

**Sectoral Changes in the Labour
Force over the Period 1961-1980
with Particular Reference to Public
Sector and Services Employment**

Jerry J. Sexton

Special Article

in

**QUARTERLY
ECONOMIC
COMMENTARY**

August 1982

**P. BACON
J. DURKAN
J. O'LEARY
S. SCOTT**



SECTORAL CHANGES IN THE LABOUR FORCE OVER THE PERIOD 1961-1980 WITH PARTICULAR REFERENCE TO PUBLIC SECTOR AND SERVICES EMPLOYMENT

J. J. SEXTON (ESRI)

A knowledge of the significant changes which have been taking place in the sectoral composition of employment is fundamental to a proper understanding of the recent evolution of the labour force. This paper traces the changes in the numbers at work in broad sectors of the Irish economy over the period 1961-80. The basic information is given in Appendix I, Table A which contains an annual sectoral subdivision under four broad headings (Agriculture, Manufacturing, Building and Services); Tables 1 and 1A following show these data for selected years* in this period with a somewhat more detailed sectoral subdivision, the second table giving absolute and relative employment changes by sector for the 1961/1971 and 1971/1979 periods.

Overall employment expansion was slow during the 1960s, in fact during the latter half of the decade there was a slight fall in the numbers at work when the impact of Free Secondary Education resulted in a slowing down of the rate of inflow into the labour force. Over the full ten years from 1961 to 1971 the annual average increase in the numbers at work was only 1,300. The falling numbers in Agriculture exerted a strong downward influence throughout this period, the annual decline was over 10,000 on average and this was only barely offset by the increases in other sectors. Employment in Manufacturing Industry (including Public Utilities and Mining, etc.) rose on average by over 4,000 each year in this decade, in Building and Construction by about 2,500 and in the Services Sector by nearly 5,000.

During the 1970s, however, the situation changed dramatically. There was a very substantial slowing down in the fall in the Agricultural labour force, to about half of the absolute rate of decline of the 1960s. There were slight decreases in the annual rate of employment expansion in Manufacturing and Building but there was a very large increase in Services employment which went up by 117,000 between 1971 and 1980 (an annual average increase of nearly 12,000). Overall, these varying sectoral trends resulted in an annual average rise of nearly 15,000 in total employment throughout the nine-year period under discussion.

The increases in Services employment are worthy of further comment. These increases, particularly the substantial employment gains during the later years of the 1970s, have given rise to some controversy, reflecting attitudes which range from puzzlement to disbelief. In order to throw further light on the

*These are in fact the years in which Censuses or Labour Force surveys were held.

nature of these increases, Tables 1 and 1A contain a subdivision of the overall Services area into the "Public Sector" and "Private Services". Within each of these basic categories there is a further subsidiary breakdown distinguishing employment in Health and Education and other Public services in the case of the former broad group and Distribution and Transport, Insurance and Finance etc., and Other Private Services activities for the latter groups. It will be noted therefore that the "Public Sector" as defined here involves a comprehensive coverage which includes not only the familiar "Public Administration and Defence" category as distinguished regularly in the official annual labour force series but also, as indicated, employment in Health and Education services, in the Post Office, and in non-commercial* semi-State bodies (e.g., planning, research, training institutes, etc.).

The Public Sector employment aggregates given in these tables have been derived by aggregating relevant subsectors from the industrial classification used in the Censuses of Population and in Labour Force Surveys.⁺ A list of the actual subsectors which make up the Public Sector aggregate is given in Appendix II; these subsectors are expressed in terms of the detailed Industrial headings used in the 1971 and earlier Censuses. Ideally, in an analysis of this kind one should adopt a reasonably clearcut definition of the Public Sector based on specific criteria related to, for example, funding arrangements or the element of State or public control. In this paper we are adopting an approach based mainly on the principle of funding in that the activities of the various bodies included under the Public Sector heading are almost entirely supported from taxation sources. The inclusion of the Post Office is an exception to this

TABLE 1: The Labour Force by Broad Sector, 1961-1980

Sector	1961	1966	1971	1975	1979	1980
Agriculture	360.1	315.5	258.1	238.0	223.0	220.0
Manufacturing	194.3	215.3	235.4	248.0	264.0	269.0
Building etc.	58.0	72.6	82.4	89.0	101.0	103.0
Public Sector	117.6	128.5	150.3	184.9	214.3	571.0
<i>Health and Education</i>	59.0	64.8	77.6	94.5	112.6	
<i>Other Public Sector</i>	58.6	63.7	72.7	90.4	101.7	
Private Services	287.6	302.8	304.0	313.1	342.7	
<i>Distribution and Transport</i>	176.1	182.4	185.5	198.0	205.0	
<i>Insurance Finance etc.</i>	13.7	18.1	23.6	27.6	36.6	
<i>Other Private Services</i>	97.8	102.3	94.9	87.5	101.1	
Total	1,017.7	1,034.7	1,030.2	1,073.0	1,145.0	1,163.0
Unemployed	42.5	40.3	49.5	73.0	74.0	74.0
Labour Force	1,060.2	1,075.0	1,079.9	1,146.0	1,219.0	1,237.0

⁺ For a description of the data sources, see Note to Appendix Table A.

