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Research Report

Competitiveness and the Housing Market in Ireland

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- The NCPC believes the housing market is currently inhibiting Ireland's competitiveness performance and undermines potential improvements in sustainable growth and well-being.
- Addressing labour market constraints is crucial for Ireland's ability to meet targets under *Housing for All*, as well as retrofitting and emissions targets under the *Climate Action Plan*.
- The NCPC believes that close attention should be given to the competing demands for labour across the construction sector and, in particular, the impact that this has on younger people competing in the housing market.
- Further, the NCPC believes that greater adoption of Modern Methods of Construction is crucial to reduce pressures for labour demand in the construction sector.

OVERVIEW

The core objective of the National Competitiveness and Productivity Council (NCPC), as set out in its Competitiveness and Productivity Framework¹, is to advance sustainable growth and well-being in Ireland. At present, the housing market effectively undermines the self-reported well-being of many persons (and households) and serves to de-limit their experienced quality of life. It also acts as a drag on Ireland's competitiveness in various ways. The NCPC has commented on housing on many occasions over recent years, most recently in its *Scorecard 2023*² and *Ireland's Competitiveness Challenge 2023*³ (ICC 2023) reports.

Given the continuing challenge posed by the housing market and its negative implications for competitiveness, the NCPC has decided to return to the housing market in this Bulletin. Our particular focus on this occasion is labour capacity constraints as they relate to the residential construction sector. We look first at developments in the labour market, including migration patterns and the throughput of graduates in sectors such as engineering and planning. Alongside this, we also look at broader structural changes in Ireland's housing market over recent years.

COMPETITIVENESS IMPLICATIONS

In a globalised world, housing costs impact on the cost of doing business through wage effects as well as indirectly through the impact on general price levels. This, in turn, is reflected in the difficulty of recruiting skilled labour

internationally and poses problems for those renters expressing dissatisfaction with their housing⁴. In effect, housing affordability is a significant concern for Ireland. It is also a capacity constraint representing a risk to Ireland's international competitiveness, albeit that this is a concern across many advanced economies.

The broader implications for Ireland's competitiveness resonates across the economy. The consequent impact – via both upward wage pressures and staffing challenges – present particular difficulties for the domestic SME sector. In some cases, private firms can find it necessary to purchase housing stock – leading to a reallocation of scarce capital and the assumption of new responsibilities outside of the scope of their day-to-day operations. Increasingly, housing has also been identified as an issue by the multinational enterprise sector.

A previous *Competitiveness Bulletin*⁵ referred to housing as 'the infrastructural area most clearly dragging on Ireland's competitiveness'.

LABOUR SUPPLY AND CONSTRUCTION SECTOR CAPACITY: A BINDING CONSTRAINT?

Currently, Ireland's labour market is very tight, acting as a constraint on our ability to meet housing targets. In Q3 2023, the share of total employment in construction was just over 6%, similar to the pre-COVID-19 share. Construction is the only sector with fewer employees today than during the Celtic Tiger-era (see Figure 1a). This is despite the fact that the population – and the labour force – is significantly larger now than was the case two

¹ [bulletin 24-2 irelands competitiveness and productivity framework.pdf](#)

² [Ireland's Competitiveness Scorecard 2023 - Competitiveness](#)

³ [Ireland's competitiveness challenge 2023.pdf](#)

⁴ [Residential Satisfaction in Ireland 2023.pdf \(housingagency.ie\)](#)

