INTRODUCTION

UNEMPLOYMENT is the outcome of an interaction between the demand and supply sides of the labour market that results in a situation where some of those looking for work at prevailing wage rates are unable to find offers of suitable jobs. Policy options relevant to unemployment operating on the supply side of the labour market have received less attention than those operating on the demand for labour. This article explores some of the possibilities for reducing unemployment in Ireland by policies aimed at either reducing the numbers seeking employment or restructuring the composition of the flow of job seekers on to the labour market. Although, at first sight, this approach may appear "defeatist" in the sense that if it were successful the outcome would be at a lower level of employment in Ireland, we believe that there is scope for reducing the unemployment problem and raising the community's level of well-being by careful use of certain strategies towards the supply of labour.

PART I: POPULATION GROWTH AND STRUCTURE

In the absence of net emigration, the population will grow at its rate of natural increase (the excess of births over deaths). In Ireland, this rate has been stable in the region of 11 per 1,000 population (or about 35,000 persons) during the recent past. This is by far the highest rate in the EEC, where the next highest rates are for the Netherlands (4.6) and Italy (4.5). Belgium, Germany, Luxemburg and the UK now have negative rates of natural increase. Data for the 112 Basic
Administrative Units of the EEC show that Ireland's rate of natural increase during the period 1970-74 was equalled or surpassed in only three Units, namely, Campania, Puglia and Sardinia. (These three regions have high out-migration rates.) Moreover, there is no immediate prospect of a major change in the exceptional situation of Ireland in this regard, despite the important changes in family formation patterns that are occurring. Keating (1977) based his projections of population to 1986 on assumptions that would result in a rate of natural increase of 10.5 per 1,000 at the end of this period.

The rate of natural increase is not very informative concerning the potential for growth in the population of working age. More detailed consideration of the population age structure is necessary in order to arrive at this figure. At present, the dominant feature of our age structure is the indentation in the population pyramid starting at age 15 and continuing to age 50. This reflects a moderately high birth rate and a high net emigration rate in past years. As emigration declined in the 1970s, the lower threshold of this bulge began to move up the age scale. Our population age structure implies that, in the absence of net emigration, the numbers aged 15-44 will increase by 22 per cent over the period 1976-86. Another way of highlighting this aspect of our population structure is to recall that there are now 292,000 persons aged 15-19 in Ireland, compared with only 134,000 aged 60-64. Thus, for every person of retirement age there are more than two persons of school-leaving age.

The growth of the labour force — the numbers working plus those seeking work at prevailing wage rates — depends not only on the growth of the population of "active age", but also on the proportion of this population that will be economically active. The proportion of the Irish population aged 15, and over, that is in the labour force has declined from 59.9 per cent in 1951 to 52.4 per cent in 1976. For the population of both sexes, this proportion is now close to the European average (Table 1), but for men it is considerably above average, and for women considerably below. This is due to (a) high Irish participation rates for both sexes at ages 14-24, (b) very high rates in Ireland for males at all ages 55 and over, and (c) low Irish rates for women aged 25-54. However, the UK rate for males exceeds the Irish, while Italy and the Netherlands have substantially lower rates for women.

The conventional "dependency ratio" measures the numbers aged over 64 and under 15 per 100 population aged 15-64. This is a useful summary index of the population's age structure, and it is well known that in Ireland this index is very high, 73 compared with an EEC
average of 57. Keating's projections suggest a moderate decline in the Irish ratio, to 69 in 1986. We can combine our knowledge about the population age structure with information about labour force participation rates to calculate a "labour force dependency ratio" or the number non-active per 100 active. In Table 2 Ireland is compared with the EEC in a manner that allows us to identify the broad population categories that contribute to this ratio as well as to compare its overall level. It may be confirmed that while the overall ratio is high in Ireland, this is primarily a reflection of the high proportion of children in the population. The number of economically inactive persons aged 65 and over relative to the labour force is comparatively low in Ireland, as is the number of inactive men aged 15-64. However, the number of inactive women aged 15-64 is high relative to the total labour force.

PART II: POLICIES TOWARDS LABOUR SUPPLY

Let us first explore the range of options open regarding the determinants of overall population size: natural increase and net emigration.

II.1 Natural increase

The rate of natural increase is the difference between the birth and death rates. The level and trend in the death rate are discussed by Haslett (this volume). It is unlikely that any developments in this area will have a significant influence on the rate of natural increase. It is, however, interesting to record that at age 65, the conventional retirement age, male life expectancy was 12.4 and female expectancy was 15.0 years in 1970-72.

The number of births reflects the level of legitimate and illegitimate fertility, and the distribution of the (female) population between married and single. Fertility of marriage is very high in Ireland, but declined by 27 per cent between 1963 and 1975 (Keating 1977, Table 7). This has not resulted in a decline in the number of births or the birth rate because the number of married women of child-bearing age has risen rapidly over the same period. The rise in the marriage rate is shown by the fact that in 1966, 38 per cent of women aged 25-29 were single, compared with 27 per cent in 1976; for women aged 30-34 the proportion single declined from 24 to 14 per cent. None the less, the Irish marriage rate remains low in international comparison, and over
the next decade or so the increase in the proportion married will continue to offset much of the decline in average family size.

Whether policy can or should intervene to change the trend in these patterns is an issue with very far-reaching ramifications. It is worth pointing out, however, that public policy in a number of areas has implications for demographic behaviour. Obviously, statutes governing the sale and distribution of contraceptives and information on birth control may have some influence on the birth rate, but just how much it is impossible to quantify. In this area, despite the Supreme Court decision in the McGee case (1973) and the recent High Court ruling on censorship (1977), the Irish situation remains the most restrictive in Europe.