*Commercial semi-State bodies such as CIE, Aer Lingus, ESB etc., are not included.

⁺ While it is possible to extract the figures for 1961, 1966 and 1971 directly from the published Census volumes, the aggregate Public Sector figures for 1975 and 1979 were obtained by means of special tabulations from the Labour Force Surveys, kindly provided by CSO.

TABLE 1A: Changes in Sectoral Employment, 1961/1971, 1971/1979

Sector	Change 1961/1971		Change 1971/1979	
	'000	%	'000	%*
Agriculture	-102.0	-28.3	-35.1	-13.6 (-16.7)
Manufacturing	+41.1	+21.2	+28.6	+12.1 (+15.4)
Building etc.	+24.4	+42.1	+18.6	+22.6 (+29.0)
Public Sector	+32.7	+27.8	+64.0	+42.6 (+55.8)
<i>Health and Education</i>	+18.6	+31.5	+35.0	+45.1 (+59.3)
<i>Other Public Sector</i>	+14.1	+24.1	+29.0	+39.9 (+52.1)
Private Services	+16.4	+5.7	+38.7	+12.7 (+16.2)
<i>Distribution and Transport</i>	+9.4	+5.3	+19.5	+10.5 (+13.3)
<i>Insurance Finance etc.</i>	+9.9	+72.3	+13.0	+55.1 (+73.1)
<i>Other Private Services</i>	-2.9	-3.0	+6.2	+6.5 (+8.2)
Total	+12.5	+1.2	+114.8	+11.1 (+14.1)

*The figures in parentheses are the 1971/1979 percentage changes converted to ten year equivalents in order to facilitate comparisons with the relative changes for 1961/1971.

rule as it operates on a mainly commercial basis (and will no doubt be even more commercially orientated when it is fully reconstituted as two semi-State agencies) but for the period covered by this analysis it was essentially part of the Civil Service and as such was generally subject to staffing policies applicable to the Government sector as a whole. The method used here in defining the Public Sector is not altogether precise and the employment totals undoubtedly include some small categories who are certainly not in Public employment and some other groups who would not necessarily be covered if a more definitive approach were used (e.g., in some areas of mainly private Health and Education services). Furthermore the extent of State funding in many of these subsectors has been growing over the years and it must be recognised that for the earlier years involved, the classification of some of these groups as "Public Sector" is not as appropriate as it would be now. However, the total aggregate for each year is certainly dominated by groups which would be classified as Public Sector employees according to any reasonable definition and the figures should, therefore, give a sufficiently accurate reflection of broad Public Sector employment trends. One can get an indication of the extent of the representativeness of the aggregates being used for the year 1979 by comparing the relevant Labour Force Survey estimate with the corresponding total derived independently from actual employment figures for the State bodies concerned. The latter total was 212,000* in 1979 which compares very favourably with the Survey estimate of 215,000, even allowing for the sampling variation and the less than precise nature of the coverage. It should also be borne in mind that there are fairly sizeable numbers of Public Sector employees in areas outside of Services who are not specifically distinguished in this analysis (even though they are, of course, included under the appropriate sectoral headings). These are mainly engaged in Local Authority building and construction, Office of Public Works etc.; the total number is of the order of 25,000.

*Based on data provided by the Department of the Public Service.

Turning to the actual results, the first feature which strikes one is that even though the Public Service (as defined) forms a minority proportion of the overall tertiary sector it has been predominant in influencing the changes which have taken place over the period under discussion. During the 1960s, Public Sector employment went up by 33,000 (28 per cent) while the numbers at work in Private Services rose by 16,000 (nearly 6 per cent). In the 1970s the numbers in the Public Sector really escalated, rising by 64,000 between 1971 and 1979 which is equivalent to a 56 per cent rise over a ten-year period, double the proportionate increase in the preceding decade. It will be noted that throughout the entire eighteen year period, employment in Health and Education services expanded at a somewhat faster rate than in other areas of the Public Service.