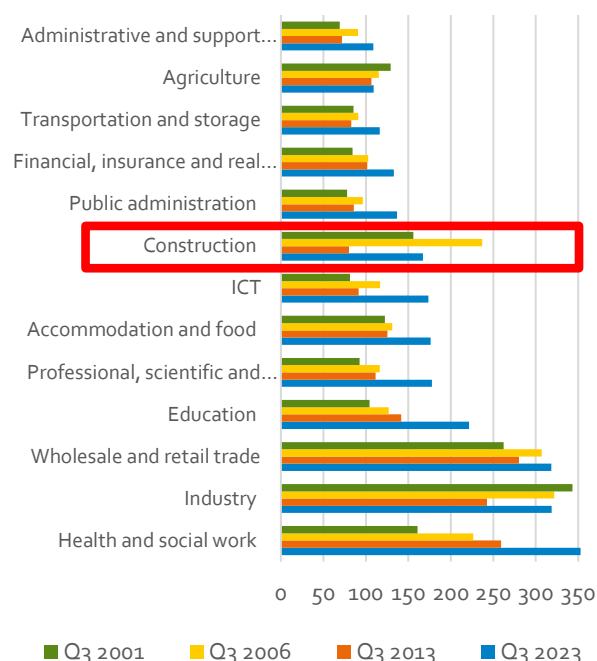
⁵ [bulletin 23-1 imd world competitiveness rankings.pdf](#)

decades ago (and that these workers are involved in projects beyond simply home-building⁶).

The longer-term consequences of the Global Financial Crisis are evident here. This has not only impacted career choices of younger persons in the years since 2008 but has also led many construction sector workers to emigrate as a result of negative perceptions as to the stability of careers in this sector.

The number of employees in the construction sector has more than doubled (+109%) since 2013 and has risen by 14% in just the past two years. Such was the initial decline in construction sector employment following the Global Financial Crisis, however, that there were still 29% fewer construction workers in 2023 when compared to 2006. At present, there are close to the same number of workers in this sector as was the case more than twenty years ago. As Figure 1a shows, this finding contrasts with most other sectors in the economy.

Figure 1a: Number of people employed by sector in 2001, 2006, 2013 and 2023



Source: LFS, CSO

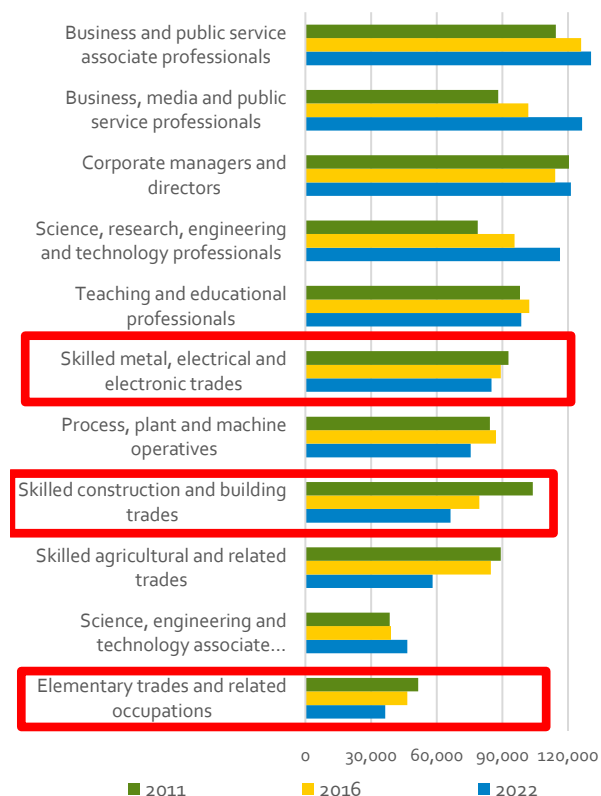
The intermediate occupational groups which relate to the construction sector, such as skilled and elementary trades, have seen volume declines since 2011. Elementary trade and related occupations have decreased by 29%, skilled construction and building trades decreased by over 35% while skilled metal, electrical and electronics trade fell by 8% since 2011 (see Figure 1b). As we have seen,

Construction is one of the few examples of a sector that has not expanded – in terms of numbers employed – since 2001. Given the recent population growth rate, this suggests an obvious question: is this sector simply too small to meet the current demand for housing?

