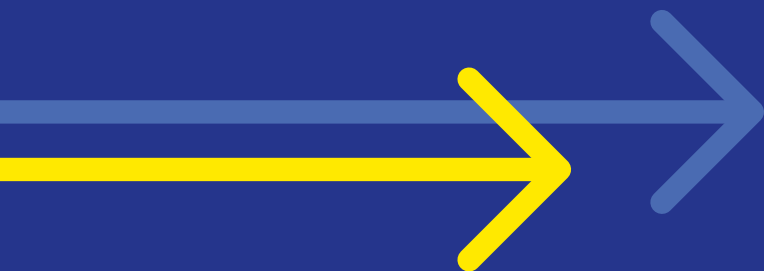


Country fiche

Ireland

EURES Report on labour shortages
and surpluses 2023



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Table of Contents

Abbreviations.....	3
1.0 Labour market imbalances	4
1.1 Overview.....	4
1.2 Expected future developments	6
2.0 The construction sector.....	8
3.0 Conclusions.....	10
References	11
Annex 1: List of labour market imbalances (Ireland).....	12

Abbreviations

Acronym	Full title
BER	Building Energy Rating
EEA	European Economic Area
ELA	European Labour Authority
ETB	Education and Training Board
EU	European Union
EU27	European Union with 27 Members
EURES	European Employment Services
ICT	Information and Communications Technologies
ISCED	International Standard Classification of Education
NCO	EURES National Coordination Office
OECD	Organisation for Economic Cooperation and Development
STEM	Science, Technology, Engineering, Mathematics



1.0 Labour market imbalances

1.1 Overview

The EURES National Coordination Office (NCO) in Ireland identified a total of 20 shortage occupations for the EURES Report on labour shortages and surpluses 2023 by the European Labour Authority (ELA). These shortages consisted of 10 professional occupations, four craft occupations in construction and engineering, and a selection of occupations in the services and sales workers group and the technicians group. The list also included one management occupation, the management of information and communications technologies (ICT). Regarding employment sectors, five of the shortage occupations were related to the healthcare sector, seven to the construction and engineering sectors, and three to the software sector. The remaining five occupations covered a range of miscellaneous sectors. This total of 20 occupations makes Ireland one of the countries which reported the lowest number of shortage occupations.

Ireland did not submit any surplus occupations as the sources used by the NCO – specifically the Skills and Labour Market Unit (SLMRU) within SOLAS (the Institute of Further Education and Training) only analysed labour shortages (SOLAS, 2023).

The analyses below attempts to explain why professional occupations and, to a lesser extent, construction and engineering crafts have been identified by the NCO in Ireland as being in short supply.

The labour market in Ireland is very robust. According to Eurostat, the employment rate at the end of 2023 was 79% and the seasonally adjusted unemployment rate was 4.3%. The average EU employment rate in 2023 was 75.4%, while the seasonally adjusted unemployment rate was 6%. This has declined further to 4.2% in February 2024 – indicating a very tight labour market. The youth unemployment rate was 11.7% in December 2023, but it has also declined to 10.5% by February 2024. The Eurostat

job vacancy rate for Ireland was 1.2% in September 2023. Historically, the job vacancy rate reached a record high of 1.6% in September 2022 compared to a low of 0.8% two years earlier. The latter was a direct consequence of the COVID-19 pandemic as many companies either ceased trading or their trading activity was significantly below normal levels, and they were not recruiting. However, this vacancy rate is below the EU average and significantly below the rates in comparably small EU Member States such as the Netherlands and Austria.

There are several reasons for this situation. Firstly, until recently, labour shortages tended to be confined to workers with STEM qualifications (science, technology, engineering, and mathematics). Software alone, for example, has accounted for more than one in three work permits issued in recent years (OECD, 2023). Such work permits are issued for workers with skills which have been difficult to source in either Ireland or a country of the European Economic Area (EEA). These permits are sought by employers and gives them a legal basis for recruiting such workers for a specific period. In Ireland, roughly 37 000 employment permits were issued in 2022, which is a record and far exceeds the 14 000 issued in 2021. Virtually all construction crafts are now included on the list of eligible occupations – an acknowledgement that there are not sufficient construction workers available within the domestic labour force to deliver the government’s targets regarding house building and the retrofitting of domestic dwellings.

