



An Chomhairle Náisiúnta Eacnamaíoch agus Shóisialta
National Economic & Social Council

Supports and Services for Unemployed Jobseekers: Challenges and Opportunities in a Time of Recession

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Supports and Services for Unemployed Jobseekers: Challenges and Opportunities in a Time of Recession

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Environmental Pillar

Ms Karin Dubsy

Environmental Pillar

Ms Siobhán Egan

Environmental Pillar

Secretariat to Project

Dr. John Sweeney

Senior Policy Analyst

Dr. Damian Thomas

Senior Policy Analyst

Dr. Claire Finn

Economist

Dr. Anne-Marie McGauran

Policy Analyst

A full list of the NESC Secretariat can be found at www.nesc.ie

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Abbreviations

AFSP Activation and Family Support Programme	ESF Enterprise Stabilisation Fund	LMP Labour Market Policy	QNHS Quarterly National Household Survey
AIE Average Industrial Earnings	ERO Employment Regulation Orders	LR Live Register	RAS Rental Accommodation Scheme
ALMP Active Labour Market Policy	ESOL English as a Second Language Provision	LTI Local Training Initiative	REA Registered Employment Agreements
BTEA Back to Education Allowance	FET Further Education and Training	LTU Long-Term Unemployment	RS Rent Supplement
BTEI Back to Education Initiative	FETAC Further Education and Training Awards Council	METR Marginal Effective Tax Rates	SLMRU Skills and Labour Market Research Unit
BTWEA Back to Work Enterprise Allowance	FIS Family Income Supplement	NEAP National Employment Action Plan	SME Small and Medium Sized Enterprise
CE Community Employment	GDP Gross Domestic Product	NEES National Employment and Entitlements Service	SOLAS National Employment and Entitlements Service and Further Education and Training Authority
COM European Commission	ILA Individual Learning Accounts	NFQ National Framework Qualifications	SST Specific Skills Training
CSP Community Services Programme	IRO Individual Reintegration Agreements	NGO Non Governmental Organisation	STEA Short Term Enterprise Allowance
CTC Community Training Centres	JA Jobseekers Allowance	NMW National Minimum Wage	TAT Technical Assistance and Training
DCEGA Department of Community, Equality and Gaeltacht Affairs	JB Jobseekers Benefit	NSS National Skills Strategy	VEC Vocational Education Committee
DSP Department of Social Protection	LCDP Local Community Development Programme	OAP Old Age Pension	VTOS Vocational Training Opportunities Scheme
DWS Developmental Welfare State	LDC Local Development Companies	PES Public Employment Service	
EES European Employment Strategy	LES Local Employment Service	PLC Post Leaving Certificate Programmes	
EGFSN Expert Group on Future Skills Needs	LESN Local Employment Services Network	Q Quarter	

Supports and Services for Unemployed Jobseekers: Executive Summary

High unemployment, and the growing share of it that is long-term, make it urgent to review the supports and services in place for unemployed jobseekers. Job-creation and job-retention are, of course, the greater priorities. What unemployed people first want is a decent job and no one in work wants to lose their job. But it is also extremely important to review, improve and reshape, if necessary, the supports and services on which people rely once they have the misfortune to become unemployed. Changes to Ireland's social welfare system, employment services and active labour market policies will not fix the economy or create jobs on the scale required, but they are vital to ensuring unemployed people are treated fairly, supported effectively, and not scarred for the rest of their lives by the economy's severe contraction between 2008 and 2010.

People who have lost their jobs in the current recession or who cannot find employment bear costs of an entirely different order to those whose net pay has been reduced, social welfare been lowered, have had their entitlement to a public service withdrawn, or are having to wait longer for a public service.

Where there is reliable evidence that unemployed people in receipt of social welfare are 'settling down' and adjusting to a life without work, this needs to be addressed and it is the specific purpose of activation measures to do so. Yet it is easy – and convenient for some purposes – to exaggerate the proportion of the current unemployment challenge that is due to overly generous and poorly policed welfare. The large majority of claimants find being on the Live Register (LR) demeaning, have no wish to receive an income for 'doing nothing' and accept that welfare fraud is theft (including from them). Empathy with them rather than suspicion should be to the fore in guiding innovation and reform. This requires paying close attention to the accessibility and quality of job-placement, career guidance and counselling services; the relevance and quality of the training and education programmes to which unemployed people are directed; the conditions and adequacy of the income support they receive; the different supports people need in the early months compared to later years of unemployment spells; and the design and scale of direct employment and work experience programmes that are open to them.

Properly understood, therefore, it is not just some individuals on the LR who need to be 'activated' but Ireland's entire organisational and policy framework for supporting unemployed jobseekers. Some of the underlying assumptions and design features of the supports and services in place were shaped in, and for, different times. It will require courage, imagination and leadership to reshape them for altogether new times.

Although job-creation and job-retention measures play the hugely important roles of increasing the outflow from, and reducing the inflow to, unemployment respectively, it is wholly valid and, in fact, extremely important to inquire into *how people are supported while unemployed*. Any prescriptions for Ireland's unemployment regime, however, must first take on board what has been happening in the Irish labour market and how the authorities have been responding since the recession struck in 2008.

The Context

The Fall in Employment and Rise in Unemployment

The years of strong economic growth driven by domestic demand were rich in job creation but the shake-out of employment occasioned by the recession has been greater still. Low-skilled jobs in particular came onstream in large numbers and have disappeared in large numbers. Exporting sectors play an indispensable but limited role in attaining high employment rates. They accounted for a small part of job-creation during the boom and for a small part of the jobs lost during the recession. This suggests that until there is a revival of domestic demand, a large proportion of those now unemployed face bleak employment prospects.

Generally, in downswings, young people, low-skilled workers and migrants experience disproportionately large increases in unemployment. This time is no different but the fact that the epicentre of the recession was in construction has made the incidence of unemployment borne by these groups even higher and added the significant dimension that males have been particularly prominent victims.

Despite the heavier incidence of the recession on the lower-skilled, the recession has spared no one. A large proportion of those now unemployed are well educated, while a further significant number were skilled workers in sectors that, even after economic recovery, will not need them again. For example, by 2010, over one-fifth of all the unemployed had a third-level qualification, of whom over one-third in turn were already long-term unemployed. Their much higher educational profile and more developed work experience compared to the unemployed in previous recessions is a salient new feature of the challenge facing labour market policy and social welfare services at the current time.

A significant decline in the participation rate has kept the unemployment count from rising even further. The participation rate has fallen principally because of the number of people returning to education. The significance of women's decisions to return to 'home duties' has been less dominant than in previous recessions. A large number of EU-12 nationals have returned home but a significant number remain

unemployed in Ireland. Irish emigration has also reasserted itself; as in the 1980s, it is largely a skilled outflow but, this time, those leaving have significant work experience also.

After lagging growth in the numbers of short-term unemployed, the numbers of long-term unemployed are now climbing rapidly. By the end of 2010, more than half of all the unemployed were long-term unemployed. Significant expert opinion believes that Ireland's unemployment regime, at the time the recession struck, was relatively poorly designed and ill-equipped for preventing long-term unemployment becoming structural unemployment.

A significant number of the unemployed are not entitled to Jobseeker's Benefit (JB) or Jobseeker's Allowance (JA) because they have a spouse earning, were previously self-employed or for other reasons. They, therefore, do not appear on the LR. Of those who are on the LR, loss of entitlement – and not finding work, returning to education or training, or transferring to another welfare scheme – has become the biggest single reason why people are leaving it.

Responses to Date

The labour market responses to the crisis to date can be fairly described as *government-led and departmental-driven*. The national-level institutions of social partnership have had no formal role to date in shaping and implementing these policy responses. Over the three years to mid-2011, there were six waves of significant adjustments affecting employment and unemployment policies. A coherent, long-term strategy ensuring their consistency has been lacking; at the two extremes, some adjustments have been ad hoc and are already ended, and some have begun doing what has been necessary for some time but was lost sight of during the boom years. Some prominent characteristics of the responses to date are worth noting.

(i) Institutional reconfiguration

A fundamental and far-reaching reconfiguration of departmental responsibilities in relation to employment services, further education and training, and direct employment programmes has been accelerated in response to the surge in demand produced by the crisis. The Department of Social Protection (DSP), in particular, is being better positioned and equipped to achieve a closer integration of income support and higher levels of usage of employment services and participation in active labour market measures by people on the LR. The Department of Education and Skills (DES) is acquiring a stronger foundation on which to integrate academic and vocational learning, first-time education and lifelong learning, and the training of those at work and of the jobless. The new National Employment and Entitlements Service (NEES) of the DSP and new Further Education and Training Agency (SOLAS) that is under the aegis of the DES have profoundly changed the institutional framework through which the challenges of high unemployment can be addressed.

(ii) Priority to training and education

A strong emphasis on training and education as the primary route back to work for the unemployed has had, perhaps, the strongest degree of policy continuity. Capacity has had to be expanded to meet people's new availability for, and interest in, education and training. The expansion in training capacity has been achieved through a combination of a shift towards short rather than long courses and the adoption of more diverse delivery mechanisms — evening courses, online courses and blended learning initiatives. Significant efforts have also been made to increase the presence of unemployed people on mainstream and special courses in colleges and third-level institutes. Additionally, the length of time people are required to be on the LR before being entitled to return to education and retain their social welfare was reduced. Concerns have grown about the quality and relevance of some of the additional training and educational capacity that was quickly brought on stream.

There has also been a clear policy focus on ensuring that specific cohorts among the unemployed receive priority access to the state's training, education, guidance and work experience opportunities. Positively, this can push providers to select more programme participants with profiles suggesting they are at particular risk of long-term unemployment and restrict the practice of 'cherry-picking' (selecting trainees/students on the basis of those who are the easiest to instruct). Concerns have grown, here too, that identifying priority cohorts may be a crude allocation mechanism and even wasteful if programme completion and programme benefits do not keep pace with changed programme intakes.

(iii) The emphasis on activation

The transfer of the Public Employment Service and of responsibility for direct employment programmes to the same department that is responsible for benefit administration, and the establishment of NEES within that department, provide a new and much stronger foundation for developing an activation agenda that aims to facilitate and encourage people, while in receipt of adequate income support, to seek or prepare for employment. The transfer of responsibility for workforce training to the DES, and the establishment of SOLAS to improve the effectiveness, responsiveness and co-ordination of further education and training provision for jobseekers (and other learners), provides NEES with a major new ally in progressing successful activation strategies. It is important to note that a commitment to reforming and strengthening activation policies and associated measures is an integral part of the structural reform agenda in the *EU/IMF Programme of Financial Support for Ireland*.

(iv) Social welfare retrenchment

Few measures, among the full range of those adopted, have probably been as unpopular — and regarded as proof of just how serious the fiscal situation is — as restrictions in entitlement to social welfare and cuts in payment rates. By far the greatest contribution to welfare savings to date has come from reducing payment rates. Cuts in weekly rates of payment announced in Budget 2011, for example, account for 44 per cent of the total DSP's savings to be achieved in 2011 (and cuts in monthly rates of child benefit for a further 17 per cent).

Generally, in reflecting on the aggregate of responses to the unemployment crisis taken to date, it is clear that the state and its agencies cannot make the required impact on their own. If measures are developed principally by government departments and their agencies, they risk being considered as largely the state's responsibility to deliver on. What are required are measures that command such a broad base of support from stakeholders (including, vitally, unemployed people themselves) that resources are mobilised across society in a coherent and co-ordinated manner and that inputs (of expertise and time as well as financial) are made by individuals, civil society and the social partners that complement and add value to those of the state. The best-practice examples from other countries of lifelong learning, welfare-to-work, activation and other measures, suggest major roles for local government, education/training providers, the social partners, NGOs and for individual responsibility alongside the intelligent engagement of the state.

The required mobilisation of diverse actors will benefit from a greater focus on what works. In a number of instances, new measures have been suspended or substantially modified within a short time after their introduction. It is quite likely that greater consultation, discernment and reflective thinking would have minimised some false departures and yielded better outcomes in terms of the efficient use of resources and sustained outcomes for participants. Departments, state agencies and third parties in receipt of public funds are already committed to jointly pursuing an outcomes focus, which, to the greatest extent possible, would measure the extent to which specific policies and programmes genuinely support individuals' progression to employment, further education or training. It is hugely important that the policy system enhances its knowledge and understanding of what works, what does not, and how policy design and delivery can be improved in a manner that generates positive outcomes both for clients and the state.

How People are Supported while Unemployed

The services and supports that make up Ireland's 'unemployment regime' can be analysed and reflected on following the sequence in which unemployed jobseekers typically encounter them. What people becoming unemployed first want and most want is a job and they, correspondingly, seek immediate and authoritative advice on what jobs are available that are suited to them, where they are available, and on what terms. Even in the teeth of this recession, a large number of jobs are being filled each month in the Irish economy. This puts the accessibility and quality of what is known across advanced countries as the Public Employment Service in the front line (A below).

If new jobs cannot be sourced within a reasonable period of time, despite good advice and active searching, unemployed people next want help and advice in acquiring the new or higher skills that will bring available and emerging jobs within their reach. Despite the high level of unemployment, there are significant skills deficits currently in the Irish economy and further ones are forecast. A country's Further Education and Training System is, therefore, what unemployed jobseekers next approach for support (B below).

In third place, unemployed jobseekers need and seek adequate and appropriate income security while they search for work or take part in further education or training. They need to be able to use their period of insurance-based cover (in Ireland, period of entitlement to Jobseeker's Benefit) and their savings to best effect. They need to avoid poverty which undermines their attachment to the workforce and credibility as members of it. Here, unemployed people encounter the Social Welfare System with its rates, rules and practices (C below).

In many countries, and in Ireland to a notable degree, it is particularly difficult to integrate the distinct services of the Public Employment Service, the Further Education and Training System and the Social Welfare System for people out of work for a long time. Such people face constant competition from new waves of more recently unemployed jobseekers and also struggle with the harmful effects that prolonged joblessness of itself produces. This is why activation strategies have become integral to unemployment regimes in advanced countries generally. They are an area of policy-making where Ireland can engage in a significant degree of catch-up (part D below).

Finally, while each of these forms of support and services are on-going and integral features of unemployment regimes in advanced countries today, the intensity of Ireland's current unemployment crisis requires imagination and boldness in designing and implementing temporary programmes that interrupt the duration of unemployment spells, without doing damage to people's longer term employment prospects (E below).

A. Access to Employment and the Public Employment Service

Universal Access to Basic Employment Services

When recession strikes and unemployment rises, the more basic services of the PES – job-search/job-matching and career guidance – come under pressure. It is, therefore, important not to lose sight of the significant economic and social benefits that publicly funded job-placement and career guidance services provide, and of the evidence that such relatively 'light' services (when compared to intensive activation) produce consistently positive outcomes and are cost-effective.

The very complexity of contemporary labour markets and educational and training systems means that a PES that can deliver for jobseekers and employers has become increasingly important to sustaining economic growth, and has acquired more of the nature of a public good. Not all such employment services, of course, need to be publicly subsidised, let alone publicly provided. In addition to greatly increased opportunities for self-help provided by broadband internet access, the private sector has hugely expanded its roles in job-placement and career guidance. Nevertheless, Western governments generally have concluded that the economic and social benefits to be reaped from basic employment services are so significant that they must be vigilant in ensuring high levels of usage, particularly by people experiencing labour market disadvantage.

Job-Search and Job-Matching During a Recession

Job-search/job-matching and career guidance are not forlorn activities during a recession. Even in a recession, employment opportunities arise from the need to replace workers retiring or leaving the workforce for other reasons. Across the EU as a whole it is estimated that *four* such replacement jobs arise for each one net new job created. It is legitimate for a PES to embrace the challenge of ensuring that unemployed people can compete on a level playing field for these replacement jobs. It is also legitimate for the PES and those implementing activation policies to seek to ensure that lower-skilled openings are not filled by over qualified candidates, thus inadvertently bumping lesser-qualified applicants off the labour ladder altogether. Even a situation where individuals who are long-term unemployed take jobs that prove to be temporary is preferable to one where long-term unemployment is left undisturbed.

Quality career guidance can assist people to career-switch and embark on longer, but well-grounded, routes back to employment. The universal services of the PES, by supporting upskilling and reskilling, can also encourage multinational corporations to recruit more within the Irish section of the European labour market. Finally it also needs to be appreciated that even relatively well-qualified and/or job-ready individuals can benefit from quality counselling and guidance, the provision of hard information on benefit entitlements, and the opportunity to revisit and retool their basic job search skills.

A Vision for Ireland's New National Employment and Entitlements Service

Ireland's PES entered the recession under-examined, fragmented and lacking ambition. Its approach to activation was, in a comparative context, both passive and low-intensity in character. The unemployment crisis has hugely increased demands on Ireland's PES and amplified existing weaknesses that were not adequately addressed when demands were lower and resources more abundant.

Now is the time to embrace a high level of ambition and articulate appropriate goals for Ireland's new National Employment and Entitlements Service (NEES). One such goal should be that it can ensure access to quality job-matching and guidance services for all jobseekers. All unemployed people (and people in work facing the prospect of redundancy) should be required to register with the NEES and avail of its services, and not just all those on the LR. The NEES should become the first port of call for all unemployed jobseekers, identifying and referring on to the benefit administration those with a potential entitlement to Jobseeker's Benefit or Jobseeker's Allowance. Having to access JB and JA *through* the NEES would foster a much greater awareness among those subsequently on the Live Register of the range of supports available to them, the conditionality of their welfare benefits and the inevitability of intensifying engagement with the NEES the longer their unemployment lasts. A NEES for all jobseekers would also protect it from being considered a residual service and, potentially, lead more employers to recruit through it.

It is essential that the services of the NEES to unemployed jobseekers are informed as systematically as possible by the best national and international research on labour market developments, emerging skill requirements, the training processes

by which skills are imparted, the educational pedagogies best suited to the diversity of learners' requirements, and the financial, social and other supports on which individuals can rely. It must also have a thorough understanding of what is on offer and of the effectiveness of specific providers, courses and programmes in procuring the outcomes its clients seek. A more authoritative NEES could play a significant role in increasing the agility of the educational and training systems, and of the social welfare code, by providing continuous feedback on the experience and progress of clients.

If the NEES is to justify not merely maintaining, but actually increasing, its allocation of limited public resources, it needs to foster a more sophisticated and robust performance dialogue across a broader network of public, private and non-for-profit service providers. This is a challenging objective that will require the NEES to proactively champion the need for more robust programme evaluation, enhanced data-collection methodologies, greater levels of information exchange, increased policy learning and a genuine commitment to mainstream good practice, irrespective of where it is generated.

A more robust performance dialogue should not be viewed as a mechanism for imposing rigid central controls on local actors in a manner that seeks to standardise service delivery and prioritise efficiency. Rather it should be undertaken in a manner that incentivises local autonomy and policy innovation in striving to improve client outcomes. A willingness to be performance-managed, and a commitment to provide the appropriate quantitative and qualitative data, should be a key eligibility requirement for receiving Exchequer funding. This type of performance management can be utilised as a means of stimulating policy and organisational learning, improving performance and delivering tangible benefits for both the state and clients.

The new NEES must, accordingly, develop as the leader and animator of a network across which public funds procure the best possible outcomes for unemployed jobseekers from, variously, public organisations, private bodies and NGOs.

A re-energised set of public employment services must adopt a high quality, client-centred approach to their delivery. Achieving this goal is primarily dependent on the quality and commitment of frontline personnel and, although recent research indicates that jobseekers can experience a high quality service, it also reveals a discernible lack of consistency in service delivery. This reaffirms the need for the NEES to develop an institutional culture – underpinned by appropriate performance measurement frameworks and operational standards – in which there is a clear commitment to ensuring a quality client-focused service in all of its offices and across its network of service providers.

The ongoing ban on recruitment within the public service means that the NEES must scale up its staffing resources through redeployment and retraining from within the public sector and/or by concluding more service agreements with third parties. The first approach is demanding of in-house HR functions. Staff relocating from even closely allied activities elsewhere in the public service may need significant further training to work as career guidance professionals, and the PES must also put in place the appropriate institutional supports necessary for staff to provide quality job-matching/placement and guidance services.

The second route to scaling up activities is through the conclusion of more and better service agreements with a broader network of public, private and non-for-profit organisations. This has the advantage of increasing capacity without creating a permanent state-funded infrastructure. While fragmentation and uneven services have been the downsides to this diversity of providers, the principal upside is the presence of significant expertise and experience across a variety of organisations. Consequently, there is now a major governance challenge to move from a situation in which a range of employment services are delivered through parallel systems, which provide people with different supports and entitlements in return for different requirements, to a national system that would be delivered transparently and collaboratively by diverse providers.

B. Employability: Training and Education for the Unemployed

The National Skills Strategy

The current unemployment crisis has created a more urgent and challenging context for delivering on the National Skills Strategy. It is accelerating the secular decline of sectors that were traditionally large users of low skills and adding urgency to the development of sectors associated with new skills and the 'smart economy'. It is making a large number of formerly employed low-skilled workers available for education and training (in a perverse way); previously, many of these workers had limited time or employer support to pursue training. The recession has further weakened the assumption that education and training are the domain of young people. It has raised the profile of further education and training and stirred a greater determination to address its fragmented and relatively underdeveloped state in Ireland, and to improve the quality of the programmes and courses on offer. Finally, the recession is bringing policy makers, operating within exceptionally tight fiscal constraints, to want a much improved evidence base for identifying what training or education delivers best and for whom, and to seek better outcomes from given levels of public spending on Further Education and Training (FET).

There are negatives, of course. The crisis is exposing the weakness to date of strategies and incentives for bringing low-skilled workers in particular back to education and training. The extent of the return to education and training that has already taken place is straining the capacity of the better training and education providers, and creating the risk that quality is sacrificed to quantity as resources are spread more thinly. Depressed sales and eroded profits have weakened the capacity of some employers to invest in skills, or even to retain them by avoiding redundancies. Short-term fiscal constraints are so acute that the medium- and longer-term private, fiscal and social returns to FET may be discounted excessively in deciding on the currently affordable levels of public spending.

Labour Market Intelligence

A key public good, essential to guiding the quality of private and public investment decisions on education, is the quality of labour market intelligence. It is important that individuals, education providers, employers and policy-makers are guided by as reliable, comprehensive and relevant evidence as it is possible to obtain about what the labour market is currently rewarding, the skills and competencies for which demand is likely to grow or wane, and the relative effectiveness of different courses, programmes and pedagogies in equipping people with the skills and competencies in demand. Even – or especially – at the current time, when their numbers are so large, no unemployed jobseeker should have to decide on the education or training to pursue without competent career guidance or lacking access to the best available understanding of labour market realities. On the contrary, all are entitled to be (i) guided into courses and programmes where the content and teaching methods are relevant to how the world of work is evolving and (ii) directed to providers that are proficient in delivering these courses and programmes to a high standard.

Increased Co-Ordination Between the Worlds of Education, Training and Work

Increasing the supply of places on courses and programmes to match rising demand, while ensuring a satisfactory return on the rising private and public investments being made, requires that the worlds of education, training and work co-operate extremely closely. Only a co-ordinated approach on the part of employers, educational and training providers, labour market experts and policy-makers will deliver what unemployed people really need and want. Much has been, and is, happening to overcome inertia in education and training systems, and to increase their relevance to labour market developments and responsiveness to learners' needs. Where necessary, producer interests have to be named and challenged. Filling course-places legitimately benefits institutions and their staff but, if the courses do not demonstrably advance unemployed people's best interests, it is legitimate to question the value for money being achieved and to suspect a degree of collusion in massaging the unemployment figures. By contrast, deepening the dialogue between the worlds of education/training and work, and increasing the speed and effectiveness with which providers respond to the current high unemployment, would enhance the credibility of what is offered and the level of enthusiasm for the National Skills Strategy.

Raising Low Skills

Upskilling people with low levels of formal educational attainment – many of whom may have extensive experience of being in employment – requires distinct and more innovative policies than upskilling the already well-educated. The former, typically, see less clearly how they will benefit from what, proportionately, is a harder challenge and for which they have less household supports. Particularly for them, it is important to keep the route through a job to higher skills open and not overly emphasise improving skills as a necessary precondition for a new job. This implies making room for an 'employment first' approach that incorporates forms of on-the-job training, day release, training leave, etc., all of which require the engagement and commitment of employers. The contribution of on-the-job upskilling would be enhanced by a greater and more effective use of the Recognition of Prior Learning, as this has the potential to increase an individual's motivation to

round out existing skills in order to gain a full award, and to progress up through the National Framework of Qualifications.

It is also a huge challenge to education and training providers that they should be able to welcome as students people seeking to reskill or upskill while holding their jobs, as much as young people leaving the secondary education system. As urged in the National Strategy for Higher Education to 2030, education and training providers will have to innovate much further in delivering courses in new ways and developing new courses for mature students who have significant work and home responsibilities.

The scale of the current unemployment crisis, and the pressing need to use existing resources more effectively and efficiently, make it imperative to explore further whether and how training and education provision for the unemployed could allow and foster greater individual choice and user-involvement. Promoting greater individual choice requires the development of appropriate and effective institutional arrangements and procedures for giving ‘voice’ to clients’ experiences, and ensuring their views constitute a valued input in the ongoing shaping of policy and its implementation. A National Client Council that channels the experience and views of unemployed people using employment services to policy-makers has played a significant role in improving participation in, and the outcomes achieved by, re-integration polices for unemployed jobseekers in the Netherlands.

C. Social Welfare and the Incentive to Work

Social Welfare Payments Prior to the Recession

By 2007, payment rates of long-term social welfare in Ireland had reached levels that were among the highest in the OECD. In several respects, this was a proud achievement. It was the fruit of a consistent and intensifying focus on the role of social welfare payment rates in combating poverty, and of a determination to weaken the link between long-term unemployment and poverty.

What was achieved had its weaknesses, however, and these had come into policy focus before the recession broke. Social welfare payment rates alone could not address the causes of welfare-dependency (and had not), but the manner of administering social welfare could prolong it. A passive approach geared to getting the correct monies to people in the correct circumstances (‘transactions-based’) was seen as no longer adequate. A more person-centred approach, which assumes a developmental responsibility in the income relationship, was acknowledged as necessary. By 2008, the DSP was already committed to integrating its provision of income support with the availability and take-up of the services that foster greater self-reliance (developmental services such as education, training, personal development and work experience; enabling services such as childcare, health and housing).

The recession has powerfully altered the context within which this shift in strategy has to be implemented, but it has not made the shift any less important or desirable. Rather, the shift is more important than ever if a legacy of ‘human set aside’ is to be avoided in the wake of this recession.

Social Welfare and the Incentive to Work

The payment rates of social welfare – along with many other factors – impact on the incentive to leave social welfare for employment. Concerns are consistently expressed that the total income people can receive when jobless compares so favourably with what their disposable income would be in employment that a significant number find it is not ‘worth their while’ to leave welfare for work.

Replacement rates try to capture the proportion of household disposable income from employment that is ‘replaced’ by social welfare when a person is out of work. It is important to be clear on some key distinctions: (i) that between ‘nominal’ replacement rates (calculated on the basis of ‘representative’ individuals and without taking the impact of means-testing into account) and ‘actual’ replacement rates (what individuals actually receive in social welfare after their household means have been assessed); (ii) that between replacement rates faced by people with dependent spouses and children and those faced by single people or people with spouses who are earning; and (iii) that between replacement rates faced by people who have been continuously on the LR for twelve months or longer and those faced by people in the first months of their unemployment spells.

Depending on *which* are being examined, Ireland’s replacement rates can be described as high or low.

The amount of social welfare paid to people reflects their particular circumstances to a significant degree (because of increases for qualified dependants, household means-testing and eligibility for secondary benefits). In some circumstances, high cumulative social welfare payments result and replacement rates are correspondingly high. But it is important to establish the proportions of the unemployed who are in the circumstances that bring them high welfare payments and lead to high replacement rates.

The large majority of claimants on the LR, in fact, face replacement rates that are low. This is because the large majority of claimants are either single people or have spouses/partners still in employment, whose earnings are taken into account in the household means test and which reduce the amounts of social welfare paid. Concerns that receipt of secondary payments, and of housing supplements in particular, raise replacement rates to high levels, for example, apply to only small proportions of those on the LR.

Concerns that social welfare is having disincentive effects may have a stronger basis in the high marginal effective tax rates that can apply when people who are combining receipt of a social welfare payment with some low-paid, part-time work attempt to earn more. Ireland’s social welfare code has developed to allow people on the LR (and those in receipt of other working-age payments, e.g., lone parents) to engage in part-time work while retaining their social welfare payments. The withdrawal of their payments as their earnings increase, along with higher taxes they must pay, can lead people to decide it is not worth their while to work additional hours (a classic ‘poverty trap’).

While the work disincentive effects of social welfare payment rates are easy to misinterpret and exaggerate, the levels of Ireland’s social welfare payments, at their peak in 2009, were high by previous Irish standards and in an international

context. The real challenge being posed to them by the onset of recession, high unemployment and the state's fiscal crisis is their simple affordability at the current time. The state's 'ability to pay', then, is the real issue. There is much less evidence that they are keeping unemployment higher than it would otherwise be.

Modernising Jobseeker's Benefit and Jobseeker's Allowance

Jobseeker's Benefit

The development of JB in Ireland over the last two decades has largely ignored any specific functions of unemployment insurance in the short term. Its distinct nature was progressively lost sight of as it was caught up in a general movement to align rates across the full range of welfare payments. The shortening of the period for which JB is paid, and an increase in the number of contributions required to establish an entitlement to payment in the first place, were early measures taken to restrain costs since the crisis began.

A large number of those who became unemployed in the current recession might well regret these developments. They have experienced some of the steepest falls in living standards of all those thrown out of work by the recession across the EU. The opportunity to shield the rate of JB for the initial months of a claim from general cuts in welfare was not taken. The opportunity to pay it at a higher rate than other welfare rates for a limited period should be considered when and as the economy and fiscal position improve. The rules by which contributions are calculated need to be revised to bring greater transparency and fairness to the link between individual contributions, their payment levels and periods of entitlement, and to strengthen the contributory principle. Arrangements for at least a voluntary opt-in on the part of the self-employed should be considered.

Jobseeker's Allowance

A major reform being signalled for Ireland's welfare state is a phased but steady movement towards having one single social assistance payment for all people of working age.

As in other areas, hindsight suggests that earlier and swifter movement on this front would have ensured unemployed people received a more comprehensive and effective range of supports than is currently the case. For example, a single payment would have given them access to a payment more quickly and under more transparent and stable conditions; it would have reduced the hazards and negated the advantages of transferring to a different welfare payment; and it would have lessened poverty and unemployment traps. Above all, it would have ensured that accessing the payments that provide the more secure income support (One Parent Family Payment, Disability Allowance) was not facilitated by demonstrating an inability to prepare for or seek employment. The current crisis, thus, should reinforce the strategic direction that the DSP is taking and bring added support from the other key departments and agencies integral to its success. It should further accelerate and guide the business transformation and organisation restructuring ongoing within the DSP. It should strengthen consultation with the community and voluntary sector in order that as widely shared as possible

an understanding of activation and its requirements is embraced. It will need exceptional political commitment if exceptions and special measures are not to accompany the introduction of a Single Payment to such an extent that its intended simplicity is lost.

Social Welfare Fraud

Error not fraud is the principal reason why overpayments of social welfare take place. The error is sometimes on the part of claimants (e.g., not reporting a change in circumstances in time but without fraudulent intent) and sometimes on the part of the DSP itself.

Social welfare fraud, unlike claimant errors, deserves no tolerance. In good and bad economic times, it takes resources from more important uses, steals from the taxpayer and is particularly damaging to the interests of social welfare recipients themselves (it justifies the more intrusive policing of benefits generally and creates greater public suspicion of welfare receipt). The most appropriate time for significantly improving the detection and sanctioning of fraud is, generally, when unemployment is low – there are fewer claimants to police, more job offers against which to test claimants' willingness to work, and staff resources can be diverted to investigation with less damage to mainstream services. The same factors operate in reverse when unemployment is high to make it a difficult time in which to improve the detection and sanctioning of fraud.

How the issue of fraud is highlighted and addressed impacts significantly on unemployed people. It is important to distinguish two arguments. (i) It is now opportune to make significant changes in how fraud is detected and sanctioned because the scale of the increase in the LR and the 'quality' of the inflow underline the extent to which existing procedures are outmoded and obsolescent. This is true. (ii) Stronger controls on fraud are needed because it is growing as an issue along with the rise in unemployment. This argument is suspect. Waste has never been so costly to the public system as now, but there is no evidence that the propensity to defraud the social welfare system has risen. Equally, it is important to continue to monitor this situation and ensure that the control mechanisms that are in place are sufficient to avoid any growth in black-economy activity as the economy recovers.

Which perspective is communicated as guiding policy can influence how unemployed people are viewed by the still large majority of the public who have no direct experience of being on the LR. It will also influence the self-image of those on the LR themselves and the degree of courtesy and efficiency built-in to the arrangements for serving them. It would be particularly regrettable if exaggerated concerns about fraud were to lead to the postponement or shelving of measures that will, otherwise, bring the administration of JB and JA more into line with Ireland's ambitions to develop a knowledge economy and a learning society.

D. The Theory, Practice and Governance of Activation

Activation Strategies

Some countries successfully combine high replacement rates with low unemployment, low long-term unemployment and low claimant counts because they have vigorous and effective activation measures. The disincentive effects of high replacement rates, therefore, cannot be considered in isolation from the rules and conditions governing the eligibility for unemployment payments and how they are enforced. The best way to sustain/protect what are good payment levels of long-term social assistance in Ireland for people in certain circumstances is to intensify and improve activation policies. The ongoing need to find savings in social welfare spending on the part of a state whose circumstances have changed utterly in a relatively short space of time should not be confused with the search for improved activation measures, a longer-standing challenge for Ireland's welfare state. Effective activation includes transparent and fair forms of conditionality and recourse to sanctions (lower payments for a period or their temporary suspension); the latter, however, entail surgical reductions in welfare payments not generalised ones.

Activation that is successful and delivers the outcomes sought cannot be engineered by central government acting unilaterally. Rather, it requires the co-ordinated and competent engagement of a wide number of actors—state agencies, local government, education and training providers, social partners, NGOs and social welfare recipients themselves. Hence, it is important to proceed with as broad agreement as possible on its purpose and methods. Finding such agreement has to reckon with deeply held views on the purposes of social welfare and widely different assessments of what it achieves. At one extreme, activation awakens fears that social welfare payments will be suspended or reduced in a bid to force claimants into low-paying and unstable jobs that significantly undermine their well-being. At the other extreme, the indefinite payment of welfare without a structured engagement with recipients is considered tantamount to paying an 'exclusion wage' and not in recipients' long-term interests, much less those of the Exchequer.

In the context of increasing pressures on public finances, it is also important that the policy agenda for activation and income supports is not dominated by the need for savings or exaggerated claims as to what coercion can achieve. Rather, policy development should concentrate on achieving a complementary balance between the redesign of welfare codes, the provision of quality services and the enforcement of conditionality requirements that include appropriate sanctions for non-compliance.

Internationally, a common interest in, and commitment to, activation has become evident across very different types of welfare state. Activation should help people achieve a sustainable independence from social benefits and not just an early transition from welfare to work. In effect, activation – from whatever starting point (labour market shortages or entrenched welfare dependence) and within whatever welfare state setting – requires attention to two dimensions if it is to be effective: (i) ensuring people remain interested in and committed to finding a job, and (ii) improving people's productivity and employability.

Mutual Obligations

Activation also involves making explicit and transparent the respective mutual obligations that are on the individual and the state, and accepting that in clearly defined instances continuing state support in terms of income transfer and provision of quality services, can be made conditional on the individual's fulfilment of obligations to actively seek work and participate in designated training or education initiatives. Supportive conditionality – whereby the state asks nothing of the weaker party (the individual), which it does not appropriately support them in delivering on – is integral not only to effective activation but also to the wider concept of a developmental welfare state premised on high levels of employment.

Activation embraces both the short-term and long-term unemployed but does so differently. To be 'available for' and 'actively seeking' work is an obligation on all unemployed jobseekers, including recipients of unemployment insurance in the first months of an unemployment spell. However, individuals' needs at the start of and later in unemployment spells are different. In the early months, a significant proportion need to be provided the equivalent of space and encouragement as they take stock of what has befallen them, and seek to mobilise their own resources and networks to assess their options and take action accordingly. Counselling, information and assistance in drawing up personal plans may be the best forms activation can take. As unemployment spells lengthen, the composition and circumstances of those remaining unemployed become less diverse (the more employable find jobs, individuals' resources and networks begin to shrink, joboffers become less attractive, etc.) and more intensive support is required. This is where activation proper begins with, often, the introduction of an element of obligation to use some of the wider supports made available.

Reforming and Up-Grading the NEAP

Robust evidence that by 2008 Ireland's National Employment Action Plan (NEAP) was not registering the positive impacts generally found for such programmes in other countries – worse, that taking part in it was bad for people's employment prospects – may be attributable to earlier defects that have since been more strongly addressed. These include poor collaboration between FÁS and the DSFA in monitoring job-search, the rare recourse to sanctions, low expectations of service users on the part of FÁS and social welfare personnel, poor management, inadequate IT systems, etc. It will be an early objective of the NEES to have a reformed NEAP that unambiguously improves unemployed people's likelihood of entering employment.

International research and good practice suggest that it cannot be assumed that the physical co-location, much less formal merger, of services at departmental level will necessarily result in a seamless, co-ordinated and ultimately improved level of service for unemployed clients. In the Irish context, achieving this will require producing synergies from two distinct organisational cultures, adopting a shared and comprehensive case-management system, and providing the data-sharing and IT systems that support it. Sweeping Danish reforms, for example, brought employment services and benefit administration together but, some years later, research found that differences in approach, which the integration hoped to lessen, had been carried into the new integrated organisation.

Activation does not come cheap, but expenditure on JB/JA is soaring anyway and, as has happened in the past, its rise may be ratchet-like (rising steadily during the recession but falling by much less when the economy recovers) unless some understanding of the appropriate proportionate activation required is adopted and implemented.

It is vitally important that activation should succeed, and that the ambitions of government and society for activation do not to prove beyond the public system's capabilities and level of resources to deliver on, either directly or through the stimulation and guidance of sub-contracted parties. To this end, it is vital that local government, the social partners and the community and voluntary sector understand what is in train, are allowed to influence it, engage with it and are incentivised to contribute to its success.

Different Needs Early and Late in an Unemployment Spell

Traditionally, Ireland has focused the challenge of how to support the long-term unemployed on containing the poverty associated with the status rather than ending the status. Rates of primary payments, secondary benefits and access to services were increased significantly for people still seeking work after three, four, five or more years. In fact, it is relatively unusual in the EU and OECD to be entitled to claim income compensation for years on end as someone who is unemployed and unable to find suitable work. Before unemployment spells go into a third year or longer, most countries insist more strongly than in Ireland on claimants' participation in programmes that enhance their employability, or they identify the underlying cause of prolonged joblessness more accurately and transfer claimants to long-term social assistance for a status outside the labour market.

At the heart of how unemployed jobseekers are supported in the early months of an unemployment spell should be the assumptions that, generally, they are employable, have methods of informal job-search from which they should not lightly be diverted, know with reasonable accuracy the types and terms of employment they are capable of justifying with their performance, and can identify and choose what is best suited to them from among the supports that are available. The ability to design services for them on the basis of these assumptions is strengthened by profiling; it serves to identify those individuals to whom the assumptions do not apply and to fast-track them to other services designed for people job-seeking without success for twelve months or more.

Once an unemployment spell lasts longer than twelve months, the assumption should become that unemployed job-seekers now need the NEES to work more strongly with them to identify why re-employment is proving difficult and to draw up individual action plans that chart a realistic course as to how they will eventually re-enter employment. Indeed, it might be possible to incorporate into this twelve-month threshold a counter-cyclical element whereby intensive engagement with the PES would come sooner than twelve months under conditions of sustained low unemployment, and somewhat later during a prolonged recession.

E. Temporary Measures for Extraordinary Times

The last three years (2008–2010) have shown just how comatose the Irish labour market is. It is now possible that the level of employment may register no net increase until 2013. Only emigration and labour market withdrawal appear to have had significant roles in containing the rise in unemployment, while nothing has been able to stop the share of it that is long-term growing inexorably. Whatever the actual impacts of the many and diverse responses taken to the labour market crisis to date, two conclusions must be drawn: (i) their cumulative impact has been wholly insufficient; and (ii) further, more bold and imaginative responses must still be undertaken.

A significant proportion of those made unemployed by the crisis present no particular difficulty to employment services other than that they do not have jobs. They have sufficient educational attainment to ensure their ability to learn and adapt, and they have recent work experience and a developed work ethic. In short, they are eminently employable. To use the familiar analogy, their boats would rise with an incoming tide but, due to nothing that is within their power, no tide is expected for a considerable length of time. Their availability for, and commitment to, work cannot be doubted and little is gained by devoting scarce public resources to monitoring and testing their job-search and availability for work. They have skills and competencies that need to be exercised if they are not to deteriorate and, in many instances, public resources will bring a better return if used to help them exercise the skills they have than to acquire new ones.

National Internship Programme

The National Internship Programme introduced in the May 2011 Jobs Initiative has several features that should boost its success: the additional recompense provided to interns (€50 a week) is likely to be experienced as a significant mark of recognition by people whose weekly income may otherwise be €188 (or less if aged under twenty-five). While administered by the DSP, it is managed by a board on which the strongest parts of Ireland's private sector are prominently represented. The branding of the Programme and, thus, how people perceive it, is being actively managed from the outset. There are good grounds for believing that it will attract high-quality participants and employers to the benefit of all who take part and that interns' employment prospects will be boosted rather than weakened by their participation.