Table 1: Proportion of population aged 14 and over in the labour force, 1975

<table>
<thead>
<tr>
<th></th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany (FR)</td>
<td>71.1</td>
<td>35.5</td>
<td>52.1</td>
</tr>
<tr>
<td>France</td>
<td>71.0</td>
<td>39.7</td>
<td>54.7</td>
</tr>
<tr>
<td>Italy</td>
<td>65.9</td>
<td>22.5</td>
<td>43.3</td>
</tr>
<tr>
<td>Netherlands</td>
<td>68.6</td>
<td>21.7</td>
<td>45.0</td>
</tr>
<tr>
<td>Belgium</td>
<td>67.7</td>
<td>30.7</td>
<td>48.6</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>72.0</td>
<td>26.8</td>
<td>48.6</td>
</tr>
<tr>
<td>UK</td>
<td>76.4</td>
<td>43.4</td>
<td>59.2</td>
</tr>
<tr>
<td>Denmark</td>
<td>71.9</td>
<td>44.8</td>
<td>58.1</td>
</tr>
<tr>
<td>Ireland</td>
<td>75.6</td>
<td>27.4</td>
<td>51.7</td>
</tr>
<tr>
<td>EUR-9</td>
<td>70.9</td>
<td>34.5</td>
<td>51.8</td>
</tr>
</tbody>
</table>


Table 2: Labour force dependency ratio, 1975. (Economically inactive per 100 active)

<table>
<thead>
<tr>
<th></th>
<th>Ireland</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
<th>Males</th>
<th>EUR 9 Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–14</td>
<td>44</td>
<td>42</td>
<td>86</td>
<td>30</td>
<td>29</td>
<td>59</td>
<td></td>
</tr>
<tr>
<td>15–64</td>
<td>11</td>
<td>53</td>
<td>64</td>
<td>11</td>
<td>44</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>65 and over</td>
<td>9</td>
<td>15</td>
<td>24</td>
<td>12</td>
<td>19</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
<td>110</td>
<td>174</td>
<td>53</td>
<td>92</td>
<td>145</td>
<td></td>
</tr>
</tbody>
</table>

*Note: The total for Ireland of 174 is a reflection of the fact that 36.5 per cent of the population is in the labour force. The participation rate equals the inverse of the dependency ratio plus 1 (e.g., 1/(1.74 + 1) = 0.365).*

*Source: ENSC, 1977 Report No. 35, Table B. 2.*
The tax and social welfare codes embody allowances for children and treat married couples differently from single persons. The overall effect of these provisions on the economic welfare of the family is not readily summarised, but an attempt has been made in Table 3 to compare the position of families with, and without, children, with a working wife, and with a non-working wife, at two recent dates. The sum of the net income of a single man and a single woman at average earnings is taken as 100, and the net (i.e., less income taxes and social welfare contributions, and adding in social welfare children’s allowances) income of households in a variety of situations is related to this base. It may be confirmed from Table 3 that the increase in a married couple’s net income as a result of the wife’s working rose from 27 per cent (of the combined net income of two single people) in 1972 to 30 per cent in 1977. However, at both dates the combined net income of two single people was 2 per cent higher than that of a married couple with the same gross income, and at higher income levels this gap is wider.

The difference in net household income attributable to the presence of 4 dependent children fell from 16 to 11 per cent over this period. The gap in net household income between a married man with 4 children whose wife does not work, and a married couple, who both work, but have no children, has widened from 11 per cent to 20 per cent of the combined net income of two single people over the period. Thus, the situation of what might be regarded as the typical traditional family, with several dependent children and a wife not working outside the home, has deteriorated relative to that of a couple with no children and both husband and wife working. This has been due mainly to the erosion of the real value of the income tax allowance for children (see Ó Muircheartaigh, 1976). The point of drawing attention to this trend is not necessarily to disapprove of it but to ask whether it reflects a conscious policy, and to question whether it is in line with policy in other areas (for example, family planning). It must be acknowledged, however, that the data set out in Table 3 excludes changes in taxes other than income taxes (e.g., the zero rating of food for VAT in 1973), and takes no account of changes in public expenditure as it affects the family (e.g., on health, housing and education).

Another factor that may have influenced family formation patterns in Ireland is the practise of allocating local authority housing in urban areas partly on the basis of a “points” system which gives priority to couples with children. It would, obviously, be very undesirable if this system created an incentive for newly married couples to have children
more rapidly after marriage than they would otherwise wish to. In addition to this possible adverse aspect of the system, it also makes it harder for childless couples to obtain local authority housing. A points system based on number of years married would avoid these features of the present system.

The major influences on the birth-rate are the longer-term trends in patterns of marriage and family formation. These social, cultural, and economic forces are changing very rapidly in Ireland and, no doubt, the consequences of this change will eventually be reflected in the birth rate. In the medium to short-term, the growth potential of the labour force is dictated by the recent history of the birth-rate, which must be accepted as a datum.

II.2 Emigration

The decline of Irish population from over 6 million in 1841 to under 3 million in 1961 was due to the high rate of emigration which in every intercensal period except 1946–51 wiped out the natural growth of the population. This persistent excess of emigration over natural increase, and the resultant national population decline, is widely viewed as a symbol of the failure of economic policy in Ireland to provide an adequate living for all our children.

Table 3: Illustrations of effect of income tax and social welfare contributions and allowances on income of married couple, 1972 and 1978: Net Income of couple as percentage of combined net income of single man and single woman.

<table>
<thead>
<tr>
<th></th>
<th>1972</th>
<th>1978</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Wife Earning</td>
<td>Wife not Earning</td>
</tr>
<tr>
<td>No Children</td>
<td>(a) 98</td>
<td>(b) 71</td>
</tr>
<tr>
<td>Four Children</td>
<td>114</td>
<td>87</td>
</tr>
</tbody>
</table>

Income is net of income tax and social welfare contributions but includes social welfare children’s allowances. Men and women are assumed to earn average industrial earnings (£80 and £45 weekly in 1978).