More recently, acute shortages have emerged among professional and craft construction workers and the work permit system has been expanded to include these occupations. Secondly, the net inward migration of mobile and migrant workers (respectively, EU citizens living in an EU country different from their country of citizenship, and workers from third countries) has increased in recent years and migrants have provided a labour pool to fill shortag-

es in many areas, particularly in the accommodation and food sectors. Thirdly, the Irish labour market is very flexible and resilient. In their new Job Strategy, the OECD states that Ireland performed better than the OECD average on all key indicators of resilience and adaptability (OECD, 2018). The growth in unemployment was limited because workers could transfer from vulnerable sectors to sectors which were expanding, while productivity during the aftermath of the financial crisis (2010-2016) was the highest recorded in the OECD.

From a European perspective, the Irish labour market is unusual in several respects. Firstly, the second-level education system is dominated by general education. Unlike the system in many European countries, there are virtually no second-level vocational schools, and the apprenticeship system is essentially post-secondary and the theoretical components of the system (i.e., off-the-job phases) are delivered by 16 Education and Training Boards (ETBs) in combination with third-level colleges. In general, specialisation in a vocational skill does not occur until after the completion of the second-level school cycle. This approach has both advantages and disadvantages. As noted by the OECD, it produces a highly flexible labour market. The disadvantage, however, is that school children are not exposed to the possibility of developing a marketable skill through participating in an apprenticeship. There is a very strong preference for school leavers to pursue third-level qualifications and apprenticeship has been viewed as a career pathway for those that are not suited to a more academic qualification, rather than as a career choice which provides excellent employment opportunities. The transition from second-level education to third-level education is very high – 63% of 25–34-year-olds progressed to tertiary education in 2021 compared to an OECD average of 47% (OECD, 2023). As a consequence, the number of young people registering for an apprenticeship is relatively low at roughly 8 000 per year and in the National Apprenticeship Plan 2020-2025, the government is committed to increasing that figure by 25% by 2025 (Department of Further and Higher Education, Research, Innovation and Science, 2021b).

From the perspective of achieving a balance between labour demand and supply, the preference for a third-level qualification over an apprenticeship means that Ireland is particularly vulnerable to developing labour shortages among craft workers. While only four craft occupations from a list of 20 shortage occupations were identified as shortages by the Irish NCO in 2023, it is widely anticipated that the government's plan to significantly increase construction activity over the period 2024-2030 will result in acute shortages of construction craft workers. Consequently, the government placed all construction craft occupations on the work permit list in 2023 (Expert Group on Future Skills Needs, 2020; Government of Ireland, 2021).

Until 2016, the apprenticeship system in Ireland was confined to craft occupations almost exclusively in the construction and engineering sectors. While the system produces craft workers of very high quality, the system is quite rigid. Every apprenticeship is of similar duration and every apprentice, on completion of their apprenticeship, qualifies with the same level of education award. Since 2016, a new apprenticeship has been introduced – called the consortia-led apprenticeship – which is much more flexible than the traditional model both in its structure and in the range of skills which are included. It attracts more females and graduates than the traditional system. As of 2024, there is considerable debate among labour market analysts on how to combine the strengths of both systems into a coherent and effective national apprenticeship.

The second unusual feature of the Irish labour market is that it is highly educated in a formal sense. For example, the share of the population aged 30-34 years in Ireland with a third-level education qualification (i.e., ISCED 5+) is the third highest in Europe (62% in 2022) (Eurostat Data Browser, 2023).

There is evidence that the absence of a strong tradition of apprenticeship in the second-level education system combined with a very high level of transition from second-level to third-level education has resulted in a significant incidence of overqualification in the workforce. Research has shown that overqualification affects 28% of the workforce compared to roughly 22% in the EU on average (Eurostat Data Browser, 2023).

