POPULATION, EMPLOYMENT AND ECONOMIC GROWTH IN IRELAND

By Professor Brendan M. Walsh
Department of Political Economy
University College, Dublin

Between 1971 and 1979 the population of the Republic of Ireland increased at an annual average rate of 1.5 per cent. Not only was this the highest national growth rate recorded in Europe, it also exceeded the growth of even the fastest-growing regions in most European countries. In Britain, for example, the growth of East Anglia, which is by far the fastest-growing region of the country, averaged only 1.2 per cent during the 1970s. One has to look outside Europe, to the less developed areas of the world, to find contemporary population growth rates that match Ireland's. Moreover, there is no evidence of a slowing down in our population growth rate since 1979: the electoral register totals have shown larger increases in the two years since 1979 than over the period 1971-79.

Rapid population growth is, of course, a novel experience for Ireland. Just how novel may be judged from the post-war record, which is summarised in Figure 1. The highly variable rate of population growth mirrors the fluctuations in the net migration rate over the years. During the 1950s the country lost population through heavy net emigration, which reached an annual rate of 1.5 per cent between 1956 and 1961. By the 1970s we were gaining about 0.5 per cent of population through net immigration each year. In contrast with these sharp fluctuations in the net migration rate, the rate of natural increase (the excess of births over deaths) has remained very stable throughout the post-war period. The effects of the increase in the marriage rate since 1961 have been largely offset to date by the continuing fall in marriage fertility or average family size. Before long, however, we can expect to see a fall in the birth rate (although not necessarily in the number of births) as the proportion of the child-bearing age group that is married levels off and the size of families continues to fall.

The net inflow of population to Ireland during the 1970s was the result of a strong return flow of former emigrants (and their children) combined with a smaller stream of immigrants to Ireland who had no previous link with the country. The return of former emigrants as well as the much lower outflow of school-leavers from Ireland has resulted in a significant decline in the number of Irish-born residents in Great Britain. There were 684,000 persons born in the Republic of Ireland recorded as resident in Britain in the 1971 Census, compared with a 1977 total of 563,000 according to the results of the Labour Force Survey.¹

These figures suggest a decline of 121,000 or 18 per cent in a six year period, of which 81,000 can be attributed to net emigration from Britain. Presumably most of those leaving Britain would have been returning to Ireland, so that this evidence suggests a high level of in-migration to Ireland over the period 1971-77, a point of relevance to the estimates of Irish population and employment during these years. The decline in the numbers of Irish-born people resident in Britain was particularly dramatic in the young adult age groups, where the effects of a much lower rate of emigration from Ireland are evident. In 1971 there were 75,000 Irish-born people aged between 15-24 resident in Britain, compared with only 39,000 in 1977.

¹ I am grateful for these statistics, and the estimate of migration among the Irish-born in Britain to J.X. Kirwan of the Fraser of Allander Institute, the University of Strathclyde.
Figure 1: Annual average rates for inter-censal periods, Republic of Ireland.


The effects of net emigration between 1971 and 1979 on certain key age groups of the Irish population are summarised in Table 1. Only among those aged 10-19 in 1971 (or 18-27 in 1979) was there significant net emigration. Even in this crucial school-leaving age interval less than one person in 15 was lost through net emigration over the eight year period. By way of contrast we should recall that 40 per cent of the population aged 10-14 in 1951 was lost through emigration during the ten years 1951-61, while 25 per cent of those aged 10-14 in 1961 had left the country by 1971. The virtual cessation of emigration among school-leavers since 1971, and the greatly increased return flow of former emigrants now aged 25-44, are the factors which account for the dramatic acceleration of Irish population growth during the 1970s.