It is, however, worth distinguishing between periods of abnormally high emigration which were due to a sudden deterioration of conditions in Ireland, and periods of a more “normal” level of emigration, attributable mainly to the attraction of the high-wage labour markets to which our young people have traditionally enjoyed
free access. Obviously, the very heavy emigration during the famine decade of the 1840s and again during the 1880s, in the aftermath of famine and rural unrest, fall into the first category. It is arguable, too, that the very high emigration rates of the years 1954–60, when sudden cuts in public expenditure exacerbated the problems facing the Irish economy, fall into this category.

It is accepted without qualification that economic policy should strive to avert any recurrence of the massive "forced" emigration of the 1950s and earlier periods. But whether we should attempt to achieve nil net emigration is a more debatable point. In any event, a number of considerations make it unlikely that nil net emigration is attainable over the medium term. First, despite narrowing the gap in industrial earnings between Ireland and Britain, there is still a substantial gap in the overall level of income per person between the two countries, and this gap is much larger between Ireland and the rest of the EEC. Even if unemployment rates fell to a more acceptable level in Ireland, this gap in living standards would continue to act as a powerful inducement for some young people to leave Ireland. Secondly, despite the existence of unemployment rates that are very high by historical standards throughout the EEC, there exist pockets of labour shortages to which young and mobile migrants may be drawn. Thirdly, emigration is no longer as traumatic an experience as it once was: the costs of travelling and obtaining information are lower, and a good deal of trial and error movement can be indulged in at a fairly low cost. The major difficulty facing the migrant is, of course, housing. But despite this problem only 13 per cent of a recent sample of returned emigrants reported some "major" problem during their time abroad; "the vast majority of Irish emigrants manage to accommodate themselves to life in Britain without too much difficulty" (Whelan and Hughes, 1976, p. 44).

It should be borne in mind that there are a number of positive aspects to Irish migration patterns. First, and most important from our viewpoint, emigration reduces the numbers out of work in Ireland. This aspect of the labour market is discussed by Keenan (this Volume) who shows that every 100 emigrants lower registered unemployment by about 40 persons. Secondly, in the recent past migrants have been older and better educated than was the case in the 1950s. Data for 1971–75 reveal no net emigration in the age groups 15–19, but substantial outflows at age 20–29, followed by net inflow at later ages (Keating, 1977). Data in Hughes and Walsh (1976) show that the proportion of emigrants who are "unskilled manual workers" or in "private domestic services" has been declining. Thirdly, even in periods
of low overall net mobility, such as the early 1970s, there is a substantial two-way movement of people between Ireland and the rest of the world. Ireland gains significantly by the temporary emigration of people who acquire further training and skills while abroad, and may amass the capital to start up a business on their return. Evidence of the importance of this pattern of mobility is available in two recent studies. Whelan and Hughes (1976) found that over 40 per cent of those in their sample who were unskilled on leaving Ireland had acquired a skill in Britain before returning to Ireland. Maguire and Murphy (1978) report that more than a quarter of graduates working in research and development in Irish industry have had a year or more of professional experience or study outside Ireland. Finally, emigration results in a return flow of cash to the economy through emigrants’ remittance and pensions (about £120 million in 1978) and increased tourist earnings.

This discussion does not imply that emigration should actively be encouraged. But it does imply (a) that emigration is likely to continue to be an important feature of the Irish labour market in the years ahead and (b) that there are gains as well as losses to the country from the pattern of migration likely to prevail. In view of these considerations, the most appropriate policy response is to try to improve the information and guidance available to those contemplating emigration, and to ensure that those interested in returning to Ireland are informed about opportunities here. Some modest efforts in this direction have been taken by providing encouragement to those hoping to return to Ireland, through the Emigrants’ Advisory Service (subsidised by the Department of Labour to the extent of £5,000 in 1978). If a moderate rate of emigration is accepted as not only inevitable, but also, in some ways, desirable, better use should be made of institutions along the lines of this Service, and there should be involvement by Irish authorities with various agencies actively promoting the welfare of the Irish abroad.

Undoubtedly, the greatest potential harm caused by emigration to individuals arises from the uninformed movement of young people with no skills who are not going into a family situation abroad. This type of movement is far less common now than in the past, but every effort should be made to curtail it and to help those who move in this way. At the other extreme, the emigration of highly educated personnel is disturbing because of the loss to the Irish economy of benefits from the sizeable amounts of public funds invested in their training. In as much as many of these emigrants acquire further training abroad and eventually return to Ireland, there is little cause for concern. But the
permanent emigration of highly educated people does raise issues about the amount and composition of public aid to second-and third-level education. Various proposals have been put forward by economists for financing education so that emigration would not result in a drain on the country (see O'Donoghue, 1971), but the political difficulties of getting them implemented are considerable.

II.3 Labour Force Participation Rates

In looking at the available data for recent developments in this area it is important to stress that the only available labour force information for 1975 is derived from the EEC Labour Force Sample Survey. The results of this Survey are subject to sampling error, although this is unlikely to be a major source of error in view of the large sample used in Ireland (31,000 households). More important are the possible incomparabilities with the Irish Census of Population concepts of the labour force. Specific examples of this problem are mentioned below. Finally, it must be borne in mind that the situation in 1975 was affected by the very high unemployment rates prevailing, which tend to depress labour force participation rates. With these caveats in mind, let us examine the room for changes in participation rates in certain key demographic groups.

Young adults. Young people aged 14–24 are more likely to be in the labour force in Ireland than is the case in most EEC countries. This is due mainly to the relatively low participation rates in second and third-level education in Ireland. The high labour force participation rate in this age group accounts for the paradox that Ireland has both above average employment rate and an above average unemployment rate among those aged 14–24: 8 per cent of this age group are unemployed or seeking a first job in Ireland, compared with an EEC average of 4 per cent, but 45 per cent are employed in Ireland, compared with an EEC average of 41 per cent. The details of the employment rates in EEC countries are set out in Table 4. The very low employment rates for both males and females in Italy, the Netherlands, Belgium, and Denmark are striking.

