



Briefing Paper



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REDUNDANCIES IN IRELAND 2001 - 2004

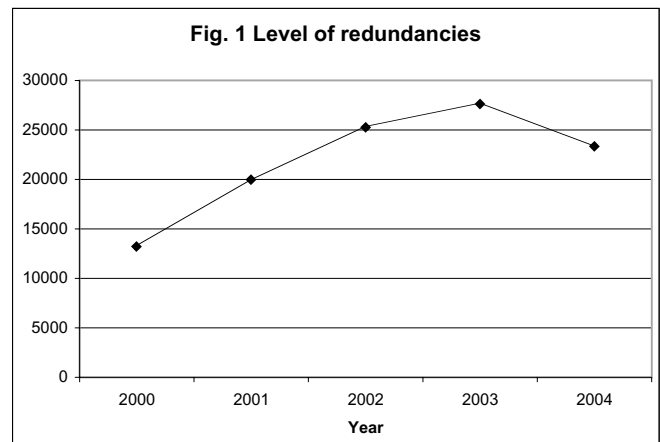
Introduction

Although Ireland continues to experience favourable economic growth and has a low national unemployment rate, the number of redundancies announced year on year is a serious concern. This paper will examine the scale of redundancies in Ireland over the period 2001-2004 and identify the sectors and locations particularly affected by these job losses. It will also highlight and assess the current Government actions designed to assist those who have been made redundant.

Scale of Redundancies

The graph (Fig.1) shows how the number of redundancies notified to the Department of Enterprise, Trade and Employment has risen since Ireland's 'Celtic Tiger' era ended. In 2000, Ireland was still experiencing considerable economic and employment growth and as a result a low figure of 13,316 redundancies was notified. This figure increased substantially to 27,702 in 2003 and 23,372 in 2004.

It should be noted that these redundancy figures are based on those notified to the Department of Enterprise, Trade and Employment and therefore carry the following limitations. They relate to proposed redundancies not to actual redundancies. Some portion of these notified redundancies may not actually result in redundancies for instance as a result of a dispute between an employer and



employees being resolved. The figures also do not include the following categories of workers: those who have less than two years' eligible service with an employer, employees who are under 16 years of age or those who have reached the qualifying age for old age pension.

In 2005 the Department of Enterprise, Trade and Employment is introducing a new system that will implement the provisions of the Redundancy Payments Act 2003. This overhaul of the recording system will mean that future redundancy statistics will be based on numbers where actual redundancies have occurred rather than proposed redundancies. While recording the actual number of people who receive a redundancy payment is welcome, this will not necessarily paint an accurate picture of the full extent of job losses in that firm, given that some people who lose their jobs may not qualify for a redundancy payment (i.e. those who have less than 2 years eligible service, deployment etc).

By Sector

Table 1 - Industrial Group	2001	2002	2003	2004
Agriculture/Forestry and Fisheries	201	118	259	281
Energy and Water	183	246	297	307
Extraction Industry (Chemical Products)	1,217	1,740	1,171	1,109
Metal Manufacturing and Engineering	4,707	7,097	5,958	3,103
Other Manufacturing	4,148	3,279	5,634	4,944
Building and Civil Engineering	1,359	1,635	2,101	2,236
Distributive Trades	2,691	3,158	4,043	4,690
Transport and Communications	1,061	2,479	1,313	1,799
Banking, Finance and Insurance	2,862	3,445	4,062	2,499
Other Services	1,548	2,164	2,864	2,404
Total	19,977	25,361	27,702	23,372

Table 1 above highlights the extent of redundancies notified by industrial group. Unsurprisingly the manufacturing sectors have experienced most of the redundancies. The job losses in this sector, comprising metal manufacturing and engineering and other manufacturing, totalled 38,870 over the period 2001-2004. The worst year was 2003 where over 11,500 jobs were lost. The industries within these sectors include the manufacturing of machinery, IT equipment, food and drink industry and textile/clothing industry. Many of these job losses would be either low skilled in nature or specialised skills restricted to that job. Some of the notable companies to have ceased production include Navan Carpets, Co. Meath (200 jobs lost), Image, Co. Limerick, CD production company (178 jobs lost) and Unifi, Co. Donegal, a textile firm (311 jobs lost). According to IBEC, in the period 1995–2001 manufacturing output averaged an annual increase of 12.9% but then slowed markedly in 2003 to 4.6% followed by a further reduction in output in 2004.¹ It is also predicted that there will be further declines in manufacturing up to 2010, some of these will be in high tech manufacturing but the majority will be in traditional forms of manufacturing. Dublin and the mid-East are predicted to bear the brunt of the decline of traditional manufacturing according to FAS and ESRI.² Their study also states that although employment growth will occur at a slower pace for managerial/service type occupations there will be no expansion in the manual low-skilled type jobs.