The current population estimates published

<table>
<thead>
<tr>
<th>Age in 1971</th>
<th>Number Enumerated in 1971 000</th>
<th>Number Enumerated in 1979 000</th>
<th>Age in 1979</th>
<th>Effect of Net Migration 000 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-14</td>
<td>299</td>
<td>285</td>
<td>18-22</td>
<td>-14 - 4.7</td>
</tr>
<tr>
<td>20-24</td>
<td>215</td>
<td>230</td>
<td>28-32</td>
<td>+15 + 7.0</td>
</tr>
<tr>
<td>25-29</td>
<td>173</td>
<td>193</td>
<td>33-37</td>
<td>+20 +11.6</td>
</tr>
</tbody>
</table>

Source: Census of Population of Ireland, 1979, Bulletin No. 1.
by the Central Statistics Office during the 1970s failed to reflect the extraordinary change in population growth that was occurring. Immediately prior to the 1979 Census, the official population estimates were about 100,000 lower than the revised estimates that were published in the light of the Census enumeration.

The information used in preparing these inter-censal estimates was derived from registered births and deaths, estimates of net passenger movements and the returns of the Labour Force Surveys of 1975 and 1977. The weak link in this chain was the data on passenger movements, which relies on the difference between the enormous inflow and outflow of travellers to this country to obtain an estimate of net migration. During the 1970s this method apparently provided a progressively less reliable estimate of the true level of net in-movement. In future the CSO hopes to obtain better indications of this crucial variable from various other sources such as the change in the electoral register, the numbers claiming children's allowances, and the enrolment in primary schools.

The post-Census revision to the population estimates had far-reaching implications for several important economic series. Obviously, it was not possible to add about 3 per cent or over 100,000 people to the population without adjusting the estimated labour force. An adjustment was all the more urgent because much of the under-estimation of the population was due to an under-estimate of return migration among people aged 25-44, who were likely to have been attracted back by the availability of employment opportunities in Ireland. Shortly after the publication of the preliminary results of the 1979 Census I drew attention to the likelihood that the estimates of the labour force that had been used up to then would have to be substantially revised to take account of the new population data. However, I pointed out that

...it is disturbing to note the extent of our ignorance of the true situation in regard to employment and of the timing of the growth in the numbers at work. Any revision of the employment data that will be published in the future must be greeted with scepticism, especially as regards the year-to-year allocation of the additional numbers at work. This uncertainty regarding the timing of the growth in the numbers at work will make it almost impossible to evaluate the impact of budgetary policy on employment.


<table>
<thead>
<tr>
<th>Table 2. Original and Revised Employment Estimates (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>As published mid-1980</td>
</tr>
<tr>
<td>1971</td>
</tr>
<tr>
<td>1975</td>
</tr>
<tr>
<td>1977</td>
</tr>
<tr>
<td>1979</td>
</tr>
<tr>
<td>As revised end-1980</td>
</tr>
<tr>
<td>1971</td>
</tr>
<tr>
<td>1975</td>
</tr>
<tr>
<td>1977</td>
</tr>
<tr>
<td>1979</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual Average Growth in Employment (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Original Estimates</td>
</tr>
<tr>
<td>1971-75</td>
</tr>
<tr>
<td>Revised Estimates</td>
</tr>
<tr>
<td>1971-75</td>
</tr>
</tbody>
</table>
Revised labour force estimates were duly published at the end of 1980. Given the magnitude of the revisions to the previously published series, these new estimates have received surprisingly little attention. Table 2 sets out of the original and revised employment totals.

A number of questions may be asked concerning the time pattern of the increase in employment implied in the new series. Total employment is shown as growing by only 28,000 between 1971 and 1977. The indications from the data on the Irish-born residents in Britain summarised above are of very substantial return migration to Ireland over these years. This might call into question the low rate of increase in employment shown in the data in Table 2 over this sub-period. This argument is, of course, very inconclusive. But recent attempts to explore the annual migration series implicit in the CSO’s revised annual population series for 1971-79 have also proved inconclusive and aroused some scepticism regarding the reliability of the inter-censal allocation of population growth.3

The revised estimates of employment in 1979 added 80,000 or 7.5 per cent to the already published estimates (which appeared as recently as July 1980 in Economic Review and Outlook Summer 1980, albeit with a caveat concerning the pending revision!). The magnitude of the revisions was not equal between sectors. Only 3,000 or 1.4 per cent was added to the numbers at work in agriculture. The estimated numbers working in industry (including building and construction) were increased by 30,000 or 9.0 per cent, while the estimate for the service sector was raised by 47,000 or 9.2 per cent.