The high labour force participation rate among young adults in Ireland suggests that the relatively low level of post-primary educational participation more than offsets the negative effect on labour supply of the depressed labour market conditions facing young job seekers. Undoubtedly, the high unemployment rate facing parents has also tended in recent years to push many young people into the labour market at an earlier age than would have been the case in more
Table 4: Employed persons as percentage of total population in age group 14–24, by sex, EEC, 1975.

<table>
<thead>
<tr>
<th></th>
<th>Males</th>
<th>Females</th>
<th>Both sexes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany (FR)</td>
<td>49.0</td>
<td>45.1</td>
<td>47.1</td>
</tr>
<tr>
<td>France</td>
<td>47.0</td>
<td>38.3</td>
<td>42.6</td>
</tr>
<tr>
<td>Italy</td>
<td>35.6</td>
<td>24.5</td>
<td>30.0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>37.3</td>
<td>36.3</td>
<td>36.8</td>
</tr>
<tr>
<td>Belgium</td>
<td>40.5</td>
<td>33.8</td>
<td>37.1</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>52.3</td>
<td>46.2</td>
<td>49.2</td>
</tr>
<tr>
<td>UK</td>
<td>53.1</td>
<td>41.6</td>
<td>47.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>41.8</td>
<td>37.2</td>
<td>39.5</td>
</tr>
<tr>
<td>Ireland</td>
<td>48.7</td>
<td>41.0</td>
<td>44.9</td>
</tr>
<tr>
<td>EUR-9</td>
<td>45.4</td>
<td>37.4</td>
<td>41.4</td>
</tr>
</tbody>
</table>

**Source:** EEC Labour Force Sample Survey, 1975, Table II No. 6 (Eurostat, 1976).

Prosperous times. Because post-primary educational participation rates are likely to continue their upward trend (although at a slower pace than during the period 1967–74), and as the real income of parents rise with the rapid economic growth now occurring, there is every reason to expect that labour force participation among young adults will fall.

Whether public policy should attempt to encourage further reductions in labour force participation among young adults raises a number of large issues relating to educational policy that cannot be debated here. Most western countries have responded to the recent recession and the imbalance in population structure caused by the post-war baby boom by emergency expansions of training and educational facilities. In Ireland, this response has been part of the longer-term build-up of technical educational in general, including the rapid expansion of industrial training. Nevertheless, the proportion of our population aged 14–24 that is enrolled in full-time education or training remains low by European standards, and in the case of males the absence of compulsory military service also increases the proportion seeking employment immediately on leaving school. It is tempting to look at the Italian, Belgian and Dutch situation as shown in Table 4 and to point out that if the proportion of young adults in the employed labour force in Ireland could be reduced to the levels prevailing in these countries, we would remove about 70,000 young people from the labour market. Undoubtedly this would have a major impact on the 47,000 young adults who are unemployed in Ireland (according to the EEC Labour Force Survey). If, however, this
reduction in labour force participation were to be achieved mainly through an expansion of the second and third level educational system, the capacity of this system would have to increase by about 30 per cent of its current level. The implications of such an expansion for public expenditure on education, which will in any event have to grow very rapidly merely to maintain present levels of participation (Tussing, 1978), are very serious and need to be weighed against other pressing claims.

In evaluating the possibility of using this option as a means of easing the problem posed by the present age structure of our population, it should be borne in mind that unlike other options (such as inducements for earlier retirement, discussed below) increased public expenditure on education can potentially enhance the productivity and employability of those seeking work: the money spent in this manner should not be regarded as an unproductive transfer payment, but rather as an outlay with considerable potential for yielding a social and economic return in the future. It also yields direct employment effects through the expansion of the educational system. Several European countries have lowered labour force participation among 14–19 year-olds during the recent past. In the Netherlands in 1968, for example, 34 per cent of the population aged 14–19 was in the labour force (about the same as in Ireland in 1975), but by 1975 this had fallen to 20 per cent. If this train of events had not occurred in several European countries during the 1960s, the present youth unemployment problem would be far more severe than it is.

*Older Males.* The high labour force participation rate among older men in Ireland is readily seen from Table 5. Ireland and the United Kingdom are clearly exceptional by European standards in the proportions remaining economically active at all ages after 55 years. However, the low rates now common in most EEC countries are of relatively recent origin: for example, male labour force participation rates in Italy in 1960 were quite similar to the current Irish rates.

The high participation rate among older men in Ireland is readily accounted for by two factors, the high proportion engaged in farming, and the low level of pension provision. The 1975 Labour Force Survey results indicate a very sharp decline in labour force participation among older males compared with the 1971 Census results. A comparison of the 1971 Census and the 1975 Survey reveals that the Survey recorded one-third fewer males aged 65 and over in agriculture. This sharp decline was probably mainly due to the more rigorous tests for inclusion in the labour force used in the Survey. In view of this, it is
<table>
<thead>
<tr>
<th></th>
<th>Males 55-59</th>
<th>Males 60-64</th>
<th>Males 65-69</th>
<th>Males 70+</th>
<th>Females 55-59</th>
<th>Females 60-64</th>
<th>Females 65-69</th>
<th>Females 70+</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Germany</strong></td>
<td>87.0</td>
<td>62.4</td>
<td>17.2</td>
<td>6.3</td>
<td>37.8</td>
<td>15.8</td>
<td>6.6</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>82.6</td>
<td>55.3</td>
<td>20.5</td>
<td>7.2</td>
<td>42.1</td>
<td>28.3</td>
<td>10.7</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Italy</strong></td>
<td>76.8</td>
<td>42.4</td>
<td>17.6</td>
<td>5.0</td>
<td>16.3</td>
<td>7.4</td>
<td>3.2</td>
<td>0.8</td>
</tr>
<tr>
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<td>65.4</td>
<td>17.2</td>
<td>4.0</td>
<td>14.0</td>
<td>8.4</td>
<td>2.6</td>
<td>0.6</td>
</tr>
<tr>
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<td>82.2</td>
<td>58.3</td>
<td>12.4</td>
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<td>21.3</td>
<td>7.8</td>
<td>2.5</td>
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</tr>
<tr>
<td><strong>Luxembourg</strong></td>
<td>81.2</td>
<td>50.1</td>
<td>19.5</td>
<td>7.6</td>
<td>19.4</td>
<td>13.3</td>
<td>7.9</td>
<td>—</td>
</tr>
<tr>
<td><strong>UK</strong></td>
<td>93.9</td>
<td>84.3</td>
<td>31.4</td>
<td>8.8</td>
<td>53.4</td>
<td>30.4</td>
<td>11.1</td>
<td>2.4</td>
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<td><strong>Denmark</strong></td>
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<td>49.1</td>
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<td>29.2</td>
<td>12.3</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Ireland</strong></td>
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<td>81.0</td>
<td>50.3</td>
<td>19.1</td>
<td>21.1</td>
<td>18.4</td>
<td>10.4</td>
<td>3.9</td>
</tr>
<tr>
<td><strong>EU-9</strong></td>
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<td>62.1</td>
<td>21.9</td>
<td>6.6</td>
<td>36.2</td>
<td>19.1</td>
<td>7.5</td>
<td>2.0</td>
</tr>
</tbody>
</table>

