

IBEC Jobs Report



November 2012

Driving Ireland's Recovery

Fragile labour market highlights need for 'jobs proofing' all policy initiatives

After four years of contraction, the Irish labour market remains in a difficult position. The latest Quarterly National Household Survey (QNHS) shows that employment, on a seasonally adjusted basis, fell to its lowest level since the crisis began. The significant majority of job losses in the last four years came about through a sharp contraction in the domestic economy; a recovery in this sector is therefore required, if there is to be a meaningful and sustained reduction in unemployment.

The relatively bleak headline numbers mask, however, a considerable degree of volatility and sectoral divergence. The private sector is beginning to gain momentum, adding jobs in Q4 2011 and Q1 2012, and despite a more challenging external environment, Q2 recorded only a very marginal decline. Since the private sector is the main source of sustainable job creation, this stabilisation is a crucial first step towards more robust jobs growth. In contrast, public sector staff cuts and an on-going fall in self-employment continue to weigh on the aggregate employment numbers.

The dual nature of the Irish labour market is highlighted by the strong inflow of job announcements. The first ten months of the year saw around 20,000 job announcements, with just over a third in IDA-supported companies. Most have a 6-to-18-month horizon, indicating a strong pipeline for the near term. Over a quarter of all announcements are in ICT companies, consistent with most indicators showing solid growth in the sector. In October, announcements from Kerry Group and Paddy Power highlighted the potential for indigenous firms to create high-tech knowledge-intensive employment.

While the overall vacancy rate in Ireland at 0.7% in Q2 2012 was below the EU average of 1.5%, it is up on the 0.3% recorded in 2009. Again, headline numbers conceal substantial sectoral variation. The financial sector and ICT record the highest vacancy rates at 2.6% and 1.5%, respectively, while business areas facing the domestic economy have the lowest vacancy rates. It is clear that reskilling and retraining initiatives must remain a priority to address the skills gap and help the unemployed move to sectors with brighter employment prospects.

Overall, 2012 is likely to be the last year of falling employment as the impact of cuts to public sector employment recedes and the rate of decline in the domestic economy slows. We are currently forecasting a drop of about 20,000 (or just over 1%) in the number employed this year, with the unemployment rate peaking at close to 15%. Next year should see a stabilisation, with a very marginal increase in employment. However, any recovery in employment is predicated on the Government not adding to the cost of employment. The private sector is the engine of the economy and it is vital that the Government does not undermine its ability to drive growth and create jobs.

Employment summary	Q2 2011	Q2 2012	% change
Employed	1,821,300	1,787,900	-1.8
Unemployed	304,500	308,500	+1.3
Private sector employment	1,096,000	1,107,600	+1.1
Public sector employment	408,700	388,500	-4.9
Self-employed	295,800	289,200	-2.2
Unemployment rate (%)	14.3	14.8	
Male unemployment rate (%)	17.4	17.7	
Female unemployment rate (%)	10.4	11.0	

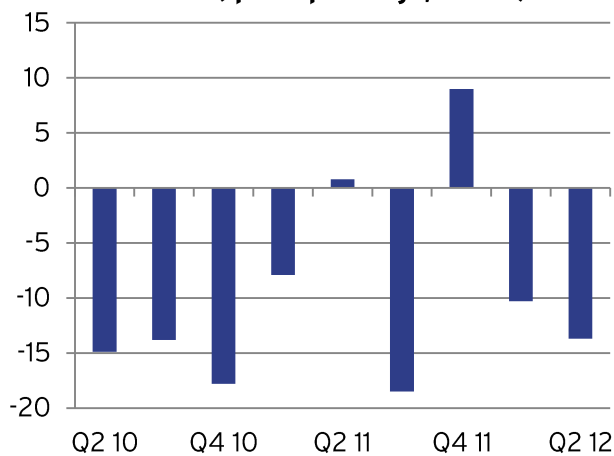


Total employment

Following a broad stabilising trend throughout 2010 and the start of 2011, seasonally adjusted quarterly jobs data from the CSO have been volatile recently. Q3 2011 saw a sharp decline, followed by an increase of 9,000 the next quarter - the first since the recession began. The first half of this year saw a return of the downward trend, with public sector job losses and the on-going decline in self-employment the main factors.

