Operational Programmes. (Such areas would include tax and social welfare reform, entrepreneurial development programmes, strategies and action to reduce skill bottlenecks etc).

It should be noted that the NDP and the EHRDOP present labour market and employment policy under the 4 Pillars of the EU Guidelines.

2.6 Examination of the National Employment and Labour Market Policy Review Process in the light of the EU Employment Strategy and Guidelines

It is in the area of policy review that the EU Strategy and related Guidelines have had the most significant impact from an Irish perspective. As stated above, the annual NEAP process provides a forum for reviewing Irish labour market and employment policy and for reporting on progress in its implementation. The updating of the Action Plan on an annual basis affords an opportunity to review progress on commitments made in the previous NEAP and in other related policy areas and to highlight areas where further action is required. The EU recommendations arising from the last NEAP also provide a focus for the review process and ensure that areas that have not been adequately addressed to date receive greater attention in the following year.

The actions being implemented by each of the Departments involved in the NEAP process are also co-ordinated in the NEAP review and updating process.

This area is further explored in the next section of this chapter where the views of all of the main stakeholders involved in the process are presented.

2.7 Description of the Process used to Formulate/ Review the Irish NEAP in the context of the EU Strategy and Guidelines

Table 2.2 outlines the process involved in formulating and reviewing the Irish NEAP in the context of the EU Strategy and Guidelines.

Table 2.2 Description of the process involved in formulating and reviewing the Irish NEAP in the context of the EU Strategy and Guidelines.

Steps	Annual Dates
1. Draft Guidelines produced at EU level and circulated for comment	September
2. DETE propose comments on the Guidelines and submit to the EU	
3. Guidelines approved by the Council of Ministers	
4. Guidelines disseminated at national level to the relevant Departments/ agencies* and Social Partners** with a template indicating areas to be updated, and highlighting recommendations made by the EU on the previous NEAP (For the 2002 Plan this involved a joint meeting of all the Departments involved and bilateral meetings with representatives of the Social Partners)	December
5. Material for the next NEAP prepared drawing on the agreed template by individual Departments/ FAS	February
6. Written comments submitted by the Social Partners	February
7. NEAP drafted and circulated for comment	February
8. Final draft NEAP written and sent to the Tanaiste for approval	March
9. NEAP approved by the Government	April
10. NEAP submitted to Brussels	May
11. Discussions held on the NEAP at EU level with Irish representatives.	June/ July
12. Peer review process gone through	September
13. JER drafted and Recommendations submitted	September

*Department of Finance, Education and Science, Social Community and Family Affairs and Justice, Equality and Law Reform; FAS, The Employment and Training Agency.

** IBEC, ICTU and representatives of the Community and Voluntary Pillar

2.8 Description of the Institutional Framework

The process of developing and reviewing the Annual NEAP is led by the Department of Enterprise, Trade and Employment (DETE) and approved by the Minister of that Department (currently the Tanaiste).

Other Departments engaged in the process are:

- Department of Social, Community and Family Affairs;
- Department of Education and Science;
- Department of Justice, Equality and Law Reform; and
- Department of Finance.

FAS, the Employment and Training Authority, also contributes to the review and updating process.

Each of these organisations is asked to comment on the NEAP and to provide information on progress achieved and on planned new policy developments and related actions, as well as on developments in the wider economic and fiscal environment.

The key Social Partners involved in the process are:

- IBEC- Irish Business and Employers Confederation;
- ICTU- Irish Congress of Trade Unions; and
- Representatives of the Community and Voluntary Pillar, led by the Irish National Organisation of the Unemployed (INOUE).

The role of the social partners in the process is evolving over time. In 2001 ICTU and C+V Pillar submitted comments on the NEAP which were included as separate Appendices in the final version of the NEAP. While the social partners are invited to participate in the EU discussions on the NEAP they are not funded to attend such meetings (This issue is discussed further in Section 3 and 4). However in 2001 both IBEC and the ICTU attended the review meeting in Brussels. This meeting was found to be very beneficial as it facilitated an open exchange of views on key areas of Irish labour market and employment policy and related actions, and on perceived key policy gaps, and resulted in a commitment to address these gaps in the future.