What has been put in place, however, should be expanded with greater imagination and urgency. The labour market crisis is already more than three years old and the unemployment figures will be little dented when the Programme reaches its current 5,000-capacity. A major 'bailing in' by private sector employers and the conceptualisation of internships in imaginative ways – harnessing some of them, for example, to remedy the exceptionally weak language skills of Ireland's graduates – will be important if the Programme is to achieve the scale that its potential and, above all, the needs of the unemployed require.

Even three years into this unemployment crisis, a forum or clearing house is still lacking where the many actors who are in positions to, respectively, identify, manage and deliver valuable projects and ensure that people on the LR are employed on them in a satisfactory way, has not been established.

A Board for Temporary Projects

The pivotal need now is for greater clarity on *how* temporary measures should be speedily identified, prepared and implemented, i.e., for a more transparent, inclusive and rapid process. The interaction to date has been strongest between central government and the mainline departments and state bodies directly under its control. The thrust of this report is that it needs to extend to include in a stronger and more systematic way the inputs of local government, private enterprise and professional associations, regional bodies and local communities. It seems imperative that a 'Board for Temporary Projects' (or some such name) should be established for a limited time period, its membership composed of people at the appropriate level in organisations that, collectively, could guarantee (i) a sufficient volume of projects sure to be well-managed and delivered on, and (ii) participation/ employment on terms and conditions that are fair and feasible for unemployed people while occasioning no additional Exchequer spending (other than the 'transformation' of what otherwise would have been spent on JA or other social welfare). The Board should contain the necessary capability and competence for assessing and making operational proposals put forward by different organisations, such as local authorities, semi-state bodies, enterprises, the social partners and other NGOs. Its work should be guided by the criteria set out above (among others) and include consideration of, and learning from past, temporary employment projects.

Ireland's labour market will take years to recover from the massive contraction that has occurred in the economy. The workforce that has suffered differs in significant ways from the workforce that experienced the poor economic performance of the 1980s. Compared to the workforce of the 1980s, it is educated to higher levels, has more dual-earner households and contains a large migrant population. It also entered the recession after a period of growth in employment and earnings unprecedented in the history of the state, as a result of which a significant number had sizeable financial commitments and levels of debt when the recession struck.

The composition and the surge in the numbers of unemployed job-seekers have presented a huge challenge to Ireland's social welfare system, employment services and active labour market policies. Some of the underlying assumptions and design features of the supports and services in place were shaped in, and for, different times. It requires courage, imagination and leadership to reshape them for altogether new times.

Prior to the crisis, progress was being made in identifying and implementing reforms that were in the best interests of both unemployed people and the economy, and which strong employment growth was making more urgent and feasible. The subsequent collapse in employment and surge in unemployment, however, have cast a penetrating light on the adequacy of that progress. Necessary changes, postponed when unemployment was low, have become more pressing at the very time that state resources and public sector capabilities have been squeezed. The view that Ireland could have started the current crisis with a benefit caseload of 50,000 rather than 150,000 if activation measures had been more vigorously pursued cannot be lightly dismissed (Grubb, June 2010). The prediction that we are an OECD country in which rising unemployment appears particularly likely to result in long-term unemployment and structural unemployment should disturb us (Guichard and Rusticelli, 2010.)

Government departments, public sector agencies, the social partners and NGOs have responded on several fronts to the unemployment crisis. The core departmental and organisational architecture through which the state channels support to unemployed job-seekers is being quite fundamentally recast. Capacity on existing programmes has been increased and terms of access to them have been eased. New programmes and schemes have been introduced. Even the institutions and actors in the vanguard of designing and implementing these responses, however, know that more is required. The scale of the response needs to be greater and

that means, in turn, a more vigorous redeployment of resources; the consistency and effectiveness of the variety of measures involved needs to be improved and that requires deeper analysis and more long-term thinking; the ownership of, and responsibility for implementing, changes need to be broader and that requires greater consultation and improved systems of governance. A second wave of further and deeper change should aim, therefore, to have just these characteristics.

In particular, a second wave of change should be imbued with a thorough understanding, respect and ambition for those who have lost their jobs or the misfortune to be seeking a first job at the present time. This has not always been the case. On the contrary, it has been easy for unemployed jobseekers to feel 'on the defensive'. Significant numbers have found the Public Employment Service to be overwhelmed and with little of real relevance to offer them; many question the value to their working careers of the training and education courses they have been encouraged to enter; the waiting time and the scrutiny attached to claiming social welfare has made a position people never wanted to be in even more stressful; some feel that the danger that some among them might become structurally unemployed and detached from the world of work in the future is getting greater attention than the fact that they are eager for employment and actively job-seeking in the present. The experiences of some young people, in particular, encapsulate this sense of being on the defensive. Among them, some even believe the 'silent' advice to them is that they should emigrate and prove their ambition and motivation to work and build a career by doing so (NYCI, 2010).

The degree of attention given the potential disincentive effects of social welfare and the weakness of control measures is a particular case in point of how unemployed people generally are placed on the defensive. Where there is reliable evidence that unemployed people in receipt of social welfare are 'settling down' and adjusting to a life without work, this needs to be addressed and it is the specific purpose of activation measures to do so. Yet it is easy – and convenient for some purposes – to exaggerate the proportion of the current unemployment challenge that is due to overly generous and poorly policed welfare. Most unemployed people find being on the Live Register demeaning, have no wish to receive an income for 'doing nothing' and accept that welfare fraud is theft (including from them). Empathy with them rather than suspicion should be to the fore in guiding a next round of innovation and reform. This requires paying proportionate attention to the accessibility and quality of job-placement, career guidance and counselling services; the relevance and quality of the training and education programmes to which unemployed people are directed; the conditions and adequacy of the income support they receive; the different supports people need in the early months compared to later years of unemployment spells; and the design and scale of direct employment and work experience programmes that are open to them. A comprehensive reform strategy for Ireland's unemployment regime must address each of them and that is what this report seeks to do. The important issues of disincentives to work caused by social welfare payments and the need for conditionality are addressed but in the context of a wider review of the availability and effectiveness of services that help people seek work, prepare for work, and leave welfare for work.

Properly understood, therefore, it is not just some individuals on the Live Register who need to be ‘activated’ but Ireland’s entire organisational and policy framework for supporting unemployed jobseekers. Ireland’s public service overall accepts that an integral part of its transformation agenda is to enhance its ability to respond to citizens’ changing needs. This means ‘public services which are anchored around significant life events and quicker to discontinue what is no longer useful. It means an accelerated pace of policy learning informed by evaluation-based evidence’ (*Ireland-The Smart Economy. Summary of Progress, Future Priorities, March 2010*).

This report reviews the interrelated supports and services that are provided, at public expense, to unemployed jobseekers in Ireland. It believes the moment is opportune not to ‘waste a crisis’ in this area as in others but to proceed more consciously and deliberately with an overhaul of Ireland’s current unemployment regime making improved outcomes for those who are currently unemployed the predominant criterion to the greatest extent possible.

The report, therefore, does *not* cover job creation or how employers and their employees may be supported by public policy if they minimize the recourse to redundancies in the first place. Clearly, what unemployed people first want and most want is a job, and anyone made redundant would prefer if the eventuality could have been avoided in the first place. But, while job creation and job retention measures play the hugely important roles of increasing the outflow from and reducing the inflow to unemployment, respectively, it is wholly valid and, in fact, extremely important to inquire into how people are supported *while* unemployed. This is what this report is about.

It is structured as follows. Chapters 1 and 2 are contextual chapters. Chapter 1 reviews the fall in employment and rise in unemployment that has taken place, and Chapter 2 the new measures that the labour market authorities have taken to date. Chapters 3 to 7 then examine the major forms of support unemployed people receive and public funds provide in five interrelated areas; services that support unemployed people’s **access to employment** where the Public Employment Service plays a prominent role (Chapter 3); training and education courses, and access routes to mainstream education and training, which are specific to unemployed people and designed to enhance their **employability** (Chapter 4); **income support** that is specific to the situation of unemployment, principally Jobseeker’s Benefit and Jobseeker’s Assistance (Chapters 5 and 6); and **activation measures** that seek to integrate and sequence how all these supports are applied and used in situations where unemployment is likely to last for a long time (Chapter 7). Finally, **temporary measures** that are not intended to be a permanent part of the policy landscape but required by the particularly bleak prospects that face the national economy at the present time are discussed in Chapter 8.

It will become clear that the ‘activation’ of institutions considered in this way will require additional spending in several areas. In the current context, this will have to come entirely from reallocation *within* labour market spending (from passive to active measures and from measures where take-up is voluntary to measures where take-up is mandatory), but it may also be necessary to reallocate resources from other budgets *to* labour market spending. The latter will not be easy as any reallocation to labour market spending can be considered as entailing a lower

level or quality of public services delivered elsewhere. This is a real issue. However, people who have lost their jobs in the current recession or who cannot find one bear costs of an entirely different order to those whose net pay has been reduced, social welfare been lowered, have had their entitlement to a public service withdrawn or are having to wait longer for a public service. *If* a reallocation of resources from other uses to labour market policy can be demonstrated as effective in keeping individuals from drifting into 'unemployability', with all its consequences, it would be difficult to override it in the current context. This should only be considered, of course, once all potential within the current labour market budget for reallocation has been exhausted. However, that some existing labour market spending can be transformed into more 'active' forms is not an assumption that the level of spending itself is correct.

1

The Fall in Employment and Rise in Unemployment

1.1 Introduction

This chapter first examines the fall in employment (Section 1.2) to identify where jobs have been lost and, as far as possible, the key characteristics of those who have, arguably, paid the greatest price of all since the recession struck, i.e., the loss of their jobs. Section 1.3 then reviews what we now know about those who are currently unemployed and summarises their core characteristics. It distinguishes between the effective labour supply (i.e., those who will come forward at short notice to take a job if it is offered) and the claimant count (i.e., the numbers receiving a social welfare payment in compensation for being unemployed). Section 1.4 concludes.

1.2 The Fall in Employment

By the final quarter of 2010, 317,500 jobs had been lost from the moment of peak employment in the Irish economy (Q4 2007). This fall of 15 per cent brought employment back to approximately the level it had been in late 2003, and was the largest recorded fall in the OECD.¹ A brief review of where and by whom these jobs were lost serves two purposes in the context of this study. First, it throws some light on the backgrounds of many among those now unemployed in Ireland. Second, it prompts the distinction between, on the one hand, jobs which can be expected to return as economic recovery strengthens because they were created on the basis of the economy's competitiveness and by a more affluent society and, on the other hand, jobs which will not come back because they were created on the basis of unsustainable policies and conditions and contrary to economic fundamentals and long-term trends.

1.2.1 Job losses by sector, gender, age and nationality

A review of the jobs lost is contextualised by examining where they were first created, and in particularly large numbers, during the years when the economy was driven by domestic demand.

¹ Iceland recorded the largest contraction in GDP, Spain the largest rise in unemployment but Ireland the largest fall in employment (OECD, 2010).

Sector and gender

Table 1.1 compares two time periods of equal length, leading up to and falling away from the moment of peak employment in the Irish economy, in the fourth quarter of 2007. The jobs created during the boom years, 2005–2007, and the jobs subsequently lost during the recession, 2008–2010, are examined by economic sector and gender of the worker.

Over the three years that led up to peak employment, the number of jobs grew by 235,000 or 12 per cent. The rate of increase was significantly more for women than for men (15 per cent as against 10 per cent) but only slightly more in absolute terms (an additional 122,000 female jobs as against 113,000 male jobs) because of the lower starting level of female employment. The bulk of the increase in male employment was in construction (40 per cent), a further 19 per cent in the wholesale and retail trade, and 10 per cent in the sector described as ‘administrative and support services’. The sectors of principal employment creation for women were different and more diverse. Health and social work accounted for 28 per cent of the increase in female employment, the retail sector for 20 per cent, education for 15 per cent, and accommodation and food services for 12 per cent.

Over the three years after peak employment, 317,500 jobs were lost, a fall of 15 per cent. More than three men lost their jobs for each woman; there were 242,000 less males in employment in the fourth quarter of 2010 than at the height of the boom and 76,000 less females. A massive 60 per cent of the jobs lost by males were in construction and a further 15 per cent in industry. The sectoral distribution of job losses was significantly more diverse for females – 30 per cent of their job losses were in the retail trade, 17 per cent in accommodation and food services, 17 per cent in administrative and support services, and 16 per cent in finance, insurance and real estate. In the education and health sector, the employment levels of females continued to grow despite the recession (increasing by over 8,000 in each case).

This contrast between the genders and the causal role played by the collapse in construction activity are highlighted in Panel A, Figure 1.1. The level of male employment began to contract in the second quarter of 2008 and shrank at an annualised rate of minus 10 to 12 per cent throughout 2009 before slowing to minus 4.2 per cent in Q4 2010. The level of female employment began to contract six months after that of males, in the fourth quarter of 2008, and shrank at an annual rate of minus 4.5 per cent at its worst before slowing to minus 2.5 per cent in Q4 2010. The dramatic contraction in the level of construction employment (the data is for both genders but males are overwhelmingly involved) is also captured in the panel (third line), which shows the annualised rate of contraction in construction employment running at between 28 and 37 per cent throughout 2009.

Age and nationality

The collapse in employment construction impacted on young people and nationals from the EU Accession States in particularly large numbers also, though both groups were vulnerable to the economy's overall contraction for other reasons as well. Panel B, Figure 1.1, witnesses the major incidences of job loss borne by people aged 20–24 and by nationals from the EU 15–27 respectively in the current recession.

The numbers of young people aged 20–24 in employment fell by 45 per cent between the first quarter of 2008 and the fourth quarter of 2010. At one time, there were over 250,000 young² people in employment but their numbers had fallen to 127,400 by Q4 2010. Young people, typically, suffer disproportionately from job losses in recessions as they tend to have entered employment more recently, are more likely to hold temporary contracts and to be employed in cyclically sensitive industries than older workers (Scarpetta *et al.* 2010). Panel B shows that the rate of job attrition among young people slowed less during 2010 than for the other group of workers massively affected, i.e., EU 15–27 nationals.

A particularly novel feature of job creation between 2004 and 2007 was the large share of new employment taken by nationals from the new EU Accession States. The share of total employment in the Irish economy held by nationals of other countries rose from 6.7 per cent to 15.6 per cent over the period, with nationals from the EU 15–27 alone accounting for 7.8 per cent in 2007. The latter were concentrated particularly in two sectors, Hotels & Restaurants and Construction, where their shares of total employment were 21 per cent and 13 per cent respectively (NESC, 2008: 10–11). Their relatively recent arrival, concentration in sectors heavily reliant on domestic demand and, within those sectors, tendency to be employed at levels below their qualifications³ also made them particularly vulnerable to the collapse in construction and in domestic demand that has occurred. By Q4 2010, the number in employment had fallen by 61,400 from its peak in Q1 2008, a drop of some 36 per cent. By contrast, the employment level of Irish nationals was down 9 per cent from its peak. Detailed research by Barrett and Kelly (2010) confirms that, after controlling for age and other characteristics, Accession State nationals were particularly vulnerable to job loss as the recession deepened in 2009.

² Young adults rather than older teenagers are the focus here. 'Student' employment among those aged 15–19 (for whom the Quarterly National Household Survey also provide data) increased hugely during the boom years to decline as dramatically in the recession. A large proportion of them can be assumed to have returned to education or training.

³ Barrett and Duffy (2008) found that nationals of the EU 15 to 27 were about 20 per cent less likely to be in higher skilled-jobs compared to Irish nationals with similar levels of education. Barrett and McCarthy (2007) found that the former nationals had an earnings disadvantage of 45 per cent compared to their Irish counterparts.

Table 1.1 Jobs Created and Lost, by Gender and Sector, 2004–07 and 2007–10*

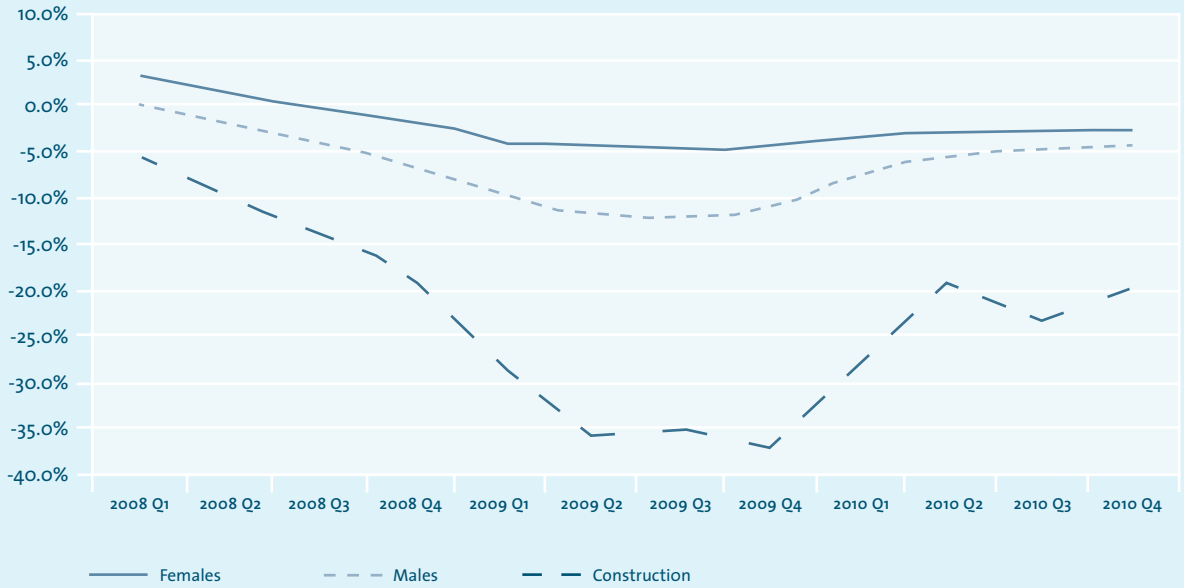
Economic Sector (NACE Rev. 2)	2004	2007	2010	2004–07	2007–10
	'000	LEVEL '000	'000	CHANGE '000	'000
<i>Male</i>					
Agriculture, forestry and fishing	99.4	101.1	74.7	1.7	-26.4
Industry	211.2	207.3	171.2	-3.9	-36.1
Construction	202.7	247.5	101.6	44.8	-145.9
Wholesale and retail trade	134.5	156.3	133.9	21.8	-22.4
Transportation and storage	76.4	79.7	76	3.3	-3.7
Accommodation and food services	47.9	55.4	50	7.5	-5.4
Information and communication	40.9	49.4	49.5	8.5	0.1
Professional, scientific and technical	55.2	64.6	56.9	9.4	-7.7
Administrative and support services	30.4	41.5	31.9	11.1	-9.6
Public administration and defence	45.2	51.6	54.6	6.4	3
Education	35.2	36.7	39.5	1.5	2.8
Health and social work	32.8	38	42.5	5.2	4.5
Financial, insurance and real estate	38.3	42.7	48.9	4.4	6.2
Other NACE activities	48.1	39.2	41	-8.9	1.8
Total Males	1100.4	1213.1	971.3	112.7	241.8
<i>Female</i>					
Agriculture, forestry and fishing	10.8	12.7	9.5	1.9	-3.2
Industry	85.9	77.8	67.4	-8.1	-10.4
Construction	9.2	13.7	7.1	4.5	-6.6
Wholesale and retail trade	133.6	157.6	135.1	24	-22.5
Transportation and storage	16.6	17.9	19.5	1.3	1.6
Accommodation and food services	64	78.7	65.8	14.7	-12.9
Information and communication	21	21.3	20.8	0.3	-0.5
Professional, scientific and technical	39	47.9	40	8.9	-7.9
Administrative and support services	34.1	40.2	27.5	6.1	-12.7
Public administration and defence	46.2	51.9	49.7	5.7	-2.2
Education	82.8	101.2	109.6	18.4	8.4
Health and social work	148.5	182.8	191.6	34.3	8.8
Financial, insurance and real estate	50.5	60.4	48.1	9.9	-12.3
Other NACE activities	61.3	62.1	57.8	0.8	-4.3
Total Females	803.3	925.3	849.6	122	-75.7
Total All Persons	1903.7	2138.4	1820.9	234.7	-317.5

Source QNHS, online data base, downloaded 03/06/11

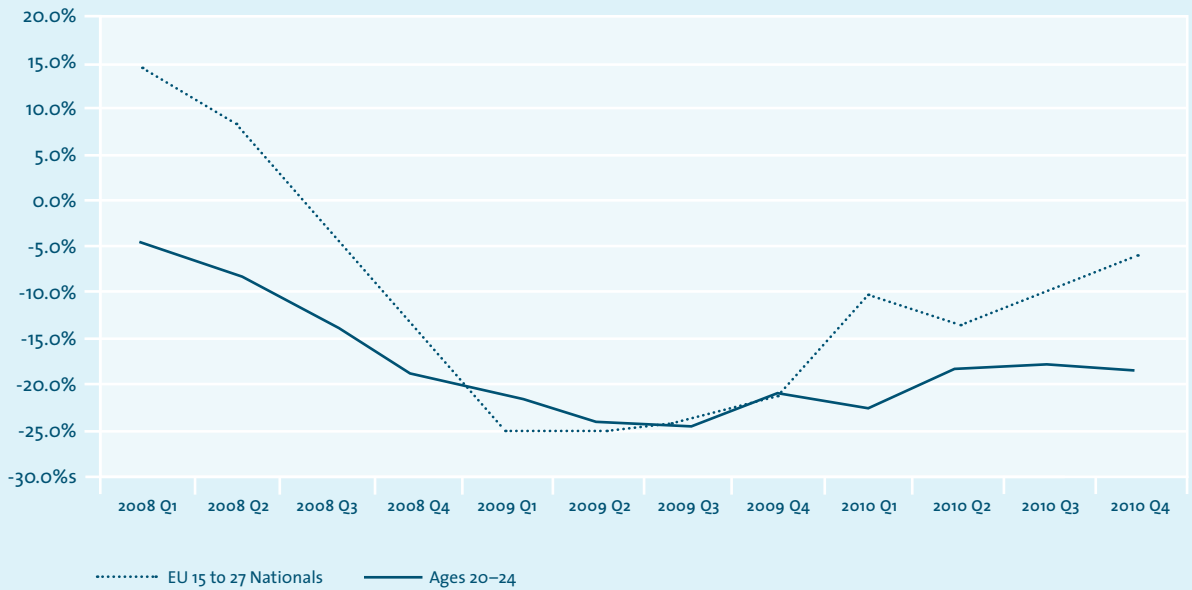
Note *The periods are from Q4 2004 to Q4 2007 (the quarter of peak employment) and from Q4 2007 to Q4 2010. Employment is on an ILO basis, seasonally adjusted, of persons aged 15 and over.

Figure 1.1 Annual Decline in Employment, Selected Groups: 2008–10

A. Males and females



b. Ages 20–24, and Nationals from EU 15–27



Source QNHS, Table A1, successive quarters

1.2.2 Job losses by skill level

The Quarterly National Household Survey (QNHS) provides two windows onto the skill content of the jobs that were lost across the economy. They can be examined for the broad occupational group to which the jobs belonged (Table 1.2) or by the highest level of educational attainment of the workers who performed them (Table 1.3).

Table 1.2 makes clear that, while jobs were lost in every occupational group, the losses, in absolute and percentage terms, were modest or minimal for the higher-skilled occupations. By the last quarter of 2010, employment levels were lower by only around 3 per cent for professionals and associate professionals from their peaks, while the peak employment level of managers and administrators had dropped by 9.5 per cent or 32,000 persons. By contrast, the losses were much larger, in absolute and percentage terms, for occupations with lower skill levels. There was a massive drop of 45 per cent or 140,000 jobs in the peak employment level of craft and related occupations, which bore the brunt of the collapse in construction, while there were falls of 25 per cent and 16 per cent in the peak employment levels of plant and machine operatives and in sales occupations respectively.

Table 1.2 Jobs Lost by Broad Occupational Group

Broad Occupational Group	Q4 2010 Change from peak employment*	
	'000	%
Managers and administrators	-31.7	-9.5%
Professional	-7.7	-3.0%
Associate professional and technical	-6.5	-3.3%
Clerical and secretarial	-39.3	-14.7%
Craft and related	-139.7	-44.9%
Personal and protective service	-17.6	-7.0%
Sales	-31.4	-16.2%
Plant and machine operatives	-46.4	-25.4%
Other broad occupational groups	-66.3	-30.9%

Source QNHS, Table 4

Note *The quarter in which peak employment was recorded for each occupational group differs, from as early as Q3 2007 to as late as Q4 2008. In each case, the decline is from the quarter of each group's peak employment until Q4 2010.

When job losses are examined by the educational attainment of those losing them (Table 1.3), the heavy incidence of job loss on the lower skilled is still evident but so too is the high educational attainment – by previous Irish standards – of those who have been made redundant. Between 2009 and 2010, the number of jobs held by people with a third-level honours degree or above increased by 41,000 or almost 10 per cent, though workers with a non-honours third-level degree fared less well – their job numbers declined by 15,000 or 5 per cent. This suggests that a third-level education has provided protection against job loss during the current recession only for workers with the highest levels of qualification, who constituted approximately 22 per cent of the workforce at the time the recession struck. Otherwise, substantial job losses have occurred on each rung of the educational ladder. The largest single decline in absolute terms occurred among workers who had a PLC as their highest educational attainment – their numbers declined by 33,500 over the approximately two-year period. A further large number losing their jobs had very low formal educational attainment (primary or below) and proved to be the most vulnerable group of all, with 18 per cent of all of them in employment in early 2009 gone two years later. However, the most revealing aspect to Table 1.3 is that it confirms the relatively high educational attainment, by the standards of previous recessions in Ireland, of those who have lost their jobs; for example, for each ten workers among those made redundant who had a Junior Certificate or less as their highest educational attainment, there were thirteen who had a Leaving Certificate or higher. A particularly novel feature of this recession, therefore, is that the separating line between individuals particularly vulnerable to job loss and those relatively insulated from it has been drawn higher on the educational ladder than previously. Only a third-level honours degree or higher significantly protected people in work; workers who had a completed Leaving Certificate or Post-Leaving Certificate still lost jobs in large numbers.

Table 1.3 Jobs Lost by Highest Level of Education Attained

Highest Level of Education Attained	Q3 2010	
	Change since Q2 2009*	
	'000	%
Primary or below	-22.9	-18.2%
Lower secondary	-31.0	-12.8%
Higher secondary	-22.2	-4.5%
Post-Leaving Cert	-33.5	-14.1%
Third-level non-honours	-14.9	-4.7%
Third-level honours or above	41.1	9.6%
Other	-2.3	-4.4%

Source QNHS, Table 23

Note *Because of a break in continuity in the Educational Attainment series, data prior to Q2 2009 is not directly comparable with subsequent quarters. Comparison, therefore, is confined to the period from Q2 2009 up to the most recent quarter available.

1.2.3 Job losses in sectors based on exports

Ireland's exporting companies had to cope with the economy's deteriorating competitiveness during the boom years and lost significant market share. As the international financial crisis spread to the 'real' economy, their principal export markets contracted. More recently, those markets have begun to recover at the same time that the depth of the recession in Ireland has forced declines in some of the costs of doing business from Ireland and produced a consequent improvement in the economy's cost competitiveness.

Trends in the permanent, full-time employment in companies supported by the development agencies (principally IDA Ireland and Enterprise Ireland) are a good barometer of the success with which these companies have been coping. The number of full-time, permanent jobs in agency-assisted foreign and Irish companies peaked in 2007 and declined over the following three years by 14 per cent; in absolute terms, 41,515 jobs were lost, some 17,000 in foreign companies and more than 28,500 in Irish companies (*Forfás Annual Employment Survey 2010*).

Manufacturing industry

A decline in employment in **traditional manufacturing**⁴ was firmly established before the crisis and has accelerated during it. The manufacturing sectors described as 'traditional' are dominated by Irish-owned companies. Over the three years to the end of 2010, employment in Irish-owned traditional manufacturing contracted by 34 per cent and by 29 per cent in their foreign-owned counterparts (Table 1.4). In **modern manufacturing**⁵, a cluster of sectors dominated by foreign-owned companies, the trends prior to the recession were of relative stability in the aggregate net employment provided by foreign companies (with new start-ups and expansions approximately offsetting closures and contractions) and of growth in employment among their Irish counterparts. These gave way to declines of 10 per cent and 17 per cent respectively over the three years 2008–2010. The employment level in the Irish-dominated food sector (consistently almost one-quarter of all employment in agency-assisted Irish companies) has followed the pattern of modern rather than traditional industry. It increased in the pre-recession period and declined at the slower rate of modern manufacturing rather than the more precipitous drop of traditional industry between 2008 and 2010.

Recession, therefore, has accelerated declines in the absolute and relative employment significance of traditional manufacturing. Jobs lost here should not be expected to return. Economic recovery will restore some of the lost employment in the Irish food and Irish modern manufacturing sectors under favourable competitive conditions (including currency movements), but this is less likely in foreign-owned modern manufacturing where the attraction of locations in emerging and transition economies was already proving strong prior to the crisis. In this instance, the recession has accelerated a restructuring that was already underway as emerging and transition

4 'Traditional' manufacturing in this analysis includes the following sectors: basic and fabricated metal products; clothing, footwear and leather; machinery and equipment; miscellaneous manufacturing; non-metallic minerals; paper and printing; rubber and plastics; textiles; transport equipment; wood and wood products.

5 'Modern' manufacturing includes the following sectors: chemicals; computer, electronic and optical equipment; construction, energy, water and waste; electrical equipment; medical and dental instruments and supplies.

economies (particularly those with large domestic markets) have become the preferred locations for the manufacture of mature products generally and, indeed, for standardised operations within R&D programmes also. By contrast, advanced R&D and services supports are being retained and even expanded by multinational manufacturing companies in high-cost locations like Ireland.

Table 1.4 Permanent, Full-time Employment in Agency-Assisted Companies

	2004	2007 LEVEL	2010	2004-07 CHANGE		2007-10 CHANGE	
					%		%
Trad.Manufacturing							
Irish	58,874	59,749	39,490	875	1.5	-20259	-33.9
Foreign	24,218	20,889	14,829	-3329	-13.7	-6060	-29.0
Sub-total	83,092	80,638	54,319	-2454	-3.0	-26319	-32.6
Modern Manufacturing							
Irish	17,114	20,870	17,371	3756	21.9	3499	-16.8
Foreign	60,603	62,632	56,209	2029	3.3	-6423	-10.3
Sub total	77,717	83,502	73,580	5785	7.4	-9922	-11.9
Food							
Irish	34,715	36,078	32,438	1363	3.9	-3640	-10.1
Foreign	7,647	6,168	5,611	-1479	-19.3	-557	-9.0
Sub-total	42,362	42,246	38,049	-116	-0.3	-4197	-9.9
All Manufacturing*	208,812	212,389	171,234	3577	1.7	-41155	-19.4
ICCT Services							
Irish	15,662	18,718	18,402	3056	19.5	-316	-1.7
Foreign	43,271	46,052	43,021	2781	6.4	-3031	-6.6
Business Services							
Irish	8,199	12,296	11,887	4097	50.0	-409	-3.3
Foreign	454	481	379	27	5.9	-102	-21.2
Financial Services							
Irish	2,769	4,609	5,309	1840	66.4	700	15.2
Foreign	10,110	15,671	15,096	5561	55.0	-575	-3.7
<i>All Irish Services*</i>	26,630	35,623	35,598	8993	33.8	-25	-0.1
<i>All Foreign Services*</i>	53,835	62,204	58,496	8369	15.5	-3708	-6.0
<i>All Services</i>	87,385	105,833	102,111	18448	21.1	-3722	-3.5
Total Agency-Assisted*	298,867	321,208	275,693	22341	7.5	-45515	-14.2

Source Forfás Annual Employment Survey 2010.

Note *Totals include some small sectors not in Table.

Internationally traded services

The level of employment in internationally traded services held steady in the early part of the last decade and rose significantly during the years when the boom was at its height, between 2004–07, (despite surging domestic demand damaging competitiveness in those years). By 2007, employment in internationally traded services accounted for 33 per cent of all agency-assisted employment (41 per cent of total employment in agency-assisted foreign companies and 23 per cent in their Irish counterparts (Table 4.1)). During the three years of economic contraction, the employment level in services traded internationally by Irish companies has been remarkably resilient – it remained constant while that of their foreign-owned counterparts dipped by 6 per cent. The greater resilience of service exports than manufacturing exports during the recession has contributed to a situation in which the employment level in foreign-owned services was higher than the employment level in foreign-owned modern manufacturing in 2010, while the employment level in Irish-owned services was higher than the employment level in Irish-owned food companies.

No official data series tracks employment arising specifically from tourism. It is proxied by employment in Accommodation and Food Service Activities (a category that includes hotels, restaurants, bars, canteens and catering).⁶ By 2007, the ‘service exports’ of tourism were estimated to be underpinning 93,000 jobs, with 16,000 of them having come on stream over the previous four years (Table 1.1). Comparable international data suggest that Ireland then had the sixth-largest tourism sector in Europe (ranked by the proportion of total employment provided by the sector), with only the Mediterranean countries and Austria having larger.⁷ A significant degree of overcapacity built up in the hotel sector (estimated as much as 25 per cent in 2008⁸) as investment decisions were influenced by a wish to avail of capital allowances for tax purposes more than the fundamentals of the industry. Overall, the expansion of the sector in the years prior to the current recession gave employment largely to women (Table 1.1) and was wholly reliant on nationals from other countries, particularly the new EU Member States. Over the 2004–07 period, the employment level of Irish nationals in the sector fell by 9,000 while that of other nationals increased by 28,000 (NESC, 2008: 11). By the first quarter of 2010, employment had fallen by almost 15,000 (Table 1.1). It is likely that most of these jobs were lost by workers from overseas.

1.2.4 Job losses in sectors based on domestic demand

The picture of job gains and job losses provided in Tables 1.1 and 1.4, when taken together, serve to contextualise the employment contribution of successful export activities. Even applying generous multiples to the figures for job creation and job contraction in exporting sectors to allow for the substantial indirect employment that is generated up-stream and down-stream by this activity, well over half of the rise and fall in total employment in the economy is unaccounted for. This is because,

⁶ Clearly not all employment in this NACE category is based on serving overseas visitors. In this analysis, it is assumed that 70 per cent of employment in the sector (as recorded, for example, in Table 1.1) is based on overseas visitors and, thus, on ‘exporting’ a service.

⁷ Report of the Tourism Renewal Group (2009) citing ILO data (p. 4).

⁸ Peter Bacon & Associates (2009), *Over-Capacity in the Irish Hotel Industry and Required Elements of a Recovery Programme*.

in addition to the jobs that rely directly and indirectly on exporting activities, a larger number of people still have jobs that rely on the level of domestic demand and, in particular, on the levels of consumer spending, public service activity and domestic construction activity. Jobs based on domestic demand also feature higher proportions of part-time jobs and of jobs in SMEs, more sole trading and more self-employment than the employment generated by exporting. Some of these more diverse areas and types of job creation (and job destruction) are exceptionally difficult to forecast and, for that reason, easy to underestimate,⁹ but they are hugely important to lower-skilled workers and in containing unemployment durations.

Construction

By 2007, the construction sector accounted for 12.5 per cent of total employment and employed significantly more than the manufacturing sector and almost 2.5 times the number at work in agriculture. If indirect employment resulting from construction activity is added,¹⁰ over 17 per cent of total employment in the economy was dependent on construction by 2007. The contribution of overseas workers to this expansion, as already noted, was major. At its height, the sector employed over 50,000 migrant workers, 18 per cent of its total workforce.¹¹ As well as the exaggerated scale the construction sector acquired, the skills composition of the expansion that took place has proved to be one of its most lasting legacies and the cause of a particular challenge at the present time.

While significant numbers of professionals found employment in the booming construction sector (an estimated 19,000 civil engineers, architects, quantity surveyors, etc.), it recruited much larger numbers of low-skilled workers, many of them young males.¹² By 2007, the sector employed 150,000 people in craft occupations, of whom 37 per cent had lower secondary education or less as their highest educational attainment and 22 per cent were aged 15–24 (EGFSN, 2008). An additional 41,000 were employed as construction labourers of whom 59 per cent had attained only lower secondary education or less and 20 per cent were aged 15–24.¹³ As the construction sector contracted, these lower-educated and younger members in its workforce were let go in the largest numbers (Table 1.5, Panel A).

It is likely that the contraction of the construction sector that has occurred has been excessive and that, under more normal conditions, an economy with Ireland's continuing infrastructural deficits and needs should feature a level of construction activity equivalent to 'in the region of' 12 per cent of GDP.¹⁴ This would imply it has the potential to raise employment by some 60,000 from its currently depressed level. Realisation of this potential, however, may take years.

⁹ As happened in the early 1990s in the Culliton Report, cf. Chapter 3 below.

¹⁰ The annual *Review of the Construction Industry and Outlook* carried out by DKM Economic Consultants typically adds 40 per cent.

¹¹ Still likely to be an underestimate due to the particular prevalence of undocumented workers in this sector, e.g., DKM, 2009: 69.

¹² The analysis of the skills composition of employment in different sectors in the following paragraphs is based on the annual *National Skills Bulletin* of the Expert Group on Future Skills Needs (EGFSN).

¹³ By way of a benchmark, in the economy at large in 2007, 25 per cent of people in employment had lower secondary education or less and 15 per cent were aged 15–24.

¹⁴ A Blueprint for Ireland's Recovery (2011).

Domestic services

The vigorous expansion of the wholesale and retail trade during the boom played a similar role for low-skilled women as the construction sector did for low-skilled men – it created entry-level jobs for them in large numbers (EGFSN, 2010). By 2007, 75,400 females with a remarkably similar profile to that of construction labourers worked as ‘labourers in sales and services’ (Table 1.5, Panel B). An almost similar number of low skilled women were working as sales assistants (described as the ‘largest single occupation in the economy’ by the EGFSN [2010]) but, in this instance, a much higher proportion of them were young (over 40 per cent were aged 15–24 in 2007, or 54,000 young women in absolute terms) (Table 1.5, Panel C).

Table 1.5 Employment Profile in Selected Occupations

Occupation	2007	2009
A. Labourers in construction		
Number	41,300	18,600
– % female	0%	1%
– % 15–24	21%	11%
– % lower secondary or less	59%	54%
– % non-Irish nationals	32%	23%
B. Labourers in sales and services		
Number	75,400	65,600
– % female	74%	74%
– % 15–24	15%	13%
– % lower secondary or less	55%	53%
– % non-Irish nationals	32%	35%
C. Sales Assistants		
Number	131,800	119,500
– % female	72%	71%
– % 15–24	41%	35%
– % lower secondary or less	31%	23%
– % non-Irish nationals	18%	18%

Source EGFSN National Skills Bulletins

The impact of the recession on these groups of low-skilled workers has been sector-specific. There were drops of 55 per cent in the number of construction labourers over the three-year period, 2007 to 2009, of 13 per cent in people employed as labourers in sales and services and of 9 per cent in sales assistants (Table 1.5). Recovery may also be expected to have a differential impact. The level of low-skilled male employment in construction will not come near previous peaks even with recovery in the sector's level of activity, while more of the entry-level jobs lost in retailing and other types of private services can be expected to return, under the right conditions, when a recovery gets underway in household spending.

In other areas of private services, levels of employment are unlikely to return to their 2007 peaks even with recovery, principally in domestic banking and the hotel sector. The exaggerated profits from property-related lending made domestic financial institutions expand and attracted international banks – this pushed up employment in domestic banking activities to unsustainable levels. Irish banks, in particular, are facing a long period during which profitability must be used to replenish capital reserves rather than for innovation and expansion. The job losses resulting from the restructuring of the sector are unlikely to be over. Then, as already noted above, the exaggerated valuation of property during the boom brought commercial property developers and financial institutions to engage in an over-provision of hotel capacity. In several locations around the country, therefore, the scale of domestic financial service provision and of hotel accommodation will not be returning to pre-recession peaks even after a sustained economic recovery.

1.3 The Rise in Unemployment

The numbers and composition of the unemployed differ substantially from the numbers and composition of those who have lost their jobs. Some who lost their jobs have withdrawn from the workforce temporarily (into education, for example) or permanently (bringing forward their retirement) while others have left the country altogether (emigrated). These groups are not among the currently unemployed. On the other hand, many who are now unemployed did not have jobs to lose in the first place. They have had the misfortune to enter the workforce and seek a first job at the current time when recruitment has massively contracted or they were already unemployed when the crisis broke.

1.3.1 Respecting different measures

The QNHS and not the Live Register provides the most reliable measure of how many in the country are seeking employment at any one time. Its headline count of unemployment captures people without work, available for it and who would come forward at short notice to take employment if it were offered, whether or not these people are on the Live Register.¹⁵ Its main count, therefore, includes unemployed jobseekers not entitled to either JB or JA because they have a spouse earning, were previously self-employed or for other reasons. It is a particularly good measure of the amount of labour market 'slack' that is available in the economy.

¹⁵ The following criteria, agreed by the International Labour Organisation (ILO), provide what is known as the count of 'ILO unemployed': respondents are classified as unemployed if they were without any work in the week before the survey, are available for work within the next two weeks, and have taken specific steps in the preceding four weeks to find work.