These factors, coupled with the regrettable but necessary job losses arising from the restructuring of the banking sector, will weigh on the headline employment figures in coming quarters, and the trend is likely to remain fairly volatile. However, sectoral data paint a picture of considerable variation - six of the fourteen employment categories posted job gains in Q2.

Total employment
(q-on-q change, 000s)



Source: CSO

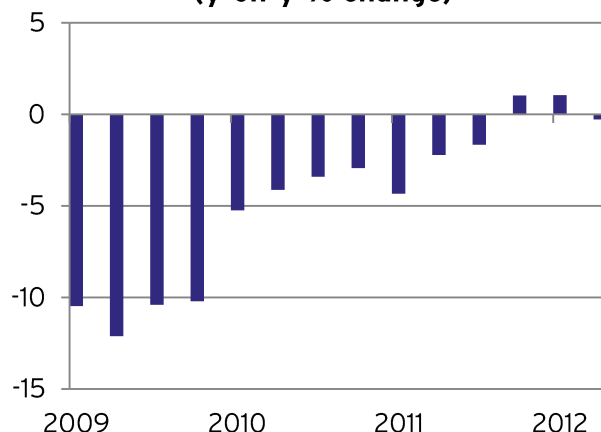
Private sector employees

The private sector is the main driver of job creation and the improved trend in the number of private sector employees is the clearest indication to date of a stabilising labour market. In Q4 2011 and Q1 2012 the number of employees grew by over 11,000, marking the first time since the onset of the recession the sector added jobs.

However, the recovery remains fragile, and Q2 saw a marginal, 0.3% drop in employee numbers. Global economic developments, the eurozone crisis in particular, have an adverse impact on firms' hiring intentions.

It is therefore essential that the Government does not add to the cost of employment, or create any uncertainty about labour costs in the Budget - this could seriously damage a fledgling recovery.

Private sector employees
(y-on-y % change)



Source: CSO

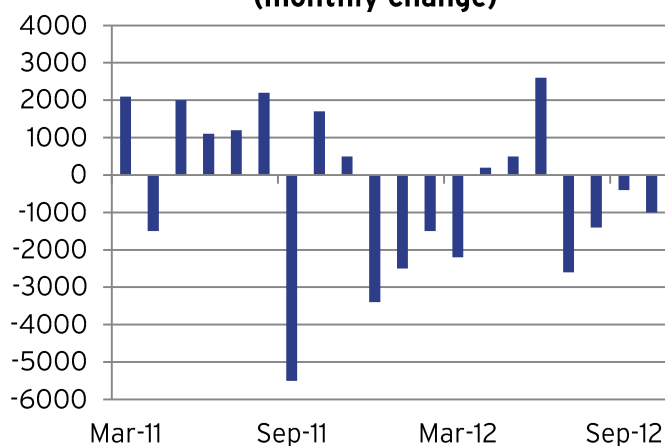
Live Register

The Live Register fell by 1,000 on a seasonally adjusted basis to 434,200 in October. This is the lowest level this year and some 15,000 below the peak. Much of the decline is the result of labour activation programmes such as JobBridge being excluded from the register rather than any underlying improvement in the headline numbers.

Labour activation measures, however, are a crucial step in removing applicants from the register on a longer-term basis; they provide job seekers with valuable experience and reskilling opportunities.

The most crucial factor for success is that the programmes are aligned to labour market needs, which is why the involvement of the private sector in the design and implementation is essential.