Innovative processes including Modern Methods of Construction (MMC) have been identified as having the ability to play an important role in this respect by employing advanced techniques, such as off-site manufacturing and digital data management processes, which can accelerate the pace of construction and enhance efficiency and quality control, with fewer labour market constraints.

As stated in the 'Roadmap for increased adoption of Modern Methods of Construction in Public Housing delivery', the Department of Enterprise, Trade and Employment (DETE) is commissioning research and analysis that will create a 'dashboard' of metrics to benchmark and track levels of MMC adoption and related trends in productivity performance in the residential construction sector in Ireland. This is expected to be published in Q2 2024.

Figure 1b: Number of people employed by selected intermediate occupational groups in 2011, 2016 and 2022



Source: Census, CSO

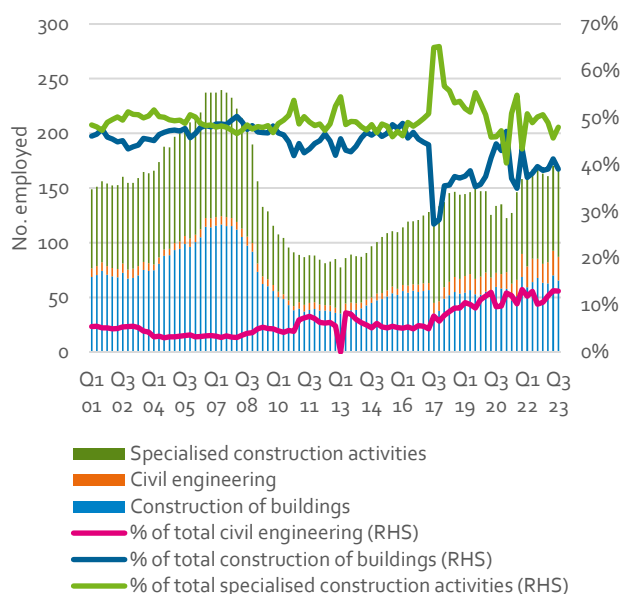
⁶ For instance, public capital projects (i.e., schools, roads, etc.), commercial buildings as well as extensions to existing residential properties.

Type of Activities Undertaken in the Construction sector

At its most granular, CSO data for the Construction sector are provided for three sub-sectors: 'construction of buildings'; 'civil engineering'; and 'specialised construction activities'. Unfortunately, it is not possible to disaggregate the series any further. Across this time-series, *specialised construction activities* have been a principal source of employment (Figure 2). This category includes those activities requiring specialised equipment (i.e., pile-driving, scaffolding, etc.). The share of those working in this category of construction has remained broadly stable over time, albeit that it did peak at 65.2% in 2017.

The share of those employed in 'civil engineering' – including utilities – has been growing. This stood at 5.1% in Q3 2001, rising to 9.4% in Q3 2018 and 13.0% by Q3 2023. The share of those employed in *construction of buildings* fell from 46.5% to 36.4% between 2001 and 2018⁷, before rising to 39.0% by 2023.

Figure 2: Number of people employed by subsector of Construction (NACE sector: F)⁸



Source: CSO

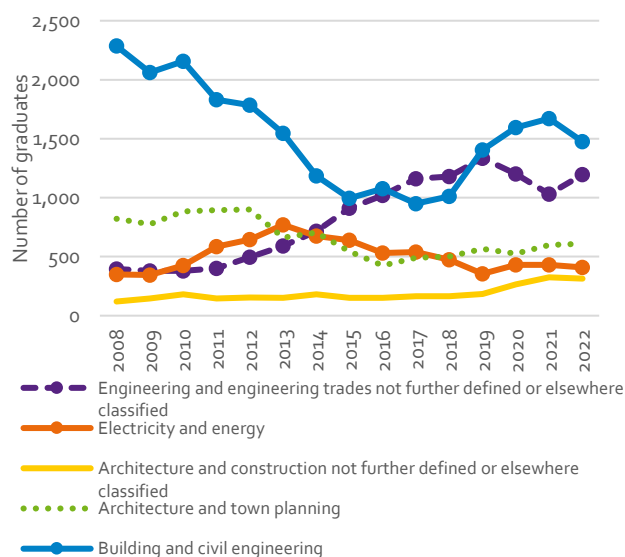
Throughput of Graduates

Figure 3 shows the pipeline of selected construction-related skills, including engineering, from Ireland's education system since 2008. 'Engineering and engineering trades not further defined or elsewhere classified' and