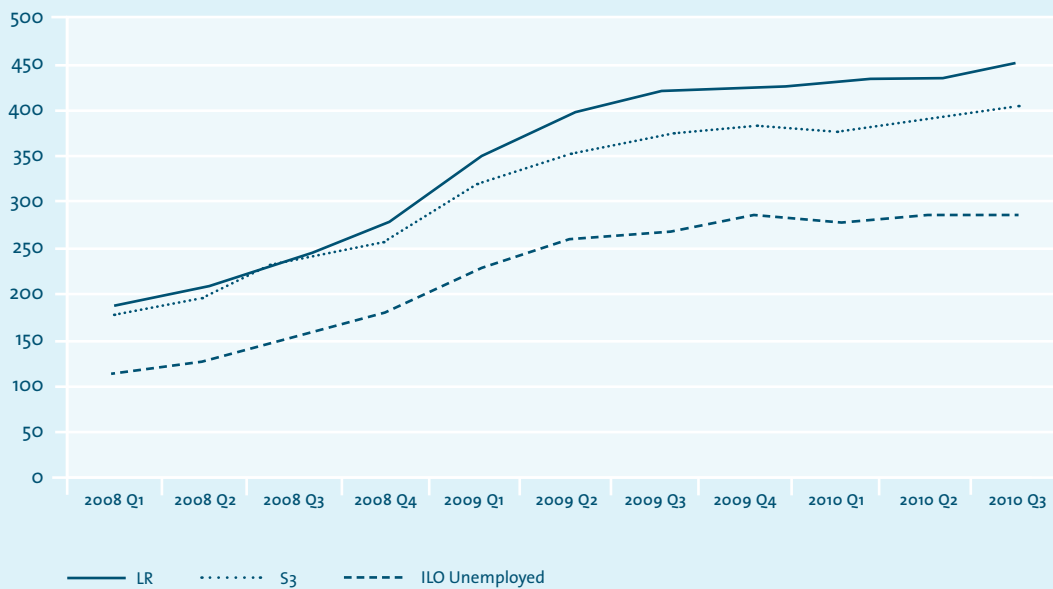
The Live Register, by contrast, is not as good a measure of unemployment as it includes people on systematic short-time working and others who, though in receipt of JB/JA or signing for credits, are not immediately available for and seeking work. While not as reliable a measure of labour market slack as the QNHS, therefore, the count of people on the LR, nevertheless, has two significant advantages. First, it is Ireland's version of what in other countries is known as the 'claimant count' and records the number being paid or seeking income support because they are unemployed; thus, it is a good measure of the public expenditure being triggered by unemployment. Second, it is published monthly on the basis of administrative data; thus, it provides more timely data on labour market developments than the QNHS and copious data on such characteristics as age, length of unemployment spell, location, last-held occupation, etc. (an example of what can be learned from its administrative data is provided in Section 1.3.5 below).

Generally, the Live Register overestimates the number of people seeking work in the short term, while the ILO count of the QNHS underestimates the number seeking work in the medium term. For example, the seasonally adjusted total on the LR averaged 452,000 for the three months July to September 2010, when the seasonally adjusted ILO count of unemployment in the same quarter was 289,000, i.e., the LR was greater by approximately 163,000. The degree to which the LR count exceeds unemployment as estimated by the ILO count, however, drops hugely when it is compared with the broader definitions of potential labour supply also provided in the QNHS on the basis of respondents' answers (Box 1.1).

Box 1.1 Reconciling Survey-Based and Claimant-Based Unemployment Counts

As unemployment spells lengthen, people may not remain immediately available for work or engage sufficiently in job-search to be classified as unemployed on the basis of their responses in the survey. For this reason, the QNHS provides wider measures of the available labour supply, which acknowledge that people seek to cope with, and adjust to, unemployment in different ways. For example, some take part-time jobs but continue to look for further work ('underemployed part-time workers'), while others stop looking for work because they believe they are not qualified or that no work is available ('discouraged' and 'passive jobseekers'). The widest definition of the potential labour supply provided by the QNHS (termed S₃) suggests that, by the third quarter of 2010, there were a further 119,000 who would take work if prospects improved in addition to the 289,000 who then met the relatively strict ILO criteria of unemployment. This implies that the unemployment rate was 18.6 per cent, five percentage points higher than the headline rate. However, in Q₃ 2010, the average LR count was still 45,000 greater than this S₃ count of the potential labour supply. The gap is reduced further to 14,000 if people whom the labour force survey identify as 'in education but want work' (31,000 in Q₃ 2010) are considered as unemployed (the case can be made that they are 'sitting out' unemployment by returning to education but would leave their daytime courses if a suitable job presented itself).

Figure 1.2 Different Unemployment Counts (000s): 2008–10



Source QNHS

The large margin by which the numbers on the LR typically exceed the headline count of unemployment provided by the QNHS has contributed to focusing attention in Ireland on trying to identify those on the LR who are not ILO unemployed because of their inadequate job-search activity and/or limited availability for work. The changed characteristics of the unemployed today require that complementary attention now also be paid to people unemployed by the ILO criteria but not on the LR because their household circumstances disqualify them from JA (for example, the rise in households with more than one earner accelerated during the period of strong economic growth so that more people out of work now find themselves ineligible for JA).

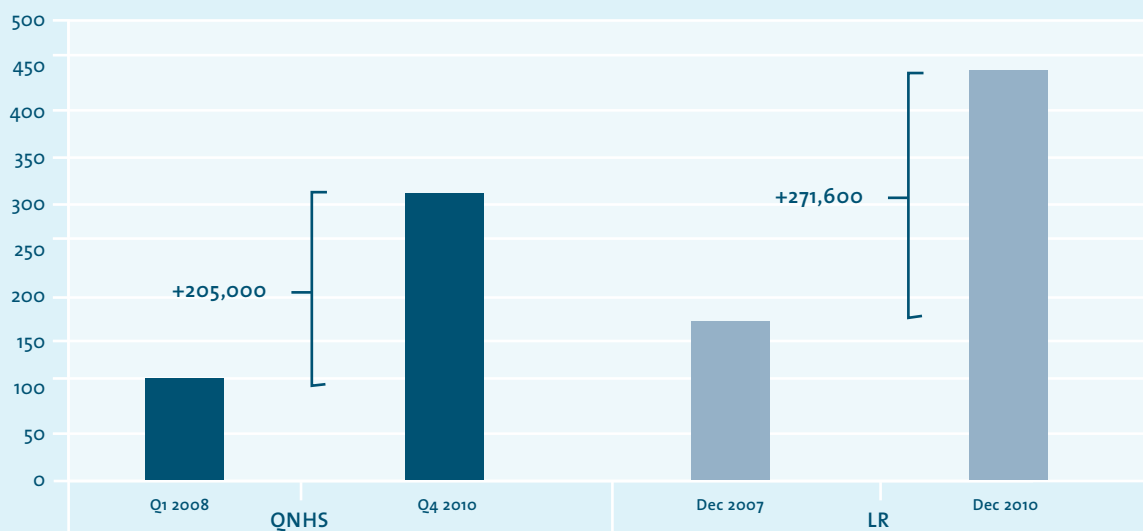
1.3.2 The scale, incidence and duration of unemployment

The scale of unemployment

The QNHS shows unemployment surging from around 110,000 in the first quarter of 2008 to 315,000 in the fourth quarter of 2010, an increase over the three years of 205,000 (Figure 1.3). The seasonally adjusted Live Register total was 172,400 in December 2007 but 444,000 three years later, an increase of 271,600. These formidable absolute figures – comparable to the aggregate population of several Irish counties¹⁶ – go some way to conveying the number of people who have been shut out of the Irish labour market and remain in the country to experience, for good or worse, the supports and services in place to help them (re)enter employment sooner or later.

The most used indicator of both labour slack and demands on the unemployment system is, of course, the unemployment rate. After having remained below 4.5 per cent on average (almost equivalent to full employment) over the four years, 2004 to 2007, the unemployment rate has climbed steadily to reach almost 15 per cent by the end of 2010 (Figure 1.4). This rate was last experienced in 1991.

Figure 1.3 Increases in Unemployment and the Live Register, 2008–10



¹⁶ Greater than the 2006 population in the state's three Ulster counties, or the population of Connaught outside of Galway.

Figure 1.4 Standardised Unemployment Rate (ILO count, QNHS), 2008–10



The incidence of unemployment

The national unemployment rate of 14.7 per cent (Q4 2010) masks considerable diversity in the unemployment rate of specific groups. Much higher rates than the national average are recorded for males, younger age groups, the lower educated, and nationals from the EU 15 to 27. A regional differential has also become apparent.

In Q4 2010, the unemployment rate for males was 18 per cent, while that for females was 10.6 per cent. This differential is primarily because, as already noted, the epicentre of job loss was in construction and allied trades, which are predominantly male employers. There are also large differences in unemployment rates by age. The younger groups had rates as high as 41 per cent (ages 15–19) and 26 per cent (ages 20–24) in mid-2010 compared to rates near or below the national average for prime age workers (ages 25–54). Internationally, it is noted that youth unemployment rates are typically at least double the overall unemployment rate (Bell and Blanchflower, 2010). The adverse effects of unemployment on lifetime earnings are most pronounced for unemployment spells experienced when young, especially by graduates (Dao and Loungani, 2010), and unemployment can also have lifetime effects on young people's health and general well-being (Scarpetta *et al.* 2010). However, it should be noted that the absolute number of young unemployed continues to be much less than that of unemployed prime-age workers because the latter are a much larger proportion of the workforce; for example, there were 64,000 young unemployed aged 15–24 in Q4 2010 but 98,000 aged 25–34 and 113,000 aged 35–54.

Unemployment rates are also much higher for those without a third-level qualification than for those with one. They were as high as 24 per cent for those who had completed lower secondary education, 19 per cent for those with a Post-Leaving Certificate qualification and 15 per cent for those with a Leaving Certificate in Q4 2010, but only 7 to 10 per cent for those with a third-level qualification.

Nationals from other countries also experience a higher rate of unemployment compared with Irish nationals, 18 per cent as against 13 per cent. The differential is largely driven by the particular exposure of EU 15 to 27 nationals to unemployment – they have an unemployment rate of 21 per cent (Q4 2010).

Finally, there is some evidence of a growing regional difference in unemployment rates. In the first half of 2008, some two percentage points separated the lowest rates in the Greater Dublin Area (Dublin and Mid-East Regions) from the two regions with the highest rates; that gap had become four to five percentage points some three years later. In the fourth quarter of 2010, the South-East and Mid-West had rates of 18 and 17 per cent respectively while the two regions constituting the Greater Dublin Area had rates of 12.7 per cent.

The duration of unemployment

Initially, growth in long-term unemployment (LTU) (people passing the twelve-month threshold of a continuous unemployment spell) lagged growth in short-term unemployment. As a result, LTU declined as a proportion of total unemployment, from 27 per cent to 21 per cent during 2008 (Table 1.6). Since 2009, however, long-term unemployment has increased formidably. Its rate increased from 2.2 per cent at the beginning of 2009 to 7.3 per cent by the end of 2010, by which time there were 154,000 persons in LTU (their numbers had remained steadily in the range 27,000 to 30,000 over the years 2003–2007). As a proportion of all unemployment, LTU rose from 26.5 per cent to 52 per cent between 2008 and 2010.

Table 1.6 Long-Term Unemployment in the Labour Force Survey (QNHS)

Long-term unemployed	2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Rate (%)	1.3%	1.5%	1.7%	1.7%	2.2%	2.6%	3.2%	4.1%	5.3%	5.9%	6.5%	7.3%
Numbers ('000)	29.3	33.2	38.1	37.7	49.1	57.3	71.4	89.1	112.6	127.0	140.4	153.9
Proportion of all unemployed (%)	26.5%	27.0%	24.7%	20.8%	21.9%	22.3%	26.5%	31.3%	41.0%	43.0%	47.0%	52.0%

The Live Register tells the same story as the QNHS for its slightly different population. The number on long durations had remained below 50,000 until early 2008 (Table 1.7). From the start of the crisis until approximately April 2009, growth in the numbers with short durations (less than twelve months) far outpaced growth in the number signing for a year or longer but, since April 2009, the opposite has been the case. The number signing continuously for a year or longer has grown very strongly while the number of relatively new entrants stabilised towards the end of 2009 and began to decline in 2010. By April 2011, over 169,000 people had been on the LR for a year or longer, some 38 per cent of the LR total. The proportion on the LR made up of EU 15-27 nationals had been below 4 per cent up to mid-2007 (far below their employment share). It rose sharply to a peak of almost 12 per cent in early 2009 but appears to have settled at between 9 and 10 per cent since then.

Table 1.7 Numbers on the Live Register, by Duration

Live Register	2008	2008	2009	2009	2010	2010	2011
	April	October	April	October	April	October	April
Durations under 1 year	146,833	190,396	313,285	324,993	315,266	281,945	270,151
... change (over 6 months)	32.7%	29.7%	64.5%	3.7%	-3.0%	-11%	-4.2%
Durations 1 year or more	49,555	56,133	70,828	87,414	117,391	147,608	169,420
... change (over 6 months)	5.9%	13.3%	26.2%	23.4%	34.3%	25.7%	14.7%
EU 15–27 nationals	7.2%	8.8%	11.6%	10%	10%	9.3%	9.7%

1.3.3 Falling participation and rising emigration

In so far as the steep rise in unemployment has shown some signs of stabilisation in 2010, this is largely due to people withdrawing from the labour force (i.e., a fall in the participation rate) or leaving the country altogether (a rise in emigration including return migration). It is not because there has yet been a recovery in employment, though the rate of decline has been slowing.

Falling participation

From its peak of 64 per cent (Q4 2007), the participation rate fell to 61 per cent in the fourth quarter of 2010.¹⁷ The fall was exceptionally large for teenagers (ages 15–19) and also dropped significantly for young adults (ages 20–24) as more from each group have returned to full-time education rather than remain as unemployed members of the workforce. The participation rate for people aged 25–44 has dropped much less. At ages 45 and over, a gender disparity emerges with females actually recording stable or slightly improving participation rates while those of males have fallen (see Table 9, QNHS). This is surprising given the experience in previous recessions that female participation rates were more responsive than those of males to swings in aggregate labour demand. The traditional pattern, therefore, whereby women tended to withdraw from the labour force in larger numbers than men when faced with unemployment and, consequently, were less likely to be recorded as unemployed, has been less noted in this recession.

The contrasting gender experience appears in even bolder relief when employment rates are consulted (the ratio of those in employment in a group to all aged 15–64 in that group). The male employment rate dropped fifteen percentage points from its peak of over 78 per cent in the third quarter of 2007 to 63 per cent in the fourth quarter of 2010, while the female rate dropped by only five percentage points from 61 per cent to 56 per cent and that of married females has remained virtually constant (at 51 per cent).¹⁸ This gender disparity suggests a significant increase in women's significance as earners within their households.

¹⁷ Seasonally adjusted series.

¹⁸ See Tables 12 and 15 in the various editions of the QNHS.

The withdrawal of mainly young people from the workforce has contributed significantly to keeping their unemployment rate lower than it would otherwise be. Though there were 56,000 less teenagers (ages 15–19) in employment by the middle of 2010 than in the quarter of their peak employment (Q3 2007), only 7,500 more were classified as unemployed because a much larger proportion of them were in education (almost 90 per cent). Among young adult males (ages 20–24), the pattern was quite different: the number in employment fell by more than 64,000 over the same period but only about one-third returned to education with another one-third (20,500) remaining unemployed and the last third being neither in the labour force nor education.

Rising emigration

Emigration on the part of Irish people appears to have sharply accelerated in 2010 (Table 1.8). Evidence that is still scattered – from administrative data in other countries, consular and diplomatic sources, etc. – points to this outflow as directed largely to other English-speaking countries whose economies have weathered the international recession particularly well, and to it being composed principally of relatively well-educated and younger groups.

Emigration of nationals from the EU 15 to 27 rose sharply in 2009 before falling back. There has been a particularly sharp drop in the number of these nationals arriving (the gross inflow) but the number leaving (gross outflow) is also higher. As a result, net annual inflows of around 40,000 EU 15 to 27 nationals in 2006 and 2007 became net outflows (on a smaller scale) in 2009 and 2010. It is clear that significant numbers who arrived after 2004 to take employment in the booming economy have left on becoming unemployed, considering their prospects of re-employment better by moving to another destination or returning home. For this reason, only approximately 28 per cent of the fall in employment experienced by EU 15 to 27 nationals in the two years 2008 and 2009 ‘translated’ into a rise in the number of them remaining unemployed in Ireland.

Table 1.8 Estimated Immigration and Emigration by Nationality, ‘000s

	2006	2007	2008	2009	2010
Emigration					
Irish	15.3	13.1	13.4	18.4	27.7
All others	20.7	29.1	31.9	46.7	37.6
... of which EU 12	7.2	14.4	18.8	30.1	19.1
Immigration					
Irish	18.9	20.0	16.2	18.4	13.3
All others	88.9	89.5	67.6	38.9	17.5
... of which EU 12	49.9	52.7	33.7	13.5	5.8
Net Irish	3.6	6.9	2.8	0	-14.4
Net EU 12	42.7	38.3	14.9	-16.6	-13.3

1.3.4 The educational attainment of the unemployed

It has already been noted that the incidence of job loss has been particularly heavy on those with low educational attainment but, also, that no educational grouping escaped. Table 1.9 illustrates how this unemployment crisis has impacted on a workforce educated to much higher levels than previously. By 2010, 37 per cent of the unemployed had an educational attainment higher than the Leaving Certificate or its equivalent, a larger proportion than the 30 per cent of the unemployed who had left school without completing it. The corresponding figures just two years earlier had been 28 per cent and 41 per cent. Over one-fifth of the unemployed in 2010 had a third-level qualification, some 63,000 people.

This much higher educational profile of the unemployed than previously is a salient new feature of the current recession and already widely recognised. It is despite the fact, as seen above, that job losses have been significantly concentrated on workers who had higher secondary or less as their highest educational attainment. It reflects the very large proportion of the workforce that people with an educational attainment above higher secondary had come to account for on the eve of the recession, the rising proportion of the outflow from the educational system going straight into unemployment since the recession struck and, to a lesser extent, the high incidence of job losses among professionals in the construction sector (e.g., quantity surveyors, architects).

Table 1.9 Educational Attainment of Unemployed, 2007 and 2010*

	All Unemployed		LTU	
	2007	2010	2007	2010
	'000	'000	'000	'000
Primary or below	16.7	26.5	7.9	15.4
Lower secondary	25.7	61.9	8.6	31.2
Higher secondary	28	86.4	6.2	36.1
Post-Leaving Cert.	10.1	46.1	1.8	20.4
Third level	18.4	62.9	3.4	19.9
Other	3.7	9	*	3.8
<i>Total</i>	<i>102.6</i>	<i>292.9</i>		
	Composition		Proportion LTU	
	%	%	%	%
Primary or below	16.3	9.0	47	58
Lower secondary	25.0	21.1	33	50
Higher secondary	27.3	29.5	22	42
Post-Leaving Cert.	9.8	15.7	18	44
Third level	17.9	21.5	18	32
Other	3.6	3.1	*	*
<i>Total</i>	<i>100</i>	<i>100</i>		

Source Micro data from QNHS kindly provided through DES

Note *1 Q2 of each year.

Long-term unemployment has also grown astonishingly quickly among the better educated. In 2007, 18 per cent of unemployed people with a PLC and 18 per cent of those with a third-level qualification had been unemployed for twelve months or longer. Just two years later, these proportions had become 44 per cent and 32 per cent respectively. The proportion of all the long-term unemployed educated to a level above higher secondary rose from 19 per cent in 2007 to 32 per cent in 2010. The drift into long-term unemployment was made by 18,600 people with a PLC and 16,500 people with a third-level qualification over the space of the two years.

1.3.5 Movements on and off the Live Register

While, as discussed above, the LR is less reliable than the QNHS as a measure of unemployment and potential labour supply, inflows to, and outflows from, the LR communicate important information about the situation of unemployed people and tell us much about the nature of the unemployment challenge. Movements on and off the LR are essentially entries and exits from the state's unemployment compensation system. They record changes in the numbers of people who become entitled, or lose entitlement, to income support because of unemployment. Only secondarily, do they reflect changes in the numbers who are becoming unemployed or finding employment. This is because the gateway to the LR is not unemployment as such but the rules governing eligibility for JB and the operation of the means test for JA.

The distinction is important between Jobseeker's Benefit and Jobseeker's Assistance. The requirements to be available for, and actively seeking, work apply to both groups and the maximum payments to which individuals are entitled are the same. For JB claimants, however, the payment is in recognition of a contribution record established through previous employment and is not means-tested whereas, for JA applicants, the payment is conditional on a household means test. People receive JB, therefore, independently of what other members of their household may be earning or receiving (it is, in this sense, an individualized payment). The opposite applies to those who apply for JA; what they receive hinges entirely on the circumstances of their households. The two payments are discussed in more detail in Chapter 6 below. In this section, it is only important to note that people in receipt of JB and those in receipt of JA can inhabit two quite different worlds. Claimants of JB can be, and are, hugely different in the extent to which their households rely on their payments from JB for maintaining their standard and style of living. JA recipients, by contrast, are much more homogenous – they are only receiving because it has been established that their households need it.

The particularly difficult position of the self-employed

It is important in this context to note the particularly difficult position of the self-employed. Generally, their numbers have risen and fallen in line with overall employment trends (i.e., their share of total employment has been steady). Over the four years, 2004–07, the numbers of self-employed rose by 14 per cent to peak at 362,000 or 17 per cent of total employment; by the fourth quarter of 2010, they had fallen by 65,000 to 297,000, or 16.3 per cent of total employment (see various editions of the QNHS). It is an exceptionally indirect process as to how much of their drop in employment leads to a rise in the LR. Their class S contributions do

not entitle them to JB so entrance to the LR hinges on whether their household circumstances establish an entitlement to means-tested JA, a decision that can be complex given the assets and debts that remain after a small business closes. Their admittance to the LR, therefore, depends on a significant degree of discretion.

A key development to note is that the recession first caused the proportion of the LR in receipt of JB to increase over an early period (from late 2007 to early 2009). Then, as claimants' maximum twelve-month entitlement periods became exhausted, the proportion in receipt of means-tested JA accelerated sharply upwards; 65 per cent were means-tested by September 2010 (Figure 1.5).

When claims are closed on the Live Register, a reason is noted. A discrete choice between six reasons is provided; the principal ones are that the person in question found work, entered education or training, transferred to another welfare scheme, or simply lost their entitlement to either JB or JA (miscellaneous categories of 'no reason' and 'other' make up the total). It is clear from Figure 1.5 that, since the crisis began, 'loss of entitlement' has established itself as the single-largest reason for exits from the LR. Over the twelve months, February 2009 to March 2010, for example, 41 per cent of claim closures each month were typically due to loss of entitlement and 32 per cent to people finding work. When a similar analysis of claim closures was carried out for the Council over two years of strong employment growth (1997 and 1998), finding work had accounted for 50 per cent of claim closures and loss of entitlement for only 13 per cent (NESC, 1999: 420). The impact of the current recession is clear. While it is noteworthy (see 3.2.2 below) that a significant inflow to employment continues to take place, more are now leaving the LR simply because their entitlement is at an end and not because they are either finding work, entering education or training, or transferring to another welfare payment.

In a separate but complementary analysis, the CSO examined what happened to people who joined the Live Register during the first six months of 2009 – a gross inflow of 155,215 – some three to six months after they first 'signed on' (in so far as the Departmental data sets of Social and Family Affairs and Revenue respectively could ascertain) (CSO, 2010). Their analysis, therefore, is of the recently unemployed only (those on the LR for a maximum of six months). They found that 59 per cent were still on the Live Register, while 41 per cent had left it. What is established about the 41 per cent (claim closures) can be compared directly with the findings in the preceding paragraph: 44 per cent had taken up employment, a higher proportion reflecting the focus on recent entrants only, 10 per cent had transferred to another welfare payment (illness benefit or pension) leaving 46 per cent who had exited the LR for reasons that could not be tracked by the data sets used. These reasons would include that they left Ireland, started self-employment or returned to education; 'loss of entitlement' did not figure as a separate reason as, within a six-month period of joining, there are few grounds on which it can arise.

Figure 1.5 Proportion on the Live Register who are JA Applicants

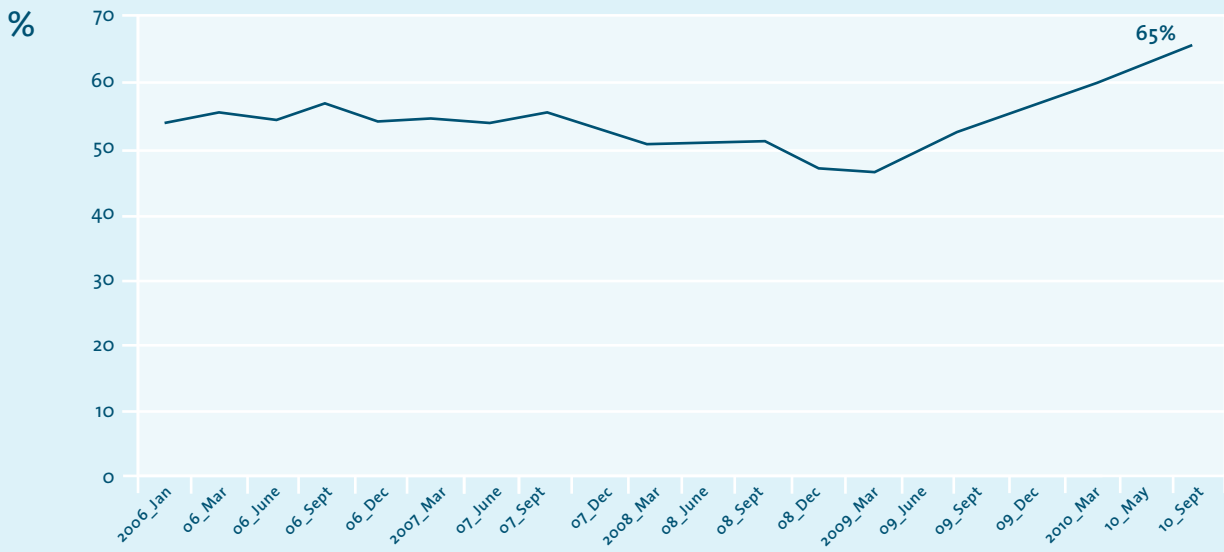
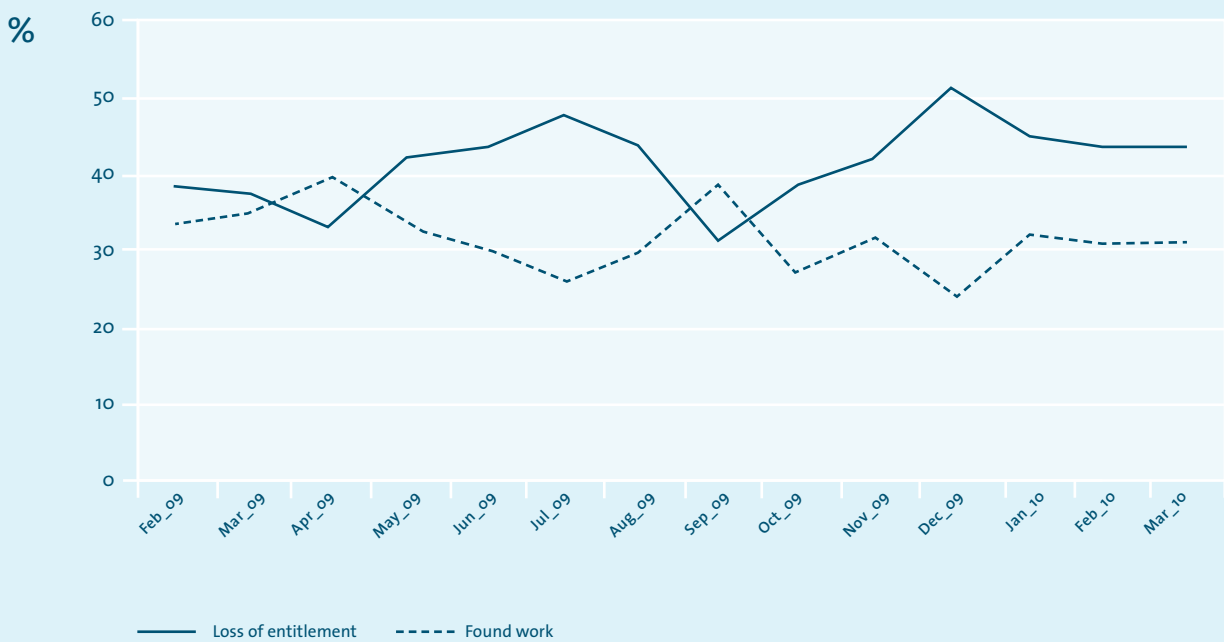


Figure 1.6 Claim Closures Due to Loss of Entitlement and Finding Work Respectively, as Percentages all Claim Closures, Feb 09 to Mar 10.



Source Monthly data on claim closures for February 2009 to March 2010 provided by the Department of Social Protection

The two analyses, therefore, can be seen as complementary. During 2009, about

one person was exiting the labour market for each person finding employment of those whose spells on the LR were under six months; when spells of all lengths are included, 'loss of entitlement' emerges as the single-most important reason why people leave the LR.

1.4 Summary and Conclusions

The main findings from this review of the fall in employment and rise in unemployment caused by the recession are as follows:

- ◆ The years of strong economic growth driven by domestic demand were rich in job-creation but the shake-out of employment occasioned by the recession has been greater still;
- ◆ Low-skilled jobs in particular came on stream in large numbers and have disappeared in large numbers;
- ◆ Exporting sectors play an indispensable but limited role in attaining high employment rates. They accounted for a small part of job-creation during the boom and for a small part of the jobs lost during the recession;
- ◆ The recession has accelerated a pre-existing shift within manufacturing towards higher value-added activities of a relatively low employment intensity and exposed the disproportionate size of some domestic service sectors (retail banking, hotels);
- ◆ Until there is a revival of domestic demand, a large proportion of those now unemployed face bleak employment prospects;
- ◆ The Irish labour market exhibits a major concertina-like quality – employers resort to hiring and firing relatively quickly compared with many other EU economies. There is less internal labour market flexibility, e.g., company-level agreements that share hours of work and earnings to protect employment levels are rarer than in several other countries;
- ◆ Generally, in downswings, young people, low-skilled workers and migrants experience disproportionately large increases in unemployment. This time is no different but the fact that the epicentre of the recession was in construction has made the incidence of unemployment borne by these groups even higher and added the significant dimension that males among them have been particularly prominent victims;
- ◆ Despite the heavier incidence of the recession on the lower skilled, the recession has spared no one and a large proportion of those now unemployed are well educated;
- ◆ A significant decline in the participation rate has kept the unemployment count from rising even further. The participation rate has fallen principally because of the number of people returning to education. The significance of women's decisions to return to 'home duties' has been less dominant than in previous recessions;

- ◆ A large number of EU-12 nationals have returned home but a significant number remain unemployed in Ireland. Irish emigration has also reasserted itself; as in the 1980s, it is largely a skilled outflow but this time those leaving have significant work experience also;
- ◆ After lagging growth in the numbers of short-term unemployed, the numbers of long-term unemployed are now climbing rapidly. The composition of aggregate unemployment is steadily deteriorating;
- ◆ A significant number of the unemployed are not entitled to JB or JA and do not figure on the Live Register;
- ◆ Loss of entitlement – and not finding work, returning to education or training or transferring to another welfare scheme – is the biggest single reason why people are now exiting the Live Register;
- ◆ Significant numbers of unemployed people are not receiving JA because the household means test disqualifies them on the basis of their spouses'/ partners' earnings.

2

Responses To Date

2.1 Introduction

The institutions, policies and procedures that make up each advanced country's regime for supporting unemployed job-seekers have two overarching objectives: (i) to help people (re)enter employment; and (ii) to mitigate the negative consequences of their unemployment.

In pursuit of the first objective, getting people back to work, the emphasis differs across national unemployment regimes as to whether the employment to be (re)entered is immediate or after training and education that enhance jobseekers' employability and skills. An 'employment first' approach underlines the positive effects of entering a job as quickly as possible. It is not blind to the hazards of in-work poverty and dead-end jobs but prefers to provide support in-work rather than out-of-work to the greatest extent possible. Proponents of 'employment first' argue that it is easier to up-skill low-skilled workers *because* of their jobs and on their jobs than if they become long-term unemployed; i.e., people in jobs are more motivated and better placed to look for a better job than people whose unemployment is lengthening. A 'human capital' approach emphasises that acquiring skills with higher market value is key to making it easier for unemployed people to find decent work and attractive for employers to recruit them. Its proponents argue that too many of the jobs that may be relatively immediately available, in fact, make it difficult for people to retrain because of their hours and conditions. They accept that identifying and delivering the training and education that demonstrably improves marketable skills is difficult in practice but point to consistent, widespread evidence that 'more' education is positively correlated with higher earnings and steadier employment histories. Valid insights lie behind each approach and national regimes for supporting unemployed people strike their own balances between them.

In pursuit of the second objective, mitigating the negative consequences of unemployment, unemployment regimes also differ. Every country's unemployment regime has to reckon with the potential for 'moral hazard' if people find that the cumulative support they receive when unemployed underpins a standard of living they would find it difficult to improve on if they took going job offers. Ensuring 'work pays', however, can be advanced by improving in-work support on the lower rungs of the labour ladder and/or by increasing the conditionality of unemployment support as unemployment spells lengthen. Taking the first tack is expensive; taking the second has to reckon with the evidence that poverty itself undermines human capital (people's health and skills) and leads to poor job matches. Again, national unemployment regimes find their own balances between what are valid but competing concerns. Some concentrate on preventing extreme hardship and social exclusion as unemployment lengthens, particularly where families have to be supported; other regimes embrace

the objective of shielding people from immediate and dramatic drops in their incomes when they first lose their jobs. Focusing on the evils of long-term unemployment risks creating high marginal benefit-tax withdrawal rates when people leave welfare for work; focusing on the disruption of the onset of unemployment risks lowering the incentive to avoid unemployment in the first place and the intensity of job-search in the early months. Depending on the national context, therefore, the development of vigorous activation measures or of a proactive public employment service may be particularly strongly focused (or already achieved).

In short, a country's arrangements for supporting unemployed people are inevitably complex, unique in their current constellation and with their own reform priorities and directions of change. This was the case with the institutions, policies, programmes and procedures Ireland had in place at the time the crisis broke.

2.2 Ireland's Spending on Labour Market Policy in a Comparative Perspective

Public spending on supports and services to assist unemployed jobseekers is conventionally distinguished as either active or passive. Those forms of spending are classified as 'active' whose primary rationale is to support people in seeking, preparing for or retaining employment (thus, spending on the public employment service, training, employment incentives and direct employment programmes are its principal components).¹⁹ Passive labour market spending refers to income transfers whose basic purpose is to guarantee unemployed people a standard of living. It is 'passive' in the sense that how recipients use the transfers to secure their standard of living is not intended to have a direct impact on the functioning of the labour market (spending on unemployment insurance payments and on social assistance to the non-insured unemployed are its principal components).

2.2.1 Low spending as a percentage of GDP

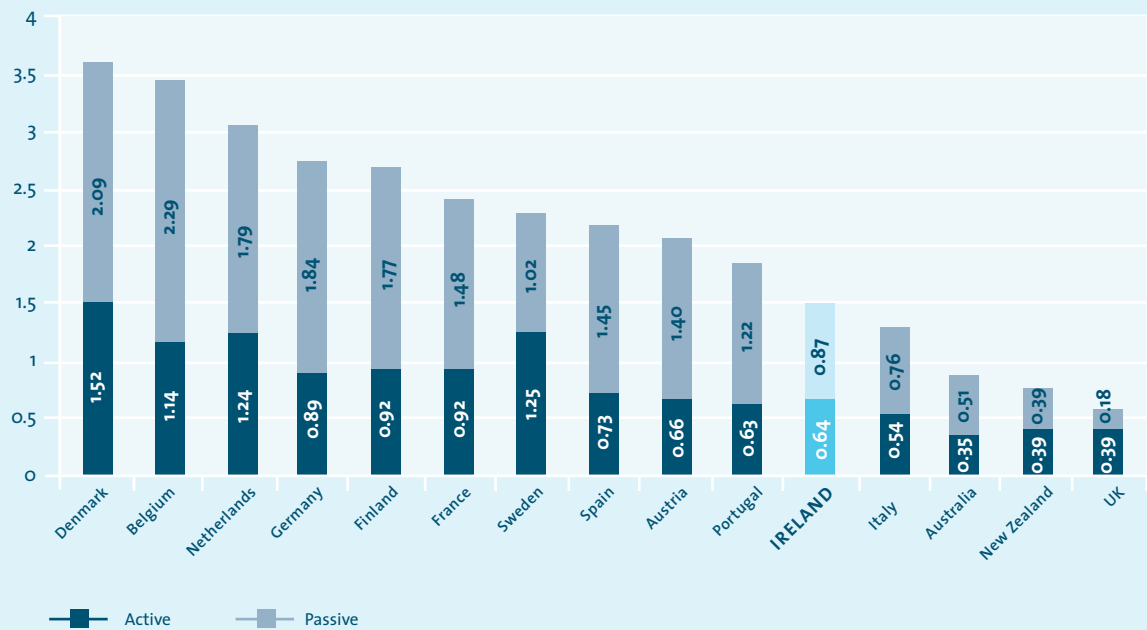
Figure 2.1 provides a picture of Ireland's typical level of spending on labour market measures in the years before the crisis broke, 2004–2007, in an international comparative context. As can be seen, when aggregate (active and passive) spending as a proportion of GDP is the indicator, Ireland was a relatively low spender by Nordic and Continental European standards, though it regularly spent a higher proportion than other English-speaking countries.

Figure 2.1 also shows and Table 2.1 confirms (column 3) that passive spending accounts for the majority of labour market spending in most countries. It might be expected, then, that the aggregate levels of LMP spending across countries should closely mirror their respective levels of unemployment. While *changes* in the level of aggregate spending are, in fact, linked closely to changes in unemployment, little correlation is observed when *levels* of aggregate spending are plotted against unemployment rates. For example (Table 2.1), Denmark and Belgium were the 'highest spenders' over the period 2004–2007 but had hugely different unemployment rates (averages of 4.5 per cent and 8.1 per cent respectively), while high-spending Denmark and low-spending

¹⁹ There are some differences in OECD and Eurostat classifications: Eurostat, for example, distinguishes spending on a country's PES from other active interventions

Ireland had similarly low unemployment rates (averages of 4.5 per cent and 4.4 per cent respectively).²⁰ The consistent absence of a clear correlation between levels of spending on labour market policy and levels of unemployment prompts Eurostat to observe: ‘the base level of expenditure on labour market policy in each country is not closely, if at all, tied to the level of unemployment but is governed by other economic, political and historical factors’ (Eurostat, *Statistics in Focus*, 66/2010).

Figure 2.1 Public Expenditure on Active and Passive Labour Market Measures (% of GDP), Average 2004–2007



²⁰ New Zealand and the Netherlands provide a similarly interesting pairing in Figure 2.1, i.e., they had similarly low unemployment rates but were ‘low spending’ and ‘high spending’ respectively.

Table 2.1 Total Expenditure on Labour Market Policy (LMP), Composition of Expenditure and and Unemployment Rate, 2004–2007

	% GDP*	Active**	Passive****	Unemployment****
Denmark	3.61	42	58	4.5
Belgium	3.42	33	67	8.1
Netherlands	3.03	41	59	4.1
Germany	2.73	33	67	9.6
Finland	2.68	34	66	7.9
France	2.39	39	62	9.0
Sweden	2.27	55	45	6.7
Spain	2.19	33	66	9.1
Austria	2.05	32	68	4.8
Portugal	1.85	34	66	7.5
IRELAND	1.51	42	58	4.4
Italy	1.30	42	59	7.1
Australia	0.86	41	59	4.9
New Zealand	0.77	50	50	3.7
UK	0.57	68	32	5.0

* Total LMP expenditure as % of GDP: average 2004–2007

** Active LMP expenditure as percentage of total

*** Passive LMP expenditure as percentage of total

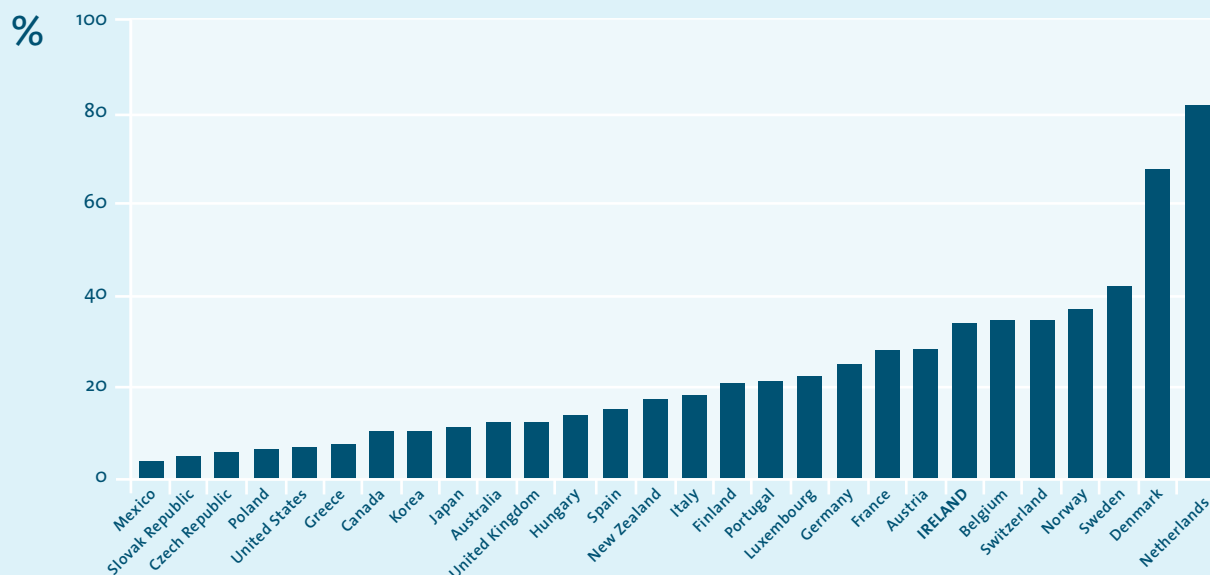
**** Unemployment rate, average 2004–2007

2.2.2 High LMP spending per jobseeker

Ireland's relatively low level of expenditure on labour market policies as a *percentage of GDP* over the period was compatible, nevertheless, with a relatively high level of LMP expenditure per unemployed person or per person wanting to work. In 2005, for example, though the share of GDP devoted to LMP spending remained one of the lowest in the EU 15 (at 1.5 per cent), Ireland's spending per person wanting to work²¹ (adjusted for purchasing power standards) was the sixth-highest and bettered only by Denmark, the Netherlands, Luxembourg, Belgium and France (Eurostat, *Statistics in Focus 45/2008:3*). This was because the maintenance of strong growth in GDP kept unemployment low and generated growth in tax revenues enabling spending per unemployed jobseeker to increase significantly. More recent analysis by the OECD confirms this picture of Ireland as a relatively *high* spender on labour market policy when the absolute level of spending per unemployed person is examined (Bouis and Duval, 2011). Over the decade 1997–2007, only the Nordic countries, Switzerland and Belgium devoted higher proportions of their GDP per capita on to ALMP spending per unemployed person than Ireland (Fig 2.2).

