



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem



## Box D:

## QB 4 – October 2021

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### Job Openings Rebound in 2021

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By August, job postings on Indeed were over a quarter above pre-pandemic levels. Demand for workers in food services, hospitality and tourism, retail, construction, cleaning and sanitation and transport is growing. In some sectors, labour supply has not kept pace, putting upward pressure on wages.

Labour market developments are central to understanding the economic fallout of the pandemic. Using Indeed data, this box highlights trends in labour demand, job search and wages in online job ads.

#### Uneven recovery: resilient sectors, pandemic sectors and rebounding sectors

Irish job postings on Indeed fell by over a half at the onset of the pandemic (Figure 1).<sup>2</sup> Half of the decline recovered relatively quickly, before restrictions were eased in the second quarter of 2021. This reflected two developments. First, reduced uncertainty about the impact of the pandemic on businesses not directly exposed to shutdowns. This includes jobs in sectors such as *Software/Development, Production and Manufacturing, Sciences and Mathematics/Data Science*, which recovered to be 8 per cent (43 per cent) above pre-pandemic levels by March (August) 2021. Second, increased demand for workers in some sectors *because* of the pandemic. Healthcare is one example: up 37 per cent (52 per cent) by March (August) 2021. Jobs in *Transport and Distribution* and *Cleaning and Sanitation* also increased because of the pandemic, up 0.2 per cent (109 per cent) by March (August) 2021.

Job postings growth accelerated when sectors reopened, and were 26 per cent above pre-pandemic levels by August 2021. This was driven by re-opening sectors, and a rebound in postings in *Retail, Food Preparation and Service, Sales, Customer Service, Hospitality and Tourism* and *Construction* (Figure 2), as well as continued growth in *Transport and Distribution* and *Cleaning and Sanitation* jobs.

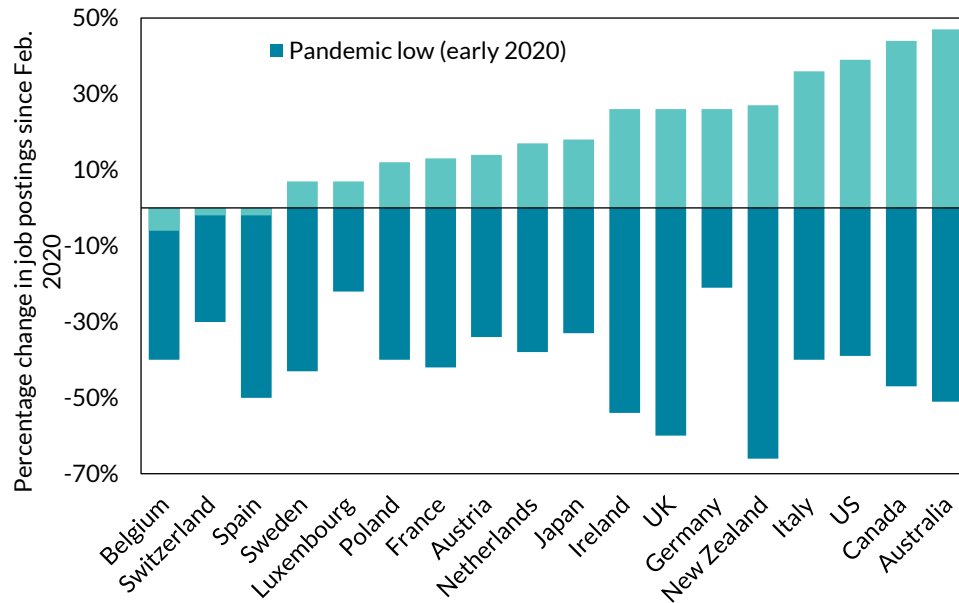
<sup>1</sup> This work draws on research with Dr. Pawel Adrjan, Head of EMEA research at Indeed, including a recent working paper on “[Job Creation During the Pandemic: Restrictions and Frictions](#)”.

<sup>2</sup> Figures quoted here are seasonally adjusted, and relative to the pre-pandemic level, i.e. 1 February, 2020.



