



Inward migration and the Irish labour market

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Given the forecast for employment growth in this bulletin, and the current low level of employment, it is important to understand the extent to which inward migration is supporting labour supply. This box puts recent migration trends in a longer term context, and provides a sectoral view of migrant hires.

The marked improvement in the Irish labour market since 2012 offers the clearest evidence of the recovery and growth in the economy since the financial crisis. Projections in this Bulletin forecast average annual employment growth of 1.9 per cent to 2020 with the macroeconomic projections underlying Budget 2019 forecasting annual growth rates of 1.6 per cent from 2021 to 2023. With unemployment already very low, this pace of employment growth requires a readily available supply of labour if the risk of overheating is to be contained. This Box looks at one aspect of labour supply, inward migration, and examines the extent to which it has boosted labour force growth, as well as its impact on the labour market.

The long-term trend in Irish migration is shown in Figure 1. There has been a notable return to net inward migration in recent years, averaging 23,300 persons annually since 2016. Furthermore, it would appear that the bulk of these inflows (mainly aged 25-44 years) have entered the labour force, with the vast majority finding employment.³ In terms of Irish nationals, there was a large net outflow during the financial crisis, amounting to a cumulative 113,000 persons between 2008 and 2015. In recent years however, this trend slowed before reversing last year with a marginal net inflow of Irish nationals – the first time this has occurred since the crisis (Figure 2). Evidence from previous experience of returning emigrants shows that they are attracted home by a wage premium.⁴

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³ For example, a decomposition of labour force growth by participation and demographics shows marked growth in the latter component in recent quarters, with a much more modest contribution from participation.

⁴ See for example, Barrett and O'Connell (2001), 'Is There a Wage Premium for Returning Irish Migrants?', *The Economic and Social Review*, Vol. 32, No. 1.



Figure 1: Total migration flows

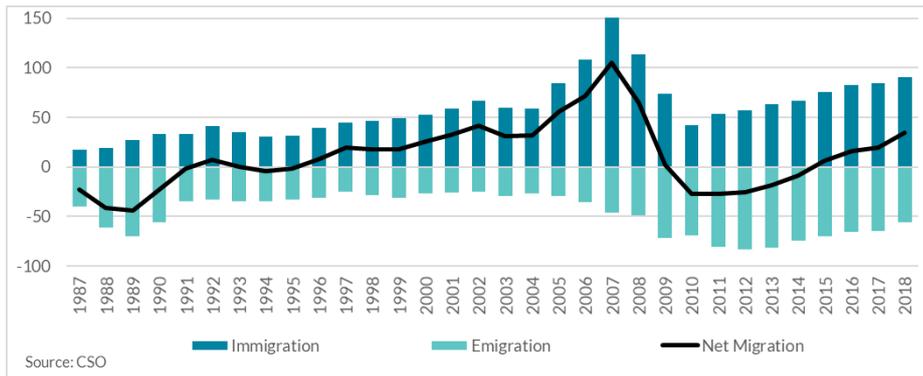
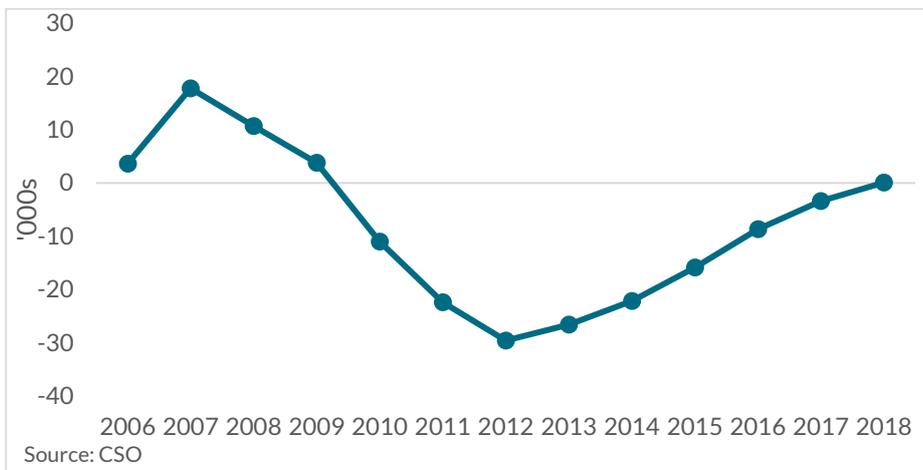


Figure 2: Net migration of Irish people



Another recent feature of migration trends has been the changing nationality of migrants. Figure 3 shows the total number of PPS numbers issued to adults from key countries in 2007 and 2018.⁵ There has been a notable fall in inward migration from 2004 accession states, particularly Poland and Lithuania. However, even as the Irish labour market strengthens and wage growth picks up, there is no indication that inward migration from these countries will approach its 2007 peak over the medium term. This is for two reasons – firstly, the growth in inward migration up to 2007 occurred against the background of the 2004 EU enlargement and the extension by Ireland (and some other EU countries) of free movement rights to the accession countries. No similar structural change is currently on the horizon. Secondly, the Eastern European labour market is far stronger than it was a