21 Persons wanting to work are defined as the unemployed (ILO definition) plus inactive persons wanting to work, i.e., the labour reserve.

Figure 2.2 Average Public Spending on ALMPs, per Unemployed Person (% of GDP per capita), average 1997–2007



Source: Bouis and Duval (2011)

2.2.3 The composition of LMP spending

As already noted, spending on measures classified as passive accounts for a larger proportion of aggregate LMP expenditure than spending on measures classified as active in most countries (the breakdown is 60:40 on average for the fifteen countries in Table 2.1, and 60:40 for Ireland too). Only the UK (68 per cent) and Sweden (55 per cent) record a consistently larger share of LMP spending being devoted to active rather than passive measures, while Austria and Belgium, by contrast, record the highest concentrations of spending on passive measures.

It is within active spending, however, that some of the most revealing characteristics of countries' labour market policies can be glimpsed (Table 2.2). In Ireland, we see evidence of the steadily growing emphasis on training within ALMP spending over the period 2000 to 2008, but also that the share of spending on direct job creation (principally because of the Community Employment programme) remained consistently the highest in the EU over the period. By contrast, Ireland has made relatively little use of employment incentives (wage subsidies or employer PRSI exemptions that support the transition of unemployed people into regular market jobs) and spends little on measures that seek the labour market integration of persons with reduced working capacity ('supported employment and rehabilitation', which is the dominant form of ALMP spending in the Netherlands and Denmark).

Much more is suggested by Table 2.2 than can be explored here. Two important conclusions should, however, be drawn at this stage. First, cross-country differences in the levels of spending on labour market policy are significantly independent of

differences in their levels of unemployment and primarily reflect economic, political and historical factors. Second, how countries spend their labour market budgets is as or more important than how much they spend, i.e., the design and composition of spending determine what it achieves as much or more than the level of spending.

Table 2.2 Composition of Active Labour Spending:* 2000, 2005 and 2008

	Training			Employment Incentives**			Supported Employment and Rehabilitation***			Direct Job Creation		
	2000 %	2005 %	2008 %	2000 %	2005 %	2008 %	2000 %	2005 %	2008 %	2000 %	2005 %	2008 %
BE	16.1	23.9	14.6	15.1	19.6	42.0	12.4	14.1	11.4	44.4	42.0	31.7
DK	42.1	35.5	23.7	29.8	31.1	13.8	24.5	33.4	62.5	3.4	0.0	..
DE	48.9	40.4	54.8	8.5	8.3	14.3	12.8	20.5	6.1	26.1	15.9	12.1
IE	28.1	44.2	48.3	16.8	11.0	7.6	0.2	1.8	1.8	50.6	43.0	42.3
EL	62.9	64.4	62.5	27.1	33.5	25.5	..	..	0.1	..	..	6.2
ES	25.4	25.3	28.1	41.9	49.8	35.6	8.9	3.3	4.6	16.1	11.3	12.4
FR	36.5	43.4	42.2	17.7	18.9	16.7	5.9	9.9	11.4	39.6	27.2	24.5
IT	42.1	43.3	49.1	41.4	43.9	41.6	..	..	..	9.3	2.2	1.9
NL	10.8	16.8	14.0	5.9	20.5	20.5	55.3	62.7	65.5	..	..	..
AT	64.2	71.2	71.8	16.7	11.5	10.9	7.9	7.7	7.9	10.4	8.3	8.2
PT	63.5	55.9	58.1	11.4	30.3	29.9	8.3	7.4	6.7	13.9	5.9	4.8
FI	50.1	51.9	53.6	15.4	15.6	11.4	10.6	13.6	12.8	15.1	9.5	10.5
SE	43.7	31.1	10.6	30.4	41.3	57.3	18.7	20.1	30.0	2.4	..	..
UK	75.1	75.3	34.8	12.5	12.3	26.2	5.9	7.9	26.7	6.1	4.1	12.3

Source Eurostat, Statistics in Focus, 45/2008 and 66/2010

Note * Eurostat categories, 2–7.

** Covers measures that support the transition of unemployed people into regular market jobs (typically, wage-subsidies and exemptions on employers' social contributions).

*** Covers measures that aim to promote the labour market integration of persons with reduced working capacity.

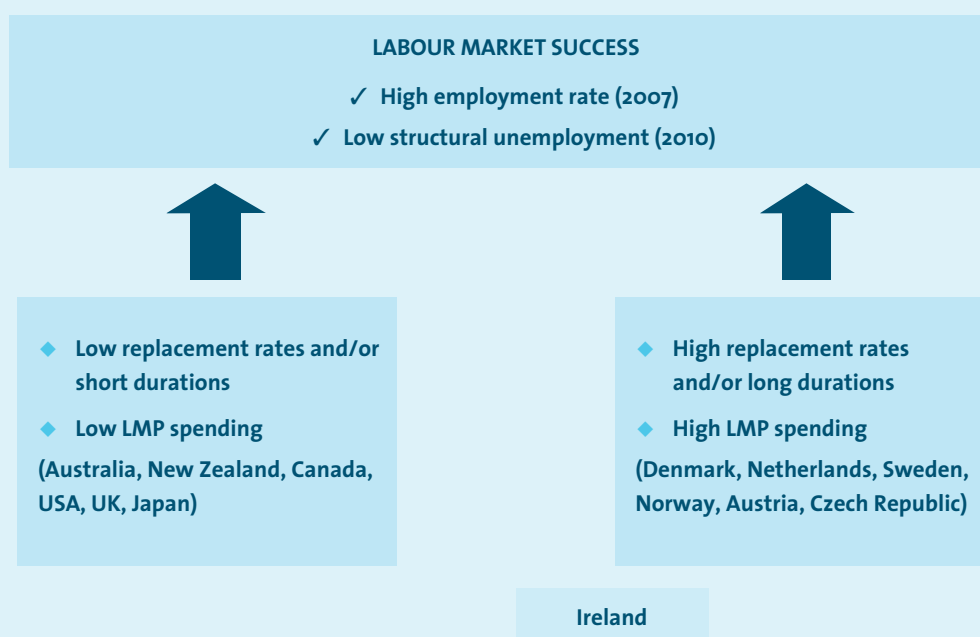
This last observation is reinforced by evidence that Ireland is still not a particularly successful OECD country for how its labour market policies perform, though it has moved significantly in the direction of a successful 'model' typified by small Northern European states and – somewhat surprisingly – away from a model by which other English-speaking countries have achieved success.

In analysis that is tentative rather than definitive, Bouis and Duval (2011) observe that twelve OECD countries enjoy significant labour market success – meaning that (i) they had high employment rates in 2007 (just before the crisis broke) and (ii) are currently estimated to have low levels of structural unemployment in 2010 (two years into the crisis). These twelve countries, they find, constitute two

distinct groups. A first group has relatively low benefit replacement rates and/or limited duration to benefit receipt and low ALMP spending; the six countries in this group are largely English-speaking and outside of Europe (Australia, Canada, Japan, New Zealand, United Kingdom, United States). A second group has relatively high benefit replacement rates and/or long duration to benefit receipt and high ALMP spending; the six countries here are all smaller European states (Austria, Denmark, Netherlands, Norway, Sweden, Switzerland). As the authors reflect, labour market policies in the first group are imbued with an awareness that ‘high and long-lasting unemployment benefits can raise structural unemployment through adverse effects on job-search incentives and by pushing wages above market-clearing levels’ (Bouis and Duval, 2011: 14), whereas policies in the second group are confident that ‘well-designed activation policies can offset the detrimental employment effects of high and long-lasting benefits on job-search incentives and also reduce unemployment directly by improving the job-matching process’.

When key indicators of the level of national ‘inputs’ to labour market policies are consulted, i.e. the level of replacement rates and the level of ALMP spending, it is clear that Ireland is far from being evenly situated between the two successful groups. In fact, Ireland’s relatively high levels for both indicators suggest it was better positioned just before the crisis broke to pursue success in the manner of the small European countries rather than of the large English-speaking ones. Subsequently, of course, the levels of replacement rates and ALMP spending that justified this expectation have come under immense pressure as the numbers of unemployed have soared and fiscal resources been eroded. The main chapters in this report can be considered as throwing further light on the feasibility and implications of seeking labour market success in the manner of the small European states and large English-speaking ones respectively in the years ahead.

Figure 2.3 Different Routes to Labour Market Success



2.3 Responding to the Crisis

In response to the rapid rise in unemployment since 2008, the government has successively introduced a range of policy measures and initiatives aimed at maintaining people in employment and supporting more effectively those who are unemployed. Between July 2008 and July 2011, there have been six separate policy announcements of significant budgetary measures entailing changes to employment and unemployment policies. Many of these changes in these areas were prepared by a Senior Officials Group on labour market issues reporting to a Cabinet Committee on Economic Renewal and Jobs. This Senior Officials Group has emerged as a key driving force in developing an inter-departmental response to the crisis in the labour market. It has been instrumental in redeploying budgets, accelerating policy and institutional reforms and introducing temporary measures to protect employment and mitigate unemployment. This section summarises the various policy initiatives and measures that have been introduced by grouping them under seven headings.

2.3.1 Institutional Reconfiguration

In March 2010, the government first announced its decision to fundamentally reconfigure departmental responsibilities in relation to employment services, further education and training, and community employment programmes. Responsibility for FÁS Training and the national Statutory Apprenticeship Scheme administered by FÁS were moved to the Department of Education and Skills (DES). Responsibility for FÁS Employment Services and FÁS Employment Programmes (principally the Community Employment Scheme) were moved to the Department of Social Protection (DSP). An exceptionally large and diverse state agency (FÁS) has its constituent parts reassigned, in order to bring sharper focus and improved management to each. Until March 2010, the one agency had been responsible for providing placement and guidance services to job changers and the unemployed; for training unemployed people and people in employment directly in its own network of centres and by procuring courses from external providers; for ensuring specialist training for people with disabilities; and for supervising direct employment schemes for those distant from the labour market. In undertaking this wide remit, FÁS had enjoyed a considerable degree of autonomy in relation to policy development and the delivery of its programmes (Boyle, 2005).

The reconfigured institutional framework provides the Department of Social Protection with an opportunity to achieve a closer integration of income support, usage of employment services and participation in active labour market measures. In pursuit of this objective, several further services have also been moved under the DSP. It has assumed responsibility for the Rural Social Scheme and the Community Services Programme (from the Department of Community, Equality and Gaeltacht Affairs) while, on the income front, it has assumed responsibility for Community Welfare Officers and their administration of Supplementary Welfare Allowance (from the HSE) and for the administration of Redundancy and Insolvency payments (from the Department of Jobs, Enterprise and Innovation). The DSP has also been given responsibility for administering the new National Internship Programme. To meet the challenges and develop the opportunities arising from this pooling of services of vital interest to unemployed people under the remit of the same

department, a new National Employment and Entitlements Service (NEES) is being established, in which all employment and benefit support services will be integrated in a single delivery unit managed by the Department of Social Protection.

The DES has emerged from the institutional reconfiguration with a stronger foundation on which to integrate academic and vocational learning, first-time education and lifelong learning, and the training of those at work and of the jobless. It has received a powerful stimulus to reorganise and reinvigorate the field of further education and training (FET) from several quarters – the new areas of responsibility transferred to it; evidence that FÁS had developed serious governance issues; the surge in demand for FET as a result of high unemployment; and the need to be able to reallocate resources more swiftly across the sector to courses and programmes with demonstrated relevance to labour market needs and effectiveness in advancing participants' skills. In July 2011, the establishment of new agency, SOLAS, was announced to replace FÁS and provide the FET sector with a profile and institutional framework comparable to what the HEA has traditionally provided the field of higher education. There is now an unprecedented opportunity to ensure a more integrated approach for unemployed people seeking any type of further education or training to improve their employability.

By contrast to these developments within the DSP and DES, the Department of Jobs, Enterprise and Innovation will have a much less direct role than its predecessor in active labour market policy and has been 'freed' to concentrate primarily on job creation and what sustains it. A fourth department, the Department of Environment, Community and Local Government, has acquired a particular remit for ensuring the labour market is socially inclusive and has assumed responsibility for the Local Community and Development Programme (LCDP, managed by Pobal).

2.3.2 Priority Cohorts for ALMPs

Early in the crisis, the Cabinet Committee for Economic Renewal and Jobs identified four cohorts among the unemployed to receive priority access to the state's training, education, guidance and work experience opportunities. These priority cohorts are

- ◆ Those with lower skills or education levels;
- ◆ Those on the Live Register for more than one year;
- ◆ Younger people (under 25 years but also up to age 34); and

Those made redundant from sectors that will not return to their previous levels of activity even after economic recovery (e.g., construction, manufacturing, and the retail and wholesale trade).

As a result of this decision, the DES instructed FÁS to offer 80 per cent of its training and work experience places for the unemployed to individuals from one of these priority cohorts. As of the end of June 2010, over 90 per cent of FÁS trainees came from these four priority cohorts. It was also decided that publicly funded training and education for those in employment should be targeted at three specific groupings, namely, employees on short-time working, the lower-skilled and those in vulnerable employments.

2.3.3 Social welfare changes

The most evident impact of the unemployment crisis has been the rising bill for social welfare. It was estimated (in 2009) that each additional 1,000 people on the Live Register entailed higher spending of €13.2m (€11.8m on JB/JA and €1.4m in supplementary welfare payments, including rent and mortgage interest subsidies) (Department of Finance, 2009a). This rising welfare bill has fuelled several debates – about the sustainability of current rates of social welfare payment in general, the extent to which replacement rates are high and create a disincentive to work, the level of fraud and the effectiveness of measures for dealing with it, and the capacity and willingness of the different labour market actors to operate effective activation measures.

Since 2008 a number of changes have been made to the duration, eligibility requirements and payment levels of unemployment compensation.

- ◆ The maximum period of receipt of Jobseeker's Benefit was reduced from 15 months to 12 months, and the number of contributions required to be eligible for the maximum period was raised from 104 (2 years) to 260 (5 years). This step was taken in October 2008.
- ◆ Lower rates of Jobseeker's Allowance have been introduced for young claimants. In May 2009, the maximum personal rate for those aged 18 or 19 (with some qualifications) was reduced to €100 per week unless they are participating in specified training or education courses, an arrangement extended to those aged 20 and 21 in January 2010. New applicants aged 22 to 24 have had their maximum personal rate reduced to €150 and then €144, under the same conditions as for those under 21, in January 2010 and January 2011 respectively.
- ◆ The maximum personal rate of social welfare payments for all people of working age (under 66, thus including JB and JA) was cut by 4 per cent from €204.30 weekly to €196 (January 2010) and by another 4 per cent to €188 weekly (January 2011) with corresponding cuts in increments for qualifying adult dependants. All social welfare recipients, however, people of working age people and pensioners, lost the receipt of a Christmas bonus (double the value of their weekly payment in a week before Christmas) from December 2009 onwards. The cumulative reduction in JB/JA rates has been 10 per cent to date.
- ◆ The Social Welfare Miscellaneous Act (June 2010) introduced new eligibility criteria under which sanctions in the form of reduced payments (and not just the suspension of payments altogether as hitherto, a 'nuclear' option seldom resorted to) can be applied to individuals in receipt of JB or JA where job offers or activation measures have been refused.
- ◆ Finally, many among those in receipt of JB or JA payments have also been impacted by reductions in universal and secondary payments: the reductions in Child Benefit (particularly that in Budget 2011, which was not offset by a rise in the Qualified Child Increase); the restriction of Treatment Benefits; the increased rent contribution required from people in receipt of Rent Supplement.

The cumulative effect of these changes has, undoubtedly, kept the increase in spending on unemployment compensation below what it would otherwise have been. Table 2.3 records expenditure on the principal unemployment-related social welfare payments over the period 2007 to 2010 – on aggregate, spending on these payments grew by almost €3bn over the four years.²²

Some specific tax changes can be regarded as prompted by this rising bill for unemployment. Budget 2011 abolished the income ceiling on employee contributions (raising €145m in a full year) and increased the PRSI rate paid by the self-employed from 3 per cent to 4 per cent (raising €80m). Consequent on these measures to boost the income of the Social Insurance Fund, it is estimated that Fund income will cover 79 per cent of its scheme expenditure in 2011, leaving 21 per cent to be covered in its entirety by a subvention of €1.8bn from the Exchequer (the Fund's surplus was exhausted in 2010)²³ [DSP, 2011].

Table 2.3 Income Compensation for Unemployment: Expenditure, 2007–10

	2007 €m	2008 €m	2009 €m	2010* €m
Jobseeker's Benefit	545	929	1,734	1,287
Jobseeker's Allowance	875	1,159	2,005	2,807
Redundancy Payments**	183	198	336	470
Total	1603	2286	4075	4564
PERSONS				
Average monthly LR	162,293	226,735	398,159	441,689

Source Statistical Information on Social Welfare Services (DSP); CSO online database

Notes * Provisional.

** Source is DSP (2011).

²² Only programme-spending directly and wholly attributable to unemployment is included in Table 2.3. Rising unemployment occasions significant increases in spending on DSP programmes that are not exclusive to the unemployed. Spending on Rent Supplement rose from €391m in 2007 to €511m in 2009 and the proportion of recipients who were in receipt of either JB or JA from 27 per cent to 41 per cent; spending on Basic Supplementary Welfare Allowance Payments rose from €150m to €236m over the same years and the proportion of recipients who were people pending receipt of JB/JA or the outcome of an appeal on their eligibility for JB/JA from 27 per cent to 49 per cent; spending on Mortgage Interest Supplement rose from €12m to €61m and the proportion of all recipients who were in receipt of either JB or JA from 30 per cent to 55 per cent (DSP, *Statistical Information on Social Welfare Services*).

²³ In the years leading up to 2007, the Fund was regularly in surplus; in 2006, for example, its income was 9 per cent greater than its scheme expenditure. An operating deficit first emerged in 2008.

2.3.4 Changes in DSP Employment Supports

The Department of Social Protection also operates a set of programmes that support welfare recipients of working age taking specific steps to leave welfare for work.

The largest one (Back to Education Allowance, BTEA) supports people on certain social welfare payments returning to education (second and third levels) – in effect, they retain their social welfare payments and receive an annual cost of education allowance of €500. Numbers on this programme have almost tripled over the four years, 2008–2011, and spending risen almost as fast to €199m.

A further programme on a significant scale, the Back to Work Enterprise Allowance (BTWEA), supports formerly long-term unemployed people in developing a business by paying them a reducing proportion of their previous social welfare payment over a two-year period. By 2011, 8,399 people were on this scheme, a rise of 82 per cent on four years earlier. A variant of this scheme was introduced in 2009, allowing recipients of JB to engage directly in setting up a business while receiving the equivalent of their JB payment for as long their JB entitlement lasts (Short Term Enterprise Allowance, STEA – 1,197 people were availing of it in 2011). In the same year, a larger programme – the Back to Work Allowance Scheme was closed to new entrants. It was similar to the BTWEA but for people who left certain long-term welfare payments and became employees – the numbers on it have dwindled to 739 in 2011.

Collectively, these Employment Support Programmes are supporting 35,335 people in 2011, a number corresponding to about 8 per cent on the LR for a budget of about €290m (DSP, 2011).

The changes introduced have generally enabled unemployed people to access them at earlier stages in their unemployment spells.²⁴ At the same time, however, in response to the rising numbers of unemployed and growing budgetary pressures, other changes have been designed to contain the costs associated with the programmes.²⁵

2.3.5 Training and Education

Labour market policy in Ireland since the late 1980s has been characterised by a strong emphasis on training and education as integral to improving people's employability and reducing their vulnerability to unemployment and length of time in unemployment. Changes to training and education initiatives have, accordingly, been an integral feature of the state's response to the unemployment crisis. Since 2008, places on training and education programmes specific to people on the Live Register, or particularly accessible to them, have been expanded or created, while cost savings have been procured in other ways.

²⁴ The BTEA (second-level option) can now be accessed after three months in receipt of qualifying welfare payments, instead of 6 months, the BTEA (third-level option) after nine months instead of twelve, and the BTWEA after one year rather than two.

²⁵ E.g., removing eligibility to receive a student maintenance support grant from new applicants for the BTEA.

Increasing Training Capacity

A key concern over the three years 2008–2010 was to offer a larger number of the unemployed a place on a training programme of some form or other.

- ◆ A formidable increase in the numbers receiving training was achieved, in two principal ways. First, the completion of modules rather than longer courses was emphasised; for example, participation on *FÁS Specific Skills Training (SST)* trebled to just over 20,000 between 2008 and 2009, principally by reorganising a greater part of it to take the form of ten- to twenty-week, stand-alone courses leading to minor certification awards and reducing the share of SST that took the form of linked courses lasting twelve to fifty-two weeks. Second, more evening courses, online courses and blended learning initiatives were provided: in 2010, half of over 81,000 new starts on FÁS training programmes were on such courses;
- ◆ A *Labour Market Activation Fund* of €32m was established to stimulate innovative training and education provision by private, not-for-profit and public sector organisations. Those tendering were required to state the number of participants who would come from each of the four priority cohorts of unemployed, all of whom had to be receiving an unemployment payment for at least three months. Between 2010 and 2011, it is estimated that a maximum of 12,000 additional education and training places will have been provided on fifty-nine projects;²⁶
- ◆ A total of €34.2m has been allocated under the *European Globalisation Adjustment Fund (EGF)* to provide upskilling and retraining supports for redundant workers from three companies – Dell (Limerick), Waterford Crystal and SR Technics (Dublin).²⁷ A further application was submitted in February 2011 for EGF support of €55m for former workers in three construction sub-sectors;
- ◆ Skillnets, which fosters the provision by groups of companies of employee training,²⁸ has been required, since 2010, to have a minimum of ten per cent of its trainees sourced from among the unemployed; 4,800 unemployed individuals benefited in 2010, and a target of 8,000 has been set for 2011 of whom up to 50 per cent are to be low skilled.

Increasing access to higher and further education

- ◆ A Back to College Initiative (BCI) was introduced as a temporary measure in the April 2009 Supplementary Budget. It was to provide up to 2,500 part-time third-level places to people on the LR for at least six months;²⁹ participants were entitled to retain their social welfare entitlements. Providers were to offer courses in areas identified by the EGFSN as supporting the goals of the ‘Smart Economy’;

²⁶ There have been other attempts, on a much smaller scale, to match the content and pedagogy of programmes better to the characteristics of those made unemployed in this recession – for example, the development of an Executive Network Club as a jobs club tailored for unemployed professionals, the identification of new (re)training opportunities, in emerging green and smart technology areas particularly suited to unemployed crafts people. It is difficult to gauge the significance of these developments.

²⁷ The EGF allows for the Exchequer to seek reimbursement of 65% of the costs of providing supports to individuals covered by EGF applications

²⁸ In 2010, an allocation of €16.6m supported an average of about a week’s training for 37,200 employees (DES, 2011).

²⁹ Or in receipt of statutory redundancy and with an entitlement to a relevant welfare payment.

- ◆ Experience with the BCI was built on in the May 2011 Jobs Initiative, which introduced a new *Springboard Programme* to provide part-time, higher-education opportunities for unemployed people.³⁰ With a budget of €20m, it is envisaged that the Springboard Programme will help some 5,900 jobseekers, principally unemployed people with a Leaving Cert., PLC or equivalent (NFQ levels 5/6)³¹ and a previous history of employment in sectors unlikely to recover to pre-recession levels, and unemployed people with a degree and who may require additional upskilling or reskilling to re-enter employment (NFQ levels 6 to 9).

There have been other initiatives on a smaller scale boosting the capacity of higher-education institutions to take in more of those currently unemployed, e.g., the provision of an additional 1,500 places on Post-Leaving Certificate Courses, of 930 places on a range of new short part-time transition programmes in the IT sector to assist unemployed people develop some of the necessary skills for studying at third level and of 280 places on the accelerated certificate programmes run by the ITs.

Apprenticeship Scheme

The economic downturn and the collapse of construction activity has resulted in the number of registered apprentices falling sharply from 28,502 to 17,578 between 2007 and 2010, a decline of almost 40 per cent. Even with this contraction, 42 per cent of the 2010 total was without work. FÁS, responsible for the Statutory Apprenticeship Scheme, has worked with the Institutes of Technology, the social partners and ESB Networks to introduce several measures that assist redundant apprentices in completing on- and off-the-job training phases of their apprenticeships.

Savings

This supply response on the part of training providers, principally FÁS, has been in the context of squeezed budgets and their inability to replace staff retiring or whose contracts expire. The FÁS budget for training the unemployed, for example, was reduced by 14 per cent (€37m) to €247.4m in Budget 2011 (DES, 2011).

There have been two principal ways in which unemployed individuals accessing training have directly borne the brunt of cost savings:

- ◆ Since January 2010, the FÁS Standard Training Allowance is no longer paid to new entrants who are not entitled to either JB or JA. This Training Allowance is equivalent to the maximum standard personal rate for Jobseeker's Benefit/ Allowance;
- ◆ Budget 2011 introduced a €200 annual PLC programme-participant contribution that is estimated will generate up to €4m in savings in a full academic year.

³⁰ The Springboard Fund operates on a competitive basis. It is open to universities, Institutes of Technology and private and not-for-profit higher-education providers who offer programmes that are accredited by the Higher Education and Training Awards Council.

³¹ NFQ awards at levels 5 or 6.

2.3.6 Work Placement Initiatives and Direct Employment Programmes

A number of work placement schemes and places on direct employment programmes have been created to provide unemployed individuals with work experience and enable them to use their time more meaningfully than by continuing to engage in job-search at the present time.

- ◆ A new *Work Placement Programme* was introduced in 2009 to offer up to 2,000 unemployed people the opportunity of a nine-month placement in a public, private or community/voluntary sector workplace. The programme has two streams, one for unemployed graduates and another open to all unemployed individuals; participants are not paid but, if in receipt of social welfare payments for more than three months, may be entitled to retain them. Under Budget 2011 this programme was expanded to 7,500 places, with 5,000 of the additional places to be provided in the public sector and a further 500 graduate places in the private sector;
- ◆ IBEC launched its own Gradlink programme in October 2009 to support graduates during the current downturn. On a small scale (less than 500 participants), its internships help graduates to gain real-life work experience and improve their employment potential, while employers have the talent of the graduates for a specific time period or project. Participants are not paid but, since 2010, Gradlink participants are treated similarly to graduates participating in the FÁS Work Placement Programme in terms of retaining their eligible social welfare benefits;
- ◆ Commencing in July 2011, a new *National Internship Scheme* will provide a further 5,000 work experience placements to unemployed people in the private, public and voluntary sectors. This scheme is open to individuals who are on the LR and have been in receipt of Jobseeker's Allowance/Benefit or signing on for credits for the last three months. Participants will receive a weekly allowance of €50 on top of their existing social welfare entitlement and may keep any secondary benefits (e.g., medical card, rent supplement) for the six to nine months duration of their internship;
- ◆ The number of places on the *Community Employment Scheme* — now under the remit of the DSP — was increased by 500 in Budget 2010, bringing the total number of places to 23,300. The allowance payable under this scheme, however, has been reduced in line with reductions in social welfare payments;
- ◆ In December 2010, the government introduced *Tús*, a new work-placement initiative for the community sector, similar to the Rural Social Scheme. This initiative is managed by the Local Development Companies and Údarás na Gaeltachta for the Department of Social Protection. It is anticipated that, at full capacity, *Tús* will provide up to 5,000 short-term working opportunities (19.5 hrs per week) for unemployed people. Participants are paid the maximum rate of their underlying social welfare payment plus an additional €20 per week.

2.3.7 Subsidies to the private sector

Finally, several measures have been introduced that aim to support companies to either retain employees rather than make them unemployed, or incentivise them to expand their current workforce.

- ◆ The *Temporary Employment Support Scheme* was introduced in August 2009 to protect jobs in vulnerable companies by providing a subsidy of up to €9,100 per employee over fifteen months to enterprises employing at least ten employees.³² In total, €135m was committed under this scheme and it supported some 60,000 jobs directly and indirectly. This scheme has now ended;³³
- ◆ An *Enterprise Stabilisation Fund (ESF)*, a two-year scheme to support activities such as product and market development in viable but vulnerable companies experiencing difficulties because of the current economic climate, was also established in 2009. Approximately €78m was provided for this fund under the European Social Fund and it was managed by Enterprise Ireland;
- ◆ The May 2011 Jobs Initiative introduced a new temporary rate (to the end of 2013) of VAT on labour-intensive services deemed particularly important to the tourism industry – from July 2011, VAT on them will be charged at 9 rather than 13.5 per cent. This was one of the Job Initiative’s biggest single-item measures; it is estimated to cost €350m in a full year;
- ◆ Some changes have been introduced to PRSI rates in order to make it easier for companies to retain or recruit workers, particularly those who are lower-paid. In early 2010 a new €36m Employer Job (PRSI) Incentive Scheme was introduced.³⁴ Under this scheme, an employer who created a new job, and employed an individual who has either been on a FÁS Work Placement Programme for at least three months or in receipt of a social welfare payment for at least six months, was awarded an exemption from the liability to pay PRSI for the first year of that employment.³⁵ As part of the May 2011 Jobs Initiative, the government will halve the lower rate of PRSI from July 2011 until the end of 2013, on jobs that pay up to €356 per week. It is estimated that this initiative will cost €190m in 2012.

2.4 Reflections

The labour market responses to the crisis to date can be fairly described as *government led* and *departmental driven*. Until early 2011 and the formation of a new government, a Cabinet Committee for Economic Renewal and Jobs had responsibility for labour market and unemployment policies with a Senior Officials Group proposing, modifying and implementing a range of measures and institutional initiatives. After some two months in office, the new government

32 To qualify, enterprises had to be judged vulnerable in the current climate but viable in the medium- to long-term. This assessment was undertaken by Enterprise Ireland who were responsible for managing the scheme.

33 See DETI (2011), *Department Brief to Minister, March 2011*. This Briefing does refer to any evaluation of the effectiveness of this scheme, merely noting that it has now ended.

34 In introducing this new initiative the existing *Employer’s PRSI Exemption Scheme* was closed to new entrants.

35 To qualify for this exemption the job must be new and also of at least thirty hours duration per week.

published a Jobs Initiative (May 2011) that contained further measures that affect how unemployed jobseekers are treated, the education and training to which they have access, and job-creation. The national institutions of social partnership level have had no formal role before or after the change of government in shaping and implementing these labour market responses to the crisis to date. The perspective and expertise of individual social partners have been inputted to policy formation through normal lobbying and selective consultations with and by public officials. These individual inputs to policy have been supportive of several of the principal strategic directions taken by the labour market authorities in their overall response to the unemployment crisis to date, principally, that everything possible should be done to facilitate the return to training and education on the part of as many as possible on the Live Register, the reconfiguration of departmental responsibilities in areas important to how unemployment is addressed, and the need for a more co-ordinated activation strategy.

2.4.1 Cutting social welfare

Few measures, among the full range of those adopted, have probably been as unpopular – and regarded as proof of just how serious the fiscal situation is – as the cuts in social welfare.

The primary justification or reason advanced for these cuts has not always been the same. Sometimes, the imperative of cost savings on the part of a heavily indebted state was the principal reason invoked; in particular, it was stressed that some increases in welfare rates in recent years had been particularly large and simply could no longer be sustained in the new conditions of the recession. Sometimes, a second reason was added, namely, the need to increase the incentive to work or undertake training on the part of individuals who were not adjusting their expectations and reservation wages downwards sufficiently to reflect the changed conditions in the labour market. Sometimes, a third reason was interjected of an altogether different nature, namely that the rise in the welfare bill was larger than it needed to be because its administration was lax and fraud was being insufficiently pursued. These are very different reasons for pursuing either specific or general welfare savings and will be examined in some depth in later chapters. The programme of the new government elected in 2011³⁶ intends to maintain social welfare payments at their current levels, rely on a major anti-welfare fraud strategy to contain welfare costs, and looks to a new Advisory Group on Taxation and Social Welfare to help identify and remove disincentives to employment arising from interactions between the taxation and welfare systems.

By far the greatest contribution to welfare savings to date has come from reducing payment rates. Cuts in weekly rates of payment announced in Budget 2011, for example, account for 44 per cent of the total DSP savings to be achieved in 2011 (and cuts in monthly rates of Child Benefit for a further 17 per cent).³⁷ However, the cumulative 10 per cent (including the ending of the Christmas bonus) now cut from weekly JB and JA should caution against any targeting of people on the LR for

³⁶ *Government for National Recovery 2011–2016*

³⁷ DSP, 2011: Appendix 34.

further savings, a targeting that the belief that a work incentive – and, supposedly, entry to employment – is, thereby, increased supports. While their ‘capacity to work’, indeed, distinguishes unemployed people from pensioners whose social welfare incomes have been protected to date, and their ‘availability for work’ distinguishes them from other people of working age in receipt of social welfare (e.g., recipients of illness and disability benefits, lone parents and carers), there comes a time when lower unemployment payments will undermine health and productivity and erode the very work capacity that can be invoked to justify the incidence of welfare cuts on unemployed people in the first place. Arguments made in favour of protecting social welfare pensions, for example, that they reflect contributions made (in the case of the contributory OAP), that many pensioners have no other incomes on which to rely, that pensioners had no part or parcel in causing the economic collapse, in fact, apply to many of those on the Live Register as well, a significant number of whom have also paid the huge price of losing a job as a result of the crisis. Targeting unemployment payments for reductions also compounds the problems of child poverty and emigration.

2.4.2 The emphasis on training and education

Perhaps the most important single response in this area to the recession to date has again been institutional reconfiguration. The incorporation of responsibility for training, skills and education policy within the one department, the DES, is an important institutional development that has the potential to address the lack of co-ordination that has characterised training and education provision in the past. In the long term, for example, the DES is now better equipped to address the persistent secondary status of vocational formation and to oversee the development of high-quality career paths from as early as the Junior Certificate; this would do much both to address skills deficits and the underachievement of too many young males in the current educational system. In the short- to medium-term, the DES now has a stronger foundation on which to eliminate overlapping programmes and raise quality standards. It is anticipated that the new Education and Skills Agency, SOLAS, will drive such reforms across the large number and diversity of education and training providers that provide services to adults.

Within the broad range of measures adopted, the emphasis on up-skilling as the primary route back to work for the unemployed has had, perhaps, the strongest degree of policy continuity. The crisis, in effect, has served to accelerate the implementation of the National Skills Strategy (NSS). The NSS had clearly signalled that upskilling was tantamount to a universal requirement for people in work and out of work and whether they were currently considered low-skilled or high-skilled. Expanding capacity to meet people’s new availability for, and interest in, education and training, therefore, has been a core part of the government’s response to the unemployment crisis.

The single-most important expansion in training capacity was achieved by the shift towards short rather than long training courses. As noted, FÁS achieved a dramatic increase in participation on its training programmes primarily through a reorientation towards shorter courses and the expansion of evening and online courses. Significant efforts have also been made to increase the presence of unemployed people on mainstream courses and places in colleges and third-

level Institutes. Ensuring unemployed people access and benefit from mainstream courses has encouraged more providers to innovate in content and pedagogies, and to structure more courses on a part-time and flexible basis. A particularly significant measure has been reductions in the length of time people are required to be on the LR before being entitled to return to education and retain their social welfare. The reduction in the 'qualifying thresholds' for the Back to Education Allowance (second- and third-level options) contributed to increasing its recipients significantly and was a practical recognition of the value and importance of intervening early in individuals' unemployment spells.

Fewer of the measures taken by the end of 2010 in response to the unemployment crisis can be said to have focused the challenge of ensuring that the quality and relevance of training and education provision kept pace with its greater supply and easier routes of access to it. The Labour Market Activation Fund is one of the few new measures that directly sought to stimulate providers to innovate in course content and pedagogies with a view to enticing and retaining more participants on courses until their completion, particularly unemployed people with fewer skills to start with. The Fund has also been explicit in requiring new courses and programmes to demonstrate the relevance of the skills and competences they develop to emerging labour market needs. The innovation of the FÁS Executive Network Clubs is a further example of quality and relevance being improved in response to demand. These clubs tailor job-search techniques to the growing cohort of unemployed professionals and senior managers but, in their instance, supply of places appears to have lagged significantly behind demand.

However, the scale and speed of the expansion of places on short-term courses during 2009 and 2010 led to growing concerns about the quality and relevance of the training provided. For example, though FÁS described its restructuring of Specific Skills Training (considered one of the agency's most successful programmes) into shorter stand-alone courses as an 'extension' of the programme, it is not evident that trainees completing isolated modules can be attributed even proportionate benefits compared to people who complete linked modules over a prescribed two-year period. Consequently, the positive impact on progression associated with the established approach to SST and Traineeship programmes may not be applicable to their enhanced throughputs on shorter courses. Resources may be spread so thinly that their effectiveness is reduced. If short courses are to function as a flexible mechanism for individuals to achieve major qualifications over time, the manner in which they link with other courses to provide a progression pathway for the individual must be clearly identified. In addition, the content of a significant proportion of the additional short-course capacity and evening courses brought on-stream is new, and unproven. There is a concern that some of them may have weak links to emerging labour market needs and it is not clear that employers sufficiently endorse and value the qualifications associated with them. Significant learning from what has happened (or not) to date, and the new hand of the DES, may be evident in the major reduction in the number of training places for unemployed people that FÁS is to provide in 2011. The department's briefing for its new minister cites not just budgetary and staff cuts, but positive needs for FÁS to provide more courses of longer duration, and to invest more in ensuring the quality of its courses among the reasons for a reduction in FÁS training places for the unemployed from

over 127,000 in 2010 to 90,000 in 2011 (DES, 2011:26). This apparent rebalancing does not detract from the effectiveness of courses of short duration when the worth of their content and linkage with other courses are assured.³⁸

Another potential learning point is the effectiveness of targeting priority groups; as outlined above, the criteria for tendering under the Labour Market Activation Fund and directions given by the DES to FÁS seek to ensure that sufficient places on programmes being introduced or expanded go to members of the four priority cohorts among the unemployed identified in early 2010. Such targeting seeks to align policy interventions more closely with the needs of specific groups that are particularly vulnerable to long term unemployment. Positively, this practice – of identifying vulnerable groups on the basis of readily observable characteristics and instructing training and education providers to adjust their intakes accordingly – may prevent providers selecting trainees/students on the basis of those who are the easiest to instruct ('cherry-picking'); the latter practice serves to push the same individuals to the back of the training queue as are pushed to the back of the queue for jobs. Identifying priority cohorts, however, may be a crude allocation mechanism and even wasteful if programme completion and programme benefits do not keep pace with changed programme intakes. In the final analysis, it is not groups who are unemployed but individuals, and intra-group heterogeneity is usually wider than between-group differences.

Balancing the emphases on training/education and their quality, an emphasis has also been evident (indeed, has grown) on the provision of direct work experience. Between them, the Work Placement Programme, National Internship Scheme, Tús and Gradline are estimated to provide approximately 18,000 work placements in 2011 (see section 2.3.6). This total is still less than the number of participants on Community Employment (23,500). There is, however, a much greater turnover of participants on the new courses than on CE, an interesting development and, potentially, another 'learning point'. It has been clear for some time that long durations of CE are bad for employment prospects. It remains to be established to what degree programmes deliberately and primarily designed to interrupt individuals' unemployment spells for a period are also effective in enabling participants gain valuable work experience and develop new skills that boost their employability.

2.4.3 The emphasis on activation

Prior to the crisis, it had become clear that an appreciation of the potential contribution of activation policies to reducing joblessness was not widely shared in Ireland, that the capacity of the various labour market actors to conduct effective activation was weak, and that Irish achievements in this regard were falling steadily behind best practice as set in smaller, northern European countries. This weakness of activation was, to a significant extent, part of the legacy of long-term unemployment bequeathed by the crisis of the 1980s (discussed in Chapter 5). The responses of the labour market authorities to the current crisis to date, however,

³⁸ Getting the numbers who will participate in new initiatives to add up to a figure with political impact remains an ongoing challenge for any government that introduces them. However, from the perspective of participants, improved labour market outcomes for them remain more important as a criterion.

have shown an awareness of this evidence and of relevant historical lessons. They have undertaken a major institutional reconfiguration of departmental responsibilities for the principal ingredients of effective activation policies.

The incorporation of the Public Employment Service and of responsibility for direct employment programmes within the department responsible for benefit administration potentially provides a new and much stronger foundation on which to facilitate and encourage people, while in receipt of adequate income support, to seek or prepare for employment. It also significantly enhances the state's capacity to provide a co-ordinated, seamless and expanded range of services and supports to the unemployed jobseeker. The establishment of the National Employment and Entitlements Service is a major institutionalisation of this more integrated approach to activation. The establishment of SOLAS under the aegis of the DES to strengthen and improve the provision of further education and training to jobseekers (and other learners) provides the NEES with a hugely important new partner in designing and implementing effective activation policies.