'building and civil engineering' together accounted for 2,670 graduates in 2022. This equates to no change when compared to 2008, albeit that the number was significantly lower than this in several of the intermediate years. In addition, the balance between each has shifted significantly over the years. The recent SOLAS publication *Monitoring Ireland's Skills Supply 2023* also shows that Ireland has a significantly low share of graduates in engineering and manufacturing fields comparatively to the EU (7% vs 12%, respectively).⁹

There has also been a fall in new graduates in 'architecture and town planning'. From 820 graduates in 2008, this had fallen by close to 50% by 2016. The figures have since begun to recover but only stood at 610 in 2022¹⁰. Delays in planning permissions have been highlighted as a constraint in the delivery of housing and other infrastructure by the Council, most recently in *ICC 2023*. The Government has agreed an increase of 200 in the number of places for professional planners. The steep reduction in the throughput of qualified graduates across several programmes relevant to construction – particularly, from 2008 to 2016 – has longer-term consequences with regard to sectoral capacity.

Figure 3: Number of graduates in construction-related skills



Source: Higher Education Authority. Note: The ISCED system of classification was revised in 2014/2015. 'Engineering and engineering trades not further defined or elsewhere classified' is defined as '(520) Combined Engineering & Engineering Trades' prior to 2015.

⁷ Following the steep decline in housing output post-2007

⁸ Specialised construction activities (special trades) – the construction of parts of buildings and civil engineering works or preparation. These activities are usually specialised in one aspect common to different structures, requiring specialised skills or equipment, such as pile-driving, foundation work, carcass work, concrete work, brick laying, stone setting, scaffolding, roof covering, etc. Construction of buildings includes the prefabricated construction of any type of buildings. This includes the building construction of entire residential building, office building, commercial, community, public, agricultural, etc. Construction of other civil engineering projects – includes the prefabricated construction of any other structure. This includes the construction of other

structures e.g. highway, road, bridge, tunnel, railway, airport, port and other water facility, irrigation system, sewer system, industrial plant, pipeline, electric line, outdoor sports facility, etc.

⁹ [monitoring-irelands-skills-supply-2023.pdf\(solais.ie\)](https://www.solas.ie/monitoring-irelands-skills-supply-2023.pdf)

¹⁰ In its *Report on the Analysis of Skills for Residential Construction & Retrofitting 2023–2030*, the Department of Further and Higher Education, Research, Innovation and Science has stated that recent increases in the provision of educational programme for architects should be sufficient to address the skill requirements emanating from the increase in the housing stock.

Domestic measures to improve labour supply

The Department of Further and Higher Education, Research, Innovation and Science published *The Report on the Analysis of Skills for Residential Construction & Retrofitting 2023–2030* in December 2022. This estimated Ireland's labour market requirement at over 50,000 new entrants into the construction sector for that period to meet our housing and retrofitting targets¹¹. Of this, 48% are required for building new houses, with 45% required for retrofitting and 8% required for general repair and maintenance. In short, the Report highlights the need for the construction industry to recruit and retain a higher number of workers than is currently provided for through education, apprenticeship and current retention levels.

The Department is working with sectoral partners¹² to increase skills supply through the Further Education and Training (FET) system in order to tackle housing issues. In recent years, annual intake in construction and construction-related apprenticeships has steadily increased. In 2023, the construction and construction-related apprentice population surpassed 20,000 (a 53% increase on the pre-pandemic levels in 2019)¹³.