Live Register
(monthly change)



Source: CSO

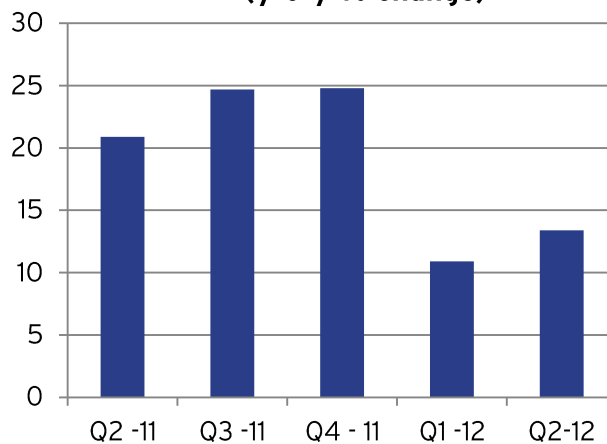


Underemployment

Underemployment relates to a person who works part-time and is willing and available for additional hours. It is a good bell-weather indicator of activity, as businesses in response to increased demand are more likely to offer extra hours to their part-time workers before proceeding with additional hiring. This is particularly the case in domestic sectors; in Q2 2012, wholesale and retail (21%), health (15%), accommodation and food (13%) and construction (9%) accounted for the largest proportions of those underemployed.

The number underemployed increased from around 5,000 in Q2 2007 to 150,900 in Q2 2012. While the rate of increase has slowed for the first six months of the year, the number of people classing themselves as underemployed continues to grow across all sectors. Health and hospitality posted the largest increases rising by nearly 4,000 each.

**Underemployment
(y-o-y % change)**



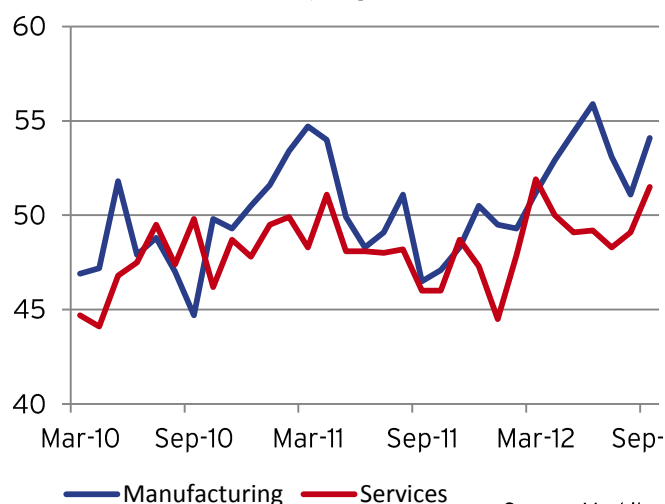
Source: CSO

PMI employment indices

The services employment index from the Purchasing Managers Index (PMI) indicates that employment is beginning to stabilise in the sector. The index was below 50 (representing falling staff numbers) in the four months to September with company restructuring and cost reduction efforts the main reason for cutting jobs. The decline, however, masked job gains in technology, media and telecoms. Encouragingly, September saw the index move above 50 for the first time in six months.

The manufacturing employment index has pointed to jobs growth for the past seven months, rising to a robust 54.4 in September on the back of increased new orders. This has yet to be reflected in the CSO's employment data, though it is possible that the positive sentiment will feed through to the actual jobs numbers with a lag of some months.

PMI employment indices



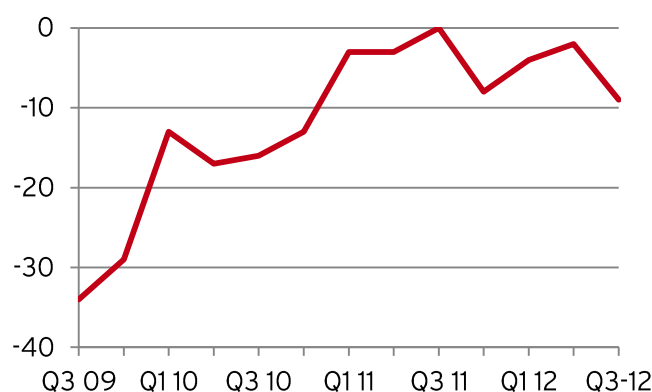
Source: Markit

IBEC employee index

The outlook for employee numbers fell in IBEC's Quarterly Business Sentiment Survey from -2 to -9 in Q3 2012. The share of companies planning on increasing staff numbers in the coming quarter fell slightly to 18%. Exporting companies are more likely to hire with just 10% of non-exporting firms planning to increase staff.