It is anticipated that the NEES will offer unemployed jobseekers a higher level of personalised counselling premised on more frequent face-to-face interviews. Those on the LR identified through profiling as being at particular risk of long-term unemployment will receive a more intensive form of support. As already remarked, several of the steps already taken (e.g., lower payments for under 25s if they do not participate in either education or training) or announced (e.g., provisions within the Social Welfare (Miscellaneous Provisions) Act 2010 that enable the sanctioning of unemployed job seekers who fail to take up appropriate activation opportunities) are quite new in the Irish context.

It is important that the wider context and conditions under which such new measures will be beneficial for the individuals involved, and not just for the Exchequer are widely understood and that responsibility for ensuring them is shared. Many of these policy objectives and steps had already come into focus as desirable before the crisis broke. However, a commitment to reforming and strengthening activation policies and associated measures is now an integral part of the structural reform agenda in the *EU/IMF Programme of Financial Support for Ireland* that was negotiated in December 2010. In the context of increasing pressures on public finances, it is important that the policy agenda for activation and income supports is not dominated by the need for savings or exaggerated claims as to what coercion can achieve. Rather, policy development should concentrate on achieving a complementary balance between the redesign of welfare codes, the provision of services and the enforcement of conditionality requirements that include appropriate sanctions for non-compliance.

The objective, first formally announced in the national social partnership agreement of 2006 (*Towards 2016*), of extending activation initiatives to people of working age in receipt of social welfare for a status outside the workforce (principally, lone parents and recipients of disability payments), may prove problematic at a time when unemployment services are already overburdened. Rather, as Grubb (2010) suggests, it may be wiser to delay the transfer of certain groups from non-employment benefits to Jobseeker's Allowance, until the public employment service has established a situation whereby unemployed people can rarely stay on unemployment benefit for longer than a year.

2.4.4 An outcomes-focused policy dialogue

In a number of instances, new measures have been suspended or substantially modified within a short time after their introduction (e.g., the Temporary Employment Subsidy, the Work Placement Programme and the Labour Market Activation Fund). Although it is well established that policy is often more fully formulated in the implementation and monitoring phases, this should not be a substitute for robust deliberation between the appropriate actors at the beginning of the policy cycle. In the current fiscal context, greater consultation, discernment and reflective thinking may have minimised some false departures and yielded better outcomes in terms of both the efficient use of resources and sustained outcomes for participants. Departments, state agencies and third parties in receipt of public funds are already committed to a reorientation away from an outputs focus — total expenditure, the number of individuals supported, listing their activities, etc. — towards an outcomes focus that measures the extent to which specific policies and programmes genuinely support individuals' progression to employment, further education or training. It would appear essential that, across the range of active labour market initiatives, the various policy actors adopt a stronger emphasis on robust evaluation, data collection, information exchange and policy learning. This will be particularly important if the policy system is to enhance its knowledge and understanding of what works, and what does not, and how policy design and delivery can be improved in a manner that generates positive outcomes both for clients and the state.

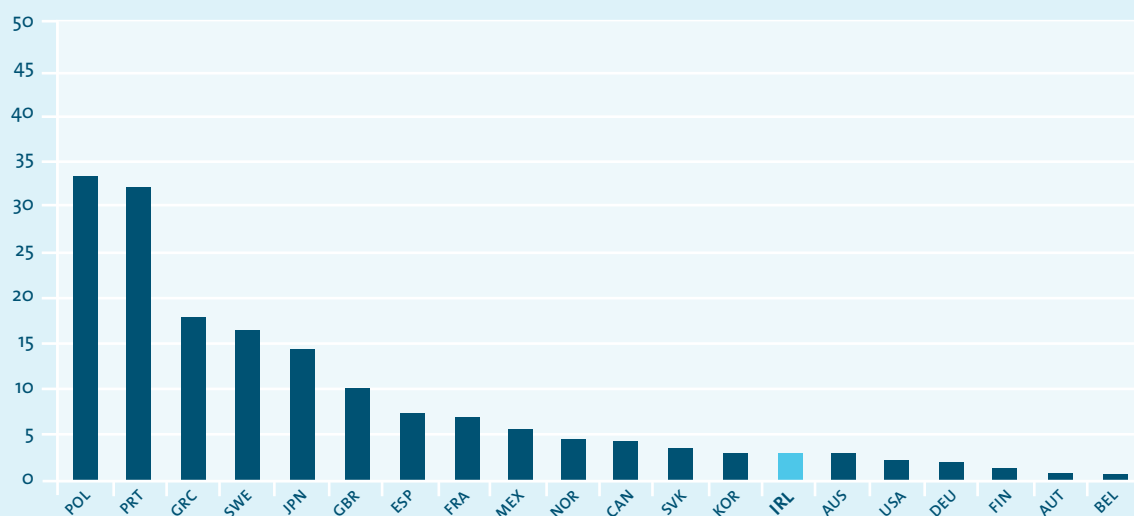
2.4.5 The issue of resources

The increase in spending on active labour market measures in response to the crisis to date, expressed as a percentage of GDP, has been small in an international comparative context (Figure 2.4). Other countries have increased PES staff levels and the resources devoted to ALMP measures on a larger scale than Ireland, even though the impact of the recession on the labour markets of most of them has been less (Spain being a notable exception of the countries in this regard). Many have also strengthened activation measures such as supports for job-search and the capacity to require and monitor claimants' practice of job-search and availability for work, sometimes refusing to be deviated from policy directions adopted before the crisis, and sometimes becoming more committed to ALMPs and activation in a bid to prevent poor labour market conditions laying the foundation for higher structural unemployment.

Of course, few countries (of the twenty for which the OECD had the data to compare) have been as fiscally constrained as Ireland. The slight increment recorded, therefore, may even be considered an achievement. The additional funding provided for active labour market measures has been made possible primarily by reallocations within existing departmental budgets and savings generated by reductions in social welfare rates, the closure of some schemes and reductions in allowances on certain training/education courses. The real challenge over the next few years may be whether and how further spending on ALMPs in Ireland could be made so effective that continuing to reallocate more resources to it from within existing (or even shrinking) departmental budgets would yet constitute a net saving to the Exchequer.

Figure 2.4 Additional Discretionary Spending on ALMPs, 2008–10

Average annual planned additional expenditure in response to the economic downturn, per cent of GDP.



Source OECD Economic Outlook Vol. 2010/1. No. 87, May, p. 283.

Note Denmark and Switzerland not shown because their ALMP expenditure rises automatically with unemployment, significantly limiting the need for discretionary measures.

A final reflection, at this stage in the report, on all the measures adopted to date in response to the unemployment crisis is important to ensuring that further measures achieve higher levels of efficiency and effectiveness. From what has been reviewed in this chapter, it is clear that the state and its agencies cannot make the required impact on their own. If measures are developed principally by government departments and their agencies, they risk being considered as largely the state's responsibility to deliver on. What is required are measures that command such a broad base of support from stakeholders (including, vitally, unemployed people themselves) that resources are mobilised across society in a coherent and co-ordinated manner and that inputs (of expertise and time, as well as financial) are made by individuals, civil society and the social partners, which complement and add value to those of the state. The best-practice examples from other countries of lifelong learning, welfare-to-work, activation and other measures suggest major roles for local government, education/training providers, the social partners and NGOs, and for individual responsibility alongside the intelligent engagement of the state. The purpose of the following chapters is to secure this broad 'buy in' to pursuing changes and monitoring their progress, on the basis of the outcomes achieved for and by unemployed jobseekers.

3

Access to Employment and the Public Employment Service

3.1 Introduction

In the following chapters, the Public Employment Service will feature prominently as a key player in ensuring successful activation. Before considering its specific, even unique, capacity to identify the most vulnerable among the unemployed and refer them to those who can provide the specific supports and services they require, it is important not to lose sight of two services it provides on behalf of potentially any and every unemployed jobseeker. These are job-matching and career guidance and counselling. They have, in fact, a significant character as public goods in so far as the 'consumption' of these services by any jobseeker brings benefits to the economy and society greater than those captured by the individual.

A developed literature recognises the importance of these services to the smooth functioning of labour markets, the accumulation of human capital and the unfolding of the knowledge economy (Centre for Policy and Business Analysis, 2009; Council of the European Union, 2008; Layard *et al.* 2005; OECD, 2004). The faster pace of technological and organisational change and the growing internationalisation of national economies are considered to have increased the average worker's need for these services, while also making it more demanding for a PES to perform them well (Campbell *et al.*, 2010). When recession strikes and unemployment rises, these more universal PES services come under pressure. Dramatic disruptions to individuals' working lives highlight the potential contribution that quality career and vocational guidance can make in assisting people to make informed decisions, which will enhance their future employability. More people approach the PES but there are less employment openings to scrutinise on their behalf. Extra staff is needed to maintain the quality of the service (a discretionary spending increase) but automatic spending on income support is absorbing more resources. It can appear evident to some that the PES should concentrate more of its resources on the most disadvantaged jobseekers and reduce its services to the more advantaged.

This chapter argues that it is important not to lose sight of the significant benefits that publicly funded universal job-placement and career guidance services provide, or of the evidence that such relatively 'light' services (when compared to intensive activation) produce consistently positive outcomes and are cost-effective (Layard *et al.* 2005). It will argue that sufficient resources must be available for the PES to continue the provision of universal job-matching and guidance services, and that there is scope for significant innovations to improve the quality and reach of the services. The chapter begins by confronting the charge that job-matching and career guidance are the last things that should be prioritised for public spending at a time when there are nothing like enough jobs in which to place people or for which to prepare them, and when employers seeking to recruit have seldom had

it so good (Section 3.2). It continues with a brief overview of Ireland's PES before the onset of the current recession (Section 3.3), and then considers the impact that the rapid rise in unemployment has had on its services (Section 3.4). Section 3.5 reviews how the PES in advanced countries generally is being accorded increased prominence in strategies to develop more knowledge-based economies and foster lifelong learning. Section 3.6, finally, outlines the directions and the manner in which Ireland's new National Employment and Entitlements Service and Further Education and Training Authority (SOLAS) now need to advance.

3.2 Job-Matching and Career Guidance in a Time of Recession

3.2.1 Being realistic in employment expectations while avoiding pessimism

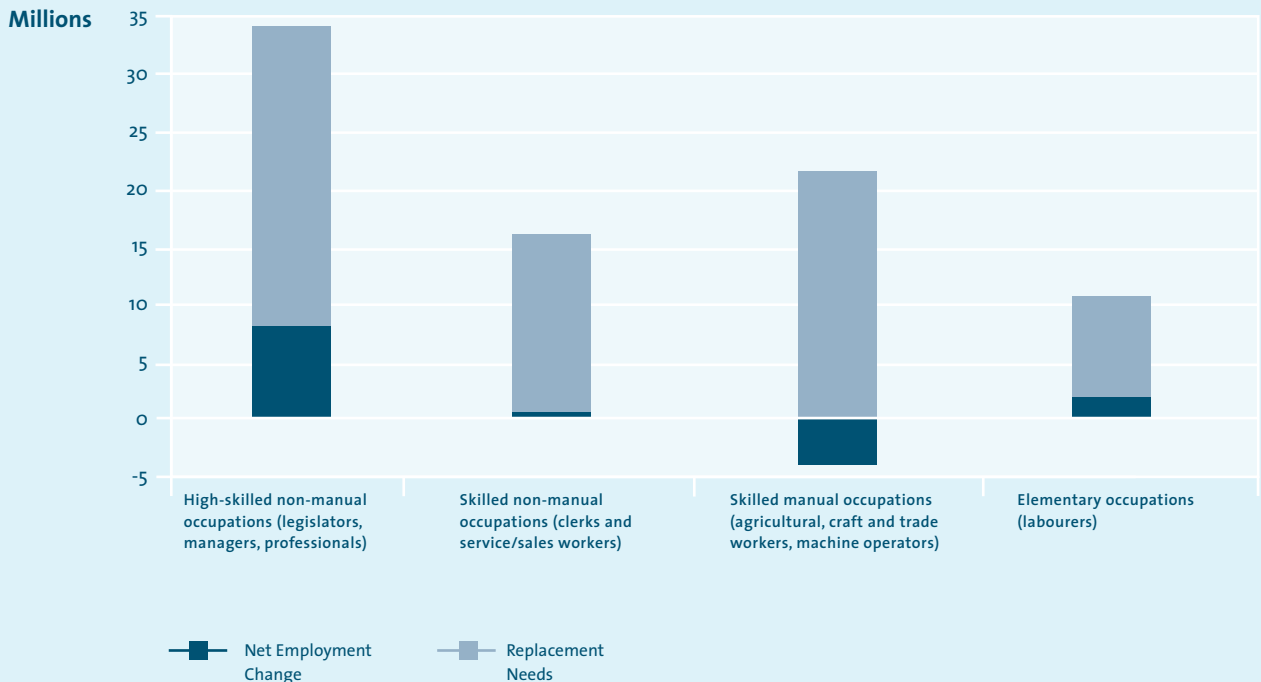
Following a strong cumulative contraction of 11 per cent in GDP in 2008 and 2009, the economy more or less stood still in 2010 and could do so again in 2011. The stabilisation is entirely due to exports resuming growth on a scale almost sufficient to offset continuing falls in each of the major sources of domestic demand (personal consumption, investment, government expenditure). GNP, the measure of the economy that registers developments in domestic demand most clearly, may not record positive growth until 2012. In that year, domestic demand is expected to cease declining and begin to support exports in stimulating the economy once again. The consequence for employment is that net job creation may only resume in 2012 from virtually nil growth in 2011 and a significant fall of 4 per cent in 2010. The knock-on effect on unemployment has already been significantly moderated by a combination of emigration and labour force withdrawal, and it is clear that the 14.7 per cent rate reached by the end of 2010 is a significant underestimate of the numbers who will come forward to take jobs when they become available.

This is a far from encouraging context within which to encourage, much less insist that, people currently unemployed actively seek employment and take immediate steps to improve their employability. It can seem, for example, inconsistent to want to strengthen activation measures to stem the drift into long-term unemployment at a time when it is clear that the supply of what people most wish to be 'activated into' (principally jobs) is forecast to be far behind demand. Nevertheless, it is important to communicate to jobseekers and those who work with them, and not just to the international community (inward investors and financiers), that there are 'fundamentals' to the Irish economy the recession has not destroyed and that ground solid prospects for an improvement in employment from 2012 onwards. Confidence within Ireland needs to be widespread in the degree to which policy has grasped, and is advancing, what is required to grow employment. Strategies for job-creation are not within the remit of this report but its review of how unemployed jobseekers should be supported *while* they cannot find employment is premised on the correct policies for job creation being vigorously implemented in an economy that has formidable tangible and intangible assets in a global context.

3.2.2 Job opportunities and replacement jobs

Even in a depressed labour market, with little or no net job-creation, jobs continue to come onstream. The weakness of aggregate labour demand over the next two years should not obscure the wider phenomenon of job turnover. Employment opportunities for job-seekers, in fact, are more likely to arise from the need to replace workers retiring or leaving the workforce for other reasons than because of net job creation. That is to say, replacement jobs will outnumber net employment expansion. This is a particularly striking aspect of the EU labour market as a whole where the labour force is ageing. For example, the CEDEFOP report *Focus on 2020* anticipates that **four** replacement jobs will arise between now and 2020 for each one net new job created.³⁹ These replacement jobs will arise across the skills spectrum and create opportunities for lower- as well as higher-skilled individuals (Figure 3.1). This latter aspect is important to the employment prospects of disadvantaged job-seekers and to the success of activation policies. Even in occupations in secular decline because of technological and organisational changes (e.g., skilled manual), recruitment will continue because the numbers retiring or leaving their jobs for other reasons will be far greater than the net number of jobs lost.

Figure 3.1 Future Job Opportunities by Occupation Groups, 2010–20 (EU 27, Norway and Switzerland)



Source CEDEFOP, 2008

³⁹ In addition to the creation of 19.6 million additional jobs, another 80.4 million replacement jobs will need to be filled (Cedefop, 2008, *Skill Needs in Europe. Focus on 2020*).

This helps explain why, even in the particularly dark months when total employment was contracting strongly, some 32 per cent of those leaving the LR were doing so to take jobs (Chapter 1). The annual skills bulletin of the Expert Group on Future Skills Needs (EGFSN) regularly reports on the age structure of the current workforce and estimates the replacement rates for a large number of occupations.⁴⁰ A replacement need typically arises in practically every occupation, while skill shortages characterise only a few and there may be no labour shortages at all (as at present).⁴¹

Fox (2009) emphasises the particular significance of replacement jobs in a time of recession and identifies six main types of job openings that continue to arise as a consequence. They are all what would traditionally be considered as semi- to low-skilled occupations: sales assistants and associated jobs in retail (where some 20,000 job openings continue to arise annually), clerical workers (some 13,000), caring, catering, hairdressing and security. These estimates are after allowing for the fact that the recession has brought down replacement rates and made people much less likely to vacate jobs for non-essential reasons (job change, travel, career break, etc.); Fox's estimates are on the basis that employment turnover in the economy at large may have fallen from 17 per cent to 10 per cent (he points to the paucity of good data in Ireland on this important facet of the labour market). The recession has also guaranteed an over-supply of potential recruits for every single job area in the economy at the current time but, at the same time, replacement jobs mean that employment openings and recruitment are continuing in practically every single occupation. (As Fox points out, particular conditions of entry into some occupations – e.g., farming, teachers, pharmacy, etc. – make job openings hard to access. For those occupations, the term 'natural wastage' may describe the reality better than 'replacement rate'.

Who gets these jobs and benefits from job turnover is not irrelevant to the level of long-term unemployment. It can be legitimate for the public employment service and those implementing activation policies to seek to ensure that lower-skilled job vacancies are not filled by over qualified candidates willing to take a large drop in earnings as a temporary measure. The latter then, inadvertently, bump lesser qualified applicants off the labour ladder altogether (in some countries, applicants with high qualifications cannot be accepted as candidates for specific lower skilled jobs). Even when people who are LTU take jobs that prove to be temporary and return to the LR within a year, 'this probably increases job-finding rates as compared to a situation where long-term unemployment is left undisturbed' (Grubb, June 2010).

3.2.3 Job-creation and minimum wages

A fundamental issue to be faced is ensuring that policies intended to protect lower-paid workers do not, in fact, make prospects for some among the unemployed more difficult by reducing the supply of entry-level jobs. Solidarity within the *employed*

40 Defined as 'the share of employment in an occupation which is expected to be lost each year as a result of moving to other occupations, retirement, illness, emigration or death'. Multiplying the number currently employed in an occupation (e.g. 100,000) by the replacement rate (e.g., 0.045 for 4.5 per cent) gives the annual number of job openings that need to be filled to keep the employment level constant (i.e., 4,500).

41 A 'labour shortage' is where there is an insufficient number of individuals willing to take up employment opportunities; a 'skills shortage' is where the skills required cannot be found.

workforce, expressed by bringing entry-level wages or wages in sectors considered low-paid closer to median wages, may be at the expense of the *unemployed* workforce if statutorily enforced employment costs are above what employers can sustain, and the skill levels of many unemployed people can justify.

In Ireland, employers must pay employers' PRSI and wage rates that have been set by sector-level legal instruments (Employment Regulation Orders or Registered Employment Agreements)⁴² where they apply, or by the National Minimum Wage (NMW) everywhere else. The higher the rates, other things being equal, the greater the financial incentive for unemployed people to take entry-level jobs, but the risk arises that employers will offer fewer such jobs because the rates are at levels that undermine the viability of employing someone.

Since 2000, a NMW has set a comprehensive floor to wage levels in Ireland. The proportion of all employees paid at or below the NMW is small⁴³ and has shown 'a very high degree of stability' since its introduction (Nolan, 2010). Unlike the UK when it introduced its minimum wage, the introduction of the NMW in Ireland left the processes that produce EROs and REAs intact, and they have remained important to much larger numbers of workers than the NMW.⁴⁴ Duffy and Walsh (2011), for example, estimate that EROs covered between 150,000 and 205,000 workers in 2009, and REAs between 61,900 and 78,700, a combined coverage that runs far ahead of even the most outside estimates for the NMW. In examining the main hourly rates set by EROs for the 139 occupations they cover, Duffy and Walsh (2011) and Forfás (2010a) came to a similar conclusion – the typical ERO rate was 9–10 per cent above the NMW. Duffy and Walsh noted that a rise in the level of the NMW would trigger upward reviews of ERO rates in many instances but that no ERO committed to a downward review in the eventuality of a cut in the NMW. Forfás' earlier conclusion, therefore, was confirmed, i.e., that increases in the NMW have a discernible impact in raising wages immediately above it, while reductions are much less likely to have a corresponding effect in bringing them down (2010a).

The Duffy-Walsh report has not settled but rather added to controversy on the role of EROs and REAs. For example, they argue that their rationale is 'to ensure that particular groups of workers will not suffer because they are in "low wage" sectors. That is that their wages would be lower or working conditions poorer than workers with similar skills doing similar jobs in other sectors.' Their empirical findings then suggest that EROs/REAs may have contained the scale of disadvantage associated with working in the sectors they cover but not eliminated it: controlling for workers' characteristics, they find covered workers earned less than similar workers in sectors not covered (7 per cent less in the case of EROs, 3 per cent less in the case of REAs). Employers in covered sectors, however, find comparisons with 'more fortunate' sectors beside the point. Operating in highly competitive conditions as

42 Employment Regulation Orders (EROs) are set by Joint Labour Councils. Registered Employment Agreements (REAs) arise where trade unions and employers register a collective agreement with the Labour Court. Duffy and Walsh (2011) estimate that EROs covered between 150,000 and 205,000 workers in 2009, and REAs between 61,900 and 78,700.

43 There were 47,000 employees paid at or below the National Minimum Wage in the first quarter of 2010, about 3 per cent of all employees (written answer provided in Dáil Éireann, 07/10/10).

44 REAs, by contrast, guaranteed significantly higher rates than the NMW because they arose predominantly in the construction sector where demand conditions were a dominant influence.

they do, they see opportunities to improve their businesses and expand them being foregone by not being allowed to manage their wage costs and adopt appropriate pricing strategies.

The level at which the NMW is set has also been the subject of significant controversy. The first-ever reduction in its hourly rate (of €1) took effect on 1st February 2011⁴⁵ only for a new government elected later that same month (25th) to rescind it. This is testimony not just to the intensity of debate about the distributional consequences of the current recession, but also to the absence of a definitive technical answer as to how Ireland's NMW can contribute to solving rather than compounding the current problem of unemployment. The literature on the employment effects of minimum wages is, in fact, far from guaranteeing that lower rates result in higher employment, as Duffy and Walsh (2011: 30-32) and Forfás (2010a: 38-39) each acknowledge.

During the first eight years of the NMW's existence, strong aggregate labour demand made the level of its rate largely irrelevant in the recruitment decisions of most employers. Attracting and retaining staff, including in the labour intensive sectors serving the domestic market, required paying in excess of the NMW; in a real sense, the NMW followed average and median earnings upwards rather than pushed them up. Between 2000 and 2008, it rose by some 15 per cent in real terms (Nolan, 2010), though by much less as a percentage of average or median earnings – it was 49 per cent of median hourly earnings when the first National Earnings Survey (NES) was undertaken (2003), and 51 per cent of the median in the most recent NES (for 2007). This suggests that workers on the NMW, up to 2007 at least, participated in the economy-wide improvement in total factor productivity and in rising GDP per capita. In an EU context, this trend made Ireland's NMW one of the bloc's highest by January 2009; adjusted to take account of differences in price levels, it was the sixth-highest (after Luxembourg, the Netherlands, Belgium, France and the UK).⁴⁶

Until the start of 2008, therefore, it was the incentive effect of the NMW in stimulating labour supply that was more in evidence than any disincentive effect on labour demand. It stimulated labour supply in three ways – by increasing the financial reward to leaving welfare for work (lowering unemployment), attracting people into the workforce (boosting participation rates) and bringing workers from abroad (increasing the working-age population). A further significant positive role of the NMW during this period was that it helped protect labour standards and conditions from being undermined by large-scale immigration, those of indigenous workers and of migrants themselves. (Chapter 4 will discuss another possible impact of the NMW on labour supply, i.e., that it induces employers to 'redesign' entry-level jobs so as to raise the productivity of those to whom they have to pay it.)

The current context of recession, of course, is entirely different to the conditions that surrounded Ireland's NMW for most of its existence. It is important to consider

45 A 12 per cent reduction that temporarily returned it to its level in 2005.

46 In nominal terms, it was the second-highest in January 2009 (after Luxembourg). It was also in sixth place when expressed as a percentage of gross monthly earnings in industry and services (2007 figures). (Eurostat, *Statistics in Focus*, 29/2009).

carefully the case that the level of the NMW, during a long recovery dogged by deficient domestic demand, may be a deterrent to employers creating jobs. If all other indicators fall (e.g., median net earnings, the consumer price index, social welfare payments, etc.) and the NMW does not, then the NMW, in effect, increases in relative terms. That, clearly, would be undesirable and even harmful to the prospects of many unemployed people. It is probable, furthermore, that some of the risks attached to reducing the NMW become smaller during a recession, i.e., a reduction is less likely to reduce labour supply and/or depress labour productivity. In fact, competition for entry-level jobs may result in better-qualified candidates presenting themselves despite lower wages being on offer.

On the other hand, the net impact of a reduction on aggregate demand must also be allowed for. While jobs retained or created as a consequence of the measure will increase demand, reductions in the levels of employee earnings will dampen it – and the latter effect may have a stronger probability than the former.⁴⁷ Scepticism is also justified on the extent to which a reduction would carry through to impact on wage levels above the NMW. As noted, the evidence that increases have an impact (via EROs) does not confirm that reductions would be similarly effective. Employers, in addition, are generally reluctant to impose nominal wage reductions because of their effect on employees' morale and productivity; fairness considerations and the need to prevent a potential negative impact on effort appear to assume even larger weight in determining the wage levels of new hires during recessions (Galu *et al.* 2010). Finally, in the context of this chapter, it is particularly important to note that reductions in minimum wages, other things being equal, will increase replacement rates and may reduce the financial incentive to leave welfare for work.

Provisional summary on minimum wages

The potential contribution that lower minimum wages could make to the creation of employment is easy to exaggerate. Neither theory nor empirical evidence guarantees a clear outcome. On the one hand, jobs of acceptable quality are made unviable if mandatory minimum wages (and mandatory employer's social insurance on low earnings) push the minimum costs of employing someone above what people's productivity in the jobs can sustain; on the other, little is gained in net terms when people with particularly weak earnings power are forced to price themselves into employment on wages that are insufficient to keep their households out of poverty (in-work benefits must then increase, or spending triggered by the ill-health and other negative effects of poverty will increase).

Minimum wage levels should be carefully monitored. Their responsibility for job losses and the contribution of any reduction to maintaining or creating jobs will be difficult to isolate in a context of exceptionally weak domestic demand, but the requisite independent research should be commissioned. The research should include an assessment of the quality of the jobs likely to be lost (by maintaining current levels) or retained/created (by reducing current levels); the likely improvement a reduction would make to competitiveness and how that

47 Duffy and Walsh (2011: 32) underline this point with respect to EROs. Assume, they say, that EROs result in wages in sectors they cover being 5 per cent higher than the NMW and that their abolition would boost employment levels by 1.5 per cent. Then, leaving hours per worker fixed, for every 200 now at work, there would be three new workers earning the NMW but the 200 would have had their earnings reduced by 5 per cent. The net demand effect is significantly negative.

improvement occurs; and the likely net impact of a reduction on the level of domestic demand and on employer–employee relations.

3.3 Ireland’s Employment Services before the Recession

At the outset, it is important to note that a significant number of unemployed job seekers do not avail of any state-funded employment services; for example, as many as 40 per cent may not have done so in 2008 (Fox, 2009a). In the first place, this is because many individuals choose to rely on personal and/or professional networks to source either new employment or educational/training opportunities that are suited to them. Broadband access to the internet, in particular, has enormously increased unemployed people’s ability to self-source opportunities, though internet use is best understood as preparing for and complementing more traditional person-to-person networking and consultation (particularly as unemployment spells lengthen). In the second place, the growth in the numbers, specialisation and sophistication of private sector recruitment agencies has also widened the range of alternatives to state-funded employment services that are available to people seeking jobs, particularly for the more skilled among them. Both public employment services and private sector recruitment agencies have become more adept at teaching their clients how to exploit the potential of the internet for self-managed job-placement, job-matching and job-search activities. In the third place, there can be a perception that state-funded employment services are for particularly disadvantaged jobseekers and not used by the better employers. Fox (2009a), for example, estimated that only 35 per cent of all private sector vacancies filled were filled through the Public Employment Service (PES).⁴⁸

On the other hand, other factors have operated to increase the need for, and the proportion of jobseekers using, state-funded employment services. Expanding technological and organisational frontiers, changing business models on the part of enterprise and ongoing structural change in national economies are making it harder for job-seekers to anticipate the skills and competencies for which there will be solid demand by the time they have acquired them (Box 3.1). At the same time, employers are finding it increasingly difficult to source the types of worker they need. Despite rising unemployment in Europe, for example, there are still significant skills mismatches within the labour market. Candidates’ credentials and qualifications have become increasingly diverse, while difficult-to-observe tacit skills and competencies remain hugely important. The growth in the markets served by private recruitment agencies highlights the extent to which securing good job-matches has become more difficult for employers and jobseekers if they act on their own. A PES that can ‘deliver’ for jobseekers and employers has become more esteemed rather than less.

⁴⁸ Ireland’s PES is in the process of being subsumed into, and renamed, the National Employment and Entitlements Service (NEES).

Box 3.1 Where Will Jobs Come From?

Where jobs will come from *should* not be answered in great detail. Many of today's jobs were not imagined twenty years ago, let alone specifically targeted and prepared for. The European Commission notes the same will be true of the future: 'Many of the skills and jobs that will seem common to European citizens in 2020 cannot even be imagined today' *Com (2008a).+ Some future jobs can be pinpointed on the basis of relatively dependable demographic, institutional and social trends (such as the likely number of gynaecologists, high court judges, air traffic controllers and the like), but these are the exceptions. Many more future jobs hinge on such factors as the economy's competitiveness, the dynamism of companies and the success of entrepreneurial responses to technological, organisational and lifestyle developments that have yet to occur.

Ensuring companies, organisations and individuals have the capabilities to respond to developments as they occur is more important than traditional 'manpower planning'. The latter tended to assume that the numbers and types of workers needed in the future were prior to and independent of the functioning of educational and training systems, a given to which the latter were called to respond. There is a greater acceptance today that the influence runs equally in the opposite direction, i.e., the workforce's overall skills and aptitudes influence the number and type of jobs that entrepreneurs create. It is more important to have confidence in the *process* by which jobs are created than in the precision with which the number and types of future jobs can be identified. Economic actors must be able to understand and apply knowledge, access capital, recruit skilled and flexible workers, have advanced infrastructures on which they can rely, etc., if they are to be able to implement projects that have not yet been conceived (as argued in, for example, Forfás 2010a, 2008, etc.).

3.3.1 FÁS employment services

At the heart of Ireland's Public Employment Service lie what were known, until recently, as FÁS Employment Services. They provide guidance and placement services to all jobseekers who approach them through a nation-wide network of sixty-four local offices. They act, in effect, as the gateway to all training and employment programmes run by FÁS itself, and as a referral point to the guidance, placement, training, education and direct employment services provided by others.⁴⁹ FÁS Employment Services are also proactive in engaging with employers, encouraging them to notify them of their job vacancies and to fill them with FÁS-referred candidates. Since 2003, it has operated the National Contact Centre, where all vacancies are centrally collated and employers are provided with a one-stop contact point for recruitment.⁵⁰

Until the transfer of responsibility for different functions of FÁS to separate departments in 2010, the same large organisation was responsible for providing

49 In the eyes of some, the fact that the same agency operated both the PES and a large number of its own training programmes created an institutional bias within the PES towards 'filling' places on FÁS training courses, to the potential detriment of other providers and the best interests of jobseekers. In the eyes of others, the arrangement made sense and deepened the knowledge within the PES of what training could and could not achieve in a small country where private-sector provision of training is relatively thin.

50 This recruitment service to employers is free of charge.

a wide range of services other than operating the PES (Chapter 2). In that context, Employment Services were, arguably, the ‘Cinderella’ of FÁS services, a status reinforced by the major national priority accorded training and employment programmes as responses to high unemployment at the time FÁS was formed (from the amalgamation of three other bodies in 1988). For example, although staff numbers in FÁS Employment Services increased by 20 per cent between 1996 and 2006, they still accounted for only 23 per cent of the organisation’s total staff in 2006.

An OECD scrutiny of FÁS Employment Services in 2008 found that its officers devoted about 25 per cent of their time to interviews/support for voluntary ‘walk-in’ clients and 15 per cent to vacancy matching and employer contact, while 30 per cent was spent on clients case-loaded under the NEAP (Grubb *et al.* 2009).⁵¹

Alongside FÁS Employment Services, a second tier of organisations and groupings receive public funding to provide tailored services to unemployed job seekers, in particular those most distant from the labour market. The principal ones are the Local Employment Services Network (LESN), the Local Development Companies, the VECs, Facilitators within the Department of Social Protection’s Employment Support Services, and the Citizens Information Centres run by the Citizen’s Information Board.⁵² A brief description of these organisations is provided below.

3.3.2 Local employment services

The LES Network was established in the mid-1990s⁵³ in response to evidence that significant concentrations of the long-term unemployed were to be found in disadvantaged areas and that it was proving particularly difficult for FÁS mainstream services to reach them effectively. The LES model aims to provide a tailored and holistic service to people particularly disadvantaged in the labour market, sourcing whatever personal development, training, education or placement service might help them, regardless of whom the provider is. Some have developed short ‘bridging’ or supplementary courses of their own to bring people to the stage where they will be able to benefit from the courses or programmes of other providers. By the beginning of 2011, there were twenty-three Local Employment Services within the network and, while funded by FÁS,⁵⁴ they were managed (with one exception) within Local Development Companies (LDCs, see below).⁵⁵ The LESN acquired a formal role within the National Employment Action Plan (NEAP) for the first time in 2009, and it now takes individuals from the LR who are randomly selected by the DSP for referral and, therefore, not necessarily long-term unemployed or socially disadvantaged.

51 The remaining time is divided between disability support, course recruitment, EURES, working groups and meetings with other organisations.

52 A comprehensive list would include the Irish National Organisation of the Unemployed (INOUE), the Centres for the Unemployed operated by the Irish Congress of Trade Unions and other smaller bodies.

53 Following publication of the NESF report on *Ending Long Term Unemployment* in 1994, and the *Report of the Task Force on Long Term unemployment* (Dept of an Tánaiste, 1995).

54 The LESN budget in 2010 was €20m.

55 Not every LDC has an LES, however, and LDCs continue with a independent remit to provide services to unemployed people.

3.3.3 Local development companies

Since the early 1990s, a large number of community-based organisations, sometimes but not always overlapping with the LES Network, also developed services to unemployed job-seekers and received public funds to do so. By 2006, there were thirty-eight Area-Based Partnerships, twenty-nine Community Partnerships and two Employment Pacts being funded through Pobal, an agency of the Department of Community, Equality and Gaeltacht Affairs (DCEGA), partly to provide services to unemployed people but also for other core activities such as community development and community-based youth initiatives. In 2007, Pobal restructured this large number of organisations into thirty seven Local Development Companies, a consolidation designed primarily to improve governance and accountability, strengthen budget- and plan-setting, and facilitate the identification and transfer of best practice.⁵⁶ The Local Community Development Programme,⁵⁷ through which the LDCs are funded, has the promotion of social inclusion as its core remit, within which the strong contribution that employment can make to that end is leveraged. In response to the surge in unemployment since 2008, Pobal has directed that 40 per cent of LDCP funding be spent on increasing people's work readiness and employment prospects⁵⁸ (Pobal, 2010).

3.3.4 Vocational education committees

The Vocational Education Committees (VECs) perform a critical role in delivering a range of full- and part-time educational programmes that are designed to enhance the future employability of unemployed job-seekers. These include the Youthreach Programme, the Vocational Training Opportunities Scheme (VTOS) and the Back to Education Initiative (BTEI). The VEC network is also the primary mechanism through which the Department of Education and Skills funds the Adult Education and Guidance Initiative (AEGI).⁵⁹ From some forty locations at present, Guidance Counsellors and Information Officers under the AEGI provide personal, educational and career guidance, and provide a contact point within the education system for FÁS Employment Service Officers.⁶⁰

3.3.5 DSP facilitators

An important internal development within the DSP attempting something similar to the LESN but in a different way has been the growing number and widening remit of staff working as Facilitators. The role of Facilitator was first established in 1993, to promote take-up of the department's back to work and education schemes. Following a 2006 internal report on activation, an Activation Unit was

⁵⁶ The new LDCs have significantly wider geographical boundaries than the bodies they have subsumed and now cover entire counties and cities.

⁵⁷ The LCDP is the successor to the Local Development Social Inclusion Programme and the Community Development Programme and forms part of the National Development Plan 2007-2013.

⁵⁸ A further 40 per cent is to be allocated to increasing access to education, recreational and cultural activities and resources.

⁵⁹ Each 'local initiative' is required to have at least one qualified guidance counsellor and information officer, though some of the larger areas have more than one counsellor. The total budget of the AEGI in 2011 is €6.9m.

⁶⁰ A recommendation from a recent independent evaluation of the service was that the AEGI should increase further its level of collaboration with FÁS, the DSFA Job Facilitators and community groups in order to provide a more seamless and efficient guidance service.

established in 2008, with the specific aim of supporting all people of working age on social welfare benefits to progress towards employment, either directly or via an education/training scheme. Some seventy Facilitators⁶¹ are now located in Social Welfare Local Offices, and provide advice on progression options and how to avail of them. In addition to promoting the Department's own schemes (BTWEA, STEA and BTEA), Facilitators also refer clients on to VEC adult guidance and education, FÁS, the LES, partnership companies, etc.

3.3.6 Citizen information centres

Finally, also operating under the aegis of the DSP, the Citizens Information Board supports the provision of information, advice and advocacy on a broad range of public and social services including social welfare benefits and employment, training and education programmes. It is currently responsible for the operation of one hundred and six Citizen Information Centres across the state (about half full-time and half part-time) which, particularly in rural areas and smaller towns, are the first and most accessible source of advice and support to unemployed people seeking to become aware of their entitlements and the supports available (NYCI, 2010).⁶²

In recent years there has been a growing awareness among these various organisations that constitute the wider PES of the need to improve their levels of co-operation. For example a FÁS/LES Planet Committee meets regularly to discuss areas of common interest (the entry of the LESN into the NEAP was the result of this committee's work). FÁS and the VECs have also concluded a national framework agreement designed to foster increased levels of collaboration. Despite these tangible improvements in inter-institutional co-operation, however, it is, perhaps, not surprising that the overall configuration of Ireland's employment services are considered to be fragmented and complex PES (Grubb *et al.* 2009; Forfás, 2010).

Provisional assessment

Adding the relatively large number of FÁS Employment Service Officers to the employees of other organisations (the LES, the LDCs, etc.) who perform similar functions, the OECD team considered the total number of staff directly involved in guidance and placement activity in Ireland to be low (Grubb *et al.* 2009). This was before the recession. For example, the ratio of wage and salary earners to PES staff in Australia and a number of northern and western European countries was about half the level in Ireland. In Ireland, some 50 per cent more staff worked in administering benefits than on placement, referral and counselling, whereas the reverse was true in most OECD countries. Significantly, the OECD team opined that Ireland's PES (pre-recession!) was not particularly understaffed for the manner in which it currently operated, but only if effective activation were to be its objective.

61 To put this number in context, the DSP has 4,840 staff and a nation-wide network of sixty Social Welfare Local Offices and sixty-five Branch Offices.

62 The Board also operates the Citizens Information Website, supports the Citizens Information Phone Service, and funds and supports the Money Advice and Budgeting Service (MABS). A smaller network available mainly in urban areas (particularly to self-employed workers ineligible for unemployment benefits and people awaiting their redundancy payments) are the twenty-four centres in the ICTU Congress Centres' Network (CCN).

3.4 The Impact of the Recession on the Public Employment Service (PES)

The rapid rise in unemployment, dramatic decline in employment opportunities and profound fiscal crisis are profoundly challenging providers of employment services in Ireland. New difficulties have been generated and existing weaknesses have been exposed that were not adequately addressed when demands were lower and resources were more abundant.

The first difficulty is that attempting to respond to the surge in demand for employment services has created pressures for service professionals to reduce the average time they spend with clients on an individual basis. It was not unusual that service users themselves became aware that staff they were dealing with risked being overwhelmed by the demands placed on them (e.g., NYCI, 2010). Measures adopted to use the time of frontline staff more effectively have included a resort to group interviews and appointments-only systems to improve scheduling and reduce client waiting time. Despite this, there is a concern among frontline staff themselves that an overt focus on processing more people through the system has potentially limited the effectiveness of the advice they offer.

A second difficulty has been the struggle to maintain the quality and effectiveness of the substantial number of additional places in further education and training quickly brought onstream to meet rising demand. FÁS, for example, increased the number of places on existing courses, brought new courses onstream, transformed long courses into modular-style shorter courses and developed a more diverse range of delivery mechanisms. A degree of unease soon surfaced that the emphasis on increasing output – defined as the number of ‘training interventions’ places filled (e.g., Table 4.1 below) – was being achieved at the expense of client outcomes – understood as clients actually progressing to employment or further education or training opportunities. For example, repackaging 30-week training courses into three 10-week, stand-alone courses accommodates more people but may spread resources so thinly that the effectiveness of established and well-designed labour market programmes such as Specific Skills Training is actually reduced. In addition, some consider that the content of a significant proportion of the additional short-course capacity is new, unproven and insufficiently linked to emerging labour market needs.