*Source: EEC, Labour Force Sample Survey, 1975, Table II.3 (Eurostat, 1976).*

probably valid to assume that the Survey results correct for the definitional problems affecting the elderly farm population recorded in the Census. Hence, the fact that the Irish rate for this age group remains very high when compared with the EEC Survey data for other countries is most likely due to the low level and restricted coverage of Irish pension schemes. Two recent Green Papers issued by the Department of Social Welfare (A National Income Related Pension Scheme and Social Insurance for the Self-Employed) have explored areas for improved pension coverage. The ideas discussed in these papers indicate that eventually pension coverage will improve in Ireland (a) by increasing the percentage of earnings from employment replaced through the State pension scheme and (b) by increasing the coverage of that scheme. It is also clear that the additional expenditure required to finance these improvements will be met mainly through higher payroll taxes levied on the employed labour force.

The retirement of an elderly person does not necessarily generate a vacancy to be filled by a school-leaver or an unemployed person. Many of those who work to an advanced age are self-employed, and their job vanishes when they retire; others continue to work part-time even on becoming officially retired. Schemes for linking retirement to the creation of a vacancy have not been very successful. The experience with the Irish Farm Retirement Scheme illustrates the reluctance of one important group of elderly workers to avail of a retirement scheme unless the monetary incentives are adequate. In the US, social security benefits are reduced to $1 for every $2 of earned income in excess of
$230 monthly, and while this is believed to reduce labour force participation among the elderly, many retired people continue to work (Munnell, 1977, Chapter 4). In Italy there has been a substantial fall in the officially recorded labour force among the elderly in response to a generous pension scheme for all aged 60 and over, but it is widely believed that an enormous hidden or irregular labour market now exists, offering employment at low wages to the elderly who wish to supplement their pension (Fua, 1977, p. 225). Recent experiments in several other countries at linking a bonus for retirement to the creation of an opening for young people have not been very successful (OECD, 1978, p. 16).

Ireland's present population structure adds to the problems of devising a policy towards retirement that will have an impact on the unemployment problem. If all those aged 65 and over working outside the agricultural sector were induced to withdraw from the labour force, the reduction would amount to only 23,000 persons. Some of these are presently self-employed and hence their retirement is unlikely to be linked to a vacancy. It is also difficult to prevent retired people from seeking part-time work. For these reasons, the net effect of any scheme to encourage retirement on job opportunities for young people is likely to be slight, and it is very hard to estimate at what cost (in terms of increased pensions) this gain could be achieved. This is not to suggest that improved pensions are not an important priority in Ireland. It may, however, be doubted that any major alleviation of the unemployment problem will come from this source.

Married Women. According to the 1975 Survey there were 75,000 working wives in Ireland, compared to 38,000 recorded in the 1971 Census. We do not know how much of this difference reflects the contrast in methodologies between Census and Survey, but it is certain that women are now staying on at work after marriage, and returning to work after having children, in much larger numbers than in the past. None the less, Ireland remains at the bottom of the EEC league in regard to the proportion of married women who are working (Table 6).

Various forces have affected the employment prospects for married women in recent years. Among the factors that have tended to increase the numbers of married women anxious to work outside the home have been their increased earnings potential due to higher educational attainment, equal pay and employment legislation, the removal of the ban on employing married women in the public service, the rapid growth of clerical/professional employment opportunities, and the declining number of single women in the age group 25 and over.
available to fill them. Demographic trends, such as earlier completion of family formation, have also played a role, and during the recession the fall in real earnings experienced by many married males has undoubtedly given some wives a further stimulus to seek employment.

There have, however, been some developments which tend to discourage married women from seeking paid employment, notably the rise in the effective marginal rate of income tax since the early 1970s. At current average industrial earnings, a married man with two dependent children and up to £710 additional deductions (e.g., mortgage interest) is liable to a 35 per cent tax rate on any additional earnings, and a wife’s earnings in excess of £4.42 weekly are aggregated with his and also liable to taxation at this rate. A couple earning about £10 above the national average (through the income of either spouse) might be liable to tax at 45 per cent on incremental income. Undoubtedly, marginal tax rates in this range discourage labour force participation. Furthermore, married women may be finding it difficult to obtain employment because of the very high unemployment rates prevailing. Unemployment among women rose sharply during the recent recession which affected a number of traditionally female-employing industries very adversely. According to the 1975 Survey 8 per cent of women were unemployed, and this rate rises to 21 per cent among teenagers.

Table 6: Labour force participation among married women, EEC, 1975.