The institutional framework used in the NEAP process is paralleled to varying degrees in other fora-the PPF sub committees, EHRDOP Monitoring Committee. One of the issues to be resolved for the future is the exact nature of the relationship between these different structures and the extent to which the work of each can evolve in such a way that such structures complement rather than duplicate each other.

Section 3 Issues Raised in Discussions with NEAP Stakeholders

3.1 Introduction

All of the parties to the NEAP process (described in Section 2) were interviewed as part of this evaluation. Their views are summarised below under the following headings:

- Views on the Content of the Guidelines
- Views on the role of EU strategy and Guidelines/ NEAP process in shaping Irish labour market and employment policy
- Views on the Institutional Framework
- Views on the Content of the NEAP
- Views on implementation of the NEAP
- Views on monitoring of the NEAP
- Views on Assessment of the NEAP by the European Commission
- Views on the roles of the Social Partners
- Views on how to increase the impact of the EU Guidelines/NEAP Process
- Views on how to strengthen the Institutional Framework

A list of those interviewed is given in Appendix 5B.

It is worth noting that a very high level of consistency emerged in the views obtained from all the parties concerned.

3.2 Views on the Content of the Guidelines

The Guidelines were considered to be very comprehensive and to cover all key areas of Irish labour market and employment policy. However the extent to which the Guidelines have influenced the formulation of such policy was seen to be limited. Apart from a limited

number of discreet areas such as the Activation Strategy and gender mainstreaming, the Guidelines were generally seen to be at one with Irish policy, rather than acting as a catalyst for the development of such policy.

The presence of the Guidelines was seen as important however in ensuring that the various policies involved were kept to the forefront of policy-makers and policy implementors minds. The process was seen to impose a necessary discipline in terms of reporting on progress achieved and barriers to progress in each area.

Generally the Guidelines were seen as overly labour market supply-orientated. This was considered to reflect the labour market of the late 1990's, rather than that of the early years of the new millennium.

Given current labour market priorities throughout Europe, it was generally considered that future Guidelines should place greater emphasis on the demand side of the labour market and on ensuring that conditions existed that were supportive of the creation and maintenance of sustainable, high quality employment. This in turn was seen as necessitating a greater focus in the Guidelines on ensuring ongoing competitiveness- both in the economy generally and in the labour market specifically-and in providing a co-ordinated set of policies aimed at supporting enterprise development.

Such a shift in the Guidelines, it was stated, would also support the Lisbon commitment to the creation of a leading knowledge-based economy throughout Europe.

Overall, it was agreed that the Guidelines would have a much more significant role in national policy development if they focused on a limited number of key strategic issues at EU level, using a 2-3 year time horizon, and encouraged each member state to also identify its own priorities within this framework, rather than attempting, as at present, to review and assess on an annual basis all areas of existing labour market and employment policy.

The Guidelines were seen to allow for 'local' flexibility at the member state level and it was considered very important that such flexibility was maintained.

3.3 Views on Role of EU Strategy Guidelines/ NEAP Process in Shaping Irish Labour Market and Employment Policy

The process was seen by all as beneficial in bringing together the various strands of labour market policy into one comprehensive reference document, and in providing a forum in which the implementors of labour market policy could discuss how best to co-ordinate their efforts.

There was unanimity of opinion however that the current one year cycle for the EU Guidelines/ NEAP process was too short, and that this time scale resulted in an over concentration on reporting on actions taken in the previous year, and an under concentration on identifying and addressing key policy priorities for the future. Furthermore the requirement to limit the size of the NEAP document was also seen to have created a situation whereby all Guidelines are reported on in a similarly brief manner, regardless of their relative importance from a national labour market and employment policy perspective.

The short time frame involved was also seen to mitigate against any meaningful evaluation of outcomes, as many outcomes could only become apparent in the medium to long-term.

The fact that the NEAP Process was not linked to the budgetary process was seen to place serious limitations on the extent to which the NEAP could be seen as a vehicle for pursuing policy changes or for introducing new initiatives.