A third difficulty is that the scale of the unemployment crisis has resulted in larger numbers with post-Leaving Cert. or third-level qualifications, high occupational status and/or considerable work experience engaging with the PES. This increased diversity has generated a number of specific pressures. It has meant that frontline professionals are dealing on a daily basis with more individuals who display a palpable sense of shock at having lost their jobs, a shock accentuated in many instances by significant levels of personal debt. Being thrust into an important counselling role for vulnerable and distressed individuals is draining for the staff involved and has exposed the lack of appropriate professional and institutional back-up supports in many instances. It needs to be appreciated that even relatively well-qualified and/or job-ready individuals can benefit from quality counselling and guidance, the provision of hard information on benefit entitlements, and the opportunity to revisit and retool their basic job-search skills. Relatively

advantaged individuals presenting to the PES can feel highly uncertain about their future employment prospects precisely because their previous career plans and established employment paths have been severely disrupted by the speed and scale of the economic downturn. They, too, rapidly experience how potentially isolating and wearing the process of job-search can be (NYCI, 2010).⁶³

A more diverse and demanding client base has also served to reveal the extent to which the PES, during a period of strong employment growth, had focused on those most distant from the labour market; frontline staff, in many instances, have had to acknowledge that they had little to offer that was relevant or suitable to clients who were job-ready and relatively skilled (NYCI, 2010). Even the LES Network, though established specifically to target the socially disadvantaged, has experienced the tension between improving its services to its 'traditional' constituents while also meeting the needs of the large numbers of new employed who now approach it, a dilemma compounded by the inclusion of the LES in the NEAP process since 2008. All providers of employment services are aware that the more socially disadvantaged now face greater competition in accessing the types of employment, further education and training opportunities that could prevent them from slipping into long-term or very long-term unemployment.

A fourth difficulty for employment services providers is the fact that the scale and pace of the economic downturn since early 2008 has accelerated longer-term structural changes in the Irish economy (as outlined in Chapter 1). The accelerated secular shift within manufacturing from traditional activities towards higher value-added activities and the downsizing of the construction sector and service sectors, such as retail banking and hotels, mean that employment services professionals now operate in the context of a national labour market where areas of future job growth are more difficult to decipher, as are the training and educational courses that most assist people in accessing emerging employment opportunities.

Despite severe budgetary pressures, employment services providers have innovated significantly to meet the scale, diversity and intensity of the demands thrust on them by the recession – the introduction of group interviews, the adoption of more flexible delivery mechanisms (evening classes, online courses and blended learning), the design of new courses in emerging green and smart technology areas (particularly for unemployed craft workers) and the reconfiguration of long courses into shorter, modular forms, are prominent examples. Prior to the institutional reconfiguration outlined earlier, there were also intensified efforts to improve inter-institutional co-operation with, for example, FÁS and the VECs in some regions jointly identifying and promoting progression pathways through the National Framework of Qualifications (NFQ) levels and a greater determination on the part of FÁS to work with private and NGOs.

Overall, however, publicly funded training and education bodies struggled to adapt their programmes and work practices with the required speed and agility to meet the increased demand for education and training services. The capacity to deliver

⁶³ The success and popularity of the Executive Network – a form of Jobs Club introduced for unemployed managers and professionals – is an example of how even the relatively advantaged within the labour market can benefit from engaging with the PES.

courses whose relevance and quality is clear has been uneven across the regions. The quality and relevance of courses has been secondary to a bureaucratic imperative to increase 'throughput'. An overtly programmatic focus has triumphed at times over a client-centred approach privileging positive outcomes for individuals. The required quality and depth of inter-institutional co-operation has been lacking. The establishment of the new National Employment and Entitlements Service (DSP) and Further Education and Training Authority (DES) have come not a moment too soon. Their success and, above all, how they interact to jointly support the same unemployed jobseekers will be crucial to containing and then reversing the damage being done to people's employability in the current recession.

3.5 Public Employment Services in Advanced Economies Generally

3.5.1 Growing needs

A significant literature argues that important economic and social benefits flow from the ready availability of high-quality career guidance and job-placement services in advanced societies (e.g., Campbell *et al.*, 2010; CPBA, 2009; OECD, 2003, 2004). The principal arguments include:

- ◆ Good career guidance can increase participation in education, improve course completion rates and better articulate societal demand for learning. This means more individuals realise more of their potential, fewer educational resources are wasted, and the relevance of education to social and economic needs is continually assessed;
- ◆ Career guidance and job-placement services make distinct yet interrelated contributions to improving the match between labour market supply and demand. They can help job matches last longer, improve labour productivity, lower frictional unemployment and contribute to anticipating skills shortages in the future;
- ◆ The identification of the education, training and jobs best suited to use and develop each person's potential at different moments in the individual's lifespan, and not just when first leaving the formal educational system, raises a country's human capital, strengthens individuals' lifetime employability and promotes lifelong learning. Quality career guidance, in addition, fosters the acquisition of key career-management skills;
- ◆ Job-placement and career guidance services can make specific and strong contributions to the attainment of important equity goals. They can ensure a smoother transition from school to working life, improve the effectiveness of active labour market policies and, generally, help provide a more level playing field for individuals from socially disadvantaged or minority ethnic backgrounds as they seek jobs and educational/ training opportunities.⁶⁴

⁶⁴ Layard *et al.* (2005) emphasise that a key role of a modernised Public Employment Service is its capacity to ensure that the harder to employ are not locked out of the ongoing level of job churn and, thus, its ability to 'interrupt' long unemployment spells and help prevent people losing all attachment to the labour market.

It is because of these potential benefits that governments across the developed world are proactive in ensuring as universal access as possible to quality career guidance and job-placement services. As national labour markets become more impacted by technological and organisational changes and new trade patterns and migration flows, greater proportions of their populations need and seek expert career guidance and job-placement services. At the same time, the guidance function has become more difficult to perform as the anticipated profile of future jobs and their likely skill requirements change, and a much wider range of programmes, courses and opportunities come onstream to which unemployed job-seekers can be directed. Labour markets and educational and training systems have simply become more complex and demanding places for individuals to navigate on their own as their working lives unfold.

Put simply, in the absence of adequate career advice and guidance, increased complexity leads to a concomitant increase in the likelihood of a substantial proportion of individuals reaching sub-optimal decisions, which in turn lead to a significant level of sub-optimal outcomes (Keep and Brown, cited in Bimrose, 2006: 4)

A quality guidance service, therefore, plays a decisive role in empowering individuals to manage their own career paths in a more secure way (Campbell *et al.* 2010). For this reason, policy makers in a number of states (including Ireland) identify career guidance as an integral element of their strategies for lifelong learning (European Council, 2008; OECD, 2004). Not all this career guidance, of course, needs to be publicly subsidised, let alone publicly provided. Higher living standards, higher educational levels, greater cultural and institutional recognition of individual choice and, latterly, widespread broadband access to the internet, mean there are greatly increased opportunities for self-help and that the private sector has hugely expanded its roles in job placement and career guidance. The OECD, nevertheless, conclude that the societal benefits to be reaped from such services are so significant that government must be vigilant in ensuring high levels of usage, particularly by people experiencing particular labour market disadvantages (*op. cit.*).

3.5.2 The interrelated functions of public employment services

Public employment services, adequate to the challenges and needs of a knowledge economy and learning society, typically perform a number of key interrelated functions, both directly and indirectly by linking with other public, private and community organisations.

- ◆ It should provide a suite of standard job-search services – modern self-service facilities, advice on basic techniques, counselling and career guidance – that assist employment-ready jobseekers in their routine job-searching.
- ◆ It should carry out job-matching to the mutual satisfaction of both jobseekers and employers and, therefore, contribute to higher productivity and more stable employment. Its services in this area should complement and not duplicate those provided by private sector recruitment bodies.
- ◆ It should act as a ‘gateway’ to a broad range of education, training and employment programmes. This function should be informed by quality intelligence on emerging skills needs and the pedagogies, programmes and institutions that best impart them.

- ◆ It should have the capacity to ‘step-up’ its interventions and provide intensifying support for clients finding it difficult to re-enter employment. This more intensive engagement includes successful profiling and the design and monitoring of effective action plans for disadvantaged jobseekers.
- ◆ It should play a leadership role in identifying missing services and helping to design and stimulate the supply of initiatives that fill these gaps. In part, this involves affording autonomy to other public and private service providers to enable them to generate more tailored and customised services; it also requires a capacity on the part of the PES itself to dialogue with, and learn from, other service providers and clients.

3.5.3 Some lessons from reforms of the Public Employment Service (PES) in other countries

Some key lessons can be considered to emerge from the extensive reforms of the PES carried out in other advanced economies.

Contracting out and incentive contracts

‘Contracting out’ has been a feature of the reform of the PES in a number of states including the UK, Germany and Denmark, but the process has gone furthest in the Netherlands and Australia, where it has driven the emergence of quasi-markets for the provision of activation services (Lindsay and McQuaid, 2009). An OECD review (Tergeist and Grubb, 2006) of activation strategies and the PES in Germany, the Netherlands and UK, however, found that the evidence was mixed as to whether private provision of employment services had, in fact, led to better outcomes than public provision, a scepticism reinforced by other studies (Finn, 2008). In relation to cost savings, these studies similarly caution that, while contracting out employment services to private contractors can mean some functions are performed more efficiently and effectively, savings need to be considered net of costs arising from the contracting out, i.e., higher transaction and administrative costs on contract design, bid-preparation and assessment, contract management, supervision and revision. Such costs can be particularly high where public bodies have limited experience with contractual arrangements and service agreements. Contracting out can also raise issues in relation to political accountability and inconsistency in service provision. Finally, contracting out must, also, be done in such a way that it does not undermine the future capacity of the PES to monitor and lead developments. An unintended consequence of the reforms in both Denmark and the Netherlands was a hollowing out of the PES with a substantial loss of institutional memory in relation to active labour market policies (Lindsay and McQuaid, 2009). For the PES to function as an effective gateway to a broader suite of ALMPs, it needs to continually develop its in-house intelligence about *‘what works and what does not’* (see below).

The experience in other countries with the use of incentive-based contracts as a mechanism for managing the performance of external providers — both from the private and non-for-profit sectors — is also mixed. These contracts typically involve reserving the payment of a significant proportion of contracts until programme participants have successfully secured and retained employment for a period of time; they seek to pay primarily ‘for results’ and out of clear savings on welfare

expenditures. However, such contracts can generate perverse incentives such as ‘parking’, where the harder-to-help clients receive the bare minimum of service, ‘creaming’ in which service providers concentrate their intakes on easier-to-place clients, and an overt focus on short-term outcomes such as placement rates at the expense of longer term measures such as sustainability and quality of employment (Finn, 2008; Kvist *et al.* 2008; Nunn *et al.* 2008). Addressing these problems requires not only sophisticated performance metrics but a strong commitment to ongoing evaluation and continuing adaptation and adjustment in the design of contract and service arrangements (Tergeist and Grubb, 2006). Nevertheless, Individual Reintegration Accounts in the Netherlands – by which unemployed job seekers and their appointed employment service officers jointly control personalised budgets to purchase tailored services – seem to constitute a significant example of a funding model for contracting-out that fosters innovation and a responsive client-driven system (Sol *et al.* 2008). The evidence to date is that they have had a positive impact on job entry and sustainability rates (Lindsay and McQuaid, 2009).

Leadership based on knowing ‘what works’

To provide high-quality guidance and advice, a PES must be informed by the best available ‘labour market intelligence’ about existing and emerging job opportunities and their associated skills requirements (Campbell *et al.*, 2010). To function as an effective ‘gateway’ to educational, training and employment supports on behalf of individual clients, it must have a thorough understanding of what is on offer and of the effectiveness of specific providers, courses and programmes in procuring the outcomes its clients seek. To ensure individual action plans are successful, the PES must thoroughly understand the operation of the social welfare code and its allied supports. Indeed, there is an opportunity for the PES to play a significant role in increasing the agility of the educational and training systems and the social welfare code and wider welfare state by providing continuous feedback on its clients’ progress or lack of it, and the reasons (Campbell *et al.* 2010).

A holistic and developmental approach to career guidance

It is frequently stressed that contemporary labour market developments require discarding a traditional model or approach to career guidance, which focuses on helping selected groups make immediate decisions at particular points in their lives, in favour of a more holistic and developmental approach, in which the focus is on supporting the acquisition of career self-management skills that improve an individual’s capacity to make and implement appropriate career decisions (Bimrose, 2006; OECD, 2004). This new approach assists clients in achieving a higher level of self-awareness and personal development, considered key ‘soft’ competencies that enable individuals to progress in knowledge-intensive labour markets. This type of career guidance requires significant flexibility and innovation in service delivery – in terms of time, location and methods – both to facilitate access across the individual’s life span (and not just when enrolled in an educational institution or on the payroll of a large organisation) and meet the different needs and circumstances of diverse client groupings. Innovation and flexibility are also important in seeking to contain the costs of providing universal access to a high quality public service.

Universal and targeted roles can be complementary

Ideally, improving the quality of the PES's more universal services (career guidance and counselling, and job-matching), on the one hand, and strengthening its capacity to be proactive and engage more intensively with disadvantaged jobseekers, on the other, would reinforce each other. For example, best-practice job-matching techniques have an application in improving the design of active labour market programmes (Campbell *et al.*, 2010), while the ability of PES advisors and benefit recipients to draw up and implement agreed individual action plans premised on a mutual obligation approach (the core of successful activation) is greater where clients realise that advisors have the honed skills and professionalism in dealing with the 'real economy' to design plans that actually work (OECD, 2004). However, it is also clear that finite resources impose choices about when to develop competencies within a PES and how, but the lesson appears to be that the choice must not be reduced to an 'either...or' between universal and targeted functions but seek the maximum synergies between them.

Institutional Culture

The international research and good practice also warn that the formal merger of employment services and benefits administration at ministerial level and/or their physical co-location do not necessarily result in the seamless, co-ordinated and ultimately improved level of service for unemployed clients that is ultimately sought (Lindsay and Mailand, 2008; COM 2006). Sweeping Danish reforms, for example, brought employment services and benefit administration together but, some years later, research found that differences in approach, which the integration hoped to lessen, had been carried into the new integrated organisation (Lindsay and McQuaid, 2009). Senior PES professionals from a number of EU states have highlighted the importance of developing a shared organisational culture in seeking to realise any added value from the integration of employment services and benefit administration (EU 2006).

Part of a Developmental Welfare State for Ireland

Employment services, accessible to all but on tailored terms, were an integral part of the Developmental Welfare State (DWS) that NESC first sketched in 2005 as necessary if Ireland is to reconcile its ambitions for its society and its economy (NESC, 2005). The DWS emphasises, on the one hand, that a high level of social protection is premised on a high level of employment and, on the other hand, that attaining and maintaining a high level of employment requires extensive and 'smart' social protection. Only 'smart' social protection will lessen the risk and remove the trauma from changing jobs and experiencing short spells of unemployment. By doing so, it increases acceptance on the part of the national workforce of the need for ongoing workplace and sectoral changes and ensures that job-churn and short bouts of unemployment do not undermine human capital. In this Irish version of flexicurity (NESC 2008; chapter 6), a high quality PES plays a pivotal role in ensuring that periods out of employment are used to best effect by the individuals concerned, including by stimulating improvements in active labour market policies and in education and training provision. In advocating public services that are capable of gradation and adjustment (termed 'tailored universalism' in the 2005 report), the DWS provides a good framework within which to balance, without allowing one

to undermine the other, the universal career guidance and job-placement services of a PES with the capacity to refer jobseekers facing particular difficulties to more specialized providers and programmes.

The lens of the Developmental Welfare State, finally, reinforces the need for the PES to move from its current fragmented structure towards a more consciously networked, devolved and multi-layered system. Under its new head department, the DSP, the PES has a new opportunity to develop as the leader and animator of a network across which public funds procure the best possible outcomes for unemployed jobseekers from, variously, public organisations, private bodies and NGOs. This will require having the confidence and required systems in place to cede autonomy in a manner that stimulates enhanced levels of policy innovation and adaptation by specific service providers and individual social partners acting in concert with the national labour market authorities.

3.6 Conclusions and Directions of Further Change

Appropriate ambitions for the new National Employment and Entitlements Service (NEES) and new Further Education and Training Authority (SOLAS)

Challenge and opportunity, in equal measure, await the National Employment and Entitlements Service (NEES) and the *new* Further Education and Training Authority (SOLAS). On the one hand, they will have to empower and motivate staff being merged from formerly different organisations, operate within the public sector's Employment Control Framework and seek to provide increased and higher-quality services without extra resources (or even with reduced budgets). On the other hand, they are being established at a time when the acceptance of the need for profound and innovative change has seldom been so widely accepted, the potential of information technology and the internet to transform how services are delivered never so great, the educational profile and levels of experience among unemployed jobseekers is higher than in any previous recession, a significant amount of preparatory analysis and thought has been done on how services should be reconfigured, and there is significant political will to implement and see through the changes required. Truly effective public employment services have seldom been so urgently needed in Ireland or as real a prospect.

Employment services for all jobseekers

It would be a pity if the incorporation of employment services into the DSP Protection was allowed to subordinate their role to that of managing the Live Register. As pointed out above, several groups of unemployed jobseekers are not on the LR, yet they stand to benefit significantly from employment services. The proper objective should be that all unemployed people (plus people in work and facing imminent redundancy) register with the NEES and avail of at least some of its services and not just all those on the LR. Ideally, as in several other countries such as the Netherlands and Denmark (Kvist *et al.* 2008; Sol *et al.* 2008), the NEES should be the first port of call for all unemployed jobseekers, identifying and referring on to the benefit administrators those with a potential entitlement to Jobseeker's Benefit or Jobseeker's Allowance. If access to JB and JA was only *through* the NEES,

there would, subsequently, be much greater awareness among those on the LR of the range of supports available to them, the conditionality of their welfare benefits and the inevitability of intensifying engagement with employment services the longer their unemployment lasted. The fact that all jobseekers, and not only those in receipt of JB or JA, were registered with the NEES would also protect the latter from being considered a residual service and, potentially, lead more employers to recruit through it.

Consideration should also be given by the NEES to ways in which emigrants leaving (or who have already left) Ireland reluctantly because they are unable to find employment could be motivated to remain on its register, and to specific ways in which their needs and interests could be served and their eventual reincorporation to the Irish labour market made easier.

Authoritative employment services

The Department of Social Protection, the Department of Education and Skills and the Department of Jobs, Enterprise and Innovation (DJEI) have a shared interest in ensuring that employment services are informed as systematically as possible by the best national and international research on labour market developments; emerging skill requirements; the training processes by which skills are imparted; the educational pedagogies best suited to the diversity of learners' requirements; and circumstances in an age of lifelong learning, and the financing, social and other supports on which individuals can rely whether they are targeting entry to new employment immediately or after completion of a course or programme.

There is scope for the work of the Expert Group on Future Skill Needs and of the Skills and Labour Market Research Unit to be strengthened and accorded a prominent place in the emerging new architecture of the NEES. The sector reports of the EGFSN draw on inside knowledge of strongly performing companies to provide key insights into emerging skill requirements in sectors that are particularly important as current or prospective sources of employment in the Irish economy. Other of their reports periodically evaluate the outputs of the training and educational system, and identify the changes that providers need to make to produce the type of graduates and trainees that the market is seeking. They can also contribute to the design of active labour market programmes that are more aligned with labour market need. The NEES has a new obligation and opportunity to ensure unemployed job-seekers receive up-to-date and reliable knowledge of what companies and employers are looking for and value in their employees, what educational and training providers are able to achieve for trainees and students, and of the income and other supports they can rely upon as they take the necessary measures to strengthen their labour market skills and employability.

Performance management and performance dialogue

For the NEES and SOLAS to use their budgets to maximum effect, let alone have additional resources reallocated to them from savings elsewhere in the public system, they must develop and monitor agreed and appropriate performance metrics for all providers (whether in-house or third parties with whom they enter service level agreements). They are responsible for considerable levels of public expenditure at a time of severe budgetary constraint. It is imperative, therefore,

that they '*know what works and what does not*' with regards to active labour market policies and programmes. This is a challenging objective and in seeking to achieve it, the NEES and SOLAS should proactively champion the need for more robust programme evaluation, enhanced data collection methodologies, greater levels of information exchange, increased policy learning and a genuine commitment to mainstream good practice irrespective of where it is generated. They should want to build an agile system together for addressing the needs of unemployed people that responds swiftly and effectively to market signals and where labour market intelligence informs funders, providers and clients in a manner that helps them to make better informed decisions on welfare-to-work pathways and investments in skill formation respectively.

This challenge of developing the required performance framework has been formulated particularly strongly for the NEES in the following way:

A framework for measuring the placement performance of different organisations or even individual employment counsellors should be defined recording which employment service(s) each DSP client is assigned to each month. This would make it possible to track and tabulate service providers' 'off-benefit' outcome rates..[and].even their 'commencement-of-employment' outcome rates. An outcome-measurement system can open the way to performance-based contracts with public, non-profit or private sector employment service providers, comparable to modern practices in Australia, the Netherlands and the UK. (Grubb, 2010: 11)

Given the range of organisations involved in providing employment services, it would clearly be advantageous to have in place appropriate and agreed performance measures that can assist in identifying what works and what does not work for different clients. The establishment of the NEES and its emphasis on developing a more proactive case management process is an opportunity to collate and interpret the type of data that Grubb suggests should inform an appropriate performance framework. It is important that the data used for performance measurement is authoritative, timely and comprehensive, and that there is an appropriate level of confidence in it amongst the relevant stakeholders — policy-makers, managers, staff and service providers (Nunn *et al.* 2008). This means that developing more robust performance dialogue centred on client outcomes should not be viewed as a mechanism for imposing rigid central controls on local actors in a manner that seeks to standardise service delivery and prioritise efficiency. Equally, it is important to ensure that the design of performance metrics does not result in the generation of perverse incentives for service providers (Finn, 2010; Nunn *et al.* 2008). Performance dialogue, rather, needs to be undertaken in a manner that incentivises local autonomy and policy innovation in striving to meet agreed performance targets that are related to positive client outcomes. The literature suggests that the use of outcome focused performance measures is particularly compatible with such an emphasis on the local devolution of autonomy. In addition, a significant voice could be accorded to clients, as is the case in the Netherlands, which would potentially alleviate some of the concerns that are associated with performance frameworks for service providers (Kvist *et al.* 2008).

A willingness to be performance-managed and a commitment to providing the

appropriate quantitative and qualitative data should be a key eligibility requirement for receiving Exchequer funding to provide employment, education and/or training services to the unemployed. Performance management that is purely an additional bureaucratic burden on service providers is a failure; it is a success if it stimulates policy and organisational learning, improves organisational performance and delivers tangible benefits for both the state and clients (Nunn *et al.*, 2008).

Customer service – client-centred service delivery

It is essential that the NEES and SOLAS adopt strong client-centred approaches to service delivery. A recent study by the National Youth Council of Ireland (NYCI, 2010) on the experience of young jobseekers with Social Welfare Local and Branch Offices and FÁS Employment Services highlighted how critical the quality and commitment of service personnel is to the successful delivery of both services. The attitude and approach of the service professional had a significant influence on the jobseeker's experience of the service; customer service was important not only in practical terms but also in emotional terms. Competencies that employment-services professionals have indicated that they are increasingly relying on in dealing with clients during this recession – active listening, empathy, counselling – are the same characteristics that young jobseekers valued in the NYCI research in their interactions with state support services. Generally, a 'them–us' relationship characterised by mutual suspicion between social welfare and employment-services staff, on the one side, and their unemployed clients on the other, appears significantly less true now than in the previous recession. Many jobseekers today fully understand the pressures under which officials are operating and appreciate a high-quality service, but they are also aware when this is not forthcoming or when there is a lack of consistency in service delivery. The insights of service users into how their social welfare and other services could be more effectively provided are something which the NEES should seek to systematically garner.

A resourced PES

Given the ongoing ban on recruitment within the public service, staffing the NEES with the number and calibre of personnel required will be challenging. In essence, there are potentially two ways in which staffing resources can be significantly increased: (i) through redeployment and retraining from within the public sector and/or (ii) by concluding more service agreements with third parties. The first is demanding of the in-house HR functions. Staff relocating from even closely allied activities elsewhere in the public service may need significant further training to work as career-guidance professionals, for example, and the NEES would have to increase the appropriate institutional supports – routine engagement with senior guidance professionals, mentoring, reflective learning and peer review, opportunities of continuous professional development – that the wider guidance profession considers obligatory in providing a quality service.

The conclusion of more and better service agreements with third parties has the advantage of increasing capacity without creating a permanent state-funded infrastructure. As noted earlier, Ireland's PES can be conceived in a broad sense as including the employment services provided by LDCs, VECs and Citizen Information Centres, as well as FÁS and the LESN. While fragmentation and uneven and patchily

available services are the downsides to this diversity of providers, the principal upside is the presence of significant expertise and experience across a variety of organisations. If the NEES is to ensure the provision of a quality guidance service to all jobseekers, at all stages of their careers, then it must utilise the full range of guidance services that are currently to be found in schools, universities and colleges, training institutions, state agencies, private sector organisations and the community voluntary sector. This is a major governance challenge, to move from a situation in which the equivalent of employment services are delivered through parallel systems that provide people with different supports and entitlements in return for different requirements, to a national system that would be delivered transparently and collaboratively across a range of diverse providers.

This governance challenge extends to working wisely and smartly with the private sector. While, in general, an NEES undertaking to provide a universal service to all jobseekers must know 'what it is not good at' and when other bodies or actors can provide better or more cost-effective services (EU, 2006), it must seek, in particular, to avoid duplication with private recruitment agencies and doing at public expense what more advantaged job-seekers would have otherwise done at their own expense. An interactive and referral role with private-sector recruitment agencies is required in which the NEES seeks to tap into the latter's expertise in a manner that augments its own job-placement and matching activities.

The rapid rise in unemployment combined with the constraints in public finances creates a challenging environment in which to consider the future development of active labour market policies. This chapter has argued that reconfiguring the new NEES for a knowledge economy should be an integral part of the strategic response to the unemployment crisis. This reconfiguration would involve a clear focus on enhancing and improving the universal collective services provided by the NEES, namely career guidance and job placement/matching activity. It is suggested that improving these core services has the potential to generate a services dividend for the whole population. Additionally, it will provide high-quality mainstream services that can be tailored and customised to meet the needs of individuals who are particularly disadvantaged within the labour market (Chapter 7).

4

Employability: Training and Education for the Unemployed

4.1 Introduction

Where a relatively prompt (re)entry to employment is proving difficult, the next priority for public policy is to support the unemployed jobseeker in improving her or his employability. The normative assumption is that difficulty in obtaining satisfactory job offers is due to a lack of market-relevant skills and competences; participation in training or education is considered a better immediate strategy than the further prolongation of job searching. This strategy was well articulated and had strong commitment before the recession broke (*Towards 2016*). Section 4.2 examines whether and how the surge in unemployment since 2008 has affected its relevance and prospects for success. Section 4.3 then outlines the principal training and education programmes that are tailored for unemployed people and the pathways or access routes back to further and higher education specific to them. Section 4.4 explores some approaches that seek to provide public funding directly to individuals rather than providers, in a bid to incentivise the take-up of education and training and better tailor it to individual needs. Section 4.5 concludes.

4.2 Up-skilling the Workforce in a Time of Recession

The current unemployment crisis has created a significantly new context for implementing the National Skills Strategy embraced in 2007. It undertook to upgrade skills across the entire workforce, of people in employment and of the unemployed; of people with post-Leaving Cert. qualifications and of early school leavers; of the workforce employed in multinationals and of those working in micro-enterprises and the self-employed.

The core reasons advanced before the recession for concluding that the national interest required a major increase in skills across the workforce remain valid:

- i) The world is not standing still. Selling into global markets is becoming more demanding as technologies, standards and supply chains evolve and more of the young and educated workforces of emerging and transition economies become mobile, or form part of global supply chains from their home bases.
- ii) Higher skills in the Irish workforce make it easier for companies in Ireland to apply advanced technologies and participate in global R&D, for IDA Ireland to attract further high-quality inward investment, for Enterprise Ireland to encourage indigenous companies to add value to their Irish operations, and for public sector and non-profit organisations to deliver services to higher standards.

- iii) Other things being equal, each 'step up' an individual takes on the skills ladder facilitates an increase in their well-being. It reduces their risk of unemployment, increases their earning power and makes it more likely they have jobs they find interesting and which contribute to their personal development.

At the same time, the recession makes delivering on the National Skills Strategy even more pivotal in the following ways.

- i) As noted in Chapter 1, the recession has accelerated the secular decline of sectors that were traditionally large users of low skills and brought added urgency to the development of sectors associated with new skills and the 'smart economy'.
- ii) It has made a large number of formerly employed low-skilled workers available (in a perverse way) for education and training who, previously, may have had limited time, and received little employer support, to pursue training.
- iii) The recession has further weakened the assumption that education and training are the domain of young people. It is raising the profile of further education and training (FET) and leading to a greater determination to address the fragmented and relatively underdeveloped institutional framework that supports it in Ireland, and to improve the quality of the programmes and courses on offer.
- iv) The recession is bringing policy makers, operating within exceptionally tight fiscal constraints, to want a much-improved evidence base for identifying what training or education delivers best and for whom, and to seek to procure better outcomes from given levels of public spending on FET.

There are negatives, of course. The crisis is exposing the weakness to date of strategies and incentives for bringing low-skilled workers, in particular, to return to education and training. The extent of the return to education and training that has already taken place is straining the capacity of the better training and education providers, and creating the risk that quality is sacrificed to quantity as resources are spread more thinly. Depressed sales and eroded profits have weakened the capacity of some employers to invest in skills or even to retain them by avoiding redundancies. Short-term fiscal constraints are so acute that the medium- and longer-term private, fiscal and social returns of FET may be discounted excessively in deciding on the currently 'affordable' levels of public spending.

Increasing the supply of high-level skills

Skills-upgrading is the route by which a large number of those now unemployed can 'sit out' the current bleak employment outlook and even extract benefit from the misfortune of being unemployed. This can be particularly apparent to those who have already completed a third-level qualification. The current labour market crisis, as noted in Chapter 1, has affected a workforce more educated than that affected by the crisis of the 1980s; a large number of people of those now unemployed are educated to a level higher than the Leaving Certificate (levels 6/7 or higher on the NFQ). Among people whose highest completed education is a Leaving Certificate or its equivalent (levels 4/5 on the NFQ), there is a significant propensity to return to education; their response to unemployment can be to seek their first third-level qualification, a route they consciously turned from at an earlier time when job opportunities were plentiful and attractive. The need for a

large number of people to move from levels 4/5 on the NFQ (the Leaving Certificate or its equivalent) to higher levels features prominently in the National Skills Strategy. By and large, unemployed people with this background and interest in further education encounter a wide set of educational providers (the Universities, Institutes of Technology, Colleges of Education and others) keen to attract them and help them make informed choices.

The stimulus given by the recession to the demand for and supply of further and higher education can be considered a silver lining to the current bleak employment scenario. The emphasis on third-level education is without prejudice to the facts that advanced forms of vocational qualification are also important to the goal of a knowledge economy, and that people can legitimately decide against seeking a third-level degree. A workforce comprised wholly of graduates and an economy in which all jobs require third-level qualifications is neither a realistic prospect, nor a desirable one. The unemployment crisis, nevertheless, is, in part, a significant opportunity to accelerate progress towards the objectives in the National Skills Strategy of having 48 per cent of the labour force in 2020 with qualifications at NFQ levels 6 to 10, and raising the progression rate to third-level education from 55 per cent to 72 per cent. Even before the crisis, the appropriate level of public support for individuals in third- and fourth-level education was conditional on the overall level of resources that could be made available and had to acknowledge the priority of the claim for public support of the large number of people still seeking to reach NFQ levels 4/5. The more serious fiscal constraint produced by the crisis makes it more essential than ever to prioritise public spending on education and training and to maximise the element of co-investment on the part of those who are in a position to do so.

A key public good essential to guiding the quality of private and public investment decisions on education is the quality of labour market intelligence. It is important that individuals, education providers, employers and policy makers are guided by as reliable, comprehensive and relevant evidence as it is possible to obtain about what the labour market is currently rewarding, the skills and competences for which demand is likely to grow or wane, and the relative effectiveness of different courses, programmes and pedagogies in equipping people with the skills and competences in demand. No single method or approach can be exclusively relied on and the intelligence gathered will always be incomplete, but its quality, transparency and timeliness is a precondition of sound private and public investments in education (COM, 2008a; Campbell *et al.*, 2010). Ensuring that it is universally available is a pivotal responsibility of the state. Even – or especially – at the current time when their numbers are so large, no unemployed job-seeker should have to decide on the education or training to pursue in the absence of competent career guidance and lacking access to the best available understanding of labour market realities. On the contrary, all are entitled to be (i) guided into courses and programmes where the content and teaching methods are relevant to how the world of work is evolving and (ii) directed to providers that are proficient in delivering these courses and programmes to a high standard.

Increasing the supply of places on courses and programmes to match rising demand, while ensuring satisfactory returns on the rising private and public investments being made, requires that the worlds of education, training and work co-operate

closely. Only a co-ordinated approach on the part of employers, educational and training providers, labour market experts and policy makers will deliver what unemployed people really need and want. Much has been and is happening to overcome inertia in education and training systems and to increase their relevance to labour market developments and their responsiveness to learners' needs. Where necessary, producer interests have to be named and challenged. Filling course places legitimately benefits institutions and their staff but, if the courses do not demonstrably advance unemployed people's best interests, it is fair to question the value for money being achieved and even to suspect a degree of collusion in 'massaging' the unemployment figures. By contrast, deepening the dialogue between the worlds of education/training and work and increasing the speed and effectiveness with which providers respond to the current high unemployment levels enhances in a major way the credibility of what is offered and the level of enthusiasm for the National Skills Strategy.

The reports of the EGFSN contain several cogent appeals for more intensive interaction between education/training providers and the world of work. It is vital, for example, in meeting the needs of unemployed professionals in the wholesale and retail sector:

The requirement ... is not to predict demand in detail. It is that providers of professional level education and training should stay in close contact with industry to identify emerging skill requirements so that they can (i) build appropriate content into their full-time education provision, (ii) have appropriate content ready to build into executive education courses as demand materialises, (iii) provide stand-alone modules to give existing and aspiring ... professionals the skills they require to move into the new professional roles as they emerge (EGFSN, 2010: 8).

Supply of high skills creates demand

Seizing opportunities in the current crisis to increase the supply of high skills is also a contribution to job creation. It is important to appreciate the extent to which the demand for high skills can be a reflection of their supply. This is captured for advanced economies, generally, by the theory of endogenous, skill-biased technological change. This postulates that work will be organised in a manner that takes best advantage of and complements the skills and education of the available workforce. A well-educated and highly skilled workforce, therefore, has the effect of encouraging and enabling the adoption of technologies and the modification of work organisations that increase productivity. This, in turn, reinforces the demand for high skills on the part of successful companies and sectors. Upgrading the skills of the workforce, therefore, can itself be a factor leading to increased demand for high skills (COM, 2008a).

That a plentiful supply of high-skilled workers might push entrepreneurs and businesses to innovate in ways that employ more such workers is, effectively, what appears to have happened in the large, relatively closed advanced economies. In the case of a small open economy like Ireland's, that 'supply creates its own demand' where high-skilled workers are concerned, has a wholly additional

dimension. It has been effectively leveraged by the development agencies for the purposes of attracting inward investment. The number and quality of graduates and skilled workers available to businesses recruiting in Ireland make it easier for them to attract and retain inward investment and to encourage indigenous exporting enterprises to expand at home rather than overseas. It prompted, for example, the successful 'Young Europeans' advertising campaign of the IDA in the 1980s and underpins the successful strategy today of encouraging multinational companies to locate pan-European call centres in Ireland, which provide business support and customer services. Whereas the supply of high skills in question was once overwhelmingly reliant on the outflow from Ireland's higher-education institutions, in more recent years it has become reliant also on the economy's and country's ability to attract young, mobile high-skilled workers from across Europe and further afield.

Raising the lowest skill levels

There is an exceptional challenge on the lower rungs of the labour ladder. People with low skills have, proportionately, the most to gain from up-skilling. Even 'one step up' from the lower levels on the NFQ may entail demonstrable reductions in the risk of unemployment and improvements in earnings. But such people typically participate the least in further education and training. This is noted not just in Ireland but internationally, for example: 'low-qualified adults are seven times less likely to participate in lifelong learning than those with high educational attainment' (COM, 2008a). The review of the implementation of the National Skills Strategy (March 2010) was frank in acknowledging that the least progress was being made in bringing the large number of people in the workforce currently below level 4/5 on the NFQ to reach the level corresponding to the Leaving Certificate. The difficulties were eloquently illustrated when the labour market authorities responded to the large number of redundancies arising from Dell's 2009 closure of its Limerick plant. Of those made redundant, 1,300 had a lower-secondary education or less as their highest educational attainment but it was anticipated that only 325 of them would come forward for VEC courses that were on offer to upgrade their qualifications (Box 4.1).

Box 4.1 The Dell Closure

The loss of 2,840 jobs in the Limerick region as a result of Dell ceasing to customise its production of desktop computers there for the European market is a prime example of the types of challenge posed by the general contraction in manufacturing employment. The closure was advanced by the crisis but would in all likelihood have happened anyway. A close look at the retraining and redeployment needs of those affected by the closure (as part of a successful bid for EU support for those made redundant⁶⁵) established that:

- ◆ Some two-thirds (64 per cent) of those made redundant were male;
- ◆ Almost half (46 per cent) had a lower-secondary education or less as their highest qualification;
- ◆ Of these 1,300 redundant workers with a lower-secondary education or less, it was anticipated that *only 25 per cent* (325 persons) would come forward for VEC courses to upgrade their qualifications to FETAC levels 2–6 (from levels 1–3). As a consequence, courses for them accounted for 6 per cent of the total cost of the overall package of measures;
- ◆ Some 500 (from the overall 2,400 targeted for assistance) were expected to undertake a third-level course (levels 6–9). Courses for them accounted for 43 per cent of the cost of all the measures;⁶⁶
- ◆ Twenty ‘high potential start-up’ small companies were anticipated as likely to result from among those who would seek to create their own businesses; and
- ◆ The average cost per assisted worker of the specific services identified as within the capacity of regional providers to provide to help people reintegrate into employment was €9,090.

The fact that nearly 1,000 redundant workers with less than a completed secondary education – 42 per cent of all being redundant and 75 per cent of all who had not completed secondary education – were reckoned to participate minimally or not at all in the benefits of an otherwise quite comprehensive support package may be a realistic assessment of how mature-aged workers with significant family commitments and years of industrial experience behind them respond to injunctions to ‘return to school’. It is also a telling indictment of a strategy whose primary route to new employment for such workers is via the classroom. This issue will be returned to at several points in this report, i.e., even if resources are not the issue, it is not always clear how they can be used effectively to raise skill levels among those with the lowest levels of educational attainment. It is a challenge acknowledged in the review of the implementation of the National Skills Strategy and which partly motivated the establishment of the Social Activation Fund.

65 SEC document on the application of Ireland in favour of the redundant workers of Dell (2009). The Irish authorities were successful in securing €14.8m from the EU’s European Globalisation Fund towards the €22.8m costs of retraining and redeploying 2,400 of those made redundant.

66 Rising to 57 per cent if it is assumed that the 500 are the exclusive beneficiaries of €3m set aside for student maintenance grants.

Though the already low-skilled are the least likely to avail of training and further education, the skill requirements of entry-level jobs are increasing. Internationally, it is noted that a significant number of low-skilled jobs – because they are non-routine, beyond the capacity of technology to automate and cannot be delivered by workers on-line through ICT – are surviving in advanced economies better than some jobs that require higher qualifications. Many jobs traditionally considered ‘low-skilled’, in fact, feature significant person-to-person interaction and have been increasingly subject to the growing sophistication and diversity of customer/client demands and the challenge of higher standards and tighter regulation (care assistants, hairdressers, drivers, porters, etc.). The March 2010 review of progress in implementing the National Skills Strategy noted that the emphasis on generic-type skills and broader skill sets had grown particularly in low-skilled occupations. The EGFSN has drawn attention to the need for, and potential of, up-skilling jobs currently considered low-skilled in sectors as diverse as financial services, food and beverages, healthcare, environmental goods and services, and retailing (see Box 4.2).

Upskilling for people with low levels of formal educational attainment and, in many cases, long years of employment behind them, requires distinct and more innovative policies than upskilling the already well-educated. The former, typically, see less clearly how they will benefit from what, proportionately, is a harder challenge and for which they have less household supports. Particularly for them, it is important to keep open the route through a job to higher skills and not to emphasise improving skills as a precondition for a new job. This implies making room for an ‘employment first’ approach that incorporates forms of on-the-job training, day release, training leave, etc., all of which require the engagement and commitment of employers. It is also a huge challenge to education and training providers that they should be able to welcome as their students people at work and seeking to re-skill or upskill, while holding their jobs, as much as young people leaving the secondary education system. As urged in the *National Strategy for Higher Education to 2030*, they will have to innovate much further in delivering courses in new ways and developing new courses for mature students who have significant work and home responsibilities.

Box 4.2 Upskilling At Work

Retailing still employs more people with relatively low qualifications than with high ones, though the skills composition of its workforce is steadily increasing (EGFSN, 2010). It is, accordingly, 'one of the main economic outlets for people with low levels of participation in higher level education and for activation of people who have become detached from the labour force' (*ibid.* 25). The comprehensive Skills Framework proposed by the EGFSN for the sector as a whole identifies thirty-six specific skills needed of its workforce and they embrace every level of the National Framework of Qualifications. While significant needs arise for workers at levels 6/7 (advanced certificates and ordinary degrees) and higher, fully fourteen of the skills to be tracked and developed embrace helping people attain level 3 on the NFQ (equivalent of a Junior Certificate) and twenty two the attainment of level 5 (equivalent of a Leaving Certificate) (*ibid.* 12). This underlines the sector's potential to make the labour market inclusive and foster mobility out of entry-level jobs. To harness this potential, the EGFSN urges greater and more effective use of the Recognition of Prior Learning (RPL). At present, it points out, 'the vast majority of learners never receive any formal qualification and the benefits of training can dissipate quickly thereafter' (*ibid.* 10). RPL, it argues, would increase individuals' motivation to round out existing skills in order to gain a full award and advance further up the NFQ ladder because, for the first time, they would see themselves formally placed on it. As a result, workers' mobility within the sector would increase. The sector has also the potential to play a significant role in activation policy as there is always some level of hiring going on (turnover is high), including of people with no specific background in the sector (*ibid.* 17).

