

From crisis to recovery: Overcoming scars and social costs

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The economic and financial crisis has posed a stern test of many countries, though in Ireland, which enjoyed a boom for over a decade, the challenge was particularly stark. The scars are still there, but so are opportunities. Well-targeted, sensitive social policies can yield positive results.

The scale of the economic and social shock that Ireland has experienced in recent years was one of the worst in OECD countries. GDP and average household disposable income fell by 16% peak to trough, while unemployment soared from a low of 3% in 2007 to a peak of 15% in 2012. A collapse in the construction sector and a banking crisis that rippled well beyond Irish shores left the Irish government unable to borrow in international bond markets. A €67.5 billion financial assistance plan was thrown as a lifeline from the troika of the EU, the European Central Bank and the International Monetary Fund. Tough reforms and austerity were bitter pills to swallow by an electorate that took the brunt. It has been a long journey, with Ireland finally exiting the financial assistance programme in December 2013. Economic growth has accelerated to become the

highest in the OECD, unemployment has fallen towards 9%, and public finances have improved ahead of forecasts.

Nevertheless, the crisis has left deep scars. Recent research by the OECD found that one in six Irish-born people live outside Ireland, the highest rate of any OECD country. Since the onset of the recession in 2008, around 650 000 people have left Ireland, or about 13% of the current Irish population, far more than the population of any city outside Dublin.

Those emigrating were mainly highly skilled and, perhaps surprisingly, employed, too. A 2013 study examined emigrants' labour force status and reasons for emigration and found that only one-fifth were unemployed, and close to half held full-time positions before leaving. A further 13% were in part-time jobs. Many emigrants who were employed prior to leaving Ireland reported low levels of career satisfaction. A lack of career opportunities, as well as underemployment in the case of part-timers, were likely drivers of the emigration upsurge.

Migration does not have to be all bad news—returning migrants can bring back skills and experience gained abroad; indeed, emigrants returning to Ireland tend to earn a wage premium of 7%. But not everyone returns. The recent wave of emigration from Ireland has consisted of higher numbers of people over 30 than in the past, including people with children. This group may be less likely to return, and represents a cost to the government that had invested in their education. Moreover, there is a less visible, but nonetheless serious, social and psychological toll of migration to take into account, particularly on families. Households in rural areas were more likely to have experienced emigration recently, which may lead to the depletion of young people from rural areas. Emigration has also been linked to a decline in mental health among the mothers of emigrants.

Economies take time to adjust to the skills gap emigrants leave behind. Luckily Ireland today is a labour market destination, and though migration to Ireland fell sharply at the onset of the recession, it continued during the recession with over 450 000 migrants arriving between 2008 and 2014. The integration of migrants and their children has become a policy priority, particularly in light of the current refugee crisis faced by Europe. Some 80% of migrant children are concentrated in 23% of schools, a concentration that risks causing “ghettoisation” and slower integration into Irish society.

A better jobs market would certainly be helpful. Despite falling unemployment, long-term unemployment remains high—close to 60% of the unemployed have been out of work for at least a year ([see article by David Haugh](#)). Research shows that being out of the labour market for extended periods can result in persistently lower wages and higher rates of unemployment in the future; indeed, getting the long-term unemployed back to work becomes harder the longer they remain out of work.

Ireland has a high proportion of “jobless households”, where no one works, or works low hours only. Close to a quarter of Irish households fall into this category, compared with just one-tenth across Europe. Moreover, a recent report showed that the proportion of households with children reporting difficulty in making ends meet doubled from 31% to 61% between 2008 and 2011, which is not surprising given an average drop in household income of 16%. This economic strain has affected family relationships, with parents reporting more frequent arguments and lower relationship satisfaction. Research shows that financially stressed parents become less affectionate, while the deterioration of child-parent relationships is associated with higher child anxiety, poorer conduct and worse educational performance.

Young adults have also suffered, which is a wide policy challenge, for as OECD research shows, what happens in the first 10 years of young people’s working lives affects not only their careers, but their personal circumstances and happiness, too. In Ireland, youth unemployment rose from 9% in 2007 to 30% in 2012. The Irish NEET rate—this stands for young people who are “Not in Employment, Education or Training”—doubled from 11% in 2007 to 22% in 2010.

Underemployment is also an issue with 41% of those over 25 and 31% of those under 25 having no choice but to work part-time. Clearly, it is becoming necessary to focus policy on the needs of young people, through labour market schemes, education and more.

As writers in this edition argue, Ireland must work hard to stay on the innovative, globalisation wave. However, innovation should not apply just to the likes of finance, pharma or fibre optics. New skills in sharing and caring also matter, both in support of other sectors and as generators of value. Recent

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EU research shows that four lower-skilled positions are created for every high-skilled position, as high-skilled workers increase the demand for child care, restaurants, leisure, etc. Research in Germany has shown how workers reacted to job losses by upgrading tasks that are difficult to offshore and improving interpersonal and multitasking skills. In fact, while technology may be automating routine jobs, the importance of social skills has never been greater. Non-cognitive skills, such as agreeableness and perseverance, can be taught and acquired, and today, initiatives such as mentoring nurture these non-cognitive skills.

In fact, given Ireland’s renowned culture of hospitality, policies aimed at developing “soft” skills in contemporary services could prove key in competing for investment in today’s weightless global economy.

The identification and building of skills, both cognitive and non-cognitive, and providing an ever more attractive location for high-skilled workers, including

returning emigrants and immigrants, will pave the way for Ireland's future success.

Visit the [OECD Migration Database](#)

See also <http://oe.cd/1eU> and www.oecd.org/ireland

References

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