The relatively high level of education of the Irish workforce reflects the structure of the Irish economy. The economy is dominated by a large number of “state-of-the-art” high-tech companies. These companies, for the most part, are multinational and operate in software, pharmaceutical, medical devices and, to a certain extent, food sectors.

The impact of a strong high-tech sector on the profile of the workforce is significant. In 2022, just over a quarter of all workers (26%) were employed in a professional occupation. This compares to an overall EU27 average of 22% and is higher than a number of larger Member States such as Germany (22%), Spain (19%) and France (23%) (Eurostat, n.d.). However, the existence of a highly efficient high-tech sector in Ireland disguises a potential weakness in the economy. The high levels of productivity recorded in the aftermath of the financial crisis were due to the multinational sector. The indigenous sector – and in particular construction – suffers from low levels of productivity and any significant diminution of the contribution of the multinational sector would have serious adverse consequences for Ireland's economic performance.

An example of the impact that a reduction in the activity of multinationals could produce is shown by the retrenchment of the Irish software industry in recent months. While employment is still higher than pre-Covid levels, and employment among IT professionals and technicians has continued to expand, the magnitude of the loss of jobs in other areas of the IT sector demonstrates how vulnerable the Irish labour market is to relatively small percentage declines in employment in the multi-national sector (Litardi and Plaumann, 2023).

Furthermore, recent surveys have indicated that the hiring rates by large companies had declined at the end of 2023 and the beginning of 2024. A survey by the Manpower Group, for example, found that only 12% of multinational companies plan to increase their workforce in 2024 - the lowest level since the pandemic year 2021 (Manpower Group, 2024).

While participation in lifelong learning at 11.8% in 2022 is almost at the EU average of 11.9%, it is far below the levels in the best-performing EU countries such as Sweden and Finland. Furthermore, the level of employer support for lifelong learning is lowest in the indigenous sector.

1.2 Expected future developments

The Irish labour market is performing strongly in early 2024. However, there are a number of features of the labour market which are a cause for concern, and which will require attention over the next few years.

The preference for a third-level graduate education rather than an apprenticeship has created an imbalance in the skills supply which is being exposed currently as a consequence of the requirement for a major increase in construction activity. The introduction in 2016 of a new, more flexible apprenticeship which includes graduate occupations should contribute to the development of a more positive view of apprenticeship on the part of young people. However, it has also created two radically different apprenticeship structures and it will be important to integrate these two different apprenticeship systems to avoid any adverse perception developing around the traditional craft apprenticeships.

A major increase in the level of construction activity is planned for the period 2024-2030 and the delivery of this level of activity will require more construction-skilled workers than is currently being produced by the education and training system. Several policies are being considered to avoid encountering serious skill shortages emerging in this area. These include attracting workers from abroad – both within the EEA and from third countries. The findings from the EURES Report on labour shortages and surpluses 2023 from ELA indicate that there is a shortage of construction craft workers throughout Europe, and consequently, the required increase in supply is more likely to come from outside the EEA area.

Other policy measures that are being considered include conversion courses for graduates who wish to pursue a career in a construction profession, traineeships, and ac-

creditation of prior learning mechanisms, as research has shown that there are many workers employed in operative and craft occupations who are not formally qualified and who could become available for employment in shortage occupations if they successfully completed a course in formally accrediting their work experience.

While the increase planned in construction activity will form the most striking aspect of the Irish labour market over the next few years, there will continue to be skill mismatches in many graduate professions – particularly in healthcare. The population in Ireland is ageing and with advances in medical technologies increasing the average lifespan, Ireland is conspicuously short of doctors, nurses, and other healthcare professionals. With regard to doctors, a second career pathway has been introduced which enables suitable graduates who have not amassed sufficient points to enter medicine after completing second-level education to train to become a medical practitioner after they have completed their first degree.

Ireland's skill strategy was recently assessed by the OECD (2023). (See also Department of Further and Higher Education, Research, Innovation and Science, 2021a). It identified four priority areas in which the skills strategy could be improved. These four priority areas are:

- **Securing a balance in skills through a responsive and diversified supply of skills in Ireland.** The OECD noted the high levels of transition of school-leavers to third level education and suggested that a more diversified skills supply might be more appropriate for the economy as a whole. To some degree, the government has taken action in implementing actions which should result in a rebalancing of the supply of skills. In the National Apprenticeship Plan 2021-2025, the

government is committed to increasing the number of workers registering for apprenticeships in Ireland to 10 000 by 2025 from roughly 8 500 in 2023. This will help to rebalance the skills supply between third level graduates and apprentices.

