

# Work in the West

## The Western Region's Employment & Unemployment Challenge



### Executive Summary and Recommendations

December 2009

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The Western Development Commission (WDC) has produced *Work in the West: The Western Region's Employment & Unemployment Challenge* to examine the current employment and unemployment situation in the Western Region,<sup>1</sup> analyse the key challenges which arise from this and make recommendations on what is needed to position the region for future growth.

## Balanced Regional Development

Employment and other developments in the Western Region occur in the broader context of regional development policy in Ireland. In the current economic climate there is a risk that the government objective of balanced regional development<sup>2</sup> may be sidelined or no longer seen as a key priority. A tendency for current economic and regional policy to increasingly focus on the role and potential of the larger cities is an illustration of this.<sup>3</sup> This focus results from a perception that balanced regional development is a redistribution of national resources, rather than being recognised as an integral element of national growth.

National growth and regional development are not an either/or choice. This applies in a positive sense (where national growth is the sum of growth which emanates from the regions), but also in a negative sense. If regions are not facilitated to grow they may suffer higher and longer term unemployment, requiring high levels of social transfers and creating very significant difficulties for the people and communities directly affected.

It is critical that strategies to position Ireland's regions for the future recognise the importance of widespread economic growth, including in the rural economy. Otherwise we will experience a situation where a high proportion of people live and work in smaller towns and rural areas, but where job creation strategies concentrate on gateways and hubs. This could lead to a situation of unsustainable and undesirable commuting patterns or even a return to rural depopulation and a shrinking of the region's labour force.

## The Western Region's Labour Market

Increasing labour demand, resulting from the economic boom and coupled with population growth, strong inward migration and rising female labour force participation led to a 25.6% increase in the number of people at work in the region between 2000 and 2009 (from 272,300 to 342,000). The strongest employment growth was experienced in the construction, retail and wholesale, and public services sectors.

<sup>1</sup> Counties Donegal, Sligo, Leitrim, Mayo, Roscommon, Galway and Clare.

<sup>2</sup> This objective is included as a priority in the National Development Plan (NDP) 2007-2013 and the National Spatial Strategy (NSS).

<sup>3</sup> National Competitiveness Council (2009), *Our Cities: Drivers of National Competitiveness*; National Economic and Social Council (2008), *The Irish Economy in the Early 21st Century*



In addition to expanding employment, there were considerable improvements in the education level of the region's workforce during the boom years. The share with a third level qualification rose from 18.9% to 28.2% (2002-2008), though the region still lags the rest of the state. There has, however, been a widening of the gap in education levels between men and women, influenced by the type of employment growth experienced over the period, in particular the strong influence of construction.

Since late 2007 there has been a notable change in labour force characteristics in the region and nationally, with falling employment levels, increased redundancies and rising unemployment. This trend has accelerated as the recession deepened and spread from the construction and finance sectors to the rest of the economy. The unemployment rate has risen in the Western Region from 5.0% (Q1 2008) to 10.8% (Q1 2009) in the course of a year.

## The Western Region's Employment Profile

The nature of the region's employment and enterprise structure has implications for its ability to respond and adapt to the recession. In general the region (in particular north of Galway city) is not as well placed in the move towards an increasingly knowledge-based or 'smart economy'. It has a higher share of its employment in sectors which tend to be lower skilled, lower value-added and more vulnerable to the recession (e.g. construction, industry) and lower shares working in the higher skilled and high value-added sectors (e.g. financial services, information and communications services) than the rest of the state. However the region did experience faster growth than nationally in knowledge-intensive services employment in the 2004-2009 period and employment in these sectors has continued to increase even during the recession. The region is also home to a particularly strong high-tech cluster of medical device companies concentrated in Galway and Mayo.

The structure of employment in the region has changed over the past ten years. Despite overall employment growth, it should be recognised that those losing their jobs were not always the same people as those gaining the new jobs created, with employment in urban areas performing more strongly than in rural. For example, growth in medical devices manufacturing and ICT services in Galway city occurred alongside the decline of textiles in Donegal. As the traditional role of rural market towns as service centres for their agricultural hinterland and as sites of traditional manufacturing declined, it was largely construction and the public sector which emerged to support their economies and provide employment.

In the context of this employment profile, the WDC has identified three key employment challenges facing the Western Region.

- Adjusting to the decline in construction employment
- Return of the brain drain?
- Delivery of education and training in the region

## Challenge 1: Adjusting to the Decline in Construction Employment

At the peak of the building boom in 2007, 1 in 4 men in the Western Region worked in construction, a higher share than in the rest of the state. Since then a third of the region's construction workforce (16,400 people) have lost their jobs. This has led to very substantial increases in unemployment among men in the region, especially in more rural counties and is associated with some significant changes:

- During the building boom the availability of relatively highly paid jobs in the construction sector led many young men to forego third level education and enter the labour market earlier. As many in this group are now becoming unemployed, they will find it particularly difficult to get other jobs because of their low level of qualifications.