Modern methods of construction

There has been a significant expansion of the education and training pipeline for construction-related courses, including in new innovative construction processes such as MMC. A recent Roadmap has set out a range of actions to create the conditions for MMC to thrive¹⁴.

Box: Housing for All (Priority Action 13.2)

Regulations and standards

Milestones: CPD training programme to address MMC skills gaps (9) and training for Building Control Authorities to address any MMC knowledge gaps (10)

Skills development

Milestones: Publish data on MMC courses via SOLAS (18), publish an EGFSN report on MMC skills requirements and associated Action Plan (19, 20) and delivery of the MMC Demonstration Park (21, 22)

Note: The Housing Agency has also published a paper that is instructive in this regard.¹⁵

Given these acute labour market constraints – alongside the overarching imperative of boosting housing output –

it is timely to consider whether we are striking the optimal balance when it comes to the deployment of skilled staff in the construction sector.

According to CSO data on labour productivity, construction sector productivity was 11% lower in 2021 than in 2011. This had been falling for a number of years pre-pandemic but was broadly unchanged between 2019 and 2021. For comparison, labour productivity in sectors dominated by domestic enterprises increased by 9% between 2011 and 2021. In terms of ownership, productivity in foreign-owned construction firms has increased much more significantly than in their Irish-owned counterparts – this possibly reflects the differing types of activity undertaken and mirrors the trends in domestic versus foreign firm productivity observed in other sectors.

SYSTEM OF EMPLOYMENT PERMITS

Inward migration can boost the supply of labour for construction, albeit the current shortage of accommodation also creates difficulty in housing additional migrant workers (regardless of the sector). As of Q4 2023, there are 27,500 migrant workers in Ireland's construction sector, an increase of 84% (or 12,600 workers) since Q2 2021. Whilst EEA nationals are free to take-up construction-related employment here, the employment permits system is one potential source of non-EEA labour¹⁶. This system is managed through the operation of the *Critical Skills Occupations List* and the *Ineligible Occupations List*¹⁷.

In December 2023, DETE announced a significant expansion to the Employment Permit system, with a number of changes to the jobs eligible for a permit across many sectors and roles. This included a number of construction-related roles being made eligible for a Critical Skills Employment Permit¹⁸.

There is no quota in place for construction roles, and therefore there is no limit on the number of permits which can be issued for a particular role. Data on Construction Permits, as shown in Figure 4, indicate a significant uplift in numbers since the change made in October 2021.

¹¹ [gov.ie - Report on the Analysis of Skills for Residential Construction & Retrofitting, 2023 to 2030 \(www.gov.ie\)](https://www.gov.ie/en/publications/2022/12/report-on-the-analysis-of-skills-for-residential-construction-and-retrofitting-2023-to-2030/)

¹² SOLAS, the National Construction Training Centre (NCTC) and the Education and Training Boards (ETBs)

¹³ The Department has also been allocated €750,000 to set up a scheme which seeks to develop measures to promote careers in construction [gov - Minister Harris confirms Government approval for measures to recruit more people into construction \(www.gov.ie\)](https://www.gov.ie/en/publications/2023/01/minister-harris-confirms-government-approval-for-measures-to-recruit-more-people-into-construction/)

¹⁴ Roadmap for Increased Adoption of Modern Methods of Construction in Public Housing Delivery