- **Fostering greater participation in lifelong learning in and outside of the workplace in Ireland.** The OECD noted that Ireland still lags behind countries such as Finland and Sweden regarding the level of continuing training. In recent years, the government has introduced a series of measures which make it easier for people to engage in second-chance education, for example, including child allowances for apprentices and removing the requirement for a certain level of academic awards for mature people who wish to return to study in third-level education. Part-time courses have also been introduced for unemployed people, where the participant may keep their welfare payments provided they study certain subjects. As qualifications in the subjects are considered to be in demand by Irish employers, this is a method of increasing the supply of workers with in-demand qualifications while reducing unemployment.
- **Leveraging skills to drive innovation and strengthen the performance of firms in Ireland.** One of the key recommendations under this priority is to foster peer-to-peer learning to promote the diffusion of leading-edge organisational practices among SMEs and multinationals. To some extent, such cooperation already exists but it needs to become more prevalent in the business landscape. For example, Skillnets Ireland encourages employers in different sectors of the economy to come together and agree on a programme of upskilling for their workers which will make their firms more competitive. The innovative aspect of this approach is that the firms cooperate rather than compete. The underlying philosophy is that each firm benefits if the sector as a whole upgrades its human capital resources.
- **Strengthening skills governance to build a joined-up skills ecosystem in Ireland.** The OECD notes that there are a plethora of different departments and agencies involved in aspects of skills development in Ireland and proposes that skills development policies might be more effective if a more streamlined approach was adopted.



2.0 The construction sector

The construction industry in Ireland was severely impacted by the pandemic in both 2020 and 2021. Many construction sites were closed for periods in both years. Education and training institutions were also closed for temporary periods, resulting in an adverse impact on the number of people qualifying in construction skills, specifically at craft and operative levels.

Third-level institutions continued to provide tuition, albeit through online eLearning and other online education methodologies.

The impact of the pandemic came at the worst possible time for the industry. A combination of several factors meant that the level of construction activity had to be ramped up significantly as a matter of urgency. These factors include the legacy of the financial crisis, demographic trends, and the green agenda.

The financial crisis of 2010 in Ireland manifested itself in a complete collapse in the price of houses. As a consequence, the volume of house building from 2010 to 2015 was very modest. However, the Irish economy quickly recovered from the crisis (see above), and a combination of relatively high fertility rates and net immigration of mobile/migrant workers ensured that the population continued to rise significantly. This resulted in a widening gap between the annual number of house completions and the demand for houses from young people. The adult population (i.e., 15 years and over) was 3,608,662 according to the Census of 2011, and this population increased to 4,136,852 by the Census of 2022. This represents an increase in the adult population of 15%, and it has placed significant pressure on the housing stock.

The situation was compounded by the need for Ireland to reach the 2030 targets set out in the EU Energy Performance of Buildings Directive,¹ and by the commitment to build several major social infrastructure projects (new children's hospitals, schools, etc.) over the period of 2018-2025. Accordingly, the government set out its targets

in a number of key strategic documents. In 'Housing for All',² the government committed to delivering an annual average of 33 000 houses over the period 2022-2030 inclusive (Government of Ireland, 2021). Before this period, the highest yearly output was roughly 20 000 dwellings, and the targets represented an increase of 50% of the annual output. The target of 33 000 house completions was achieved in 2023. However, the results of the 2022 Census of Population confirmed that a more realistic target in terms of housing needs is 50 000 house completions annually between 2024 and 2030.

The government is also committed to providing a deep retrofit to a B2 Building Energy Rating (BER) to 500 000 older houses under its obligations to meet the revised targets of the EU Energy Performance of Building Directive. A combination of subsidies and low-interest loans are available to householders to encourage participation in the scheme. The target is quite ambitious. There are over 2 million dwellings in the housing stock and the traditional house structure in Ireland is composed of blocks and bricks and is quite porous.