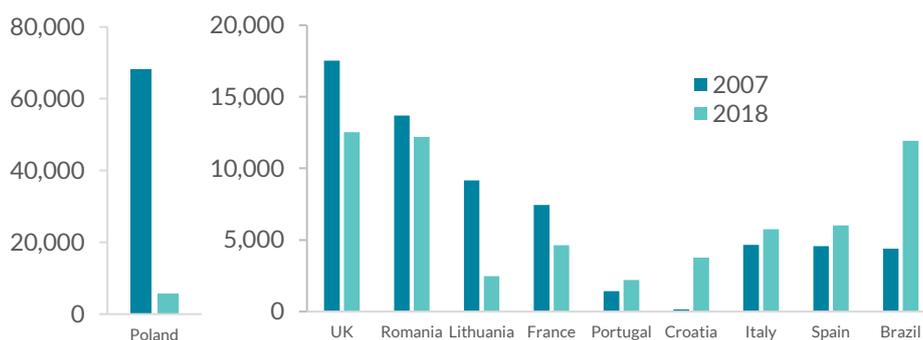
⁵ A PPS number is a unique ID number necessary for individuals to interact with Government departments, employers etc. New migrants are issued one soon after arrival.



decade ago, and while wage levels in these countries are still lower than in Ireland, they are rising much more quickly. Ireland's real wage premium relative to Lithuania, for example, fell by 34 per cent between 2007 and 2017; in Poland, it fell by 23 per cent.⁶

The current level of inward migration is far lower than in 2007, but inflows from some countries have increased. Croatia gained free movement rights after its 2013 accession, and has shown the most dramatic increase in percentage terms. Inward migration from Southern European countries has also risen, likely driven by elevated unemployment (youth unemployment, in particular) in the region. In absolute terms, the biggest increase is from Brazil.

Figure 3: PPSNs issued to adults (15+) from key migration countries⁷



Source: CSO, Department of Social Protection

Given recent employment growth, it is useful to look at the increase in Irish and non-Irish employment separately. Figure 4 shows that while the level of Irish employment has grown steadily in recent years, non-Irish employment has increased much more quickly. Since 2015Q3, the level of non-Irish employment has grown faster than Irish employment. The average annual growth rate of non-Irish employment since 2015 is 7 per cent; the equivalent figure for Irish employment is 3 per cent.

⁶ These are OECD figures, PPP adjusted in 2017 USD, and reflect both wage levels and costs of living in the respective countries.

⁷ Note that the 2018 (15+) figure for each country is calculated from its total 2018 PPSN figure multiplied by the proportion of PPSNs in 2017 issued to adults.



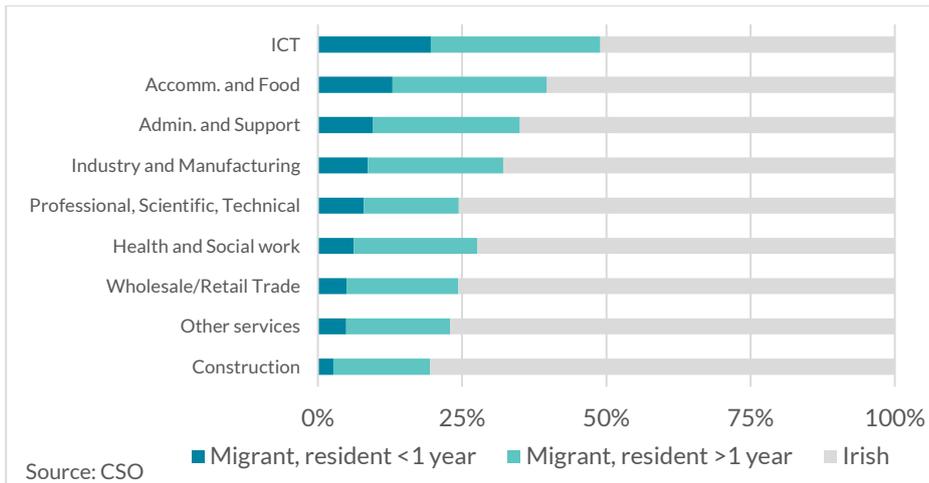
Figure 4: Index of Irish and non-Irish employment, 2006Q3 = 100



It is also possible to look at the impact of inward migration across sectors. If immigration is now an important source of labour supply, it is useful to examine whether these workers are alleviating shortages in the tightest sectors of the labour market. For each sector, figure 5 breaks down workers hired within the last year into three categories - Irish, recent migrants (resident less than one year), and other migrants (resident more than one year). The extent to which migration is supporting hiring in sectors with elevated vacancy rates, such as ICT, becomes clear. In 2018, almost half of the new hires in ICT were migrants, 40% of whom arrived in Ireland within the last year. The chart also shows how the construction sector now hires predominantly from the domestically available stock of labour. In 2018, just 3% of new hires in construction were recent migrants.



Figure 5: Nationality of new hires, 2018⁸



While significant variation exists across sectors, the importance of migration in the labour market has risen considerably since 2015. Given the outlook for employment growth, inward migration will continue to be an important source of additional labour supply in a tightening labour market.

⁸ Migrant here is defined as those classified as “non-Irish” in the LFS. A recent migrant is a non-Irish worker who has been resident in the country for less than one year.