<table>
<thead>
<tr>
<th></th>
<th>With a “main occupation”</th>
<th>With an “occasional occupation”*</th>
<th>Working “part-time”**</th>
<th>Unemployed or looking for job</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany (FR)</td>
<td>35.3</td>
<td>2.7</td>
<td>2.6</td>
<td>1.2</td>
</tr>
<tr>
<td>France</td>
<td>40.2</td>
<td>2.0</td>
<td>1.6</td>
<td>3.1</td>
</tr>
<tr>
<td>Italy</td>
<td>20.1</td>
<td>2.2</td>
<td>1.0</td>
<td>1.5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>15.2</td>
<td>4.5</td>
<td>4.2</td>
<td>1.9</td>
</tr>
<tr>
<td>Belgium</td>
<td>30.9</td>
<td>0.6</td>
<td>0.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>20.9</td>
<td>1.2</td>
<td>1.0</td>
<td>—</td>
</tr>
<tr>
<td>UK</td>
<td>45.1</td>
<td>0.1</td>
<td>—</td>
<td>2.6</td>
</tr>
<tr>
<td>Denmark</td>
<td>46.3</td>
<td>4.3</td>
<td>4.2</td>
<td>3.5</td>
</tr>
<tr>
<td>Ireland</td>
<td>13.1</td>
<td>3.9</td>
<td>3.4</td>
<td>2.3</td>
</tr>
<tr>
<td>EUR 9</td>
<td>33.9</td>
<td>1.9</td>
<td>1.5</td>
<td>2.0</td>
</tr>
</tbody>
</table>

*These two categories are not included in the labour force as measured by the EEC. Working “part-time” refers to working less than 14 hours weekly.

The net outcome of this array of factors affecting married women has been a substantial increase in the numbers seeking and obtaining paid employment. It is possible to surmise that the numbers working would be considerably higher if overall unemployment or the marginal tax rate on income were lower. Many of the trends favourable to married women's employment are likely to intensify in the future — for example, the growth in clerical/professional job opportunities, the tendency towards earlier completion of family formation, and the higher educational standards of women. For these reasons we are likely to see a continuing growth in the number of married women working.

The only important variable relevant to married women's labour force participation that is directly subject to manipulation for policy purposes is, of course, the income tax treatment of married women. The debate concerning changing the tax treatment of working wives centres partly on revenue issues, partly on wider social issues. The loss of revenue from various changes in the tax treatment of married women can only be accurately costed on the basis of detailed information about the income of couples both of whom work, and no such data are published by the Revenue Commissioners. However, it must be borne in mind that the loss of revenue could be offset (in part or even in full) by the resultant growth of the number of married women working (see Walsh and O'Toole, 1973, for illustrations of this argument). The wider question of whether it is a priority to reduce the marginal tax rates on married women working outside the home raises a number of issues which cannot be discussed in detail here. The data already presented in Table 3 shed some light on recent trends in the tax and social welfare codes as they affect families. Attention was drawn to the significant erosion of the real value of the income tax relief for children during the 1970s, and the lack of change in the tax treatment of working wives.

The declaration of the Minister for Finance in March 1978 that his goal is to allow for income splitting (so that couples would be entitled to aggregate their income, even if only one is earning, and calculate their combined tax liability as double a single person's liability on half the aggregate income) would result in changes along the lines illustrated in Table 7.

It may be seen from the examples in Table 7 that the income splitting proposal has very different implications for couples depending on their earnings. In the situation where both husband and wife are earning about the average male and female industrial earnings (£4,160 and £2,340 yearly), the proposal would make relatively little difference.
The couple's net income would rise by between 1 and 3 per cent, depending on whether or not they had children and whether or not the wife was earning. For a couple at double the average earnings, however, the income splitting proposal would result in much greater increases in net income. The extreme case would be the 15 per cent rise in the net income of a childless couple, wife earning. In money terms, this would be an increase of £1,158 a year. It is also interesting to note that the proposal would substantially increase the gap in net income between childless couples, wife earning, and couples with children, wife not earning.

This pattern of increases in net income as a result of the introduction of income splitting follow from the major reduction in the progressivity of the income tax code implied by the proposal. Whether this is the optimal method of achieving such a reduction in progressivity is an issue that needs to be discussed in conjunction with the income splitting proposal, but is not our main concern here. From the point of view of the effects on the supply of labour, the reduced marginal tax rate would tend to encourage married women to seek employment outside the home. This effect is likely to be greatest on women whose earnings potential is above average. It is probably also the case that employment opportunities are expanding most rapidly for this category of married women, and hence the proposal would accelerate the rate of increase in the numbers of married women working in professional, managerial and higher-paid technical and secretarial posts. On the other hand, the proposal would, through the income effect, exert some moderating influence on labour supply among households whose income rose substantially as a result of income splitting.

If we apply the labour force participation rate among married women of any other EEC country except the Netherlands to Ireland, the result would be a very significant increase in the labour force. In the case of the UK, where 48 per cent of married women are gainfully occupied: to attain this rate would entail increasing the number of working wives in Ireland by over 180,000 or 140 per cent! Even reaching the Italian rate would require an increase of 40,000 or over 50 per cent. Thus, if we expect Ireland to become less exceptional in regard to married women's labour force participation, we must anticipate a substantial increase, rather than any decrease, in the number of married women working. In fact, the real situation at present is probably that the supply of such women greatly exceeds the number actually at work or recorded as seeking work, with a
Table 7: Illustrations of present and proposed income tax code.

<table>
<thead>
<tr>
<th>No Children</th>
<th>Four Children</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wife earning</td>
<td>Wife not</td>
</tr>
<tr>
<td></td>
<td>earning</td>
</tr>
<tr>
<td>£4,790</td>
<td>£3,303</td>
</tr>
<tr>
<td>£5,320</td>
<td>£3,823</td>
</tr>
</tbody>
</table>

Double average industrial earnings.

No Children: £7,675 (£1,158 (15%)) £403 (7%)
Four Children: £8,444 (£1,014 (12%)) £282 (4%)

*Net of income tax and social welfare contributions, but including social welfare children’s allowances. Only personal and children’s allowances deducted in calculating income tax liability.

†Assumed equal to £80 weekly (husband) and £45 weekly (wife).