There was also a considerable increase in employment in the private area of the tertiary sector during the 1970s even though its relative extent was not anything on the scale of that recorded for the Public Sector. The increase here was 39,000, or over 16 per cent when converted to a ten-year equivalent, i.e., on very much the same relative scale as that indicated for Manufacturing Industry. The changes in Private Services employment, however, conceal some very different trends for the various constituent subsectors. It can be seen from the tables that employment in Distribution and Transport showed moderate but increasing growth over the whole period under discussion. A very large contribution to the expansion in employment came from the Insurance and Finance Sector where the numbers at work rose from 14,000 in 1961 to nearly 37,000 in 1979, a rise of almost 170 per cent. Employment in the remaining part of the Private Services sector (which covers Professional and Personal services in other activities) actually fell between 1961 and 1975, mainly as a result of a continuing decline in the numbers of females working in Private Domestic Service. The numbers in this residual category rose substantially during the latter half of the 1970s, the end result being that total employment in this subsector in 1979 was marginally higher than in 1961.

It is also of interest to observe how employment levels have changed in the two basic parts of the Services sector (i.e. Public and Private) over somewhat shorter periods. Table 2 following shows the net changes for these broad subdivisions over particular intervals of the 1961-1979 period, distinguishing changes for males and females (the actual figures for males and females are given in Appendix Table B).

The nature of the changes in the various sub-periods is very different. During the early 1960s there was quite a surge in Private Services employment which all but disappeared in the years after 1966, when there was, alternatively, a very considerable increase in the numbers at work in the Public Sector. The virtual cessation of employment growth in Private Services late in the 1960s is at first sight rather surprising. It was due principally to a decline in female employment which in turn arose from a sharp drop in the numbers in Private Domestic Service and (to a lesser extent) from a fall in the number of women employed in the Distributive trades. A contributing factor in the latter development would have been the rationalisation in food retailing which was proceeding rapidly during this period (i.e., the expansion of supermarket chains, decline in the numbers of independent retailers etc.)

TABLE 2: Net changes in Public Sector and Private Services Employment During Certain Periods Between 1961 and 1979

Sector	1961/66	1966/71	1971/75	1975/79
	000			
Public Sector				
Males	+ 4.7	+ 10.9	+ 15.9	+ 15.0
Females	+ 6.2	+ 10.9	+ 18.7	+ 14.4
	+ 10.9	+ 21.8	+ 34.6	+ 29.4
Private Services				
Males	+ 12.3	+ 8.3	+ 5.3	+ 19.8
Females	+ 2.9	- 7.1	+ 3.8	+ 9.8
	+ 15.2	+ 1.2	+ 9.1	+ 29.6

There were, however, other influences at work during this period. Free Secondary Education was introduced in September 1967 and this undoubtedly affected the labour market situation. Reference to the relevant Census data for this period shows that the numbers at work aged 14 to 19 years rose from 81,000 to 83,000 between 1961 and 1966 but fell back dramatically to 67,000 by 1971, while throughout the whole period the number of older workers (i.e., aged 20 years or more) showed a steady increase. There are strong indications, therefore, that at least part of the reason for the small growth in Private Services employment between 1966 and 1971 arose from a contraction in labour supply as much as from a reduction in demand. The Public Sector jobs were taken up during this period (these have always had a particularly strong attraction for school leavers) but it appears that many would-be labour force entrants may have passed up other employment opportunities and preferred to take the newly available opportunity to remain in education.

Employment expansion in the Public Sector was very considerable during the early part of the recent decade and this growth continued thereafter at a somewhat slower pace. Private Service employment picked up considerably after 1971 and rose very sharply after 1975 as economic conditions became more buoyant. During this later period the expansion in Private Services employment arose mainly in Insurance and Financial institutions and in Personal Services covering hotels, catering and other retail service activities. This particular period saw a very rapid rise in the female labour force due in part to the elimination of discrimination in employment practices. However, another factor to bear in mind is the attraction of Private Services employment for women, with in many instances, flexible working conditions and a relatively high element of part-time work. While it cannot be denied that the sizeable employment increases which occurred towards the end of the 1970s were induced by an increased level of demand following from the expansionary policies being pursued, it is also likely that there was a supply effect operating in the female labour market throughout the whole decade according as participation by women in the labour force rose steadily.