- Rising unemployment among professionals from the construction sector, and the danger that this human resource could be lost to the region, is a cause for concern in terms of growing the region's knowledge economy.
- The loss of supplementary off-farm employment in the construction sector for part-time farmers in the region has implications for the viability of the region's already vulnerable agricultural sector.
- The level of reliance on construction employment in the region means that its dramatic decline necessitates that the region's economy adjust to a more sustainable basis.

## Challenge 2: Return of the Brain Drain?

The Western Region has a long legacy of out-migration with movements to the east of the country and overseas. The reversal of this pattern and the substantial growth in the region's human resources can be considered one of the most important benefits of the boom years for the West. The challenge facing the region now is preventing the human resource gains of the past decade from being lost during the recession.

Nationally, 2009 represented the first time Ireland experienced net emigration since 1995. Anecdotal evidence from the region also indicates that the level of emigration is rising. This seems to be particularly the case for new graduates, recent immigrants and construction workers, including professionals. A particular concern is that as the recession continues, more highly skilled and experienced employees, as well as new graduates, may choose to emigrate as they will be unwilling to remain in the region in unemployment. A return to large scale emigration from the region would undermine its capacity to grow, or attract, new enterprises. The availability of a skilled workforce is a critical deciding factor in inward investment decisions and the location of business start-ups.

## Challenge 3: Delivery of Education and Training in the Region

Job seekers are a highly diverse group in terms of occupation, education, age and location with a wide range of education and training needs. There has been an increase in unemployment across all education levels, including among those with a third level qualification. However those in lower skilled occupations and with lower education levels are experiencing the highest unemployment rates and are at greater risk of becoming unemployed. This group, who are at most risk, must be the target of improved labour market interventions to increase their education and training levels and enhance their employability. One particular issue for the region is the cohort of young men with relatively low education levels who are becoming unemployed, mainly from construction. This presents an immediate challenge for the region both economically and socially.

Some of the key issues for the delivery of education and training in the region are:

- Future employment growth is predicted to be concentrated in areas requiring third level qualifications, so the up-skilling and re-training of job seekers, as well as those currently employed, must be one of the region's top priorities.
- Investment in further education should be targeted on sectors where skill shortages exist or are forecast, and where future employment growth is predicted.
- The predominantly rural nature of the region creates issues for the delivery of education and training to rural residents and makes the development and expansion of distance education options and broadband services critical.
- Further education and training policies and systems for job seekers and the suitability of the training offered need to be examined in light of the needs of job seekers in today's labour market.



## Positioning the Region for the Future

Concerted action will be required if the Western Region, particularly the more rural northern part, is to participate in the move towards a 'smart economy'. If this does not happen, the regional development gains of the past decade could be lost and the gap between the east and west of the country could widen even further with the Western Region less able to contribute to national growth.

Thus the region's future growth is not only critical for the region itself but for the country as a whole. A vibrant and thriving regional economy will contribute to national recovery. Each region differs in terms of its strengths and the most effective role it can play in the national economy. The identification of sectors which have future growth potential in the Western Region, based upon the current situation and the region's strengths and assets, is a fundamental aspect of tackling the current recession in the region. This must be followed by the development of policies and actions aimed at growing these sectors.

Eight sectors are identified in this report as having future growth potential for the region.<sup>4</sup> These should be developed to create jobs in a competitive and sustainable western regional economy. They represent a mix of knowledge sectors, sectors which are a direct response to changing needs and priorities within the region, and sectors based on natural resources. They are as follows:

- **Medical devices:** the region is currently home to an internationally recognised cluster of medical devices firms, human resources and research capacity. This strength has considerable further growth potential.
- **Software, financial and international services:** employment in many of these services has continued to grow in the recession and they have significant export potential.
- **Creative sector:** the features of businesses which are based on creativity (such as design, digital media, fashion, crafts, visual arts) are compatible with the characteristics of the Western Region. They are often small scale with quality of life an important location factor.
- **Green economy:** the region has very considerable renewable energy resources (wind, ocean, biomass) and has the potential to become a net exporter of electricity. There is also potential demand for the retrofitting of older housing stock to enhance energy efficiency.
- **Caring sector:** the region has a higher share of its population in the older age categories and the demand for elder care will grow in future, as will the requirement for formal qualifications among those working in the sector.
- **Food:** opportunities in niche food areas such as organic agri-food, artisan food, marine food and functional food exist in the Western Region, both for small food producers and larger companies.
- **Tourism:** given changing tourism trends, the Western Region needs to target specific tourism markets suited to its offering. This would include capitalising on its natural amenities, cultural assets, and festivals and events. New markets in Europe also hold opportunities.
- **Marine:** the Western Region has significant and under-developed marine resources and there is potential to tap into these in the areas of ocean energy, water-based tourism, marine food and transport and shipping activities.