A significant pool of married women who will quickly be drawn into the measured labour force as the demand for their skills expands. Far from expecting any relief of the unemployment problem from this source, it is likely that the very elastic supply of labour among married women will result in a situation where the number of women in employment can grow very rapidly without causing anything like a proportional reduction in unemployment.

II.4 Conclusions on Labour Force Participation

The two population groups among whom reduction in labour force participation might make some contribution to the solution of the unemployment problem are young adults and elderly men. Policies designed to decrease participation rates in these groups would be expensive, involving, in the first case, increased outlays on education and, in the second, improved pension schemes. Both of these approaches involve increasing the resources transferred from the economically active to the economically inactive population. While it may be pointed out that the level of such transfers in Ireland is quite low (due to the structure of the population and labour force, see Table 1), the overall level of taxation on the active population is relatively high for a country at our stage of development. Perhaps the only recommendation that can be reached is to urge some further acceleration of the growth of resources devoted to education and social
security on the grounds that in addition to the obvious benefits from this type of expenditure some additional gains will accrue through the effects on the unemployment problem. This would lead to a redistribution of the unemployment problem, reducing the number of involuntarily idle workers by allowing some older people to retire voluntarily from the labour force and some young people to remain on voluntarily in the educational system. Although there would still be the loss of output due to the fact that the size of the labour force is being held down by special measures, there would be a gain in economic welfare due to the redistribution of idleness from the involuntarily unemployed to groups who willingly withdraw from the labour force in the face of the new set of options open to them.

PART III: PAY POLICY AND LABOUR SUPPLY

One feature of the Irish unemployment problem that causes concern is the very high unemployment rates among the unskilled and the possibility that shortages of skilled labour could develop long before an acceptably low overall unemployment rate is attained (see Walsh, 1977, for further discussion). As part of a long-run strategy to lower our unemployment rate, it is therefore important that the labour market should not discourage the acquisition of skills that are in short supply. In Ireland we have relied heavily on increasing the resources available to training and placement agencies as a means of increasing the supply of skilled workers. Less attention has been paid to developments in pay structure that could be inimical to the growth of a skilled labour force. The main clauses of successive National Wage Agreements have incorporated a drastic narrowing of pay differentials which, if these clauses have been strictly adhered to, imply that the rewards to acquiring and using skills and education have been steadily eroded since 1970. To illustrate this point, let us assume that in 1970 an unskilled worker was on a weekly rate of pay of £15 and a skilled worker £30 (average male industrial earnings were £24 weekly in December 1970). By December 1977, under the terms of the NWAs, this 2:1 differential in basic rates of pay would have been reduced to 1:6:1. Compounding this effect has been the impact of taxation and social welfare changes, which have reduced the differential in take-home pay from 1:9:1 to 1:5:1. Further details of this trend are presented in Table 8. It may be seen that the more dramatic narrowing of differentials occurred between the £15 and £30 initial rates of pay;
but even over the range £30 to £60 weekly, the differential in take-home pay would have fallen from 1.73:1 to 1.59:1.

Actual implementation has not adhered strictly to the stated entitlements in the main clauses of the Agreements. Earnings in general have risen more rapidly than expected on the basis of these clauses and it is widely believed that higher-paid workers in general received more than their basic entitlement, while lower paid workers in vulnerable industries may not have received even this much due to the invocation of the escape clauses and ability to pay provisions of the Agreements. In the absence of suitable longitudinal earnings data, it is not possible to chart these trends in a fully satisfactory manner (see Mooney this Volume), but the general tendency for the Agreements to narrow skill differentials and to entitle lower paid workers to above average pay increases is not disputed.

Table 8: Illustrations of effect of the main clauses of national wage agreements on male wage rates, 1970–77.

<table>
<thead>
<tr>
<th>Gross weekly wages</th>
<th>Net weekly wages</th>
<th>Consumer price index</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>%</td>
</tr>
<tr>
<td>15</td>
<td>43</td>
<td>187</td>
</tr>
<tr>
<td>30</td>
<td>69</td>
<td>130</td>
</tr>
<tr>
<td>60</td>
<td>120</td>
<td>100</td>
</tr>
</tbody>
</table>

Net wages are after deductions of social welfare contribution and income tax, for a married man with 2 children.

The effects of this feature of the Agreements on employment and unemployment are likely to be (a) to reduce the employment opportunities open to formerly lower paid workers as employers try to raise the productivity of their remaining labour force in line with higher wage costs, (b) to reduce the monetary incentive for young people to gravitate towards occupations and sectors of the labour market where shortages of labour would, under less restrictive incomes policies, generate much higher earnings opportunities relative to the national average.

Given the very rapid expansion of industrial output envisaged over the immediate future, the role of wage differentials in overcoming bottlenecks of skilled labour and in allocating labour between sectors and regions should not be ignored. Nor should we ignore the employment-depressing implications for unskilled and semi-skilled
workers of an incomes policy that attempts a very drastic narrowing of wage differential in a brief time period.

PART IV. SOCIAL WELFARE POLICY AND THE LEVEL OF UNEMPLOYMENT

It is important to stress that the proportion of a workers’ earnings that are replaced by unemployment compensation varies considerably between different categories of the unemployed. Family circumstances, potential earnings from employment, and duration of unemployment all exert an influence on this ratio and introduce substantial and arbitrary variations from one unemployed person to another. In some situations, an unemployed person may be almost as well off remaining unemployed as he would be if a job offer were accepted (although the £50 ceiling on aggregate income from unemployment benefits, redundancy pay, and tax rebates makes this increasingly less likely), while at the other extreme, an adult male entitled only to Unemployment Assistance receives only about 20 per cent of the average take home pay in industry.

Two broad responses are possible to these features of our social welfare/income tax code. The first is a piecemeal approach, attempting to identify those in greatest need and to improve their lot, while making adjustments to minimise the work disincentives at the other end of the spectrum. The alternative response is to attempt a radical restructuring of the entire tax/transfer system. It is probably accurate to say that the weight of economic opinion in the English-speaking world now favours the second approach, despite the political obstacles to its implementation.