The above results suggest that there is a certain amount of "slack" or "soakage" in the Private Service segment of the labour market; it would appear that an element of potential employment exists which may or may not be availed of depending on the circumstances. Some commentators have indicated that this phenomenon tends to exist even in depressed times leading to the suggestion that the Services Sector is at least partly "recession proof". A recent study of Services employment in the US economy⁽²⁾ illustrates how monthly employment in this sector continued to rise (even if at a slower pace) throughout all but one of the cyclical downturns between 1948 and 1980, in contrast to the performance in the goods producing sector where each depression brought about a reduction in the numbers at work. One reason put forward to explain this is that the heterogeneous Service area provides some employment opportunities for workers laid off from other Sectors (or for their spouses). Certainly, in the Irish context, a notable feature of the data in Appendix Table A is the fact that the numbers in the Services Sector (and here I am referring to the aggregate covering both the Public and Private areas) have generally kept on rising on an annual basis, particularly during the 1970s, even during cyclical downturns.

However, the principal item to stress on the basis of the figures presented is the very strong influence of the Public Sector, in the broad sense defined here, not only in determining the changes in employment in the tertiary sector, but across the labour force as a whole. Over the eighteen-year period from 1961 to 1979, the Public Sector accounted for 37 per cent (97,000) of the total increase of 264,000 in non-Agricultural employment, a proportion which has grown substantially over the period under discussion. Between 1961 and 1971 the Public Sector accounted for 29 per cent of total non-Agricultural employment growth but between 1971 and 1979 this rose to over 43 per cent. Throughout the two periods the annual average increase in domestic output (GDP) was virtually the same (above 4 per cent) which means that sustaining the growing level of Public Sector employment was putting an increasing strain on the economy as a whole — a factor which became evident towards the end of the recent decade when serious imbalances developed in the national finances.

There will clearly be very considerable difficulties in generating sufficient employment creation in the years ahead in view of the constraints which stand in the way of future policy from taking an expansionary stance — particularly the need to reduce both the current Budget deficit and the level of external borrowing. It will be very difficult to achieve continuing employment increases in the Public Sector without raising additional taxes or introducing measures which oblige society to contribute more in the way of paying for the services it receives. The question of Public Sector pay increases will also be a crucial factor here and restraint will be necessary, particularly at recruitment levels, so as to allow progress to be made both in redressing the financial situation and maintaining or increasing employment levels. The generally restrictive stance required will dampen demand and this will in turn tend to impede employment growth in the private services area. Technological change may be a further inhibiting factor in this sector where in particular significant advances are anticipated. The numbers at work in Industry are likely to continue to rise under the influence of a continuing strong investment policy but they can provide only a fraction of the job creation requirement needed to absorb our

growing labour force. One would, of course, hope to improve employment prospects in Industry in the 1980s to the maximum possible extent but it will require substantial sacrifices in the form of income restraint if cost increases are to be kept to a minimum in order to improve our position in increasingly competitive export markets.

The increasing proportion of Public employment in the overall Services Sector also helps to explain why measured productivity growth in this whole area has shown a significant decline, an aspect which has been noted by the present author⁽⁴⁾ and other commentators. There are conceptual difficulties in estimating the output of Public Authorities in the context of the National Accounts⁽⁵⁾ because of the absence of direct measures of output. The practice adopted is to apply an index of employment, where available, to the base year remuneration which, in effect, implies no increase in productivity. If, therefore, employment in Public Authorities in the broad base defined here, accounts for an increasing proportion of total Services employment, overall measured productivity growth for the entire Sector will be reduced (unless there are very startling increases in productivity in the private area).

In summary, therefore, this paper traces the sectoral evolution of the labour force over the last twenty years. There has been steady growth in the Manufacturing and Building sectors and a very substantial expansion in the numbers at work in Services. However, within the Services Sector there has been an uninterrupted and growing increase in Public Sector employment; in the Private Services area there were two very significant growth periods — the early 1960s and during the later years of the 1970s.