## Rebound in labour demand as restrictions ease across countries

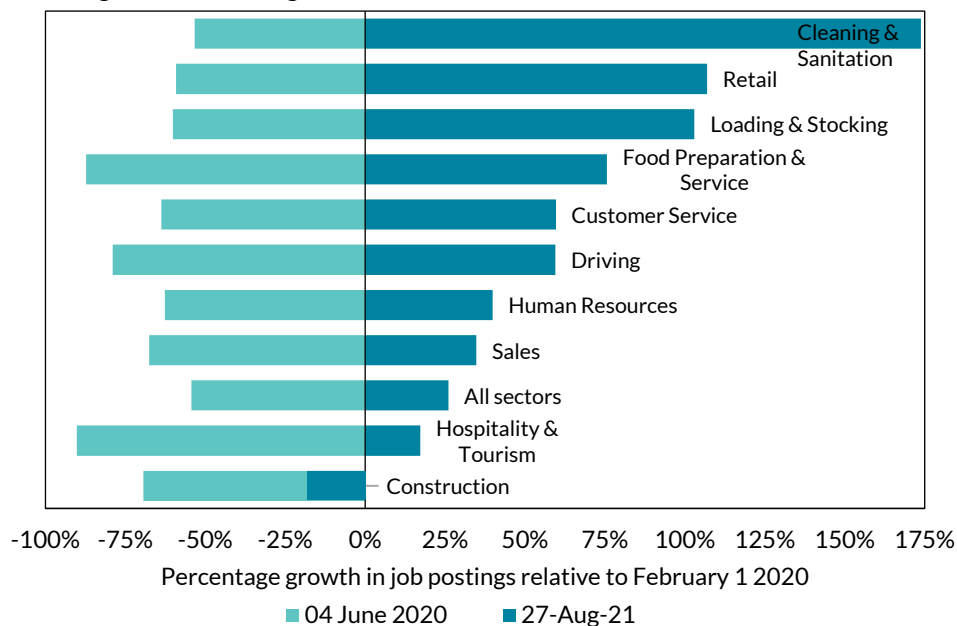
Figure 1: International job posting trends



Source: CSO and Central Bank of Ireland

## Uneven recovery: resilient sectors, pandemic sectors and rebounding sectors

Figure 2: Irish job postings growth relative to 1 February 2020 in the 10 sectors with the fastest growth (Feb-August 2021)



Source: CSO and Central Bank of Ireland



### **Emerging labour supply bottlenecks in some sectors are putting upward pressure on posted wages.**

Employers in sectors like transport and food and hospitality are reporting labour shortages. This could reflect short-term frictions as a result of many employers looking to rehire at once. Alternatively, it could persist if the labour force in some sectors is smaller because of the pandemic, for example because participation has fallen – e.g. due to health concerns, or changes in preferences for work – or if the working age population has fallen because workers have left the country during the pandemic and/or due to lower net migration.

Historically, the number of people clicking on a particular online job posting is a very good indicator of how many people apply for that job. Analysing wages in 8.5 million job ads in Ireland, France and the UK between 2019 and 2021, we find that posted wages in job ads tend to rise as clicks per posting fall.<sup>3</sup> Tracking clicks-per-posting, we find conditions have tightened in some sectors in Ireland in 2021: including *Construction, Software Development, Driving, Loading and Stocking, Food Preparation and Services and Cleaning and Sanitation*.

Posted wages tend to rise faster in sectors where employers are finding it harder to hire workers (Figure 3), with sharp rises for many of these sectors in the first half of 2021.<sup>4</sup> We control for the changing composition of job ads within sectors using granular job titles. We do not, however, account for potential changes in the composition of new hires. For example, some employers may respond to hiring difficulties by recruiting workers with less experience, as recent [reports](#) suggest. Institutional factors also matter wage dynamics. For example, two-thirds of *Cleaning and Sanitation* job postings are at the standard hourly pay rate of €11.20, set in December 2020 by a new [Employment Regulation Order](#) (up from €10.80). This largely explains the relatively static wage growth in 2021.

**Labour supply shortages likely to persist in some sectors, and could ease in others.** In some sectors such as skilled/experienced IT, construction and driving – supply shortages pre-date the pandemic. Historically, migration – [significantly reduced by the pandemic](#) – was also a source of labour supply. Finally, as [Adrian & Lydon \(2021\)](#) show, there is currently strong demand for workers in these sectors across the UK and EU – especially in driving and construction – making for a more competitive international labour market. All of these factors suggest employers will continue to find it hard to find workers to fill roles in these sectors in the medium-term. For ‘pandemic jobs’, demand may ease as the pandemic wanes. However, ongoing labour supply constraints for the same reasons cited above means bottlenecks could persist. For rebounding sectors such as food and hospitality jobs, the 23,000

<sup>3</sup> See [Adrian & Lydon \(2021\)](#). In wage bargaining frameworks, wages increase with tightness because bargaining power shifts from employers to employees (the so-called ‘wage curve’). See [Cahuc et al \(2014, Chapter 9\)](#) or [Hornstein et al \(2005\)](#). Our analysis is consistent with [Lozej & Lydon \(2018\)](#), who show the wages of new hires rise as unemployment falls.