It is difficult to believe that revisions of this magnitude to the numbers in employment will not entail substantial revisions to the published estimates of GNP. As things stand the new employment series taken in conjunction with estimates of GNP for the period 1971-79 imply even more disturbing changes in the relationship between employment and output growth than those already commented on in a recent article in this Review.4 The relatively slight revision to the employment estimates for the period 1971-75 compared with the major additions to estimated employment for the years 1975-79 imply the following pattern of growth in output per worker over the period 1971-79:

<table>
<thead>
<tr>
<th>Annual Average Growth Rates</th>
<th>Period</th>
<th>1971-75</th>
<th>1975-80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GNP</td>
<td></td>
<td>3.3%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Employment</td>
<td></td>
<td>0.3%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Real GNP per person at work</td>
<td></td>
<td>3.0%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

It is disturbing to note that during the latter half of the 1970s the rate of increase in the productivity of labour should have fallen to one half the rate recorded earlier in the decade or not much more than one third the rate that was achieved in the 1960s. Perhaps this contrast will be reduced if the growth rate of real GNP is revised upwards for the latter half of the 1970s, in line with the revised data on employment. It is, however, surprising that no indication of the size of the labour force underestimation appears to have been obtained from the various components that go into estimating GNP.

Obviously, there will remain room for considerable scepticism regarding the actual pattern of employment and output growth during the 1970s even when all the revisions are completed! But in the light of the available estimates it is hard to avoid the conclusion that much of the rapid spurt in employment growth towards the end of the decade was obtained by the addition of substantial numbers of low productivity jobs to the economy. However


participation rates reduce the size of the labour force associated with a given population, the effect on the growth rate of the numbers in the labour force is temporary. Once the participation rate has stabilised at a new, lower level, the rate of growth in the labour force will reflect the rate of growth of the population. Only continuous reductions in the participation rate can maintain the rate of growth of the labour force below that of the population.

This point is often overlooked by those who see in early retirement or prolonged education a simple solution to the problems posed by rapid population growth.

This discussion naturally leads into the question of the growth prospects for the working age population over the medium term. This is a subject which has to be approached with some trepidation in view of the difficulty experienced by all commentators in keeping track of actual population trends during the 1970s! As usual, the uncertainty surrounding the level and trend of migration makes it impossible to estimate with any conviction what the future will hold in this area. Nonetheless, it is valuable to explore some of the implications for future population growth of the age structure of the population enumerated in the 1979 Census. The frequently repeated fact that half our population is aged under 27 derives much of its economic significance from its implications for the future growth of the population of working age. These implications can be illustrated by preparing projections of the population five and ten years from the 1979 Census on the assumption of nil net migration over the intervening years. For convenience, attention is confined to the male population aged 20-64 years old. This has the great advantage of minimising the uncertainty in the link between population growth and growth in the labour force that is introduced by fluctuations in labour force participation rates among teenagers and married women.

The basic approach is extremely simple. The population aged 10-59 in 1979 is “survived”
forward five years to obtain a projection of the 1984 population aged 15-64 on the assumption of no net migration. The same procedure is then applied again to obtain the projected population aged 20-64 in 1989. (The choice of the years 1984 and 1989 is influenced by the starting point in 1979). Mortality is a relatively minor, and fairly stable, factor over a ten year interval for these age groups, and since migration is assumed to make no net difference at each age (an assumption that is unlikely to be supported by the outcome), the key determinant of the rate of increase in the projected population is the age structure of the initial population.