Various possible radical restructuring of the Irish tax/transfer system have been explored in detail by Dowling (1978). One of the alternatives considered involves the abolition of the present income tax code and its replacement by a uniform 35 per cent tax on all earned income (with no allowances, deductions or other concessions). At the same time each person aged 18 and over who is in the labour force (employed or unemployed) would be entitled to a £13 weekly transfer payment. Parents would receive £3.75 weekly for each child under 18, while non-employees (housewives and the self-employed) would receive £10.70 weekly. From the point of view of the present article, the relevance of this proposal is (a) the improvement that would take place in the income of the least favoured category of the unemployed (a
married man on unemployment assistance would have his income raised from £18.40 to £23.70 weekly, 1977 rates), and (b) entitlement to transfer payment would be unaffected by accepting employment. A person who accepted any offer of employment would retain 65 per cent of the wage received and his transfers payments would remain unaffected.

Proposals along the lines explored by Dowling seem to offer a unique opportunity to improve the lot of the most disadvantaged groups in society while simultaneously greatly reducing the work disincentives present in the present crazy-quilt social welfare and income tax codes. It is difficult to assess the prospects that Ireland would pioneer the introduction of such a scheme. No doubt many would prefer a piecemeal approach to reform, concentrating resources on various categories defined as the neediest, despite the risk of introducing greater complexity into an already Byzantine system.

The piecemeal approach would rely on data from the Live Register to identify the neediest categories. Table 9 sets out the distribution of the Register by category for a recent week. The Unemployment Assistance category generally refers to those who have been unemployed longer than their entitlement to Benefits or whose previous employment record was insufficient to qualify them for Benefit in the first place. It is important to note that about 30 per cent of those on Assistance are farmers’ relatives assisting. On the other hand, few women remain on the Register once their entitlement to Benefits runs out because they cannot qualify for Assistance unless they are supporting a husband (in the case of married women) or have one dependent or at least 26 stamps during the previous four years (widows or single women). (This latter qualification will be removed in October 1978.)

It may be confirmed from Table 8 that almost 39,000 males outside the family farm situation qualify only for Assistance. Undoubtedly this is a category for which the present system of unemployment compensation makes least adequate provision. Moreover, the recession had the effect of increasing the numbers in this category from 21,000 in 1974 to its present peak of over 38,000. There has been a similar increase in the numbers in this category who have been continuously unemployed for a year or more — from an average of under 10,000 in 1974 to over 17,000 in 1977. It is disturbing to note that the numbers in this situation have continued to rise even after the total Live Register had begun to decline (see Figure 1). As the level of employment begins to grow this is first reflected in a reduced in-flow to the Live Register,
Table 9: Distribution of registered unemployment by category 13 January, 1978.

<table>
<thead>
<tr>
<th>Social welfare category</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Under 65 years old</td>
<td>Over 65 years old</td>
</tr>
<tr>
<td><strong>Farmers</strong></td>
<td>1,230</td>
<td>1,125</td>
</tr>
<tr>
<td>Farmers' relatives assisting</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Unemployment Benefit</strong></td>
<td>*</td>
<td>9,459</td>
</tr>
<tr>
<td><strong>Unemployment Assistance</strong></td>
<td>—</td>
<td>22</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>—</td>
<td>10,606</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,230</td>
<td>10,606</td>
</tr>
</tbody>
</table>

*Farmers eligible for Unemployment Assistance are excluded from the Live Register. The total number of smallholders receiving Unemployment Assistance was 27 thousand in August 1977.

**Mainly women registering to obtain credited social insurance contributions.


then in a reduction in the numbers of short-term unemployed, and only after the recovery has been sustained for a considerable period will the numbers of the long-term unemployed begin to decline.

In the absence of a radical reform of the entire tax and transfer system, attention should be focused on the long-term unemployed and the need to raise the income available to them from the present level of a maximum of just £20 weekly for a married couple with no children or £29 for a couple with 2 dependant children (including children's allowances).

At present a married couple receive £3.40 more per week on Benefit than on Assistance. It would therefore cost in the region of £7 million annually to bring those on Assistance (excluding farmers’ relatives) up to the level of those on Benefits. In the absence of more radical reforms of the system, this additional expenditure merits a very high priority.

In the present state of the labour market, with large numbers of young people seeking employment, the prospects for older workers who have been out of work for a long period of time obtaining another job are poor. We may expect therefore that the numbers in the long-term
unemployed categories will continue to rise both absolutely and as a proportion of the total unemployed even if the overall level of unemployment continues to decline. The plight of these people has received less attention than that of the unemployed school leaver. From a humanitarian point of view greater attention should surely be paid to the middle-aged or elderly person who lost his job during the recession, who has exhausted his entitlement to redundancy pay, pay-related supplements, and unemployment benefits, and now faces the prospect of maybe 20 years of life on unemployment assistance and occasional employment at very low wages.

CONCLUDING COMMENTS

In this article, a number of approaches to the unemployment problem from the supply side of the labour market have been explored. At the risk of oversimplifying the issues, the following policy options were entertained as offering some scope for alleviating the present labour market crisis:

1. Increased educational outlays with a view to reducing the number of young people coming on the labour market.

2. Improved incentives for the elderly to retire by wider and better state pension coverage.

3. A less negative attitude towards emigration, recognising the major role it will probably continue to play in raising the living standards of Irish people.

4. A greater awareness of the possible influence of the income tax and social welfare codes on labour force and family formation decisions.

5. The possibility of a radical reform of the income tax/social welfare codes to increase incentives to work and to reduce the hardship currently experienced by the least advantaged categories of the unemployed.

6. A recognition that our rate of natural growth is very high by European standards and that in the long-run if we are to cater for the growth in our population without recourse to emigration, attention will have to be focused on our high birth rate.
REFERENCES