The process of consultation at national level was seen to be fairly limited. However given the current reporting requirements, plus the presence in Ireland of a number of other consultation mechanisms (e.g. PPF, OP Monitoring Committees), little benefit was seen as likely to arise from greater consultation unless other, more fundamental, changes were made in the process as a whole. A very strong view was expressed that all the various reporting mechanisms currently in existence needed to be co-ordinated to minimise unnecessary duplication and to ensure that each added a particular value to the achievement of overall policy objectives.

A number of detailed recommendations were made on how to make the process more effective from a policy development perspective. These are outlined in Section 3.10.

3.4 Views on the Institutional Framework

The government Departments involved in the EU Guidelines / NEAP process considered that the process was continuously being refined and was now working well –but largely as a review/ progress-reporting type mechanism. The process was seen as providing an opportunity to reflect on Irish labour market and employment policy interventions in a coherent and regular manner. While the extent of consultation was limited, it was seen as adequate to ensure:

- a) reporting along the lines required in the Guidelines; and
- b) an opportunity for all the stakeholders to express their views and if necessary, to express them directly to the European Commission.

The development of a more in-depth consultation process and of a more elaborate institutional framework was not considered necessary given:

- a) the other fora already in existence (PPF, OP Monitoring Committees); and
- b) the limited extent to which the NEAP can operate as a strategic/ priority setting document given existing constraints.

The social partners were of the view that more time is required to comment effectively on the various stages of the process and to ensure that such comments are given serious consideration by the Departments/ agencies involved.

ICTU and the representatives of the Community and Voluntary Pillar both expressed concern at the lack of funding available to facilitate their participation in the review meetings in Brussels.

3.5 Views on the Content of the NEAP

Generally stakeholders agreed that the NEAP accurately reported on progress achieved under each Guideline in Ireland. The NEAP was seen primarily as a reporting rather than a planning document. As referred to above, the necessity of reporting on each Guideline every year (plus the constraint on the size of the report) meant that the NEAP was becoming in danger of being perceived as a report on progress achieved to date, rather than a statement of developments in labour market and employment policy in Ireland going forward. It was generally considered that, if the Plan was to play a greater role in policy development, it would need to become more strategic and long – term, with a focus on identified and agreed priority areas of Irish labour market and employment policy, within the framework of identified key themes at EU level.

Thus while the NEAP was seen to provide a good reference source on labour market and employment policy and related activity within Ireland, it was considered to add little value to

the labour market policy development process. Developments in labour market policy were seen to occur primarily within the context of the PPF and the NDP.

Reflecting the Guidelines, the NEAP was also considered to be overly labour market supply orientated. A better balance between actions required to stimulate and sustain demand and supply in the labour market was seen to be particularly relevant at the present time in an Irish context.

Some of the more recent developments in the Irish labour market were not seen to be adequately covered in the Plan, e.g. the increasing number of immigrants wishing to access/required in the Irish labour market, and the need to develop policies aimed at activating and incentivising those not currently in the labour market, as presently defined.

The NEAP, some maintained, should concentrate more on removing identified barriers to the smooth operation of the labour market- barriers that are amenable to public policy intervention, such as lack of childcare, lack of part-time education opportunities for workers etc.

3.6 Views on Implementation of the NEAP

The NEAP process was seen to provide worthwhile opportunities for cross agency co-operation in relation to implementation of the NEAP. This occurred particularly in relation to the Activation strategy-between FAS and DSCFA- and in the area of lifelong learning- in terms of bringing together plans for more long-term educational developments and for more short-term training to meet identified labour market skill needs.

The role of the social partners in implementation of the NEAP was unclear. Neither the employer or the employee representatives consulted considered that they could implement planned actions on a unilateral basis. The forum for joint action was seen to arise primarily within the context of the PPF rather than the NEAP (e.g. in areas such as flexible working)

3.7 Views on Monitoring of the NEAP

The primary focus of the existing monitoring system on a quantitative analysis of activity was referred to in the discussions. While this was seen to provide useful comparative information on trends in activity, it was generally considered that insufficient attention was being devoted to researching or monitoring the *outcomes* of such activities, particularly more qualitative outcomes. The social partner representatives in particular, expressed concern at the lack of focus on qualitative outcomes, particularly in relation to the Preventative Strategy where little information is available on the outcome for the participants in terms of the sustainability or quality of the jobs obtained or of the other actions they have undertaken.