While the other industrial groups experience fairly consistent levels of jobs losses, the distributive trades sector has experienced increased redundancies during the

period 2001-2004. The number of redundancies notified has risen from 2,691 in 2001 to 4,690 in 2004. The industries under this broad heading include wholesale and retail distribution of machinery, clothing, furniture and other raw materials as well as the hotel and catering industry. Again some notable company closures include SDS distribution (280 jobs lost nationwide) and Bewley's Cafés, Dublin (234 jobs lost).

Region / Area

Obviously redundancies occur in all geographic regions with increased numbers being notified in the urban centres of Dublin, Cork, Limerick and Galway. Interestingly, it was found that by comparing the regional breakdown of the redundancies announced during the 2001–2004 period and of unemployment levels (using ILO definition)³ over the same period, the correlation between the number of redundancies announced and an increase in the levels of unemployment in that region was smaller than expected. Although this is a welcome finding, a direct comparison between these figures would be unwise for a number of reasons such as:

- The redundancies are to occur over a long time period.
- The number of redundancies notified may be larger than the final number of actual job losses.
- The redundant worker may still live in that locality but may now travel outside that region for a new job for example a resident of Drogheda Co. Louth may easily work in Dublin.

¹ IBEC (2005) Economic Trends, IBEC, Dublin

² J.J Sexton et al (2004) Occupational Employment Forecasts by Region for 2010, FAS / ESRI, Dublin

³ The QNHS/ILO defines the unemployed as only those people who, in the week before the survey, were unemployed and available to take up a job within two weeks and had taken specific steps in the preceding four weeks to find employment. Any person who was employed for at least one hour is classed as employed. All unemployment levels referred to in this documents relate to the ILO rates.

- The definition of unemployed as used by the ILO is very tight.
- The redundant worker may have returned to education and therefore is currently not looking for employment.

However, the mid-West and South-East regions did record notable increases in their levels of unemployment over the 2001-2004 period. In the mid-West region (counties Clare, Limerick and Tipperary) the number of unemployed people rose from 6,100 in June 2002 to 9,700 in June 2004 dropping slightly to 8,500 in November 2004. Correspondingly this region recorded 10,469 redundancies. Also in the South-East region (counties Carlow, Kilkenny, Waterford and Wexford) the number of unemployed people rose from 7,400 in September 2001 to 13,000 in June 2004 with a sizable reduction to 11,600 in November 2004. Again the corresponding number of redundancies announced in this region was 7,170. These two regions both have a higher than average unemployment rate at 5.1% and 5.6% respectively.

Reasons for closure / downscaling

During the period 2001-2004, it is unclear whether more redundancies occurred in indigenous companies or within multi-national companies. All are vulnerable to increased competition, rising prices in raw materials, transport, insurance etc. Therefore the reasons for redundancies are company specific and varied. The most frequent reasons cited for closures/downscaling included:

- Ability to manufacture the product cheaper elsewhere particularly South East Asia and Eastern European countries.
- Low demand for product/service.
- Other competitors have joined the market and some can offer the product/service at a lower price.
- Streamlining the service/product by outsourcing different elements of production to other branches of a multinational company.
- The Irish branch of the multinational not making sufficient profits and not seen as financially viable.

Government policies to assist those who have been made redundant

In recognition that the numbers affected by redundancies has increased in recent years and that some sectors are more vulnerable than others, the Government has made some legislative and policy reform.

The statutory redundancy payment was improved in

the Redundancy Payments Act 2003 and the distinction of having different rates of payment for those under and over 41 years of age was removed. Now if an employee is eligible for a Redundancy payment, they are entitled to two weeks pay for each year they have been employed with that employer (subject to the €600 limit on statutory redundancy payments) plus a bonus week's pay.

To be eligible for a statutory redundancy payment, an employee must:

- Be aged between 16 and 66 years of age.
- Be in employment and paying PRSI contributions which are insurable for all social welfare benefits. Currently this is only a PRSI Class A contribution.
- Have worked continuously for the employer for at least 2 years (104 weeks)*.
- Have been working continuously for the employer for at least 2 years, if working part-time.

* Section 12 provides that continuity of service is preserved even where there are certain 'breaks' in employment e.g. sickness or lay off etc.

This revised and enhanced statutory payment is welcome, as the previous legislation had not been updated in over thirty years. Also all statutory redundancy payments are tax free which means that redundant workers could have a financial cushion to ease their transition to finding alternative employment.