Minimum wages and skill levels

The levels at which minimum wages are set are also relevant to meeting the challenge of up-skilling workers on the lowest rungs of the labour ladder. Clearly, minimum wages are too high if they cut off jobs that employers would otherwise offer and job-seekers accept (as already discussed in Chapter 3). But they may also have a function in raising employers' demands of, and ambitions for, those taking entry-level jobs. For this type of reason, theory and evidence suggesting that a high minimum wage may, under certain conditions, induce higher productivity and prove positive for employment creation, continue to be attractive (in a wide literature, particularly seminal articles are Wilkinson, 1983, Card and Krueger, 1995). The theory, in essence, is that a high minimum wage places 'pressure on management to raise productivity through more efficient work practices, advanced technology, or a value-added product market strategy' (McLaughlin, 2007). For example, if €8.65 an hour has to be paid, employers have an incentive to ensure that any worker they take on is able to do and contribute more than 'stacking the shelves'. Without some floor to wages, 'the availability of low-wage labour means there is little incentive for employers to increase productivity through investing in new technology or worker training, or to re-organise production' (*ibid.*).⁶⁷

⁶⁷ The 'shock' effect is similar to that which low-cost imports from emerging economies have had on manufacturing sectors in advanced countries; competition on labour costs being a strategy doomed from the outset, companies learned to compete on the basis of design, quality, wrap-around services, reorganisation and automation.

It is clear that it would support Ireland's ambitions to build a more knowledge-intensive economy and raise the skill levels associated with entry-level jobs if a high NMW were, indeed, to exercise such productivity-enhancing effects. The prospect that it can do so should not be given up on. A review of minimum wages across the EU confirms their potential 'to transform the quality of jobs through an incremental upgrading of performance among firms in low-paying sectors' (Vaughan-Whitehead, 2010: 31). However, minimum wages need to be embedded in a wider institutional framework that enables firms to finance training and capture its benefits if this is to happen (McLaughlin, 2007). For example, if companies, particularly small services undertakings supplying the domestic market, are to embark on the 'from training to higher skills to increased productivity to more competitively priced services' strategy, key policy supports and the joint commitment of employers and trade unions are required at each step. The constraints are known. Small firms operating in highly competitive markets with low profit margins typically have small budgets for training and little or no in-house capacity to train their own workers. They also have significant concerns with the relevance and quality of outside courses, while having staff away on training disrupts essential operations. When staff *are* successfully trained, they are likely to be poached by other employers or to leave the sector altogether (high staff turnover and rates of exit from the sector characterise many low-wage services sectors). Finally, to retain expensively trained staff, wage increases have to be agreed that apportion the fruit of higher productivity fairly between rewarding and incentivising workers, on the one hand, and boosting profit margins that allow the strategy to continue, on the other (Grimshaw and Carroll, 2006).⁶⁸

These constraints can be overcome and other countries offer various examples of best practice of how to do so (e.g., Denmark on training). Ireland can be regarded as having assembled some of the required elements (e.g., a National Skills Strategy, a national minimum wage and other wage-setting machinery in low-paying sectors, Skillnets, etc.) but linking higher minimum wages to training levels is not (yet) one of them (McLaughlin, 2007). Without clear policy supports and processes to protect employers who take the 'high road', mandated wage increases in service sectors characterised by intense cost competition are more likely to be absorbed through lower profits than accommodated through price rises. It should be part of the protection and evolution of minimum wage levels in Ireland that entry-level jobs would require, and be able to reward, higher levels of skills; wanting this would be consistent with the drive for a knowledge-based, innovative economy and the National Skill Strategy.

4.3 Further Education and Training for the Unemployed

When the recession struck and unemployment surged, there were two principal providers each with its own set of programmes for assisting unemployed job-seekers to improve their employability by participating in further education or training.

⁶⁸ An Irish Tourist Industry Report, for example, identified similar issues preventing employers in its industry from taking the high-skills route – high staff turnover and exit rates from the industry, disruptions to business while employees are on training, the financial costs involved for SMEs, and dissatisfaction with current training programmes (ITIC, 2006: 28).

FÁS, while it also had major responsibilities for training people in employment, persons with disabilities and apprentices, operated a suite of programmes for training unemployed people. While unemployed people could voluntarily apply for places on these programmes, being referred to them from the LR after contact with FÁS Employment Services under the National Employment Action Plan had become an increasingly important route by which places were filled. Up until 2010, all unemployed people who participated on FÁS training courses were eligible for receipt of the FÁS Standard Training Allowance equivalent to the standard rate of payment for Jobseeker's Benefit and Jobseeker's Allowance. Since 2010, only unemployed people with an underlying entitlement to JB or JA receive the Training Allowance. As Chapter 2 made clear, FÁS training programmes for the unemployed have been under particular pressure since the recession began to expand their capacity, retain and even improve their quality, and demonstrate flexibility and responsiveness in meeting the needs of the new unemployed.

Similar but, perhaps, not such intense pressures have come on Vocational Educational Committees during the recession to increase the participation of unemployed people in the full-time and part-time programmes they operate. Their further-education objectives are not specifically linked to dealing with unemployment but are intimately linked to the factors that increase its risk for many people. Further education, as the VECs pursue it, is to provide second-chance education generally for people who do not complete upper-secondary level and meet the specific needs of early school-leavers, while also providing vocational preparation and training for labour market entrants and re-entrants (this latter potentially embracing all the unemployed). All unemployed jobseekers who participate in FET do so voluntarily. Whether or not they receive income support while on a programme, have their fees and tuition paid, get support with childcare or are entirely self-financing, depends on their circumstances and their eligibility for different forms of support (e.g., the Back to Education Allowance, Vocational Training Opportunities Scheme, Back to Education Initiative, etc.). Financial support provisions for participants in FET have also been impacted by fiscal constraints (for example, the new €200 annual contribution from participants on Post-Leaving Certificate programmes introduced in Budget 2011).

As outlined in Chapter 2, a major response to the labour market crisis to date has been an institutional reconfiguration, which has seen responsibility for all FÁS training (that for the unemployed included) being transferred to the Department of Education and Skills. The two parallel sets of programmes in place as the recession began, delivered through two different structures that were the responsibilities of separate government departments, are, henceforth, to be the responsibility of the one department. The DES is seizing the opportunity to integrate education and training under a new agency, SOLAS, to bring a new coherence, effectiveness and status to further education and training, making it a constitutive pillar of the Irish educational system. It is envisaged that, in time, VECs— after mergers to produce a smaller number that are more strongly equipped and managed, and after absorbing FÁS training centres and regional staff – will have the ultimate responsibility for

delivering in an integrated way the full suite of programmes and services through which unemployed people can improve their employability. It is also intended that VECs should be an integral part of activation strategies and that referrals from the DSP's new National Employment and Entitlement Services will be made to all the programmes for which VECs have responsibility.

Table 1.4 provides a summary of the principal 'raw material' or building blocks that the DES has to hand as it seeks to provide unemployed jobseekers with a more seamless, efficient and effective service in improving their labour market skills and competences (a brief primer on each programme is provided in Appendix 4.1). Allowing for the smaller programmes not included in the table, in broad terms, some 87,400 training interventions are being provided for unemployed people by FÁS in 2011 using a total budget of about €228m, and about 170,000 places on further education and training courses by VECs and others out of a total budget of over €400m.⁶⁹ (Note that these totals for training interventions and places respectively aggregate programme participations of very different durations and intensities.)

In framing assessments, and more importantly expectations, of the level and quality of the the services unemployed jobseekers receive from FÁS and the VECs at the current time, the human resource situations of the providers must be factored in. FÁS staff numbers have been reduced by 19 per cent overall between 2008 and 2011 and the number providing training services is to fall further from 1,162 in 2011 to 1,024 in 2014 under the Employment Control Framework (ECF); the latter's freeze on renewing temporary contracts or replacing staff who retire or leave is impacting strongly on the capacity of VECs also. Qualitatively, major restructuring and redeployment is not always being experienced positively by staff (particularly in FÁS, and with the impact of substantial mergers between VECs still unclear) and, consequently, productivity and service improvements can lag behind institutional and operational changes.

⁶⁹ Pay and non-pay, including student support and some participant allowances.

Table 4.1 Principal Further Education and Training Measures for the Unemployed, 2011

	Budget €m	Training Interventions/ Places
FÁS Programmes*		
Specific Skills Training**	58.7	20,900
– (Long)	38.0	11,000
– (Short)	20.7	9,900
Community Training Centres	45.5	3,100
Local Training Initiatives	36.2	3,600
Traineeships	32.2	5,100
Bridging	13.2	4,000
Redundant Apprentices	8.1	1,100
Evening Courses	6.2	21,500
TESG	6.0	9,200
VEC Programmes****		
<i>Full-time</i>		
PLCs*****	186.0***	31,688
VTOS	80.0	5,000
Youthreach	67.0	3,688
<i>Part-time</i>		
Adult Literacy	30.0	49,000
BTEI*****	17.0	28,000
Community Education	10.0	50,000

Source DES

Notes * Only FÁS training programmes for the general unemployed are included (thus, not training for people in employment, nor apprenticeships, nor training that is specific to persons with disabilities). Also, only programmes with 2011 budgets of €6m or higher are included.

** Not including the 6,000 extra places announced in the May 2011 Jobs Initiative (1,000 long; 5,000 short).

*** Assuming overall expenditure is similar to 2010.

**** Senior Traveller Training Centres (2011 budget of €21m for 684 places) are not included as they are being phased out and provision for Travellers over eighteen years of age is being integrated into more mainstream programmes.

***** Not including an additional 1,000 places announced in the May 2011 Jobs Initiative.

***** Not including an additional 3,000 places announced in the May 2011 Jobs Initiative.

What works best and for whom?

A major weakness that has challenged, and continues to challenge, the effort to use resources to maximum effect and procure the best possible FET outcomes for unemployed people is the underdeveloped evidence base in Ireland for determining what works best and for whom.

Different types and levels of evaluation of FET programmes have been carried out in Ireland but few have employed what, by contemporary standards, would be regarded as methods that unambiguously establish programme-specific effects. There have been several overviews of the full range of programmes available in Ireland (e.g., Forfás, 2010b; Grubb *et al.* 2009; NESF, 2006; O'Connell, 2001; Indecon, 2002), a large number of individual programme reviews conducted by consultants for the public sector (e.g., Eustace & Clarke, 2006, on the LDSIP; Indecon, 2005, on the NEAP; Fitzpatrick Associates, 2003, on the PES; Deloitte & Touche, 1998, on CE; etc.) or as part of value for money reviews within the public sector (e.g., DES, 2008, on Youthreach; DETE, 2005, on supports for the LTU; DSFA, 2005, on BTEA; etc) and a wide range of once-off studies examining one or several programmes from a specific view point (e.g., the Equality Authority, 2003, on Travellers' experiences; the National Disability Authority, 2003, on accessibility for persons with disabilities; the NESF, 2003, on issues for older workers, etc).

Some early lessons emerged, such as that training programmes demonstrably linked to what employers need and expect of potential employees (and, frequently, with employer participation), other things being equal, procure better transitions to employment than training programmes with weak or no links to employerw (a conclusion, much cited, to which, nevertheless, a degree of the obvious attaches). The reviews of individual programmes conducted for – or within – the public sector tended, as with expenditure reviews generally, tended to provide clear descriptions of programmes' origins, their development and levels of inputs and outputs, but seldom to ascertain the net difference programmes were making to outcomes over and above clear counterfactuals, and at what cost.

Where attempts have been made to compare what specific FET programmes achieve for participants over and above what would have happened anyway, the tentative conclusions are not impressive. Forfás (2010b), for example, sought to compare programme outcomes for participants with what happened to people on the LR similar to participants in all key respects except that they did not participate in the programme in question. Significant variation was found, from significant effects for small programmes such as Traineeships (outcomes eighteen percentage points higher than for a similar group on the LR) and Local Training Initiatives (thirteen percentage-point better outcomes) to modest effects for major programmes (Specific Skills Training making a five percentage-point difference) and nil effects for others (the Bridging Foundation programme, Community Training Centres, etc.). A recent evaluation of the NEAP has used, by Irish standards, an advanced methodology only to establish a clear negative impact of the programme on participants' outcomes (McGuinness *et al.* 2011, discussed in Chapter 7).

4.4 Funding the Individual and not the Provider

Training vouchers and individual learning accounts

Two specific instruments merit close examination for their potential to improve access to, and outcomes from, training and education for unemployed jobseekers – training vouchers and individual learning accounts (ILAs). Since the late 1990s, the majority of EU states have experimented with one or the other in an attempt to better incentivise both employees and the unemployed to invest in upgrading their knowledge, skills and competencies as part of an overall emphasis on lifelong learning (Cedefop, 2009; De Grier, 2008). In general, a voucher-based approach involves the state providing a direct subsidy to individuals to help defray the costs of their training or education, while ILAs can receive contributions from several actors (the state, individuals, employers) that are then pooled to enable individual to purchase education or training (Cedefop, 2009).

While nominally different, the distinction between these policies instruments is blurred in practice (Dohmen, 2009). Importantly, both approaches are underpinned by the same fundamental principle, namely that *'public money should follow consumers rather than suppliers'*. In the context of active labour market policy, this involves a shift from the state providing Exchequer resources to providers (public, private and not-for-profit) who then offer courses to unemployed individuals and to a situation in which public funding is channelled directly to unemployed individuals who then utilise their purchasing power to select a course from a range of potential providers. It is anticipated that such a shift should further a number of beneficial outcomes, principally:

- ◆ A greater sense of personal empowerment that increases an individual's interest and motivation in training and education;
- ◆ A better alignment between training provision and individual needs in a manner that enhances an individual's future employability;
- ◆ Increased competition in the supply of education and training provision with, consequently, the development of more innovative, flexible and customer-focused services; and
- ◆ Greater efficiencies in the deployment of state resources.

Training vouchers are still a relatively new instrument within active labour market policies and the literature suggests their success to date has been limited (De Gier, 2008, 2009). In many instances, the same challenges that face training systems based on the direct funding of providers – namely, deadweight, displacement, substitution and cherry-picking – are seen to also be capable of undermining the effectiveness of voucher-based training initiatives. For example, information asymmetries in Germany contributed to lower levels of participation by the long-term unemployed and low-skilled in voucher-based training, and undermined their objective of improving client choice (*ibid.*). A lack of universal quality information meant, in effect, that *'equality of purchasing power did not lead to equality of access'*. There was also no tangible evidence that the shift to funding the learner generated an increased diversity of providers. In the USA, the long-term unemployed also had

specific difficulties in dealing with individual training vouchers and, over time, there was even a significant decrease in the demand for places on training courses for the long-term unemployed.

Comparative research on the impact of ILAs similarly points to mixed results (Cedefop, 2009; CES, 2010). On the one hand, evidence suggests that significant numbers of individuals would not have participated in training without the support of an ILA, pointing to a mobilising effect (Dohmen, 2009). On the other hand, the evidence also suggests that reaching certain disadvantaged groups remains difficult unless further specific targeting measures are adopted (*ibid.*).

Individual Reintegration Agreements

It has to be acknowledged that evidence for the increased efficacy and efficiency of training vouchers or ILAs is currently sparse, and that specific difficulties arise in using them for the more disadvantaged groupings within the labour market. This does not mean that the intuition that public funds for FET should, to the greatest extent possible, follow the individual and not the provider, and involve individuals themselves in choosing the provider and course they use, is not sound and worth pursuing. The Dutch have had some success with the application of this intuition, too, in the particular field of pathways from welfare to work or activation strategies. In the Netherlands, Individual Reintegration Agreements (IROs) (see Box 4.3) are agreements that allow individuals, in conjunction with competent and independent advisors, choose which providers and programmes receive public funds on their behalf to help them. They are considered to have improved outcomes for clients and to have led to the adoption of a more client-focused service by private providers. It should be noted, however, that the Dutch IROs are primarily for the insured unemployed, that is, individuals who were relatively recently in work and have a better educational profile than the long-term unemployed.

Box 4.3 Individual Reintegration Agreements (IROs)

Since the year 2000, reforms to labour market policy institutions in the Netherlands have delivered a quasi-privatised market for the provision of activation (reintegration) services to unemployed job-seekers (Finn, 2008; Lindsay and McQuaid, 2009; Sol *et al.*, 2008). Initially, the shift to a tender-based system was expected to yield more flexible and client-focused services. Instead, a convergence towards standardised approaches was noted as private reintegration agencies strove to minimise costs. As complaints from clients regarding the quality of these services grew, forceful lobbying by the National Client Council (LCR) — a statutory body established to represent the view of clients to the Minister — resulted in the UWV⁷⁰ introducing Individual Reintegration Agreements (IROs) and establishing a network of independent advisers to support this new initiative.

IROs enable eligible individuals – those entitled to unemployment insurance benefits or who are partially disabled – to negotiate an individual reintegration (activation) agreement with a private reintegration agency of their choosing. In making their selection, the service user can access advice on available providers from both a UWV reintegration coach and an independent adviser, who has no role in the decisions about the final plan or about the benefits. Once a private agency is selected, they first work directly with the client to draw up an agreed reintegration trajectory and attendant set of steps. This joint plan is then reviewed by a coach from the UWV and, if accepted, a performance-based contract is signed between the benefit agency and the private provider.⁷¹ An IRO trajectory can last for up to two years and the normal maximum price is €5,000.⁷²

IROs have proven popular with unemployed jobseekers and they now account for approximately 60 per cent of the trajectories agreed by the UWV (Sol *et al.* 2008).⁷³ IROs have provided clients with a greater sense of ownership and choice in relation to activation services and supports, as they are now active participants in the design and delivery of their ‘individualised’ reintegration plans. These personalised trajectories enable clients to more effectively utilise their ‘rights’, better understand their obligations (*ibid.* 2008) and, thus, appear to represent a deepening of the mutual obligations approach in Dutch activation policy. They have also encouraged more openness and creativity on the part of clients and providers, helping to overcome what had previously been diagnosed as a lack of flexibility and innovation in service provision. They have stimulated providers to pay more attention to ‘client needs’ than was evident in the tender-based system (De Grier, 2008) and more ‘tailored’ services to clients have resulted. Initial evaluations of IROs, therefore, have been positive and demonstrate that, for unemployment benefit and disability benefit recipients, they perform better than employment services delivered by the contracted-out tender-based system (*ibid.*). In particular, IROs appear to have had a positive impact on job entry and job retention; in a country where a degree of ambiguity is acknowledged with regards to the overall impact of activation strategies, IROs are considered to have clearly contributed to getting people back to work (Lindsay and McQuaid, 2009).

In summary, IROs are a good example of how a combination of client voice, user involvement and practical support for individual choice can generate innovation and service improvements that generate benefits for the state and unemployed jobseekers. They underline, however, that implementing a genuinely client-driven approach requires developing the appropriate set of institutional supports that can assist individuals in making informed, personal choices.

70 The Administrative Agency that is responsible for the administration of contributions-based benefits.

71 The contract offers a ‘no cure, less pay’ funding formula under which the private agency is paid 20 per cent at the start of the plan, 30 per cent after six months’ participation and the remaining 50 per cent only if the participant enters sustained employment.

72 For users who face more significant barriers to employment the price of the trajectory may be up to €7,500 and in exceptional circumstances the UWV may increase this limit.

73 They have also stimulated an influx of much smaller providers as the number of companies with which the UWV has contracts increased rapidly from less than 100 to 2,400 between 2003 and 2007.

While neither training vouchers nor ILAs have yet delivered on the potential that is assumed to be associated with increasing individual choice, a strong policy interest remains in models premised on funding the individual and not the provider (Cedefop, 2009; CES, 2010). This interest also surfaced in Ireland in recent years⁷⁴ and was encouraged by the positive experience with the pilot Customised Training Fund (CTF) for unemployed people (Fox, 2009a). The CTF was designed to give FÁS ESOs greater flexibility in responding to the specific training needs of caseload clients by allowing them to purchase specialised training needs that could not be met by FÁS in the short-term, or at a location convenient for the jobseeker. A FÁS policy review ultimately recommended against the formal adoption of an ILA initiative but proposed the establishment of a pilot voucher type scheme targeted at low-skilled and vulnerable workers, to be termed Individual Learning Options (*ibid.*). The scale of the current unemployment crisis, and the pressing need to use existing resources more effectively and efficiently, make it imperative to explore further whether and how training and education provision for the unemployed could allow and foster greater individual choice and user-involvement. In seeking to establish such an approach in Ireland, some key lessons or principles would need to be incorporated.

- i) For genuine freedom of choice to exist, it is essential that individuals, particularly those who are disadvantaged within the labour market, have access to high-quality information, advice and guidance in making well-informed choices that enhance their future employability.
- ii) The shift to funding the ‘consumer’ rather than the supplier increases rather than diminishes the importance of the PES. The PES must be involved not only in distributing funding but also in collating and disseminating information on service providers and providing quality guidance and advice to unemployed individuals. As the example of the IROs demonstrates, realising the potential of greater individual choice and user involvement requires a flexible network of public institutions that are focused on ‘client outcomes’. This further reinforces the case, developed in Chapter 3, for an authoritative and independent PES that ‘*knows what works and what does not*’ in the labour market and which is not tied to any specific producer interests. The formal separation of training and education provision (now the responsibility of the DES) from employment services (now the responsibility of the DSP) will aid the emergence of a PES with the requisite impartiality between providers.
- iii) While a core objective of training vouchers and ILAs is to stimulate increased competition in the supply of training and education and thus generate more innovative and customised services, it is critical that only ‘accredited’ institutions should avail of client funding. Weak or ineffective quality assurance and accreditation systems can quickly undermine the effectiveness of such measures and seriously damage individual motivation (CES, 2010).

⁷⁴ The NESF (2006) recommended establishing an ILA for early school-leavers while NESC suggested a training bond for persons who did not go to third-level education after completing school. The National Workplace Strategy (2005) also called for an examination of personal learning accounts.

- iv) There is a strong argument that training vouchers and/or ILAs should be levered to promote skills development in areas of particular benefit to the economy and society. Although this may seem to contradict the emphasis on *freedom of choice*, the context is the need to assist individuals in making choices that genuinely advance their interests (a primary one being a satisfying job). The recommendation in the Programme for Government 2011 that the objectives highlighted by the EGFSN should be used to inform FET provision should also apply to any voucher or accounts-based system for unemployed jobseekers.
- v) Promoting greater individual choice requires the development of appropriate and effective institutional arrangements and procedures for giving ‘voice’ to clients’ experiences and ensuring their views are a valued input in the ongoing shaping of policy and its implementation. A National Client Council that channels the experience and views of unemployed people using employment services to policy-makers played a significant role in ensuring the success to date of the Dutch IROs.

4.5 Reflections on the Way Forward

It seems reasonable, if disturbing, to conclude that the confidence and emphasis placed on training and education as the principal way in which public policy can improve unemployed people’s employability and bring forward their (re)entry to employment run far ahead of the evidence that Ireland’s programmes are effective in this regard. As emphasised above, Ireland is not alone in this respect. The general thrust of the analysis undertaken by Forfás (2010b) reaffirms earlier research (e.g., O’Connell, 1997, 2001), which indicated that the most effective training programmes for the unemployed are those ‘close’ to the labour market and in which employers are involved (the clearest example being the Traineeship programme). In some programmes with large numbers of participants, it is clear that the relevance of their content and pedagogy to emerging skills needs and contemporary practices in the world of work, and their engagement with employers, could be much improved. Similarly, it is also important that all training programmes being publicly funded should be subjected to a more rigorous and systematic monitoring of participant outcomes so that ongoing reallocations can be made that ensure maximum benefit to trainees and participating companies.

The positive contribution that educational attainment in general can make to an individual’s future employability and earnings is well established in the literature and has been a central theme of labour market policy in Ireland since the early 1990s. As highlighted in Chapter 1, individuals with low levels of formal educational qualifications have suffered disproportionately in the current economic crisis and are particularly vulnerable to drifting into long-term or very long-term unemployment. In this context, it appears essential to retain the strong focus on routing unemployed people with low levels of education to appropriate educational opportunities but also to become more ‘smart’ in how this can be achieved.

As noted (Table 4.1), the Department of Education and Skills directly and indirectly funds a wide range of further education and training courses and programmes. It is vital that this overall effort works to optimal effect both in the current circumstances and in the longer term context of the overall ambitions for a high-skilled Irish economy. Specifically, it will be necessary to:

- (a) establish and maintain the closest possible working relationship between the providers of further education and training and the NEES in the Department of Social Protection;
- (b) ensure that FET is effective in helping unemployed people to acquire the skills needed to access and progress in employment; and
- (c) identify and prioritise the courses and programmes which are both most relevant to the immediate economic challenge and the long-term ambitions for the economy and effective in enhancing participants' learning outcomes.

The greater part of the new measures taken to date to provide unemployed jobseekers with access to full and part-time, further and higher educational opportunities, has been funded through the reallocation of existing DES resources. In continuing to provide support for such initiatives it is essential that there is an increased emphasis on data collection, policy evaluation and the monitoring of participant outcomes in terms of their progression to further education, training or employment. The manner in which individual schemes function as effective pathways to further education, training or employment opportunities needs to be more clearly demonstrated.

The origins of the various educational and training initiatives and differences in how they are funded has contributed to a situation in which they tend to function as a series of parallel programmes. Consequently there needs to be a fundamental shift away from this overt programmatic focus towards a more co-ordinated approach in which the emphasis is on how the various programmes and schemes can collectively provide flexible mechanisms that facilitate individuals to access the FET opportunities that will enable them to gain employment.

Appendix 4.1 Principal Further Education and Training Programmes for Unemployed Jobseekers

Specific Skills Training

Specific Skills Training (SST) courses, of between twelve and fifty-two weeks duration provide participants with the opportunity to acquire specific job-related skills and formal qualifications at levels 4, 5 and 6 on the National Qualifications Framework and/or industry-level certification.

Community Training Centres

There is a strong community-based dimension to the provision of active labour market policies in Ireland. Community Training Centres (CTCs) are community-based organisations funded by FÁS to deliver training services to early school-leavers as part of the Youthreach Programme (further discussed below).

Local Training Initiatives

FÁS funds community and voluntary groups to run Local Training Initiatives (LTI) that provide training and work-experience opportunities for people aged 16–25 years who are considered distant from the labour market. The aim is to support projects that both benefit the local community and provide training that assists young people to gain employment or progress to further training.

Traineeships

Traineeships are occupational-specific and industry-endorsed training programmes, in which FÁS and partner employers alternate to provide full-time training and periods of work placement. Their core objective is to help jobseekers acquire specific skills relevant to particular occupations and can run for between six and twenty-four months. In this, they appear to be significantly successful.

Bridging Foundation and Return to Work Programmes

The Bridging Foundation programme is targeted at the long-term unemployed and those with low educational attainment. It aims to develop participants' basic skills with a view to moving them into more mainstream training. The Return to Work initiative is another bridging programme targeted primarily at women. It aims to facilitate individuals, who have been out of the workforce for a long time, to enter employment or progress to a higher-level training programme.

Post-Leaving Certificate Programme (PLC)

The PLC programme is a full-time programme for students who have completed senior-cycle education, and require further vocational education and training to enhance their prospects of employment or progression to other studies. It also assists adults returning to education who may have completed the senior cycle but are deemed by the provider to have the necessary competencies to undertake the programme. The programme leads to certification at level 5 and level 6 on the NFQ.

Vocational Training Opportunities Scheme (VTOS)

VTOS is a second-chance education initiative designed to meet the educational, training and qualifications needs of unemployed people, aged over twenty-one, and in receipt of specified social welfare payments for at least six months. VTOS focuses on giving participants access to educational opportunities that will enable them to gain employment or undertake further education leading to employment. The VECs deliver the VTOS by offering a wide range of learning opportunities that includes Junior Certificate, Leaving Certificate and courses leading to certification at FETAC levels 3–5 on the NFQ. DES data on the progression of individuals who graduated in 2009 suggests VTOS is functioning relatively effectively as a ‘pathway’ to accessing further education opportunities that could potentially lead to future employment. Its capacity to assist participants gain employment directly, following completion of their courses, is, however, less effective.

Youthreach

Youthreach is an integrated programme of education, training and work experience for young people aged between fifteen and twenty who leave school early without any qualifications or vocational training. It aims to facilitate young people to advance to further education, training and/or into employment, and places a strong emphasis on personal development, core literacy/numeracy and IT skills and practical work experience. The majority of places are in one hundred Youthreach Centres operated by the VECs, with the remainder in approximately thirty Community Training Centres (already discussed).

Adult Literacy

The Adult Literacy and Community Education Programmes of the VECs are targeted at adults with specific needs in basic skill areas and include English as a Second Language provision (ESOL).

The Back To Education Initiative (BTEI)

The BTEI is operated by the VECs and provides part-time further education programmes for young people and adults. Its aim is to give people the opportunity to combine a return to learning with family, work and other responsibilities. Those in receipt of unemployment payments or means-tested social welfare benefits, and holders of medical cards and their dependants, are entitled to free tuition. Other unwaged people with less than upper-second-level education are entitled to a reduction in fees, while all other individuals are required to pay a participation fee. The courses provided lead to certification at FETAC levels 1–6, and there is a strong emphasis on encouraging participants to become accustomed to upward progression with, finally, entry to employment.

Community Education

Community Education provides informal and non-formal education for hard-to-reach adults.

Back to Education Allowance (BTEA)

The BTEA was introduced in 1998 to facilitate people of working age in receipt of social welfare to obtain qualifications that would improve their employability. Persons with disabilities, carers and lone parents, among others, can benefit, as well as people on the LR. Under this scheme eligible individuals retain their relevant weekly social welfare payment while completing approved full-time courses in second- or third-level education.

5

Social Welfare and the Incentive to Work

5.1 Introduction

There are concerns that the financial incentive to take employment is already weak for some of those now unemployed and that it will decline over time for a growing number, particularly for the lower-skilled on the Live Register who have dependants. These concerns rest on features of Ireland's welfare state prior to the recession and on impacts the recession itself will have.

Relatively 'sticky' features of Ireland's welfare state which, it is feared, may weaken the financial incentive to work include high marginal effective tax rates that people can face when they attempt to leave welfare for work, or work additional hours (unemployment and poverty traps), the levels to which social welfare payments had risen prior to the recession, a 'light-touch' approach to monitoring and enforcing the availability-for-work and job-seeking of people on the LR, and the large number of people of working age who receive a social welfare payment of indefinite duration for a status outside the labour force and to which no obligations are attached (principally the One Parent Family Payment and Disability Allowance).

The recession itself can endanger the financial incentive to leave unemployment and take a job. It can do so, principally, by eroding the net income unemployed people expect to have from taking a job. In several sectors of the economy, starting-wage rates are already lower, weekly hours have been reduced, and overtime rates and other supplements are harder to come by, while the tax levied on low earnings generally has increased. In addition, as people's unemployment spells lengthen, their employability may become doubted by employers and they are offered wages that are lower. Other things being equal, therefore (principally, people's social welfare entitlements though, as already noted, fiscal pressures have already resulted in cuts here also), the recession may cause the financial advantage to leaving unemployment for a job to become smaller.

This chapter examines the charge that there is insufficient financial reward in Ireland for unemployed people to leave state support and take a job and that social welfare payment rates are largely responsible. Section 5.2 reviews the evidence that Ireland's social welfare payments had reached 'good' levels by the time the recession struck and examines how the policy options for obtaining further savings from the social welfare budget are being framed. Section 5.3 examines how the disincentive effects of social welfare payments are conventionally measured and what some of these measures have to say about Ireland's welfare payments. Section 5.4 reviews the theoretical literature as to why and how replacement rates, *when* they are high, can exercise a disincentive effect and the empirical evidence as to whether, in practice, they do. Section 5.5 concludes.

5.2 Social Welfare Payments: Recent Advances, New Constraints

5.2.1 Advances in social welfare payments, 2000–08

Anti-poverty policy in Ireland, during the years of rapid economic growth, paid major attention to the role of social welfare payment rates in alleviating poverty. In 2002, for example, the Revised National Anti-Poverty Strategy committed to raising the lowest adult social welfare rates to €150, in 2002 terms, by 2007, a target that was attained and further improved on. At the beginning of the year in which the crisis broke, 2008, the lowest social welfare payments were increased by a further large amount, i.e., €12 a week. Before reviewing problematic aspects to this emphasis on welfare rates as an anti-poverty instrument, it is important to appreciate the scale and reach of what was achieved.⁷⁵

- ◆ By 2007, long-term social assistance rates in Ireland provided incomes relative to the rest of the population that were among the highest in the OECD. The cash incomes (before housing support) provided by the lowest social welfare payments in Ireland were equivalent to some 40 per cent of median equivalised household income, similar to countries such as Denmark and Belgium and twice the levels of the UK and Germany (Immervoll, 2010);
- ◆ While Ireland in 2007 had one of the EU's highest at-risk-of-poverty rates, its income-poverty *threshold* (60 per cent of median income), adjusted for purchasing power, was the sixth-highest in the EU 27. It was higher (slightly), for example, than in Denmark, though Denmark had a much lower at-risk-of-poverty *rate* (12 per cent as against Ireland's 18 per cent) (Eurostat, 2009);
- ◆ A relatively small proportion of the Irish population live on extremely low incomes. The proportion with incomes below 40 per cent of the median was 2.6 per cent in 2008; only five other European countries had lower proportions (the EU-15 average was 5.1 per cent);⁷⁶
- ◆ Over the six years, 2003-08, the at-risk-of-poverty rate faced by unemployed people in Ireland fell from 41.5 per cent to 23 per cent. It remained higher than the overall poverty rate of 14.4 per cent (2008) but by a multiple of 1.6 rather than of 2.1 as six years previously.⁷⁷ In an EU-wide context, the poverty risk facing unemployed people was lower in Ireland than in any other Member State;⁷⁸
- ◆ The at-risk-of-poverty rate faced by people at work fell from 7.6 per cent to 5.5 per cent over the six years, 2003-2008. This placed people in employment in Ireland in eleventh place in the EU-27 (and below the EU-15 average);⁷⁹

⁷⁵ The social welfare developments reviewed here are those affecting people of working age and not children or pensioners.

⁷⁶ Eurostat online data base: indicator tessi26 ('Dispersion around the at-risk-of-poverty threshold').

⁷⁷ CSO, annual editions of *Survey on Income and Living Conditions*, available from 2003.

⁷⁸ Eurostat online database: indicator ilc_li04 ('At-risk-of-poverty rate by poverty threshold and most frequent activity in the previous year').

⁷⁹ *Ibid.*: indicator ilc_li04.

- ◆ By 2009, the lowest rate of Child Benefit in Ireland was €166 a month compared to an OECD average of €94. In 1992, this universal, non-taxed payment was estimated as covering 10 per cent of the cost of rearing a child; using the same methodology, this was 50 per cent by 2009 (DSP, 2010b: 104, 230);
- ◆ 2008 was a year of particularly strong catch-up for unemployed people. Their equivalised income increased by 18 per cent in 2008 as against a 3 per cent increase for people at work. The level of income (equivalised) on which unemployed people lived rose from 56 per cent of that of people in employment to 64 per cent in 2008 (CSO, 2009);
- ◆ As a result, social welfare payments in Ireland were the sixth-most effective in 2008 among twenty-nine European countries in reducing the at-risk-of-poverty rate among people of working age (bettered only by Hungary, the Nordic countries and the Czech Republic) (Eurostat, 2010a). In fact, between 2001 and 2009 the 'rescuing power' of social welfare payments other than pensions doubled; the proportion of the population below the 60 per cent of median income line (at-risk-of-poverty) on the basis of their market income and pensions alone, who were raised above the line when their social welfare transfers were included, rose from 30 per cent in 2001 to 60 per cent in 2009 (Table 5.1).⁸⁰

Table 5.1 Impact of Social Welfare (excluding Pensions) on At-Risk-of-Poverty Rate

	2001	2003	2004	2005	2006	2007	2008	2009
At-risk of poverty before social transfers (pensions excluded)**	30.0	30.9	32.8	32.3	32.8	33.1	34.0	37.5
At-risk of poverty (after all social transfers)**	21.0	20.5	20.9	19.7	18.5	17.2	15.5	15.0
Proportion 'rescued'	30%	34%	36%	39%	44%	48%	54%	60%

Source Eurostat online database.

Notes * ilc_l10.

** ilc_l102.

⁸⁰ Based on Eurostat online database: indicators ilc_l10 ('At-risk-of-poverty rates before social transfers (pensions excluded from social transfers)') and ilc_l102 ('At-risk-of poverty rates by age and gender').

These are formidable achievements. It can be fairly said that those on the lowest incomes were not forgotten during the boom years and that higher welfare payments in real terms helped raise the floor to incomes in Ireland to a significant degree. In the early years of the boom, rates of payment of unemployment assistance were increased *largely in response* to the substantial evidence that poverty was associated with long-term unemployment. In the later years, the availability of resources and a consensus not to ‘leave those on social welfare behind’ continued the emphasis on improving social welfare rates. The cumulative improvement in the absolute and relative incomes provided by welfare payments between the mid-1990s and 2008 smoothed the more extreme contrasts between those reliant on long-term social welfare and the general population, contributed to easing child poverty (an important feature of social welfare payments to people of working age) and added significantly to domestic demand (the marginal propensity to consume out of welfare income is close to 1).

This achievement in substantially raising the floor to the lowest incomes in Ireland and reducing the high at-risk-of-poverty rate associated with being unemployed has had its downsides, particularly in the context of weak activation policies and underdeveloped services.

- ◆ Between 1994 and 2000, though the lowest adult social welfare rates increased significantly in real terms (ahead of the cost of living), they did not keep pace with growth in earnings. As a result, replacement rates fell. Between 2000 and 2007, however, welfare rates increased not only in real terms but by 32 per cent more than earnings. This contributed to replacement rates rising. By one widely used OECD indicator (net replacement rates over the course of a continuous five-year unemployment spell⁸¹), Ireland had replacement rates in 2008 that were much higher than in other English-speaking countries and higher than in the Netherlands and Finland;
- ◆ High marginal effective tax rates (the percentage of earnings ‘taken away’ by taxes and the withdrawal of benefits when a person returns to employment or works additional hours) continue to constitute formidable disincentives in some instances. In particular, the withdrawal of Rent Supplement can be experienced as penalising work;⁸²
- ◆ Despite the strong growth in employment during the boom, dependency on social welfare by people of working age for a status outside the workforce (principally being a lone parent, sick or with a disability) grew by more than the LR fell. In contrast to what occurred in other English-speaking countries, the proportion of people aged 15–64 in receipt of a social welfare income⁸³ in Ireland increased from 14.5 per cent to 15.6 per cent between 2000 and 2007, whereas it fell from 13.3 per cent to 10.6 per cent in comparable English-speaking countries (Grubb, 2010);

81 In more detail, net replacement rates over the course of an unemployment spell lasting sixty months for four different family types at two different earnings levels are averaged. *OECD Benefits and Wages*.

82 The ability of people who were on the LR for longer than a year to retain their medical card for up to three years after taking employment significantly eased its contribution to high marginal effective tax rates (e.g., people availing of Revenue Assist, the Back to Work Enterprise Allowance, etc.).

83 Specifically, receiving a payment for illness or disability, unemployment, parenting alone or under a country’s safety net (in Ireland, supplementary welfare allowance).

- ◆ The anti-poverty role of long-term social welfare eclipsed the appreciation of the specific labour market role of short-term unemployment benefit in Ireland. The internationally unusual pattern developed whereby replacement rates became higher rather than lower as unemployment spells lengthened;
- ◆ The high costs of formal childcare, particularly likely to be incurred by lone parents or when spouses/partners take employment, remain a major disincentive. In effect, expensive childcare reduces net in-work income substantially and raises replacement rates.

5.2.2 The transformation agenda of the Department of Social Protection

Not surprisingly, since 2005 at least, the perspective gathered support that Ireland's welfare regime was overly passive and that receipt of payments needed to be integrated more with the utilisation of services, primarily in the long-term interests of recipients themselves and also to contain costs (e.g., NESC, 2005; DSFA, 2006; Grubb *et al.* 2009). This perspective has become integral to the 'Transformation Agenda' of the the Department of Social Protection (DSP, 2011). The Agenda accepts that the provision of income support to people of working age entails the responsibility of working with them to foster their capacity for self-reliance and reduce their likelihood of depending on social welfare indefinitely. In a review of its several welfare programmes for people of working age (the One Parent Family Payment, Illness and Disability Payments, Supplementary Welfare Allowance, Jobseeker's Benefit and Jobseeker's Allowance), the DSP concludes that a a passive, transaction-focused approach geared to ensuring eligible people get the correct incomes has been one-dimensional and inadequate to peoples' needs (DSP, 2010). Its Transformation Agenda commits it to move to a proactive, customer-focused approach geared to progressing people to social and economic participation (DSP, 2011: 12). This has implications that are articulated and embraced: people who leave welfare for work must be financially better off as a consequence (work, in all instances, must 'pay'); the necessary services that enable people to move from welfare to work must be available; where they are available, people may be required to avail of them; the services that enable people to progress *and* a new conditionality in how payments are administered will be developed in parallel and in consultation with affected parties.