If the policy development recommendations outlined above, were implemented, this would in turn support a focus on more in-depth monitoring and evaluation of identified priority areas of labour market and employment policy.

3.8 Views on Assessment of the NEAP by the European Commission

The Commission's role in recommending areas where further action is required and in providing a forum for discussion on such action was considered to be beneficial. It was considered to be significantly at 'arms length' while still being objective and not unnecessarily 'interfering' in national policy formulation. The Commissions 'recommendations' are increasingly used by the DETE as a starting point for the preparation of the next NEAP.

Concerns were expressed however at variations in the depth of knowledge of Commission Officials on the Irish labour market and related policy areas. This was seen at times to lead to situations where inappropriate comments/ suggestions for change/ improvements were made. Again a more focused and in-depth discussion on a limited number of priority areas, using a medium term horizon, was seen as likely to provide for more meaningful dialogue.

3.9 Views on the Role of the Social Partners

The Social Partners- IBEC, ICTU and the Community and Voluntary Pillar-currently play a role in commenting on the draft NEAP.

The social partners consider that the NEAP process is beneficial to the extent that it provides an opportunity to document, review and discuss key elements of Irish labour market and employment policy and related implementation issues. However give the time constraints currently involved, such consultation is limited and time given for preparing responses is short.

While the social partners would, in principle, support a more in-depth consultation process they are sceptical of the impact that such a change would make- unless other more fundamental changes are made in the overall process. These include, as outlined above, the adoption of a more medium-term strategic and co-ordinated approach, linked to budgetary and other policy-making fora. If the NEAP remains largely a progress reporting mechanism the social partners would prefer to direct their resources to influencing the PPF process where it is considered that significant changes in policy can be achieved.

Given that the social partners are actively engaged in these other fora they are already geared up to participate in the relevant debates on labour market and employment policy. Lack of time and uncertainty of outcome are therefore seen to be more constraining elements than a lack of resources. However both the ICTU and the Community and Voluntary Pillar are of the view that meetings in Brussels to discuss the Guidelines/ NEAP should be funded, either by the European Commission or by the lead Department.

3.10 Views on How to Increase the Impact of the EU Guidelines/ NEAP Process

As can be seen from the views expressed above Irish stakeholders consider that a number of changes should be made to the EU Guideline/ NEAP process, aimed at making it a more meaningful policy development vehicle, rather than primarily a progress reporting mechanism.

These recommendations can be summarised as follows:

1. Review the Guidelines to provide a more balanced approach to labour market demand and supply issues
2. Within the Guidelines identify key themes and challenges at EU level and clearly link individual guidelines to each of these key themes.
3. Encourage member states to address the key themes identified at EU level, to identify national priorities from within the Guidelines, and to concentrate their action plans on addressing these themes and priorities.
4. Move to make the NEAP process and related plan a 2-3 year one, with an emphasis on identifying medium term priorities and outlining planned actions to address these priorities in a coherent and comprehensive way, focusing on actions to remove identified

and agreed barriers to the smooth operation of the labour market, in pursuit of the overall Lisbon objective.

5. Prepare annual reports on these priorities and on any new key areas, largely as a reporting and review mechanism, based on consultation with the various Government Departments, state agencies and the social partners involved.
6. Discuss these reports with the Commission aimed at ensuring the active involvement in these discussions of all stakeholders, and agree any changes/ additional actions required.
7. Develop a focus on monitoring short and medium term outcomes in identified key policy areas, supported by an agreed programme of labour market research and evaluation.
8. Clearly and overtly link the NEAP process to the other labour market policy fora in Ireland- the PPF, the Monitoring Committees of the Operational Programmes etc. - aimed at minimising duplication in reporting systems and at maximising complementarity between the different policy development mechanisms.
9. Link the NEAP process to the budgetary process so that the NEAP can become more focused on policy development and related initiatives, supported by the necessary funding.

