



Internal mobility: Ireland

Abstract

The Irish are the most mobile of all Europeans. Internally, Dublin has been the preferred place to which the Irish move. Regionally, the United Kingdom—as a large and familiar neighbor—has been the preferred destination. Internationally, it is the United States, where more than 10 percent of the population claims Irish ancestry. The reasons why the Irish are mobile span culture, geography, and labor laws. First, the Irish have reacted to big developments—both good and bad— by moving, and their cultural proximity to the United Kingdom and the United States has made them prone to leaving when times are tough. Second, Irish labor laws make it easy for enterprises to hire and fire workers: indices of economic freedom rate Ireland the freest economy in Europe, and the fifth freest in the world. Third, the national development strategy—including the use of cohesion funds—has promoted concentration around Dublin and made workers mobile by investing in their skills. Fourth, Ireland has kept barriers to immigration low. It did not impose quotas on workers from the new EU member states. And the quantity and quality of immigration is high—half all immigrants since 1998 had tertiary education. The current crisis has led to these movements being reversed. But the greater mobility of the Irish will help them deal better with the economic distress.

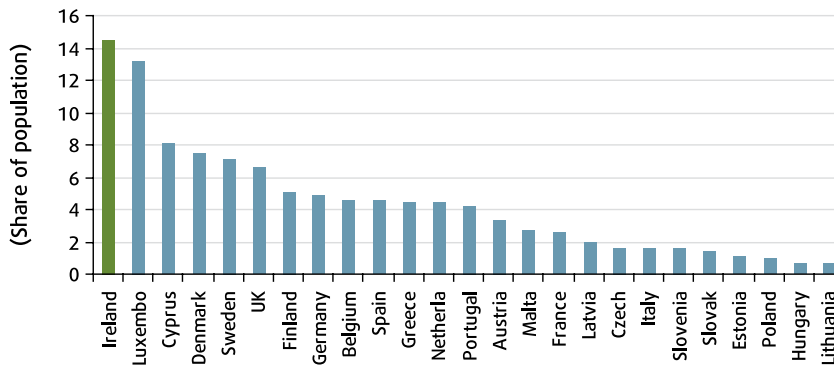
Ireland is the most mobile country in the European Union, internally and internationally. While most Europeans hesitate to move, the Irish seem to be exceptions. They are quick to move within the country, and many choose Dublin, the capital city. Currently, nearly a third of population lives in Dublin County. The Irish have not hesitated to move within Europe or beyond EU borders. In the United States alone, nearly 37 million residents claim Irish ancestry.

The most mobile Europeans

Nearly 15 percent of Ireland's population has moved within the EU (figure 50). One in five Irish has moved within the country. At the local level, nearly a half of the population (44.5 percent) changed their addresses. Irish change jobs more frequently than their advanced European counterparts. The average job tenure of around 10 years in 2006 was the second lowest in the EU15, after the United Kingdom. The country has also the second highest share of migrants born in the EU (9 percent), after Luxembourg (34 percent). Among European countries, in 2008 Ireland had the biggest share of noncitizens from the EU27 to total population: around 5 percent, compared with less than 2 percent for the EU15 as a whole.

From a historical perspective, Irish people have been on the move since 19th century. Due to the Great Famine of the 1840s as well as economic underperformance between 1820 and 1920, more than 4 million Irish migrated to the United States alone. The same was true in other parts of Europe during that period. Jacoby and Finkin (2004) indicate that Europeans were particularly mobile due to industrialization in the 18th and 19th centuries. It is estimated that Germany, in 1910, employed more than a million migrant workers. Between 1820 and 1920 around 50 million Europeans moved to the New World, mainly to the United States. The situation changed after the First World War, when stricter rules on mobility were implemented (e.g., regulation on passports, birth certificates), reducing mobility on the continent. Surprisingly, Ireland is an exception to this rule. How have the Irish managed to stay mobile?

Figure 50: Mobility inside the European Union, selected economies (% of country's population)



Source: Bonin et al. (2008).

Why the Irish are so mobile

First, mobility rates in Ireland are high because the Irish seem to respond to big developments by moving. In times of crisis Irish tend to emigrate abroad. When the economy is booming they search for opportunities at home. During the great famine of the 1840s, a million Irish emigrated from the country. More than a century later, in the 1990s and the first decade of the 2000s when Ireland came to be known as the Celtic Tiger (because of East Asia-like growth rates), the country became an attractive location for immigrants. According to the World Bank (2010), since 1998 the stock of foreign-born has increased fivefold, amounting to 12.6 percent of total population in 2008. And during the recent recession, Irish migrant flows reversed again. In 2009 the country experienced its first negative net migration since the mid-1990s. Current emigration levels have surpassed figures from the 1980s. An additional 100,000 people are expected to go abroad between 2011 and 2012, according to the Economic and Social Research Institute.

Second, keeping the labor legislation less restrictive allows for flexibility on the labor market. Keeney and Lawless (2010) found that Irish companies can tailor their labor costs thanks to the flexibility of pay and bonuses.¹ According to the OECD's Employment Protection Legislation Index, Ireland (1.11) is the second least restrictive country in the advanced Europe, after the United Kingdom (0.75).² The Economic Freedom Index 2010 by the Heritage Foundation that measures government's impact on economic relations ranks Ireland fifth worldwide, and first in Europe.

