



Introduction to the Irish economy: Unemployment

What is Unemployment?

Unemployment is when a person is available for work, willing to work and actively seeking employment but cannot find a job. There are three main types of unemployment: frictional, cyclical and structural.

Frictional Unemployment

Frictional unemployment is when a person is unemployed because they are moving between jobs. Frictionally unemployed people may be unemployed for a short period. For example, a worker moves to a different city and looks for a new job. Recent graduates looking for work are one example of frictional unemployment or workers who voluntarily leave their job to find another job.

Cyclical Unemployment

Cyclical unemployment occurs with changes in the business cycle. When the Irish economy experienced an economic expansion from 1994-2007 there was increased demand for goods and services, leading to demand for workers and low unemployment. Conversely, when the 2008 Global Financial Crisis ('GFC') triggered a worldwide economic recession (known as the 'Great Recession'), demand for goods and services collapsed, hitting several sectors. The construction industry was particularly affected by this recession. Construction workers who lost jobs due to this recession were cyclically unemployed, i.e., changes in the macroeconomic environment caused their unemployment.

Structural Unemployment

Structural unemployment is the most severe type of unemployment as it can be long-lasting. Structural unemployment arises when there is a mismatch between the skills workers can offer and the type of skills required by the economy. This type of unemployment can typically occur from technological changes. In many Western economies, there is little demand for textile workers or typewriters as technology has changed the skills needed.

How is the unemployment rate calculated?

The unemployment rate is calculated by dividing the number of unemployed people by the total number of people in the labour force. The labour force includes all working age people who are both employed and unemployed. It does not include those who are not seeking work and certain groups, such as full-time students and discouraged workers. Discouraged workers are those who are not in work but have given up looking for work.

Irish unemployment

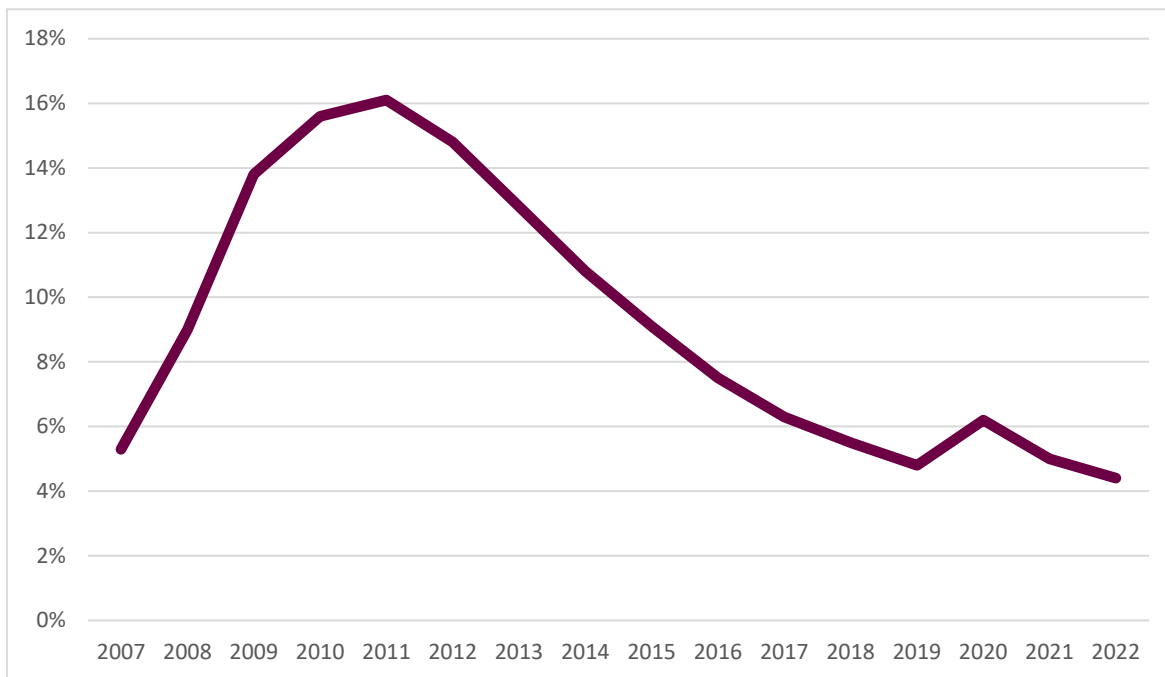
While Ireland has historically experienced high levels of unemployment, Ireland's current unemployment rate stands at a near two-decade low of 4.3%¹. Before the 1990s Ireland's unemployment rate was typically high; however, during the 2000s, Ireland achieved full employment. Full employment is when everyone who is willing and able to work has a job.

¹ Central Statistics Office (CSO), [Monthly Unemployment February 2023](#).



Full employment in Ireland is considered by many to be in the region of approximately 5%² however full employment does not mean zero unemployment; it means everyone who wants to have a job can find a job³. Full employment does not mean that nobody is unemployed as there will always be some level of structural and frictional unemployment in the economy. The unemployment rate increased sharply in 2008. Irish unemployment increased to over 15% during the Great Recession of 2008-2013 and began to decline in 2013. In more recent times, the beginning of the global pandemic in March 2020 led to a sharp increase in unemployment. Ireland's youth unemployment increased during the COVID-19 pandemic peaking at a rate of 20.8%; however, this has receded to 10.2%. The Parliamentary Budget Office recently published a note on the labour market in Ireland entitled '[An insight into the labour market from 2019-2022](#)', which includes an overview of the Irish labour market and how this has changed post-pandemic.

Figure One - Seasonally Adjusted Monthly Unemployment Rate (%) at Year-End Ireland 2007-2022



Source: CSO, Seasonally Adjusted Monthly Unemployment

² Parliamentary Budget Office, *Briefing Paper 10 of 2018*.

³ Central Bank Of Ireland, *Employment Growth: Where Do We Go From Here?*