3.11 Views on How to Strengthen the Institutional Framework

The NEAP process should be utilised more as an opportunity for the lead department to pull together all relevant labour market policies and related actions currently being pursued in Ireland but in a somewhat uncoordinated manner. This includes the PPF, the NDP, the Operational Programmes, the Expert Skills Group, and the various government Departments and state agencies that are implementing their own strategies aimed at improving the operation of the labour market e.g. FAS, Department of Education and Science, Department of Social, Community and Family Affairs, Department of Justice, Equality and Law Reform etc.

The NEAP process should provide a fora for sharing such information based on which the lead Department can draw together a co-ordinated strategy and related actions for addressing key labour market issues which will inform national policy making. The social partners could also feed into this process and keep their members informed.

Section 4 Assessment of the Adequacy of the Policy Development and Monitoring Process and Related Institutional Frameworks in the light of the EU Employment Strategy and Guidelines.

4.1 Introduction

Based on the review of available material and discussions with each of the stakeholders our overall assessment of the adequacy of the policy development and monitoring process and related institutional framework is presented in this section.

4.2 Assessment of the Policy Development, Implementation and Monitoring Process

As currently designed the process acts effectively as a mechanism for reviewing labour market and employment policy in Ireland in a comprehensive and co-ordinated manner and in a way that addresses EU priorities, as reflected in the Guidelines. All the key policy areas of

relevance in Ireland can be contained within the framework for reporting on the Guidelines, while at the same time allowing for 'local' flexibility. In a small number of cases the Guidelines have clearly led the development of Irish labour market policy (e.g. the Preventative Strategy, Gender Equality strategy), while in others the Guidelines have reflected policies already identified and developed at national level. The Lisbon objective has provided a strong overall focus to the process, allowing for all the key areas of labour market policy, from both a demand and supply side perspective, to be addressed.

The NEAP process and the annual Guidelines have helped to ensure a continuing focus on key labour market policy issues and has acted as a useful fora for reviewing and assessing progress made in a co-ordinated manner. The JER and the EU recommendations arising from the process have proved useful in identifying areas where further action is most urgently required.

In some areas the presence of the Guidelines has encouraged a co-ordinated and comprehensive approach to be adopted in a particular area of labour market policy. For example in the area of lifelong learning, while progress on the ground to date has been slow, the NEAP process has helped to ensure that a comprehensive policy will emerge which takes into account short-term as well as long-term issues, the needs of individuals, as well as of the labour market, the needs of the employed and the unemployed, and has highlighted the importance of a 'cradle to grave' approach in this area.

The EU Strategy and Guidelines have also supported increased co-operation and linkages between different actors involved in implementing Irish labour market and employment policy. For example the Preventative Strategy has facilitated greater co-ordination and information sharing between FAS and the Department of Social, Community and Family Affairs, and in better linkages between labour market and social welfare policy.

However a number of factors have limited the extent to which the process is focused on policy development and monitoring, rather than on policy review. These are:

- a) the short time period the Plan covers;
- b) the limited time available to prepare the Plan;
- c) the EU requirement to limit the size of the Plan;
- d) the lack of linkages between the NEAP and the other policy making fora;
- e) the lack of linkages between the NEAP and the budgetary process;
- f) the focus on quantitative reporting on activity levels;
- g) the lack of focus on outcomes (which can only be fully assessed using a medium-term time frame, backed up by the necessary research and evaluation);
- h) the presence in Ireland of a range of other medium-term policy making processes; and
- i) The traditionally strong national mechanisms at work in Ireland for developing and implementing labour market policy, in consultation with the social partners.

Thus while the EU Strategy and Guidelines have proved effective in focusing continuing attention on the importance of active labour market and employment policies in stimulating growth and international competitiveness, and in working towards the objective of full employment, the actual mechanisms of the current EU process, particularly its annual time frame, have limited their role in influencing the policy development process in Ireland.