There is a widespread concern among government and labour market experts that there are not enough construction workers to achieve the targets for house building and the retrofitting of the existing housing stock. The traditional apprenticeship system which provides training for most construction workers takes an average of four years to complete. As of 2024, there is much discussion by government experts and economic analysts on how this target can be achieved. The debate has focused on the extent to which a fundamental change in building techniques could result in dramatic gains in productivity. It is well-known that so-called modern methods of construction that involve the use of panels composed of timber or light steel gauge can result in houses being built in a fraction of the time it takes to build a traditional block structure. However, unlike some European countries (i.e., Scandinavian countries generally), Ireland has not had a tradition of building the external fabric with timber or

1 - https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

2 - <https://www.gov.ie/en/publication/ef5ec-housing-for-all-a-new-housing-plan-for-ireland/>

steel panels. However, the situation is changing quickly with roughly half of all estate houses in 2023 being built with timber frame – albeit the external fabric in many cases still consists of blockwork. However, a switch to modern methods of construction is inevitable both for reasons of higher productivity and because such structures produce much higher levels of performance in terms of airtightness and space heating.

In terms of skills, the switch to modern methods of construction will create significant changes in the occupation structure of the construction sector. Indeed, many of the new skills may be classified as belonging to the

manufacturing sector rather than the construction sector as much of the building activity will take place off-site in fabrication plants.

It is anticipated that there will be significant technological displacement of traditional construction skills such as plasterers, bricklayers, painters, and decorators. Rooms would be manufactured off-site using 3-D volumetric units and panels would be delivered to the building site with much of the insulation and the services already encased in the panels, in addition to doors and windows. The transition to modern methods of construction which is already underway in Ireland will require concomitant changes in the education and training systems as new courses will have to be developed at operative, craft, and professional levels.



3.0 Conclusions

The post-pandemic year of 2022 witnessed a surge in employment in Ireland and record low unemployment. There were many reports from employers of widespread skill shortages and the list of occupations which qualified for a work permit was significantly expanded.

However, towards the end of 2023 and the beginning of 2024, reports have indicated a slowdown in recruitment, especially among the larger companies. There was also a retrenchment of the information technology sector.

The housing crisis and the need to significantly reduce the carbon footprint from the existing housing stock has become the labour market priority of the government. A major increase in building activity is planned over the next

few years and sourcing sufficient numbers of skilled construction workers to deliver this level of activity will represent a significant challenge.

The submission on Ireland's labour shortages for the 2023 EURES Report on labour shortages and surpluses contained mainly graduate occupations. The focus on graduate occupations reflects the structure of the Irish economy and the high share of graduates in the workforce. A number of construction occupations are included in the list such as civil engineers, carpenters and joiners, plumbers and pipefitters and welders. However, there is little doubt that construction craft skills will feature more prominently in any future edition of the report as the anticipated significant increase in construction activity will give rise to additional shortages in both craft and operative construction skills.

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Annex 1: List of labour market imbalances (Ireland)

ISCO code	Labour shortages	Type of shortage
8331	Bus and tram drivers	Skill
7115	Carpenters and joiners	Skill
3434	Chefs	Skill
3111	Chemical and physical science technicians	Skill
2113	Chemists	Skill
2142	Civil engineers	Skill
2149	Engineering professionals not elsewhere classified	Skill
2211	Generalist medical practitioners	Skill
5321	Health care assistants	Skill
2269	Health professionals not elsewhere classified	Skill
8332	Heavy truck and lorry drivers	Skill
5322	Home-based personal care workers	Labour
1330	Information and communications technology service managers	Skill
2144	Mechanical engineers	Skill
7223	Metal working machine tool setters and operators	Skill
2221	Nursing professionals	Skill
7126	Plumbers and pipe fitters	Skill
2512	Software developers	Skill
2511	Systems analysts	Skill
7212	Welders and flame cutters	Skill



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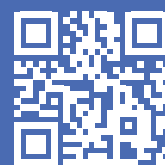
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