With around 55% of all firms planning no change in staff numbers, the broad trend of the index points to stabilisation in enterprise employment. The sectors most optimistic of increasing employment in the coming quarter are medical devices, ICT services and pharmaceuticals.

IBEC employee index



Source: IBEC

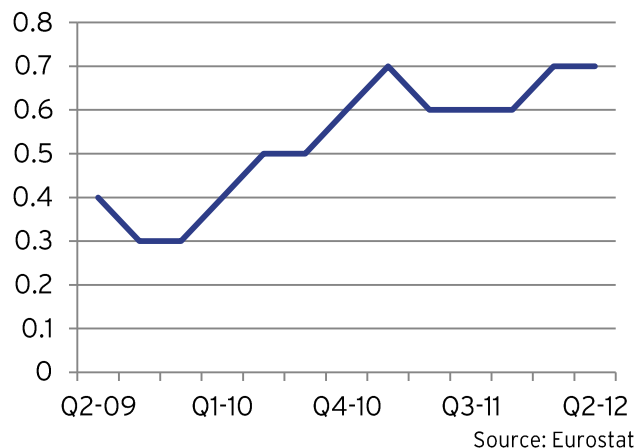


Job vacancies

The Eurostat job vacancy data are taken from the CSO's Earnings and Labour Cost Survey which is made up of 7,500 firms employing at least three or more people. The job vacancy rate stands at 0.7%, meaning there is one job vacant for every 142 jobs occupied. This has increased from 0.3% in 2009; however, the rate is still less than half the EU average of 1.5%.

The headline number conceals substantial sectoral variation. Transportation and construction have rates of just 0.3%. This rises to 2.6% for financial and insurance activities, the highest rate of all sectors. The ICT rate is 1.5%, although this has fallen from 2.4% for the same period last year.

Job vacancy rate



Major job announcements in Q3 2012

Company	Number	Location	Sector
Element Power	2,000	Midlands	Energy
Bluebird Care	510	Nationwide	Human health and social work
Northern Trust	400	Limerick	Financial and insurance
Sangart	325	Cork	Pharmaceuticals
EA Games	300	Galway	ICT
National Pen	250	Louth	Manufacturing
Aviva	220	Galway	Financial and insurance
GloHealth	150	Dublin	Financial and insurance
HubSpot	150	Dublin	ICT
Arvato Finance	100	Dublin	Financial and insurance
BAM	100	Dublin	Construction
Xilinx	60	Cork/Dublin	ICT
Alarm Control 24	60	Dublin	Administrative and support
Zvas Communications	60	Cork	Administrative and support
Radio Systems Corporation	56	Louth	Manufacturing
Europcar	50	Cork	Administrative and support
Realex	50	Dublin	ICT
ResMed	50	Dublin	Manufacturing
Grant Thornton	50	Galway	Financial and insurance
Aris Global	50	Dublin	ICT
Total	5,519		

The year to date has seen a steady flow of job announcements across a range of sectors, most notably in modern manufacturing and ICT. This demonstrates strong confidence in Ireland in the midst of the eurozone crisis. Most announcements involve a 6-18 month horizon although Element Power's plans to create 2,000 jobs are out to 2018.

There have been around 20,000 job announcements so far this year, with 7,400 from IDA supported firms. Over a quarter of all announcements are from ICT companies and this is consistent with most indicators showing solid growth in the sector. In October, announcements from Kerry Group and Paddy Power highlighted the potential for indigenous firms to create high-tech knowledge-intensive employment.



Further information

Fergal O'Brien
Chief Economist
Tel: 01 605 1544
Email: fergal.obrien@ibec.ie

Reetta Suonpera
Senior Economist
Tel: 01 605 1603
Email: reetta.suonpera@ibec.ie

www.ibec.ie/economics
www.ibec.ie/drivingirelandsrecovery
@ibec_econ

Driving Ireland's Recovery