Third, Dublin and the eastern area of the country have long served as magnets of internal as well as external migration. Four out of ten jobs are located in the Dublin City region, according to the Dublin Chamber of Commerce. Even as early as 1971, it was the preferred destination for one-third of all intercounty migrants (Hughes and Walsh 1980). In the 1990s, the Irish used the Cohesion Funds to strengthen this characteristic by extensive investments in infrastructure that connected leading with lagging regions.³ A sizeable part of the EU funds were also invested in training and education, which gave the Irish necessary tools to find opportunities in other regions. The attainment of tertiary education for Irish aged 15 to 64 grew from 19 percent in 2000 to 33 percent in 2010, accompanied by the expenditure per student.⁴ Educated Irish seem to be more mobile. In 2009, 15 percent of all students enrolled in higher education studied in other EU27, European Economic Area (EEA), or candidate countries, in comparison to 11 percent in 1999.⁵



Currently, Dublin is an important location for mobile workers; half of Dublin county's population is aged between 10 and 39. This is relevant because younger individuals are more likely to move in search for better opportunities.

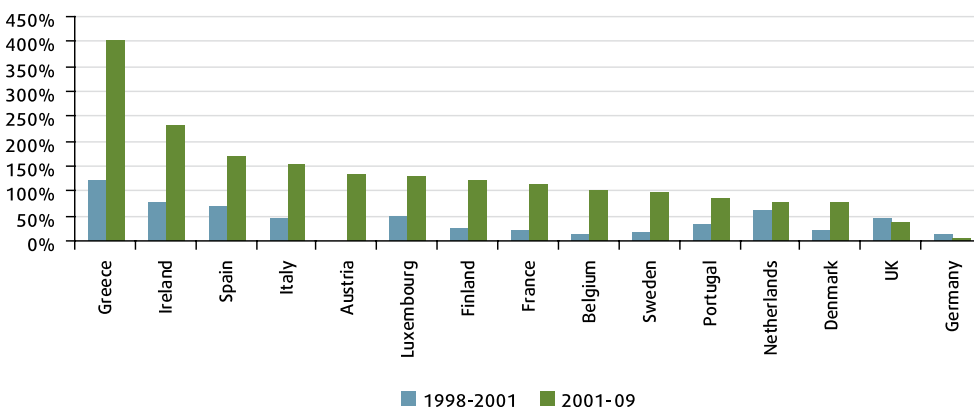
Finally, Ireland's proximity to a much bigger economy—the UK—with which it shares a language must also be a stimulus for citizens to move. European integration has only strengthened this process. However, the Irish opened up their markets as well. Together with Sweden and the UK, Ireland did not restrict access to its labor market for people from the new member states during their accession in 2004.⁶ It is estimated that between 1998 and 2008, more than 400,000 foreigners came to Ireland. The country became a hotspot for migrants from the 12 new member-states and, in 2007, they accounted for a half of total immigration.⁷ The Irish have preached what they practiced.

Mortgages and mobility

The recent housing boom and bust may pose constraints on labor mobility in the next years. Residential mortgage debt amounted to 90 percent of GDP in 2009, three times higher than in 1998 (26.5 percent). Mortgage debt per capita rose nearly fivefold, the second biggest increase in the EU15, after Greece (figure 51). This is important, as negative home equity and/or rising mortgage interest rates may lower mobility rates over time (Ferreira et al. 2010).⁸

The debt burden is not the only concern for households. The crisis has left Irish banking and state finances weak. The economy will need time and policy reform to return to the levels of growth that will encourage people to move again. The IMF forecasts that GDP growth will exceed 3 percent only in 2015. Indeed, a slow recovery in 2011 and 2012 may prompt many Irish to search for opportunities abroad, while others might be tied down by their mortgages at home.

Figure 51: Changes in residential mortgage debt per capita in the EU15 1998–2001 and 2001–09⁹



Source: European Mortgage Federation.

Nevertheless, the flexibility of the Irish workforce is its strength in tackling the crisis. Similar levels of mobility—facilitated by better labor laws and more developed housing markets—would serve the rest of Europe well. Given Ireland's internal mobility and its record of successful job creation during the past two decades, Ireland's outlook may be more hopeful than many believe.

Sources

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Notes

- 1 The authors base their results on a survey of Irish firms undertaken as part of the Wage Dynamics Network (WDN).
- 2 OECD average: 1.94. Reference year: 2008.
- 3 E.g. M50 (Dublin Ring Road), M1 (Dublin-Belfast).
- 4 According to the OECD index (2000=100), the expenditure by tertiary educational institutions for all services per student increased from 66 in 1995 to 94 in 2007.
- 5 Higher education understood as International Standard Classification of Education (ISCED) 5-6.
- 6 However, Ireland imposed some restrictions on migrants' access to social security benefits.
- 7 This share dropped to 30 percent in 2008.
- 8 Ferreira et al. (2010) base their suggestions on an analysis of American housing market between 1985 and 2005.
- 9 In the first subperiod 1998–2001, 1998 is a base reference year for all countries except Portugal (1999).