The results of this exercise are set out in Table 3, which also shows the rate of increase during the period 1971-79. The calculations reveal that in the absence of net emigration the male population aged 20-64 will increase by 14,700 a year between 1979-84 and by 16,400 between 1984-89. In the absence of migration the numbers in this age interval would have increased by only 10,500 a year between 1971-79, but due to net in-migration the actual increase was 13,600.

The most important information conveyed by these calculations is, therefore, the fact that, given the age structure of the population as revealed in the 1979 Census, the growth potential of the working-age population is if anything greater now than it was in 1971. Whereas many European countries are already experiencing a slowing down in the growth of the numbers in the labour force as the numbers leaving the educational system begin to reflect the decline in the birth rate that started in the early 1960s, there is no immediate prospect of a similar moderation in the growth of the working age population in Ireland.

Increases in supply that outpace the growth in demand evoke a number of adjustments. If we were discussing the market for a commodity such as oil, this situation would be expected to give rise to falling (real) prices. In the case of the “market” for labour, which is obviously far less unfettered by non-economic considerations than is the case in commodity markets, there is enormous resistance to any decline in real wages or even to a moderation in the rate of increase in real wages, at least in the more highly-organised and relatively-privileged sectors.


<table>
<thead>
<tr>
<th>Males Aged 20-64 (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
</tr>
<tr>
<td>Projected</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual Average Increase (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Due to Migration</td>
</tr>
</tbody>
</table>
of the economy. Other mechanisms, must therefore come into operation to facilitate the adjustment of demand and supply. One possibility is the lengthening of the period spent searching for employment, especially by school leavers. Another is the development of a fringe labour market where wages and conditions of work are inferior to those found in the core of the economy, but where at least some income and work experience can be obtained. In the Irish case, the openness of our economy to international influences is as important in the labour market as elsewhere, and this highlights the possibility that rather than accept deteriorating prospects in Ireland, some of the potential growth in the working age population would be syphoned-off through renewed emigration.

The relevance of these adjustment mechanisms depends of course on the ability of the demand for labour to match the prospective increase in supply. If demand increases rapidly enough there may be no imbalance and hence no necessity for the more or less distressing adjustments discussed above.

A priority of economic policy in the years ahead must be to maintain the demand for labour as high as possible in order to minimise the hardship that could be entailed in coping with the rapid potential growth in our working age population. The constraints on government action in this area are greater now than they were during the 1970s, when the impact on Ireland of two major oil price increases and the concomitant world recessions were considerably modified by a policy of deficit spending facilitated by heavy foreign borrowing. The impossibility of repeating this fiscal stimulus during the coming years is now widely recognised, although not everyone agrees with those who believe that considerations of international creditworthiness may even precipitate a severe deflation.

If fiscal policy cannot make a significant contribution in the years ahead to raising the demand for labour in Ireland, we shall have to rely to a greater extent than in the past on alternative measures to avert the more painful adjustments to our rapid population growth potential outlined above. The list of candidates is not long, and a level of pay increases appropriate to the conditions in the labour market must be given pride of place among them. In the recent past the public sector has conspicuously ignored the tenets of moderation in pay increases that it so earnestly urged on the rest of the economy. Exhortation proved more attractive than good example. Let us hope it is not too late to redress this imbalance in the future.

Ireland's problems of a rapidly increasing supply of labour facing uncertain prospects on the demand side are a microcosm of the dilemma in which most of the less developed countries of the world find themselves. Compared with many of these we have undoubted advantages. Our endowment of human and physical capital is much higher, our location within the EEC is beneficial, and our rate of population growth is moderate by world standards. Many countries have made enormous progress despite much greater obstacles than we face. Let us hope that during the 1980s we can overcome the short-term economic difficulties which confront us and lay the basis for the longer term economic growth that is needed to meet the aspirations of our growing population.