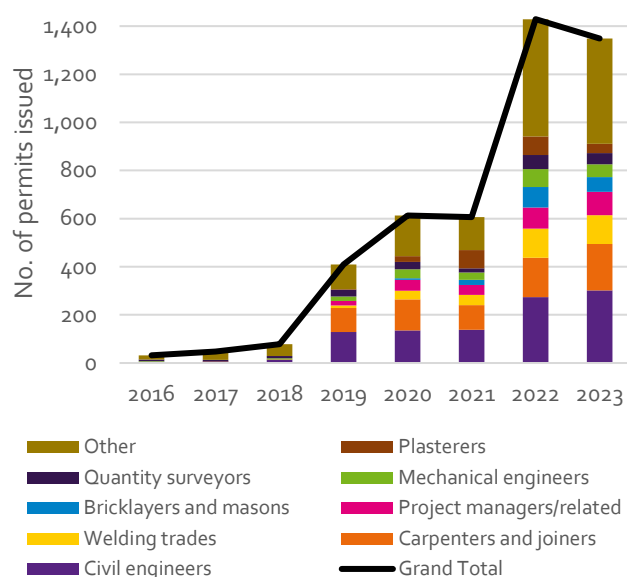
¹⁵ [The Housing Agency - Guide to PW-CF2 D&B Contract for MMC.pdf](#)

¹⁶ In order to work in Ireland a non-EEA national, unless they are exempted, must hold a valid employment permit. The Department of Enterprise, Trade and Employment administers the employment permits system.

¹⁷ This process is used to determine those employments that are either in high demand or are ineligible for consideration for an employment permit. These lists are reviewed twice a year through an evidence-based process including submissions from sectors and other stakeholders.

¹⁸ Other roles such as electrical contractor/engineer and electrician were made eligible for a General Employment Permit. This follows on from a number of changes in October 2021: [Minister Damien English announces comprehensive changes to the employment permits system in Ireland - DETE \(enterprise.gov.ie\)](#)

Figure 4: Construction (NACE Sector 'F') Permits Issued by Occupation

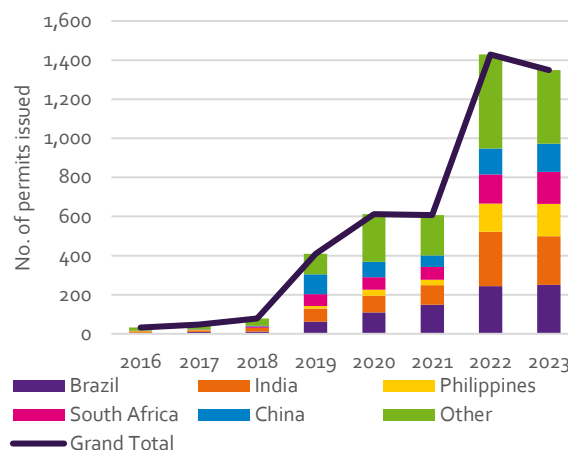


Source: Department of Enterprise, Trade and Employment

In effect, the number of permits issued for construction-specific occupations more than doubled between 2021 and 2023 (from 607 to 1,349¹⁹). For example, permits for civil engineers increased from 138 to 302 while permits for carpenters and nearly doubled from 103 to 192 (see Figure 4). However, to put this in context, the total number of construction-related permits issued makes up a very small proportion (0.8%) of the number of people employed in the construction sector in 2023 (up from 0.4% in 2021²⁰). The rise in permits issued may also have been impacted by the clearance of a backlog of applications accumulated due to COVID-19 disruptions.

Workers from Brazil, India, Philippines, South Africa, and China account for a significant proportion of the permits issued for occupations in the construction sector (see Figure 5). Workers originating from these countries also account for 77% of the increase in these permits between 2021 and 2023. In 2023, Brazilian workers accounted for 251 or 19% of total permit holders, followed by India (248 or 18% of total), the Philippines (166 or 12%), and South Africa (164 or 12%). In the case of the five countries mentioned above, the number of permits expanded significantly over recent years, and their relative shares have changed²¹.

Figure 5: Construction (NACE Sector 'F') Permits Issued by Nationality



Source: Department of Enterprise, Trade and Employment

Employment permits are part of the solution to increasing our labour supply and key skills in the short-term. However, this solution increases pressures on our already over-constrained housing market, and we are also competing with other countries – particularly across the EU – which are also experiencing a severe shortage of construction workers²². In the longer-term, it is therefore critical that we also increase emphasis on other solutions, such as ramping up the adoption of MMC and engaging more of our domestic workforce in construction.