If the process is to become more of a policy *development* process the following changes are required:

- 1) The process should be lengthened to a 2-3 year time frame;
- 2) The Guidelines should concentrate on identifying key strategic themes at EU level, using a 2-3 year time frame. Individual Guidelines should then be linked to each of these themes.
- 3) Within the framework of these Guidelines national priorities should be identified, in consultation with all the stakeholders, and within the context of broader economic, social and fiscal policies. The NEAP should then focus on how both the key EU themes and the identified national priority areas will be addressed, in a co-ordinated and comprehensive manner. This approach should then be backed up by the necessary monitoring and evaluation systems, and should be clearly linked to budgetary and other resource allocation mechanisms;
- 4) Annual reporting should focus on progress achieved in the identified priority areas and on highlighting barriers to progress;
- 5) Annual discussions between the stakeholders should concentrate on agreeing actions required to remove identified barriers to progress and on highlighting new and emerging priorities that should be considered for inclusion in the next 2-3 year plan;
- 6) Discussion and review at EU level should have a similar focus, based on an in depth knowledge of the issues involved. Every effort should be made to include stakeholders in all discussions, particularly when the 2-3 year Plan is being drafted and finalised. The resulting recommendations should focus on:
 - a) implementation issues on an annual basis; and
 - b) EU and national strategic issues on a 2-3 medium-term basis.
- 7) The Guidelines should take a more balanced approach to addressing both labour market demand and supply issues, under the key strategic themes identified above. The Adaptability Pillar in particular should be given more attention;
- 8) The Guidelines should focus attention on long-term labour market and employment issues aimed at improving 'the quality of work' and the 'quality' of the labour supply. This is particularly important in the context of developing and implementing effective and co-ordinated strategies for lifelong learning;
- 9) The revised NEAP process should be availed of as an opportunity for the lead Department to bring together all the key and somewhat disparate, elements of Irish labour market policy, including actions agreed under the PPF, the Operational Programmes, and the strategies of the various Government Departments and state agencies involved;
- 10) The complementarity of the various labour market policy development mechanisms operating in Ireland needs to be clarified and the specific value to be added by the NEAP process should be clarified and agreed;
- 11) While the area of equality should remain a separate Pillar in the Guidelines it should be extended to cover other areas of equality, beyond gender. This would help to ensure effective linkages between the NEAP and the NAPS processes (as the latter relates to the labour market). Equality issues should also be clearly 'mainstreamed' into the other Pillars;
- 12) Consideration should be given to agreeing key national targets in identified priority policy areas, particularly in areas that are amenable to public policy, with top level commitment

to actions required to achieve them. Progress made towards achieving these targets should be a key focus of the monitoring process;

- 13) The current labour market and policy climate is likely to be supportive of the changes proposed above. More proactive policies and related strategies and performance measurement system are currently being adopted nationally by all the key labour market organisations. Within this environment the NEAP under the leadership of the DETE, can become a focus for co-ordinating these endeavours and for identifying and pursuing overall national policy objectives;
- 14) The potential resource implications of these proposed developments would need to be addressed-both in terms of possible additional staff required, particularly in the lead department, and in terms of funding the proposed research required to underpin the process.

4.3 Assessment of the Institutional Framework in the light of the EU strategy and Guidelines

The Institutional framework through which the NEAP process is implemented involves the active engagement of five government Departments- the Department of Finance, the Department of Social, Community and Family Affairs, the Department of Justice, Equality and Law Reform, the Department of Enterprise, Trade and Employment, the Department of Education and Science, under the leadership of the Department of Enterprise, Trade and Employment. FAS, given its key role in informing and implementing labour market policy, also contributes to the process. The social partners – Employers, Trade Unions and representatives of the Community and Voluntary Pillar-are also actively involved in the process. Their involvement focuses primarily on commenting on draft material and participating in discussions at national and EU level.

The active involvement of these different stakeholders has increased over time. While the framework is relatively informal it does allow for bilateral and multi lateral discussions on the content and review of the Annual Plan and the EU Guidelines.