Some of the factors which can influence enterprise growth and future job creation in these, and indeed all economic sectors, in the region include:

- Enterprise support, including access to finance, for both exporting and locally-trading businesses.
- Strengthening the region's research and innovation capacity, focusing particularly on process (non-technological) innovation by micro-enterprises and small and medium-sized enterprises (SMEs) in more traditional and service sectors.
- Maximising the use of the region's existing infrastructure (telecommunications, road, rail and air transport, energy) and investing in further improvements to underpin business growth in the region.

<sup>4</sup> The selection of these eight sectors does not imply that these are the only areas of potential future growth.





## Summary of Recommendations

### General Recommendations

1. The Western Region has the potential to contribute to national economic recovery. However to achieve this, national economic strategies must address the needs of the extensive areas beyond the large cities and incorporate **strategies to encourage the growth potential of smaller centres and rural areas**. A regionally unbalanced approach to economic recovery will not achieve the best results for the country and its people (page 58).
2. **Investment in critical infrastructure** including broadband, primary and secondary roads, direct international air access, rail services and energy infrastructure is necessary to underpin the region's economic growth. Cutbacks in public investment should not disproportionately affect peripheral regions (page 61).
3. Skilled people are a vital resource. **Retaining skilled people in the region** must be a priority. Initiatives including support for business start-ups, employment protection, education and training provision must be implemented to retain skilled workers in the Western Region, and prevent a return of the brain drain (page 36).

### Education and Training Recommendations

4. The current education and training system is not fully meeting the needs of diverse learners or providing the workers needed for the future economy. The system, including training supports and incentives as well as education delivery methods, needs to be **revised in order to meet the needs of job seekers and those currently employed**. A new system needs to have the flexibility to recognise and respond to differing regional and local circumstances (page 42).
5. Multiple agencies and organisations are involved in the delivery of education and training. There must be a clear framework ensuring coordination between them. **Flexibility, joint actions and coordination at local level** are required to achieve the objective of up-skilling and re-training job seekers and those in employment. This needs to be facilitated and actively supported at national level (page 45).
6. **Workers with lower educational levels must be the focus of particular strategies** for re-training and up-skilling or they will be further disadvantaged in the drive for a higher skill economy and workforce. Given the close relationship between low skill levels and long term unemployment, this will be critical to avoiding a return to permanent long term unemployment in the region (page 40).
7. Workers from the construction sector, at all education levels, need to be re-skilled for alternative employment. Training agencies should work together to develop and implement a **coherent strategy for re-skilling construction workers**. The strategy must include targeted interventions for young men with low education levels, for older men including part-time farmers and include specific approaches for rural areas. It should include a **specific programme to raise the educational qualifications of young males in rural areas made unemployed from construction** and with low educational qualifications. The Western Region could be used as a pilot area for such a programme given its rural nature and the extent of this challenge in the region (page 29 and 30).



8. People living in rural areas must not be disadvantaged in accessing education and training. Existing and new methods and approaches to **distance education, to meet the re-training and up-skilling needs of rural residents**, must be expanded and developed. Education and training organisations and institutions including the Higher Education Institutions, VECs and FÁS should coordinate efforts to develop distance education provision in the Western Region, given its rural nature (page 43).
9. The expansion of the **availability and capacity of broadband provision in rural areas** must be a priority to facilitate delivery of distance education. Implementation of the National Broadband Scheme (NBS) should be completed in order to contribute to this (page 43).

### Job Creation Recommendations

10. Identifying future growth sectors at a regional level provides a focus for economic recovery. The government should **identify priority growth sectors for the Western Region**. These should then be the focus of coordinated training provision, and investment should be prioritised for these sectors. Regional coalitions involving the private sector, enterprise support agencies, local authorities, education and training providers should drive the development of these sectors in the region (page 47).
11. The green sector has enormous potential in the Western Region. A strategy for ensuring this is realised is essential. It should cover areas such as **re-training construction workers for the green economy and investment in the development of the renewable energy resources** of the region. In this context initiatives such as the WDC's wood energy strategy should be supported (page 52).
12. Employment in the caring professions is likely to increase. Application of **best practice in the area of elder care** should be a priority. Given the older age profile of the Western Region's population, this is critical for the region. Training and education providers in the region should become leaders in the area of training, education and qualifications for the elder care sector (page 54).
13. Support for existing businesses and new entrepreneurs is central to job creation and reducing unemployment. **Locally-trading micro-enterprises in rural areas** must be included in enterprise support strategies given their role in job creation (page 59).
14. The focus of innovation policy has thus far been on science and technology. Process (non-technological) innovation is however more important for micro-enterprises and SMEs in more traditional sectors and service businesses. Innovation policy, supports and funding must recognise the value of and provide **support for process (non-technological) innovation as well as product innovation**. This is critical for areas with weaker research and innovation capacity (page 60).



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