STRUCTURAL CHANGES TO THE HOUSING MARKET

Beyond these labour market developments, it is also important to recognise that the structure and composition of Ireland's housing market has changed over the past decade. This dynamic, too, feeds through to the broader competitiveness challenges – by limiting the scale of new dwellings available for purchase by households, this adds to wage pressures and also has implications in terms of quality of life and staff recruitment and retention. This change is most notable with regard to the significant expansion of the role of institutional investors in the funding, and ownership, of residential property assets.

Expanded Role of Non-Household Buyers

'Non-household buyers' is a CSO category which includes the purchase of residential dwellings by private companies (including employers), charitable organisations, and State institutions. This includes purchases made by the Local Government sector and/or Approved Housing Bodies (AHBs). Over recent years, the role of these buyers in the

¹⁹ This includes new permits and renewal permits. In 2021 there were 567 new permits, and 40 renewal permits. In 2023 there were 1,270 new permits and 79 renewal permits.

²⁰ The number employed in construction was 161,300 as of Q4 2023 and 161,000 in Q4 2021.

²¹ For instance, the share for Brazilian workers fell from 25% in 2021 to 18% in 2023 but the share for Filipino workers rose from 5% to 12%.

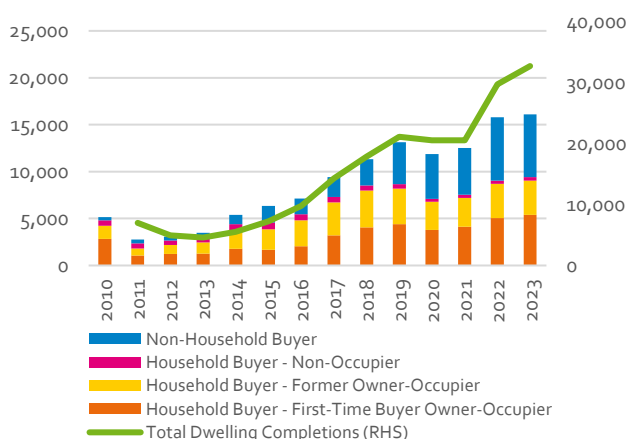
²² [Addressing the construction skills shortage in Europe | BUILD UP \(europa.eu\)](https://buildup.europa.eu)

market has expanded. Whilst the activity of these buyers adds to the stock of available properties (i.e., rental – private or social), the cost to employees of (private) renting is often higher than for owner-occupied housing – and provides less tenure guarantee than in other countries – and consequently, impacts negatively on competitiveness. These also constitute another draw on limited supply of labour in the construction sector.

This can be seen in the data for sales of new dwellings in Figure 6. As the number of new dwelling completions has risen, so too has the volume of new dwellings sold. This has increased from close to 7,000 units in 2016 to 16,000 in 2023 but the underlying profile of buyers changed significantly in this time. In 2016, households accounted for 77% of all new dwellings purchased but by 2023, this had fallen to 59%.

There has also been a clear divergence between new dwelling completions and the volume of new dwellings available for individual households to purchase in recent years (even allowing for timing factors). For instance, more than 80,000 dwellings were completed between 2021 and 2023 but the total number of new dwellings purchased by households over this period is close to half of that. Whilst the increased output (including new properties available to rent) is very welcome, this has not translated to an equivalent increase in units purchased by first-time buyers (FTBs)²³. Households building their own homes (on their own land) will account for only some of this differential.

Figure 6: New Dwellings, in volume of sales, between 2010 and 2023



Source: CSO. Note: A new dwelling is deemed to be sold once the Stamp Duty is executed for those instruments that transfer the ownership of a building. Where no transfer is required, Stamp Duty is not chargeable.