The relevant Government Departments are asked to provide inputs to the NEAP in their area of responsibility. This primarily involves reporting on progress made in the previous year and highlighting key areas of activity/ change agreed for the coming year. The Departments are also involved in discussions with the EU on the NEAP. This process is seen as useful in fleshing out details, explaining the context within which the actions are being carried out, and highlighting key areas of attention for the following year.

The JER and the Recommendations from the Commission that follow these discussions are considered very useful in focusing attention on key priorities for the following year.

In terms of an overall assessment of the institutional framework we would conclude that:

1. While the current institutional arrangements are quite informal, this is not considered to create significant difficulties, given the current time frame and focus of the consultation process.
2. If the recommendations, outlined above, for changes in the process were adopted it would be advisable to formalise the institutional framework more, in order to ensure full Departmental and social partner support for the Plan and its related priorities and actions. Given the longer timeframe, the more strategic focus and the greater strategic linkages to other policy and funding arenas, envisaged in these developments, it is likely that all the stakeholders would be prepared to become more involved in the planning, consultation

and review process. This is not likely to create particular difficulties given the work each stakeholder is already engaged on in this area in the context of the PPF, NDP, OP's and in the implementation of their own organisation's strategic plans.

3. All the stakeholders are keen to see the NEAP process become more focussed on EU and national labour market and employment policy priorities and on an agreed range of coherent and co-ordinated actions aimed at addressing these priorities, under the leadership of the DETE.
4. Within the proposed new and more strategic approach it would be possible to bring greater clarity to the role and responsibilities of the social partners in implementing specific aspects of the Plan, and in linking this with commitments made in other fora. The employer and employee representatives in particular can play a key role in helping to create climates that are supportive of initiatives to encourage greater in-company training and the adoption of more flexible work practices.
5. It would appear reasonable that either the national authorities or the EU fund the participation of the representatives of the social partners at the EU review meetings on the Guidelines and the NEAP.
6. The DETE as lead department, and also as line department with responsibility for competitiveness issues, can play a key role in the development of a stronger 'demand' side approach within the NEAP and the EU Guidelines, aimed at supporting national economic, and related, employment growth.
7. If the NEAP process is to support the development and implementation of a more strategic and co-ordinated labour market policy approach, authority to influence actions within all the relevant government Departments and state agencies must be invested in the process. How this can best be done is not clear given the current system of departmental responsibility and lines of authority.
8. The more active involvement of the political system in the process at both national and EU level would assist in sending out the message that the process is one where key policy issues and related actions are identified and agreed at both national and EU level.

Appendix 5A: Acronyms

DETE	Department of Enterprise Trade and Employment
C +V Pillar	Community and Voluntary Pillar
DSFCA	Department of Social, Community and Family Affairs
EHRDOP	Employment and Human Resource Development Operational Programme
EU	European Union
FAS	Training and Employment Authority
HR	Human Resources
IBEC	Irish Business and Employers Confederation
ICT	Information and Communications Technology
ICTU	Irish Congress of Trade Unions
JER	Joint Employment Report
NAPS	National Anti-Poverty Strategy
NDP	National Development Plan 2000-2006
NEAP	National Employment Action Plan
OP	Operational Programme
PPF	Programme for Prosperity and Fairness, 2000
SMEs	Small and Medium Sized Enterprises

Appendix 5B: List of Interviewees

Eugene Forde	Department of Enterprise, Trade and Employment
Marie Mackle	Department of Finance
Pat Dowling Margaret Kelly	Department of Education and Science
Susan Scally	Department of Social, Community and Family Affairs
Sylda Langford Kathleen Connolly Ann-Marie McGauran	Department of Justice, Equality and Law Reform
Roger Fox	FAS
Joan Carmichael Peter Rigney Paula Carey	ICTU
Jackie Harrison Aileen O'Donoghue	IBEC
Camille Loftus Robin Hanna	Community and Voluntary Pillar

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Department of Enterprise, Trade and Employment,

'Employment Action Plan- Monthly Progress Reports', Dublin

'Strategy Statement 2001-2003', Dublin 2001

FAS

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