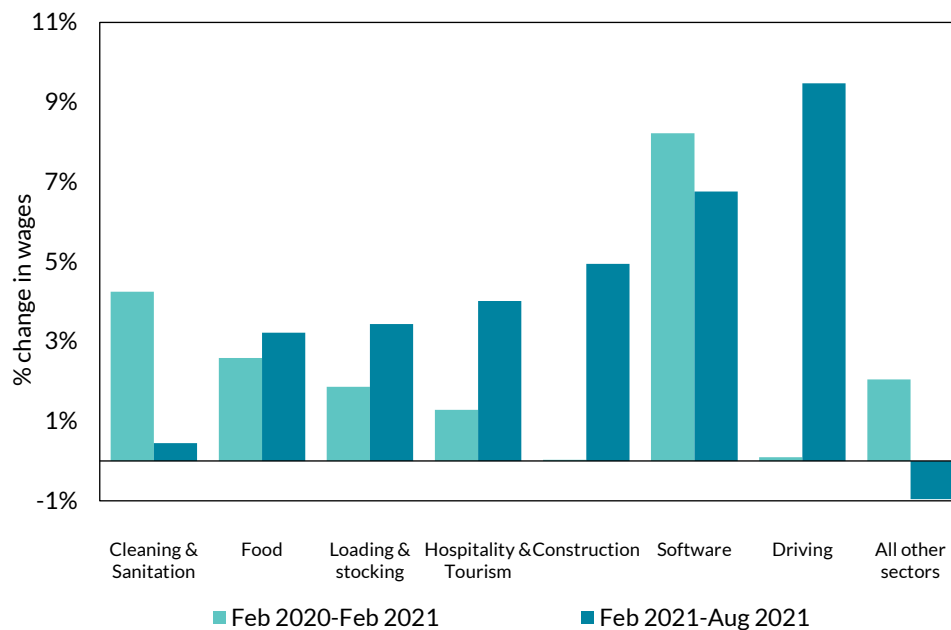
<sup>4</sup> One potential issue here is that we analyse posted as opposed to negotiated wages, and the relationship between the two might differ in systematically depending on labour market tightness. However, [Adrian & Lydon \(2019 and 2021\)](#) show that the distribution of posted wages in job ads on Indeed in Ireland, the UK and France across several years are very similar to wages of new hires as reported in official surveys.



PUP recipients who formerly worked in these sectors (13 per cent of pre-pandemic employment as at end-August) could boost supply as the scheme unwinds. Against this, some of these may be full-time students with limited potential hours of labour supply.

Emerging labour supply bottlenecks in some sectors are putting upward pressure on posted wages

Figure 3: Growth in posted wages in job ads



Source: Indeed. Composition of jobs within sector controlled for using granular job titles (see Mari & Wolthoff (2020)). Adrjan & Lydon (2021) lists the job titles. The 'All other sectors' group accounts for 75 per cent of job ads on Indeed Ireland in July 2021.

Whether wage pressures lead to higher consumer prices depends on how widespread bottlenecks are and how long they persist. The analysis here focuses on new hires, and the tight sectors highlighted account for just one-in-four job ads. Wage growth in 'All other sectors' in Figure 3 is also relatively weak by comparison. Thus, the wage pressures we highlight in the first half of 2021 are not *that* widespread yet. However, persistent increases in new hire wages will eventually impact incumbent pay via demonstration effects or increasing [job churn](#). There is also the potential to impact other sectors, as higher labour costs are passed on, especially in sectors with already lower profit margins where there might be less scope to absorb higher input prices.<sup>5</sup>

<sup>5</sup> [Eser et al. \(2021\)](#) argue that higher wage growth in the euro area before the pandemic was not passed on to higher prices in part because of the ability of some firms to absorb input cost increases through lower margins.