Under the Sustaining Progress national agreement, the primary process of engagement with redundant workers comes in the form of taskforces being established. This happens at a number of levels. The taskforces can be minimal involving only FÁS and another agency such as the Dept. of Social and Family Affairs, while others have a wider membership including the IDA, County Development Boards and local organisations. The aim is to assist the workers find alternative sources of employment and to inform them of the work/training options open to them. Since the beginning of 2003, FÁS has engaged with over 56 companies experiencing redundancies.⁴

Although the establishment of taskforces has had some successes, in the INOU's view more needs to be done to enhance their effectiveness for both the workers and the wider community. Currently the setting up of taskforces appears to be done in an ad-hoc manner. For instance, it is unclear why some companies experiencing redundancies have taskforces, however limited in scale, set up and other companies do not. Similarly, although FÁS is the lead agency managing and co-ordinating the taskforce, the actual extent of involvement of the other key stakeholders varies greatly. Some of the

⁴ Department of Taoiseach, (2005) *Sustaining Progress, Seventh Progress Report*, Government publications, Dublin

taskforces set up to date have been very limited in scale and been purely an information exchange exercise for employees run by FÁS and/or the Department of Social and Family Affairs. While others have provided a local co-ordinated response with the result that other businesses are being attracted into the area, replacement companies involving the redundant workers are being established on the same site and the redundant workers are finding alternative employment or engaging in training.

It is our view that the effectiveness of the engagement with the redundant worker is paramount. Opportunities to upskill and retrain workers to enhance their employability are essential, however this is best combined with realistic job opportunities being available and open to them. Otherwise, workers could be faced with having to move location to gain employment or get employment in another sector which may be precarious. Or alternatively remain unemployed and then when satisfying the criteria participate on an Active Labour Market Programme such as Community Employment. The creation of alternative sustainable job opportunities in the same locality is a continuing challenge especially in rural areas and requires the expertise of IDA, Enterprise Ireland, the various County Development Boards and others.

It is the responsibility of these agencies to create, expand and develop companies in all sectors. Although Ireland continues to rely heavily on foreign direct investment, the development and growth of indigenous companies is also vital to Ireland's economic sustainability. In 2003, Enterprise Ireland supported the establishment of 61 new companies with high export growth potential and this is predicted to lead to 1,900 jobs over the next three years. Continued investment into these agencies is required if realistic alternative job opportunities are to be presented to redundant workers.

One negative Government policy that will adversely affect redundant workers when they seek to obtain their

unemployment benefit is the changes to the PRSI rules made in Budget 2004. One of these changes now means that a worker must have 260 paid contributions (equates to 5 years full time employment) in order to be eligible for the full rate and full duration of unemployment benefit. This will particularly affect part time and seasonally workers who have been laid off. This comes on top of the change made in 1994, which saw the end of the pay related component to the social insurance system. Now unemployment benefit is a flat rate weekly payment of €148.80 and does not relate to previous earnings. The other changes announced in Budget 2004 effectively requires workers to be in employment longer and to earn more money in order to be eligible for an unemployment payment, despite these workers having paid their PRSI contributions.

Conclusion

The scale of redundancies being announced year on year is a worrying concern. Although redundancies are affecting all sectors and regions, those engaged in manufacturing and low-skilled type work are particularly vulnerable. The continuing loss of manufacturing jobs to low-cost competition in China, Southeast Asia and Eastern Europe is a serious concern not only for Ireland, but also Northern Ireland and throughout the EU. We need to address the issues of competitiveness in the manufacturing sector and the need to upskill workers to guarantee their competency and ability in the ever-changing roles in this sector. However, development of hi-tech enterprises must ensure employment opportunities for all sectors of society.

To conclude, redundant workers need to be informed of their rights and entitlements as regards redundancy payments etc. but they also need access to effective training and upskilling to increase their employability chances. While on the supply side, realistic alternative job opportunities must be available in those localities to avoid mass migration to other areas.

INOUE Recommendations

- Enhance the effectiveness of the taskforces that are set up by ensuring involvement of all key stakeholders from the outset.
- Ensure the taskforces explore the possibility of new entity start-ups in whole or in part in conjunction with the IDA and other relevant agencies.
- Ensure that the options presented to the workers are realistic and appropriate including re-training and up-skilling with job opportunities being available at the end.
- Ensure that the national Government responses to changes in industries and scale of redundancies have a consistent local component to enable the local market and local labour supply adapt to the changing environment.
- The long term viability and sustainability of the State's manufacturing base needs to be urgently addressed by Government, including new business development.
- Investment in job creation and employment growth through the IDA and Enterprise Ireland must be regionally balanced and guided by the National Spatial Strategy.
- Rescind the PRSI changes that restrict eligibility to a social insurance payment.