APPENDIX I

TABLE A: Labour Force Estimates by Sector 1961-1980

Sector	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Agriculture, Forestry and Fishing	360.1	351.3	343.5	334.8	321.4	315.5	302.7	292.0	281.7	268.0	258.1	252.4	245.8	241.0	238.0	232.0	228.0	226.0	223.0	220.0
Manufacturing, Mining etc. Public Utilities	194.3	200.0	204.8	209.6	214.4	215.3	218.2	222.0	230.0	233.0	235.4	235.7	244.0	254.0	248.0	241.0	249.0	254.0	264.0	269.0
Building etc.	58.0	63.4	68.4	73.4	75.5	72.6	77.0	78.0	80.3	74.8	82.4	79.0	90.5	97.3	89.0	84.0	87.0	96.0	101.0	103.0
Services	405.2	407.0	406.9	410.9	422.5	431.3	440.8	440.6	440.6	447.9	454.3	472.3	479.4	485.2	498.0	507.0	519.3	534.0	557.0	571.0
Total at work	1017.7	1021.7	1023.5	1028.7	1033.8	1034.7	1038.6	1032.6	1032.6	1023.7	1030.2	1039.4	1059.7	1077.5	1073.0	1064.0	1083.3	1110.0	1145.0	1163.0
Total at work (excl. Agriculture)	657.6	670.4	680.0	693.9	714.4	719.2	735.9	740.6	750.9	755.7	772.1	787.0	813.9	836.6	835.0	832.0	855.3	884.0	922.0	943.0
Unemployed	42.5	40.6	44.0	42.2	40.0	40.3	41.9	46.2	43.4	52.4	49.5	56.6	52.4	52.5	73.0	90.0	88.6	85.0	74.0	74.0
Labour Force	1060.2	1062.3	1067.5	1070.9	1073.8	1075.0	1080.5	1078.8	1076.0	1076.1	1079.9	1096.0	1112.1	1130.1	1146.0	1154.0	1171.9	1195.0	1219.0	1237.0

Note: The estimates given in this Table are compiled on the basis of Labour Force Survey concepts. The figures for the years from 1975 on are the official labour force estimates which are now compiled on this basis. However for earlier years the data have been obtained by adjusting Census based figures according to the method as outlined in Sexton (1981). (3) The annual sectoral subdivision given in this Table (not included in the abovementioned Paper) was obtained by interpolating for the periods between the years in which Censuses and Labour Force Surveys were held, using known independent series as trend indicators (e.g. Industrial Inquiries, Agricultural enumeration etc). However, since the total employment level for each interpolated year was independently predetermined, the part of the Services sector, other than Public Administration etc. Defence was obtained as a residual and therefore the estimates for this Sector are subject to a greater margin of error. These estimates will be subject to review when the labour force data from the 1981 Census of Population became available.

TABLE B: Public Sector and Private Services Employment, by Sex, 1961-79

Sector	1961	1966	1971	1975	1979
	000				
Public Sector					
Males	64.6	69.3	80.2	96.1	111.1
Females	53.0	59.3	70.1	88.8	103.2
Total	117.6	128.5	150.3	184.9	214.3
Private Services					
Males	170.5	182.8	191.1	196.4	216.2
Females	117.1	120.0	112.9	116.7	126.5
Total	287.6	302.8	304.0	313.1	342.7

APPENDIX II

List of Census Industrial Categories Included Under the Public Sector Heading

Industry Code	Industry Name (1971 Census)
503	Postal, Telegraph and Radio Communications (excl. broadcasting) <i>Public Administration and Defence</i>
505	Garda Síochána
506	Defence
507	Government Departments ⁽¹⁾ (n.e.s.)
508	Local Authorities ⁽²⁾ (n.e.s.)
	<i>Education</i>
510	Primary
511	Vocational
512	Secondary
513	University
514	Other
	<i>Health</i>
515	Health Board Hospitals
516	Other Hospitals
517	Health Board Medicine
518	Other Medicine
525	Planning and Research Institutes ⁽³⁾
526	Other Professional services ⁽³⁾

⁽¹⁾Excluding the Office of Public Works (included in Building etc.).

⁽²⁾Excluding Local Authority Building and Construction (included in Building etc.).

⁽³⁾A very considerable part of the total employment included in these categories relates to non-commercial semi-State bodies such as AnCO, An Foras Talúntais, IDA, IIRS etc. Note, however, that our definition of Public Sector does *not* include commercial semi-State bodies such as CIE, Aer Lingus, ESB, etc.

References

1. DEPARTMENT OF FINANCE 1981. *Review and Outlook*, Summer.
2. URQUHART, MICHAEL, 1981 "The Services industry, is it recession proof?" *Monthly Labor Review*, US Department of Labor, October.
3. SEXTON, J. J., 1981. "The Changing Labour Force", in *The Irish Economy and Society in the 1980s: Papers presented at Twenty-first Anniversary Conference*, Dublin: ESRI.
4. SEXTON, J. J., 1982. "Employment, Productivity and Working Time — Prospects for Ireland", Dublin: FUE Industrial Relations Briefing Conference, May.
5. CENTRAL STATISTICS OFFICE, 1981. *1979 National Income and Expenditure*, Dublin: Stationery Office.
6. CENTRAL STATISTICS OFFICE *Censuses of Population 1961, 1966, 1971* — Volumes containing Classifications by Industry, Dublin: Stationery Office.
7. CENTRAL STATISTICS OFFICE, 1981. *Labour Force Survey 1979 Results* (Pl. 113). Dublin: Stationery Office.