²³ New dwelling completions increased by 129% from 2017 but new dwellings purchased by FTB increased at a much slower rate (67.5% when comparing over the same time period).

²⁴ Construction output in this sector has increased significantly over recent years – and has been another draw on a limited pool of construction workers – but this output is not counted in the standard CSO series on new dwelling completions.

The Purpose-Built Student Accommodation (PBSA) sector has also seen a significant expansion in terms of the role played by institutional investors²⁴. The five largest institutional investors account for close to 40% of the total stock across Dublin, Cork and Galway. Changes in the provision of housing across this sector is an important consideration because of its ability to offset demand in other sectors of the residential housing market. The unmet demand in student accommodation adds to pressures in the private rental sector.

CONCLUDING COMMENTS

This Bulletin has highlighted the difficulties that housing supply challenges present from a competitiveness perspective. The challenges are manifest particularly with regard to the labour market, by undermining worker mobility and staff retention alongside the risk of limiting Ireland's capacity to attract and retain internationally mobile talent and skills. Indeed, CSO data indicates that since 2022 more Irish citizens have been leaving than returning to Ireland for the first time since 2016. In 2023, 29,600 are estimated to have immigrated (compared to 30,500 emigrations)²⁵. According to the CSO, over 57% of these emigrants – compared to 69% of the immigrants – had a third level education in 2022. In 2013, the figures were significantly lower, at 43% and 58%, respectively.

Labour supply is currently a constraint to housing delivery in Ireland. This Bulletin has demonstrated that Ireland has a significant number of migrant workers in the construction sector and is increasingly availing of the employment permit system to provide labour supply in the construction sector. These workers also require housing, which potentially compounds the difficulties for people trying to purchase (or rent) a home as competition in the market increases. The NCPC believes that addressing labour market constraints is crucial for meeting targets under *Housing for All* and the *Climate Action Plan*, including in relation to retrofitting, Near Zero Energy Buildings and MMC²⁶.

In terms of the supply of new residential housing, there has been a significant increase in the volume of completions – both for homeownership and private rental – over time. This expansion in the supply of housing (regardless of tenure) is certainly very welcome but the underlying change to the compositional dynamics can

²⁵ [Population and Migration Estimates, April 2023 - CSO - Central Statistics Office](#)

²⁶ Emissions from the Residential sector must reduce from 7 Mt CO₂eq. in 2018 to between 3.5-4.5 Mt CO₂eq. in 2030. This *National Residential Retrofit Plan* aims to achieve the equivalent of 500,000 homes retrofitted to a Building Energy Rating of B2/cost optimal or carbon equivalent and the installation of 400,000 heat pumps in existing premises to replace older, less efficient heating systems by end-2030.

compound some of the competitiveness impacts outlined above. For instance, for many households homeownership will be their preferred tenure. Indeed, owner-occupation is frequently less expensive than renting (and can provide greater certainty) such that a difficulty in purchasing a home will weigh on a household's perceived quality of life.

The employment permit system can be a part of the solution in increasing our labour supply in the short-term. In the longer-term, however, it is critical that we also increase emphasis on other solutions, such as accelerating the adoption of MMC and engaging our domestic workforce. We must also consider how best to deploy our labour supply. This includes ensuring that we strike the optimal balance between types of construction sector activity and output (for instance, residential versus commercial) and perhaps, also, the types of residential construction activity being undertaken (for instance, new dwellings versus retro-fitting). This is particularly important given the current pressures in the housing market and the reality that we are competing with other countries for construction workers.

The NCPC reports to An Taoiseach and the Government, through the Minister for Enterprise, Trade and Employment, on the key competitiveness and productivity issues facing the Irish economy and makes recommendations to Government on how best to address these issues. The latest NCPC publications can be found at: www.competitiveness.ie.

This Bulletin has been issued by the Chair, Dr Frances Ruane, and was prepared by Dr. Dermot P Coates, Karen Hogan and Erika Valiukaite in the NCPC Secretariat.