The implementation of this new approach (in particular, reforming the NEAP and improving activation measures) is examined in more detail in the following chapters. Overall, however, the Department's Transformation Agenda offers solid grounds for anticipating a step-improvement in progression outcomes for people who are long-term unemployed. Implementing the Agenda will need resources including, principally, high levels of training and adequate staffing for frontline services, wide and frequent consultation in a way that does not increase veto points or postpone necessary reforms, and a sustained clarity of vision to drive the process.

5.2.3 Constraints on social welfare spending, 2012–14

The current unemployment crisis has profoundly changed the context to the operation of Ireland's social policies. The level of unemployment and its lengthening duration for a large number of people have increased social hardship in multiple

ways (growing arrears on mortgages, rent and utilities, higher levels of fuel poverty, the postponement of needed medical attention, etc.). Painful measures have already been taken to contain the rate of increase of spending on demand-driven unemployment compensation, including cuts in basic social welfare payment rates. Looking ahead, the living standards of people without work and dependent on social welfare will become even more difficult to protect as the publicly funded services on which they rely struggle to meet rising demand even as their budgets are reduced.

Major affordability issues have arisen for the Irish state from the combination of the steady improvement in social welfare payments rates that occurred up to 2009 and the surge in the numbers entitled to these payments since the crisis broke. The Memorandum of Understanding (MOU) drawn up between the Irish government and the ECB/EU/IMF commits to achieving further substantial savings from the social welfare budget. Each of the budgets from 2012 to 2014 must incorporate new measures that trim social welfare spending by, respectively, €600m (2012), €800m (2013) and €500m (2014). The cumulative impact of these measures will be that annual social welfare spending in 2014 will be €3bn (or 14 per cent) below its level in 2010 (Table 5.2).

Table 5.2 Savings on Social Welfare in the National Recovery Plan

Year	ANNUAL SAVINGS FROM MEASURES INTRODUCED				Annual Social Welfare Spending €bn
	Budget 2011 €bn	Budget 2012 €bn	Budget 2013 €bn	Budget 2014 €bn	
2010					20.9
2011	0.9				20.1
2012	0.9	0.6			19.3
2013	0.9	0.6	0.8		18.5
2014	0.9	0.6	0.8	0.5	17.9

Source: *National Recovery Plan 2011–2014*: p. 74

The National Recovery Plan 2011–2014, prepared at the same time as the MOU was drawn up, identified four specific routes that can be taken to achieve these savings, namely, (i) enhanced control measures, (ii) labour activation measures that reduce the numbers on the Live Register, (iii) structural reforms (a new system of child income support and a single assistance payment to people of working age are specifically mentioned in the MOU), and (iv) further reductions in rates as necessary (*National Recovery Plan 2011–2014*: 74). It noted that reliance on the last route (further rate reductions) could be ‘ameliorated over the period of the Plan’ if substantial progress was made along the first three. The balance struck between these four routes in achieving the necessary savings will be of huge importance to

Ireland's social fabric and the functioning of its labour market. Table 5.3 sketches some of the advantages and disadvantages to each route and points to areas where more transparent cost-benefit analysis is needed both to inform policy-making and ensure the widest public support possible.

Table 5.3 Savings on Social Welfare: Snakes and Ladders

Route	Potential for savings	Downsides	Upsides
Control measures	Modest	Beyond a threshold, diminishing marginal returns; Risks fuelling the black economy and poverty	Immediate savings; Popular support grows in time of recession
Activation measures	Medium	Effective measures do not come cheap; 'Activation into what?' must be answered	Lowers LR count; More enter employment/training from the LR
Structural reforms	Significant	Savings are long-term	Greater willingness to undertake them in a crisis
Reduce rates	Large	Lowers living standards of vulnerable; Lowers domestic demand	Easy to implement; Immediate savings

Source: NESC Secretariat

As Chapter 2 made clear, by far the greatest contribution to welfare savings to date has come from reducing payment rates. The thrust of this report is that everything possible should be done to ensure that better activation measures and structural reform contribute the lion's share between them to the further social welfare savings the government is committed to make between 2012 and 2014. Some further contribution, however, may still be unavoidable from payment rates once again. In that event, it will be imperative to arrive at a fairer and more transparent adjudication of just which welfare rates should be cut. In particular, any assumption that people on the LR should bear the largest incidence should be subjected to rigorous scrutiny. If further generalised payment reductions to unemployed people become unavoidable simply because of a government 'inability to pay', they should be presented as such in the context of a wide programme that spreads the incidence of cuts widely and fairly. They should not be presented as addressing disincentives to work which, really, are better addressed by activation measures, including the power to reduce payments or suspend them altogether for a period of time, rather than by generalised rate reductions targeted on unemployed people. In reflecting on responses to the unemployment crisis to date, Chapter 2 pointed out that

arguments made in favour of protecting social welfare pensions – for example, that many pensions reflect contributions made, that many pensioners have no other incomes on which to rely, that pensioners had no part or parcel in causing the economic collapse – in fact, apply to many on the LR as well. Should further welfare rates, unfortunately, still have to be made, the judgement as to where they occur should not be clouded by popular discourses on the extent of dishonesty among those on the LR or of laxity in its administration. The judgements to be made should be alive, rather, to distinctions such as that between ‘middle-class’ welfare and welfare received predominantly by poorer households, and between payments with articulate interest groups to defend them and those without.

5.3 The Disincentive Effects of Social Welfare

5.3.1 Social welfare rates and the effective supply of labour

In most industrialised countries, significant proportions of the unemployed do not, in fact, receive social welfare. The count of unemployed job-seekers established through labour force surveys significantly outnumbers the claimant count (those being compensated by a social welfare payment for being unemployed); the ratio of the number of the latter to the number of the former (termed the R/U ratio) is low. As unemployed people who are ineligible for benefits have, in effect, a zero replacement rate, this implies that the payment levels of social welfare may have little impact on the effective labour supply available to employers when R/Us are low. In slack labour market conditions, therefore, social welfare rates more surely affect *who* remains in unemployment the longest (entitlement to good welfare payments may make the people in question search for work with less intensity) than the *level* of unemployment itself (for each welfare recipient slacking on job-search, there will be another unemployed person receiving no welfare payment and determined to take any going job as a result).

Ireland is unusual in that the number of claimants (those on the Live Register) is very much larger than the QNHS count of ILO unemployed (Chapter 1). Though its R/U ratio has been on a downward trend from a peak of 1.94 in 2001 to 1.36 in 2006, it was the highest-recorded in the OECD at the time the crisis broke (Grubb, 2009). This suggests that it has been relatively easy to be compensated as unemployed in Ireland and that Ireland’s claimant count (LR) has to be considered ‘a broad church’. For example, ‘the rule of thumb used by the OECD is that R/U ratios below about 0.7 reflect “less generous” benefits systems while much higher rates reflect ‘lax administrative regimes’ (Howell and Rehm, 2009: 82).

While a lax administration of unemployment compensation up to recently has to be acknowledged in Ireland, it is also the case that it had little discernible impact on the effective labour supply in the years before the crisis broke. Employers in the booming economy, generally, had little difficulty in recruiting for entry-level jobs. Whatever the number of people ‘signing on’ who had little interest in taking entry-level jobs, it was less than the number not on the LR who were yet available for and seeking work. To a significant extent, this was due to rising levels of inward migration. Returning Irish emigrants and, subsequently, nationals of the EU Accession States facilitated employers in sourcing workers without their having to

be strongly concerned about the payment levels of social welfare. During the boom years, social welfare payments more probably influenced *who* was unemployed than the actual level of unemployment.

The current context of recession is, of course, entirely different and makes it important to consider carefully the case that the level of the social welfare payments is, in fact, reducing the effective supply of labour to employers. This is what is now attempted.

5.3.2 Methodological observations

Replacement rates and marginal effective tax rates

Replacement rates measure the proportion of household disposable income of a person in work that is ‘replaced’ by social welfare when that person is out of work. They focus on cash income and do not attempt to impute monetary values to benefits-in-kind, which people may receive when out of work or in work. Much less do they focus on the social, psychological and other well-being aspects of being in a job or unemployed respectively, though such ‘non-monetary’ aspects are, clearly, of huge importance to people and affect their decision-making. Replacement rates simply compare the financial positions of an individual’s household in two contrasting situations, where the individual in question has employment and where she/he does not.

Marginal effective tax rates measure the proportion of new earnings that is ‘taken away’ by the combined effects of income tax, social insurance charges and the withdrawal of benefits when a person returns to employment or works additional hours. If higher taxes and withdrawn benefits cancel out the financial gain from returning to employment, an ‘unemployment trap’ exists; if the same happens when a person works extra hours, a ‘poverty trap’ exists. Marginal effective tax rates, in effect, capture the ease or difficulty with which a person can improve the financial position of their household by taking a job or working additional hours.

Replacement rates and marginal effective tax rates (METRs) are closely related but are not one and the same thing.⁸⁴ Generally, they tend to be high together. This is because high replacement rates usually mean high levels of social welfare protection out of work that, accordingly, are expensive to provide and withdrawn early as people begin to earn in order to contain costs. Combining high replacement rates with low METRs would require very large budgets, as it would involve continuing to pay significant levels of social welfare in work as well as out of work. High replacement rates, therefore, tend to be accompanied by high METRs (e.g., Denmark). Low replacement rates, however, are not so closely tied to low METRs. They can be accompanied by high METRs when the country in question chooses to maintain a very restricted budget for social protection (i.e., its levels of social protection out-of-work, though low, are still withdrawn sharply as people begin to earn) or by low METRs if the country is willing to allow people in work on low earnings to retain much of the low levels of support it provided to them out of work (in this case, the budget for social protection will be larger).

⁸⁴ A replacement rate is the ratio of two stocks; a METR is the ratio of two flows.

While high replacement rates and high METRs tend to go together, they, in fact, convey quite different messages about the same situation. High replacement rates draw attention to the relatively favourable financial position of people out of work compared to their position in work. They are frequently interpreted as implying that social protection out of work is generous and that reductions in social welfare payment rates would increase the financial attraction of moving to employment. High METRs, by contrast, draw attention to the limited ability of people out of work or in work on low pay to improve their financial position and to the potential that lower taxes and/or the more tapered withdrawal of benefits could have in increasing the financial attraction of moving to employment or working extra hours.

Calculating replacement rates

There are two principal ways in which replacement rates are calculated.

The first and more usual (the standard OECD approach) is to specify ‘representative’ individuals by their level of earnings, the composition of their households and the duration of their unemployment spells. The family disposable income of individuals specified in this way is then calculated in work and out of work respectively on the basis of the consistent application of a country’s tax and social welfare codes. This approach allows for international comparability and picks up important trends across time. However, it has a significant hypothetical element and is, in effect, carried out with arm’s-length data.

This approach captures how typical or representative individuals fare on the basis of simplifying core assumptions. The ‘representative’ individual, in many instances, is assumed to be aged forty, to have been in full-time employment continuously since the age of eighteen and to have made continuous contributions to unemployment insurance. In actual fact, of course, many unemployed individuals have insufficient contributions for a variety of reasons and are not eligible to receive full payments. The approach also abstracts from other features of ‘real world’ welfare codes such as, for example, the operation of household means-testing, the extent to which sanctions are applied and the severity of sanctions when they are. There may also be intricacies in who is entitled to secondary payments and how much they receive that are simply too idiosyncratic to a country to be picked up by standard classifications of out-of-work benefits.⁸⁵

For these reasons, it is important, wherever possible, to consult replacement rates based on administrative records. This second approach is more unusual and more difficult. It is to use administrative and/or longitudinal data to establish what ‘real’ individuals actually receive when out of work and, then, relate that to what their net income was when they were last in employment. This approach, where feasible, captures how individuals actually fare given the unique circumstances of each. It picks up, for example, whether people were insured or not, the impact of means-testing and the actual distribution of secondary benefits. It is, however, very demanding of data.

⁸⁵ For example, the OECD’s influential data set includes cash, housing benefits but not cash seasonal fuel allowances.

Targeting replacement rates

It should be clear from how they are calculated that replacement rates are, in fact, difficult targets for policy to address. On the one hand, several factors affect out-of-work income (the numerator); welfare eligibility, welfare rates, secondary benefits, household composition, and the operation of the means test. On the other hand, quite different factors affect in-work income (the denominator); wage rates, hours of work, taxes, and in-work benefits. A wide set of policy instruments that have different objectives, accordingly, need to be ‘proofed’ for their impact on replacement rates, and interactions between them monitored. For example, when policy in previous years concentrated on reducing the tax-take out of low earnings, this contributed to lowering replacement rates and concealed the extent to which increases in welfare rates were otherwise raising them. Now, when a variety of factors are lowering net earnings, the unwelcome side effect that replacement rates, other things being equal, will otherwise rise creates pressure to introduce measures that reduce out-of-work income at least in proportion.

5.3.3 Ireland’s replacement rates in an international comparative context

The OECD has maintained and steadily improved an international data-set on replacement rates in advanced countries, which is frequently used in the analysis and discussion of whether and how social welfare affects the financial incentive to work. It defines the net replacement rate (NRR) as ‘the fraction of net income in work that is maintained when becoming unemployed’.⁸⁶

The OECD data make clear that Ireland entered the current recession with replacement rates for people who had been out of work for a long time (five years) that were high by international standards (Table 5.4). Over the eight years to 2008, replacement rates in Ireland for people in the sixtieth month of an unemployment spell rose by ten percentage points from 65 per cent to 75 per cent, in sharp contrast to other English-speaking countries where they fell by five percentage points on average (from 62 per cent to 57 per cent). The Irish rates rose particularly sharply in the years just before the recession broke. By 2008, they not only far exceeded those in other English-speaking countries but were higher than in the Netherlands, Finland and Denmark.⁸⁷

The OECD data distinguishes between replacement rates at different moments in the duration of a long unemployment spell. When the replacement rates that apply in the initial months of an unemployment spell are calculated, a distinct and less flattering window is provided onto Ireland’s social welfare system (Table 5.5). Here, too, the trend over the eight years to 2008 was one of strong improvement, but from such a low starting point (43 per cent in 2001) that the rise to 55 per cent by 2008 still ranked Ireland below the other English-speaking countries and far behind the replacement rates that individuals entering unemployment get in Denmark, the Netherlands and Finland. Ireland entered the current recession,

⁸⁶ See www.oecd.org/els/social/workincentives. It calculates the NRR for six family types, at three different earnings levels and for two durations of unemployment. This allows thirty-six different NRRs to be compared across OECD member states.

⁸⁷ The most widely consulted OECD replacement rate of all is an aggregate that averages replacement rates *over the course* of a sixty month spell. In international comparisons, it appears almost identical in its relative position and evolution to that depicted in Table 5.5.

therefore, with replacement rates for people who start unemployment that were, in fact, low by international standards. This suggests that those who lost their jobs in Ireland since the recession broke have experienced some of the sharpest falls in their incomes of anywhere in the OECD.

Table 5.4 Average* of Net Replacement Rates in the 60th Month of Unemployment Receipt: Ireland and Selected Countries, 2001–08

Country	2001	2002	2003	2004	2005	2006	2007	2008
Avg AU, NZ, UK	63	63	63	63	62	59	59	58
IE	65	66	67	67	68	70	76	75
NL	68	67	70	69	68	71	70	n/a
FI	74	73	72	71	70	69	68	68
DK	77	75	75	74	75	74	74	72

Source online data base (www.oecd.org/els/social/workincentives). Downloaded August 2010

Notes * Average for four family types at two earnings levels: single-person and one-earner married couple without children, lone parent and one-earner married couple with two children, each at earnings levels of 67 per cent and 100 per cent of AW.

** Data for single person and lone parent only.

Table 5.5 Average* of Net Replacement Rates in the Initial Phase of Unemployment: Ireland and Selected Countries, 2001–08

Country	2001	2002	2003	2004	2005	2006	2007	2008
Avg AU, NZ, UK	61	61	62	62	61	59	58	57
IE	43	43	45	45	46	50	54	55
NL	74	74	75	74	73	75	77	n/a
FI	77	78	77	75	74	74	72	71
DK	80	80	80	79	80	79	78	78

Source online data base (www.oecd.org/els/social/workincentives). Downloaded August 2010

Notes * Average for four family types at two earnings levels: single-person and one-earner married couple without children, lone parent and one-earner married couple with two children, each at earnings levels of 67 per cent and 100 per cent of AW.

** Data for single person and lone parent only

This time profile to the level of replacement rates in Ireland is the opposite of what has been termed ‘optimal sequencing’, whereby benefit levels should decline as an unemployment spell lengthens in order to provide a stronger incentive to prepare for and take employment (Shavell and Weiss, 1979; Boone *et al.* 2007). In Ireland, on the contrary, policy decisions made in different areas have interacted over the years to produce a profile whereby replacement rates rise rather than fall as unemployment spells lengthen. Significant milestones in this development include the abolition of a pay-related element to Jobseeker’s Benefit, the decision to prioritise payment rates to the long-term unemployed in response to the strong link between long-term unemployment and poverty, the gradual abolition of a higher rate for insurance-based as distinct from means-tested unemployment payments, and the strong focus on the lowest social assistance payment as a policy instrument in the National Anti-Poverty Strategy.

From the standpoint of unemployed jobseekers, this inheritance has aspects of a double-edged sword. On the one hand, they can take comfort from the evidence that, as their spells of unemployment grow longer, they stand to receive cash incomes that are higher in real terms than many other OECD and EU states provide to their long-term unemployed. On the other hand, the path to this relatively benign medium- and long-term is particularly stony by international standards. Ireland’s social welfare code gives very little recognition to the objectives of protecting accustomed living standards or providing a buffer period when unemployment first strikes.

5.3.4 Ireland’s replacement rates in practice

Some findings from an example of the second approach to calculating replacement rates (one that uses administrative data recording the actual payments made to ‘live’ individuals rather than standard calculations for ‘representative’ individuals) are presented in this section. The findings presented are based on an analysis carried out by the Department of Social Protection of the large majority on the LR in July 2010 (see Appendix 5.1).⁸⁸ Before reviewing the findings, it is important to remember (Chapter 1) that a significant, indeed growing, number of unemployed jobseekers have zero replacement rates because they receive no welfare at all. They are ineligible for, or have exhausted, their entitlement to Jobseeker’s Benefit and/or the earnings of their spouses or partners disqualify them from Jobseeker’s Assistance.

The findings, we will see, establish the important point that, while replacement rates in Ireland appear high on the basis of arm’s-length data for some representative cases, they are not high *in practice* for a large number of the actual unemployed. The two main reasons are (i) the composition of the unemployed, and (ii) means-testing.

⁸⁸ Casual claimants (individuals working between one and three days in any week and receiving partial unemployment payments as a consequence) and claims awaiting payment were excluded but 327,827 claims in payment were analysed.

Household composition

The first significant finding is compositional. A large proportion of people in receipt of either a JB or JA payment are single and almost 80 per cent of all claims paid to people on the LR do not include an increase for a qualified child. In more detail, in July 2010, 56 per cent of all those receiving payments on the LR were single claimants, couples with no dependent children accounted for a further 23 per cent, and couples with one child for a further 7.4 per cent (Table 5.6).

Table 5.6 Live Register Claims Awarded by Family Type, July 2010

Total analysed	327,827	100%
<i>Family Type</i>		
Single claimants	185,203	56.0%
Couple, no children	75,451	23.0%
Couple, 1 child	24,281	7.4%
Couple, 2 children	22,933	7.0%
Couple, 4 children	4,676	1.4%

Source DSP

In fact, the traditional family type, a 'couple with children', has, in fact, quite limited representativeness today and accounts for only about one in five of people receiving a JB or JA payment. This reflects fairly deep-seated trends, e.g., the growing number of single people in Ireland's workforce and the number of couples who postpone starting a family until the woman is in her thirties or elect to remain childless. The 'large' family has become rarer still; claimants on the LR, for example, who were couples with four children, accounted for a mere 1.4 per cent of the claims paid in July 2010.

It is immediately apparent that the degree of attention given to the potential disincentive effects of social welfare on 'large families' in the 1980s would be quite disproportionate today.

Variation in replacement rates

A second finding confirms, perhaps, a better-known feature of social welfare payments, i.e., that they vary a lot depending on claimants' circumstances. Welfare income increases significantly if a claimant has recognised dependants (increases for a qualified adult and qualified children are added to the personal payment). This impacts directly on replacement rates to produce major differences in those faced by single people at one extreme and by couples with large families at the

other (moving down the columns of Table 5.7).⁸⁹ Replacement rates were estimated to be 64 per cent at their highest for single people, while they could be as high as 80 per cent for a claimant with a large family.

Replacement rates also vary hugely with the level of earnings a person is reckoned as capable of earning in work (moving across the rows of Table 5.7). For example, a single person only able to earn the national minimum wage was estimated, in July 2010, to face a replacement rate of 64 per cent, but this fell to 53 per cent and 40 per cent respectively if she was able to earn two-thirds of Average Industrial Earnings (AIE) or at the level of AIE. Similarly, the claimant with a dependent spouse and four children to support faced a replacement rate of almost 80 per cent if he/she was only capable of earning at the level of the National Minimum Wage, but this fell to 70 per cent if they were able to earn at the level of AIE.

Table 5.7 Replacement Rates Faced by Live Register Claimants, July 2010

	Earnings level				
	NMW	67% AIE	AIE	150% AIE	200% AIE
<i>Family Type</i>					
Single	64%	53%	40%	30%	25%
Couple 1 earner	70%	65%	60%	44%	37%
Couple 1E+1 CD	73%	69%	63%	49%	41%
Couple 1E+2 CD	76%	72%	66%	55%	46%
Couple 1E+4 CD	79%	76%	70%	64%	56%

Source DSP

A provisional conclusion must be that, on the basis of these replacement rates, single people, in particular, stand to increase their disposable incomes to a major extent if they take entry-level jobs. The rates imply, for example, that they would increase their disposable income by 56 per cent if they took a job paying the NMW, by 89 per cent if the job was paying the equivalent of two-thirds of AIE and by 150 per cent if the job was paying at the level of AIE. Even the higher rates for claimants with large families do not imply that 'work does not pay'. They imply, rather, that people on social welfare with large families could increase their disposable income by 27 per cent if they took a job paying the NMW and by as much as 43 per cent if they got a job paying AIE. This potential, even for the LR claimant with a large family, to enjoy higher living standards by taking an entry-level job rather than by remaining on welfare has been acknowledged by the OECD: 'even if the replacement rate is 80 per cent, the transition from unemployment to employment raises net income by 25 per cent' (Grubb, 2010).

⁸⁹ The calculation of these replacement rates is laid out in an appendix to this chapter.

The structure of payments

A third finding relates to the composition or basic structure of the payments made to people on the LR. Not unsurprisingly, payments made to the 56 per cent of claimants who were single people consisted of personal rates only (Table 5.9). However, a further 21.5 per cent of payments, though made to couples, featured no supplements for either adult or child dependants and were made up of a basic personal rate only. These couples can be considered ‘virtual singles’; they are claimants with spouses/partners and, in one out of five instances, at least one child but whose payments did not exceed the level that would be paid a single person because the earnings of their spouses/partners made them ineligible for qualified adult or child increases.

At the opposite extreme to ‘virtual singles’ are some 18 per cent of JB/JA payments to which full increases in recognition of adult and/or child dependants are added (Table 5.9). The absolute number of claimants involved in July 2010 was not insignificant, at 58,760. However, again, it invites immediate comment that, though accounting for less than one in five of the total LR payments made, this type of payment – by structure – is the one that receives most attention and about which concern is frequently expressed at the seriousness of its disincentive effects (replacement rates rise to 80 per cent for claimants with large families and low earnings power, see Table 5.8, though such claimants account for a small fraction of the LR total, see Table 5.7).

The means test

A fourth important finding in this detailed DSP scrutiny of the LR in July 2010 is the extent to which the the operation of the means test reduced payments. The Department first calculated what claimants’ ‘basic payments’ out of work could be expected to be on the basis of certain assumptions (i.e., that each claimant received the maximum personal rate, plus full increases for any adult and child dependants, and receipt of the Fuel Allowance and Smokeless Fuel Allowance⁹⁰). Thirteen per cent of claimants, however, were found to be receiving lower payments than the basic calculated on the basis of these assumptions. This was because household means were assessed against their basic payments (Table 5.9); on average, this 13 per cent received weekly payments that were lower by €123 than the basic payments that might have been expected.

In the context of the growing proportion of those on the LR whose payments are means tested (Chapter 1), this particular finding confirms that the means test affects a significant number of them because they have spouses/partners who are earning. It is, probably, insufficiently appreciated that, until people actually come to rely on social welfare, few can be sure beforehand just how much their unemployment payment will actually be. The next chapter will explore some of the principal intricacies in Jobseeker’s Benefit and Jobseeker’s Assistance that make it advisable, wherever possible, to calculate replacement rates on the basis of what ‘actual’ rather than ‘representative’ people receive.

⁹⁰ The DSP assume these two secondary payments are received by all LR claimants primarily because they are easy to factor into the analysis. By contrast, housing-related payments (discussed below) are much harder to factor in as actual payments vary across local authorities. Other secondary benefits, it should be noted, do not feature anywhere in this exercise, e.g. the Back to School Clothing and Footwear Allowance (a cash payment), the waiver of Local Authority Waste charges (a saving) or the Medical Card (another saving).

Table 5.8 Claims Analysis: Live Register, July 2010

Category	Number	Per cent %	JB	JA	Basic payment <i>reduced</i> by means test, or age limit	Basic payment <i>raised</i> by housing support
Single claimants	185,203	56.5	43,621	141,582	19,495	23,722
Couples: no higher payment for dependants	70,387	21.5	31,347	39,040	16,979	8,228
Couples: partial increases for dependants	12,403	3.8	2,325	10,078	2,641	1,758
Couples: full increases for dependants	58,760	17.9	18,347	40,413	3,052	9,711
Total	327,827	100	95,640	231,113	42,167	43,419

Source Department of Social Protection

Secondary benefits

A fifth finding is the extent to which LR claimants receive supplementary payments for their housing needs.⁹¹ Some important contextual background to this finding should first be sketched.

It is frequently contended that additional cash support provided to help unemployed people meet their housing needs is a significant contributory factor raising replacement rates. Indeed, routinely published DSP data⁹² establish that, for those who receive housing support, the payment is, typically, substantial. In 2010, for example, the average monthly payment was €443 in Rent Supplement and €310 in Mortgage Interest Supplement.⁹³ However, the data also establish that only small proportions on the LR at any one time receive these supplements; for example, in 2010, only 11 per cent of those being paid JA or JB also received Rent Supplement and a further 3 per cent Mortgage Interest Supplement.⁹⁴

The 'perfect storm', where replacement rates are concerned, is when the proportion

⁹¹ Rent Supplement, Mortgage Interest Supplement or the Local Authority Mortgage Interest Supplement.

⁹² The DSP's annual report, *Statistical Information on Social Welfare Services*, provides data on the numbers in receipt of Rent Supplement and Mortgage Interest Supplement by type of primary payment.

⁹³ Rent Supplement, in particular, is the cause of a consistent concern that it adds to work disincentives. It is a cash allowance paid to people who, having been 6 months out of the last 12 in private rented accommodation (and in some other instances), risk living on incomes below the equivalent of what Supplementary Welfare Allowance would pay them. The maximum market rents that are then subsidised vary significantly with where people live. Every household must make a contribution to their rent of at least €24 a week (including those solely dependent on social welfare income), while higher contributions depend on the amount of additional income above a €75 a week disregard that the household is reckoned to be receiving. The Citizen's Information Board describe the calculation of an individual's RS payment as 'very complex.'

⁹⁴ Most recipients of Rent Supplement are not on the Live Register but in receipt of other primary welfare payments (59 per cent in 2009). Most recipients of Mortgage Interest Supplement, by contrast, are on the LR (56 per cent in 2009), which is to be expected given that the ability to have taken out a mortgage in the first place required that people were originally earning.

on the LR who get full increases for adult and child dependants overlaps with the proportion who get the maximum rates of Rent Supplement. The generosity of the aggregate support and its impact on replacement rates appears in bolder relief still if it is assumed that the Rent Supplement received is the maximum that can be paid in the Dublin area (more than twice what is payable in some counties). This case has been highlighted by Forfás and some employer bodies.⁹⁵ About one in ten on the LR get Rent Supplement (RS) as already noted, only one in three RS recipients (34 per cent) live in the Dublin area (2010 data), not all of whom in turn would have received the maximum payment, so it is clear that a worst case scenario is being highlighted.⁹⁶

Rent Supplement undoubtedly contributes to very high marginal benefit-tax withdrawal rates⁹⁷, but only in a small number of instances and not indefinitely. During the housing boom, average payments under the scheme generally tracked the level of rents upwards, and they can now be expected to track them downwards as well.⁹⁸ Since 2005, the intention has been to transfer long-term recipients of RS (after eighteen months) to the more employment-friendly Rental Accommodation Scheme (RAS). Until recently, the transfer of RS recipients to RAS was slow. Faster progress, clearly, has a contribution to make in easing the transition from welfare to work for some people.

Returning to the snapshot of the LR carried out in July 2010, the fifth important finding confirms the general picture that can be found in the DSP's annual statistics. In July 2010, some 13 per cent of LR claimants also received one form or another of housing support (43,420 individuals, Table 5.9, last column).⁹⁹ Detailed examination of the overlap between this 13 per cent getting housing support and the 12 per cent getting full increases for adult and child dependants show that it was not substantial; less than one in twenty (below 5 per cent) of the LR claims that were being paid were to couples with children receiving full increases for an adult and child dependants and in receipt of housing support.

Reflections on case-study evidence

The existence of groups on the LR for whom replacement rates are around 80 per cent should not become a prism through which all unemployed people are viewed. The large majority have replacement rates that are far lower because they are single (have only themselves to claim for) or because the amounts of their JA payments are reduced by the incorporation into the means test of what their spouses/partners are earning.

95 E.g., *Forfás Review of Labour Cost Competitiveness*, November 2010: Table 5, p. 45

96 A further concern was that so many in the private rented sector were reliant on RS that it was acting as a 'floor' under the market, i.e., landlords tended not to charge rents below the levels which RS would subsidise. However, analysis has established that the principal reasons why rents paid by RS recipients are higher than rents in the private sector generally are that more RS recipients are families with children and more live in urban areas, i.e., they require larger and more expensive accommodation than the general private rented population (Norris and Coates, 2010).

97 After the weekly income disregard of €75, it is withdrawn at a rate of 75 cents per additional euro of reckonable income.

98 Figures released by the DSP at the end of January 2011 on Mortgage Interest Supplement during 2010 show the number of recipients rising (up 17 per cent), the proportion of recipients who are unemployed soaring (70 per cent reported as unemployed) but the average payment falling (to €307 from €340 in 2009) (*Irish Independent*, 31/01/11).

99 While it was possible to ascertain which claimants received these payments, it was not possible to ascertain their amounts. Housing support is not administered by the DSP and, consequently, not on its data base; applications are made to Community Welfare Officers (currently in the process of being transferred to the DSP) and the amounts awarded vary on a case-by-case basis.

The operation of the means test is often overlooked but it is vigorous and accounts for substantially reduced payments to a significant number on the LR. The means test has ‘bitten’ more in the current recession because dual-earning households had become widespread. The operation of the means test, added to the demographic fact that the majority of people on the LR are single and do not claim for any dependants, produces a situation in which more than six out of ten claimants would increase their incomes by 50 per cent if they took a job paying the NMW, or double them if they took jobs paying two-thirds of average earnings.

Given these facts, the extent of concern that social welfare payments currently constitute a disincentive to leave welfare for work is surprising. The ‘traditional’ large family, i.e., claimants with a dependent spouse/partner and several children, faces the most evident employment trap in the data reviewed above but such families account for only a small proportion of those on the LR and there are, of course, reasons other than the smooth functioning of the labour market why the social welfare code is ‘generous’ to these families (principally children’s well-being and the alleviation of poverty). However, it should be noted that, even when replacement rates are around 80 per cent (the case for a worker with a large family who is offered a job paying the NMW), this still implies that family disposable income would be 25 per cent higher if the job is taken.

As noted above, however, METRS are distinct from, while related to, replacement rates. The proportion of increased earnings that is ‘lost’ to people through the combination of higher taxes and withdrawn benefits can be so large that people decide against working additional hours or taking more demanding jobs. High METRs can also be a temptation not to declare additional earnings, especially where the earnings are considered once-off and/or to be on a small scale. Ireland’s social welfare system may well be more challenged by the presence of such poverty traps than by unemployment traps, i.e., it may, in fact, be relatively good at allowing people in receipt of a social welfare payment to also engage in some low-paid, part-time work (some 70,000 on the Live Register currently receive a welfare payment and engage legally in part-time work, a rise of 20,000 on early 2009¹⁰⁰). Perversely, however, it may also have become ‘good’ at discouraging full-time work¹⁰¹. It is clear that the social welfare system needs regular review to ensure that it is providing appropriate support for people to move from part-time to full-time work as well as to begin earning something in the first place.

Returning to replacement rates, whether and why ‘high’ replacement rates cause a disincentive to take employment is discussed next.

5.4 Disincentive Effects: the Theory and the Evidence

It is one thing to establish where and for whom replacement rates in Ireland should be considered high or low. It is another to establish that, where they are high, they thereby exercise a significant disincentive effect. It is widely considered that they

¹⁰⁰ A failure to appreciate that much of this is encouraged may be partly contributing to the strength of the perception that fraud while on the Live Register is widespread.

¹⁰¹ For example, the high withdrawal rates of Rent Supplement (noted above) and the Family Income Supplement (60 cents withdrawn for each additional euro of reckonable earnings).

do by lessening the financial incentive to take employment; high replacement rates (the figure of 70 per cent is frequently adopted as a benchmark, e.g., Department of Finance, 2009b) are interpreted as bringing people's out-of-work income so close to their net income-in-work as to make the additional costs (people in work typically incur work-related expenses meaning their replacement rates may be underestimated) and effort of holding a job no longer worthwhile.

5.4.1 Why replacement rates may *not* matter

There is, of course, more than a particular level of money income associated with being in work and unemployed respectively. What are termed 'non-monetary aspects' to each situation are also powerful incentives or disincentives to leave or stay in it; for example, many people at work value the social contact their job brings while many unemployed experience isolation and a lack of structure to their day. The comparison of current income between the two states, which is all that replacement rates capture, ought not and, in many cases, does not, have the final say in what individuals do.

The weight given replacement rates in discussions of what causes unemployment spells to lengthen makes it important to restate some obvious points about what motivates people.

- i) The incentive to work rests on more than the financial calculation that being in work 'pays more' than being out of work. Positive well-being effects are associated with being in work, while strong ill-effects unambiguously attend being unemployed.
- ii) Rational workers realise that, even if there is a short-term income advantage to remaining unemployed, lengthening unemployment leads inexorably to a long-term income loss. Potential earnings will fall as skills are wasted through not being used, while finding new employment will become more difficult as people drop out of more networks.
- iii) A high replacement rate in the early months of an unemployment spell can have different effects to a high replacement rate when the spell is far advanced. In the early months, it might cushion a person against prematurely accepting a job below their skill level; in the long-term, it might make it difficult for a person to accept a job that would raise their skills.
- iv) Welfare systems have to address poverty concerns as well as labour market concerns. In the long-run, many countries replace significant proportions of in-work income for people with low earnings potential and family dependants because the alternatives (e.g., child poverty, in-work poverty) are judged socially unacceptable. What the level of replacement rates does not reveal, however, is the conditionality and other 'terms and conditions' frequently attached to high levels of support.

Box 5.1 illustrates the different types of empirical evidence that caution against expecting a reduction in replacement rates to make a large contribution, particularly during a recession, to reducing unemployment. As it shows, the evidence is not as strong or univocal as one might expect, though the orthodox perspective – i.e., that high replacement rates reduce people's incentive to take employment – retains a high degree of validity in some instances.

Box 5.1 High Replacement Rates *Not* Always a Problem

The orthodox perspective is that high replacement rates reduce the intensity of job-search and lead to an increased rejection of joboffers. It has framed an immense amount of research. The results of extensive empirical research, however, are not as strong or univocal as to leave this view unchallenged. Other types of findings from labour market research that are equally or more robust throw a quite different light on whether and when lowering replacement rates can be expected to raise the employment level.

The size of the disincentive effects that have been established in empirical research for replacement rates is modest and suggests that only quite large reductions in social welfare, with major social consequences, would make a significant contribution to reducing high unemployment.

Consistently, a higher unemployment insurance payment and/or a longer period of entitlement are found to increase the duration of unemployment, but by modest to small amounts, and nowhere by enough to explain actual cross-country differences in unemployment. The majority of findings, furthermore, suggest that it would take very large cuts in unemployment compensation and significant reductions in periods of eligibility to make a notable contribution to reducing unemployment, even outside of a recession (Krueger and Meyer, 2002; Hunt, 1995; Katz and Meyer, 1990).

The role of replacement rates is greatest in the labour supply decision of secondary workers (those who are not the primary earner in their household) or who otherwise are marginally attached to employment. Replacement rates have least effect on prime-age and principal earners.

A quite dramatic shift in Austrian policy raised the potential duration of benefits by 33 per cent and the level of benefits by 15 per cent, but the average unemployment duration was observed to rise by only 3–4 days as a result. This modest effect is interpreted as due to the fact that the measures applied to 40–49 year olds, i.e., prime age workers who place a positive value on having a job that is independent of income (Lalive and Zweimuller, 2004). Such workers may even remain in employment despite facing replacement rates of close to 100 per cent (Callan *et al.* 1994).¹⁰² By contrast, larger impacts are found for workers with less labour market attachment than such prime-age workers (Howell and Rehm, 2009).

The evidence that high replacement rates have disincentive effects is strongest at the microlevel and in individual country studies when ‘real world’ features of institutions and programmes are expressly taken into account (with, sometimes, policy shifts serving as natural experiments).

For example, research in Canada finds a clear relationship between the entrance requirements to Canadian unemployment insurance and employment durations. It is layoffs, however, not quits that underlie the relationship, i.e., employers appear to tailor some of their labour requirements around the support which workers will receive from the insurance fund (Christofides & McKenna, 1995; Green & Riddell, 1997; Green & Sargent, 1998). Research in the Netherlands finds that older workers (particularly higher-waged ones) are able to exert some influence on the timing of their exit from work and leave employment when social protection will be optimal (van Ours and Tuit, 2010).

¹⁰² This possibility is little studied. The seminal ESRI survey of 1987 found that the large majority of people facing replacement rates of 80 to 100 per cent were in employment and nearly all of those facing replacement rates in excess of 100 per cent (Callan, O’Donoghue and O’Neill, 1994: 54).

Protecting or even enhancing out-of-work income (where that is possible) in a recession plays a significant counter-cyclical role.

The marginal propensity to consume of unemployment compensation is close to one hundred per cent and the increase in its provision during a recession contributes importantly to demand stabilisation (Dolls, Fuest and Peichl, 2010, 2009). Several countries have responded to the current recession by increasing the period of eligibility to their insurance benefits and/or the rates of payment (IMF, 2010; Council of the European Union, 2010; OECD, 2009). The IMF note that the labour market disincentive effects of doing so are less in a recession, and that the fiscal cost of rising expenditure on social welfare should be reckoned in net terms, i.e., after allowing for increased tax receipts from higher consumption by welfare recipients (IMF, 2010).¹⁰³

The evidence is stronger that high replacement rates slow down exits from unemployment (outflows) than that they influence why people become unemployed (inflows).

People in employment often do not even know what their out-of-work income will be until unemployment happens (much less conclude, while still at work, that they could 'manage' being unemployed or even be better off). Once unemployment begins to lengthen, however, they may become eligible for targeted secondary benefits with a specific anti-poverty remit while, at the same time, the quality of job offers they are made begins to decline. Their marginal benefit-tax withdrawal rates and replacement rates become higher. It becomes a case of 'once in', 'hard out'. (Atkinson and Mickelwright, 1991; Bean, 1994; Blanchard and Wolfers, 2000).

Positive correlations established across countries between the level of replacement rates and the level and duration of unemployment do not, of themselves, confirm a labour market disincentive effect.

In fact, causation can run in the opposite direction to that posited by the orthodox perspective. Policy makers may respond to high unemployment, to insistence that victims of inadequate job-creation be accorded priority and to evidence linking poverty with long-term unemployment by increasing social welfare rates. In this case, high unemployment 'pulls' rather than pushes replacement rates up.¹⁰⁴ High unemployment may also 'push' replacement rates down for simple budgetary reasons. Government finances deteriorate in recessions and the shaving of large budgets, including the social welfare budget, may be considered imperative routes to the required volume of savings. The view that more people will be incentivised to take employment if social welfare is lowered may be invoked to increase support for doing so, but immediate savings are the real motivation.

The practice of some countries demonstrates that the disincentive effects of high replacement rates can be offset by vigorous and well-resourced activation measures.

Countries with net replacement rates around 80 per cent tend to match them with high spending on active measures (Grubb *et al.* 2009; Madsen, 2007). 'The positive impact of unemployment benefits on unemployment diminish and can even collapse in countries that offset their detrimental effects through extensive labour market policies' (Bassanini and Duval, 2006). And again: 'There is increasing empirical evidence that making the disbursement of unemployment benefits strictly conditional upon complying with eligibility rules, work-availability conditions and job-search requirements, can offset the disincentive effects linked to these schemes and have a stronger impact on the decision to work than the level of benefits in itself' (Carone *et al.* 2009).

¹⁰³ IMF (2010) cite estimates for the US prepared by the Congressional Budget Office which suggest that increasing financial compensation to the unemployed has high cost effectiveness in net fiscal terms because of its direct and immediate impact on consumption and aggregate demand.

¹⁰⁴ For four 'success stories' (Denmark, the United Kingdom, the Netherlands and Ireland), the results indicate that unemployment rose first and motivated the subsequent improvement in benefit generosity (Howell and Rehm, 2009: 79–80).

It is important to distinguish between the length of time a person is in receipt of a welfare payment and the length of time to acquiring the next job. Claimants who lose their entitlement may exit the unemployment system without returning to work.

Many individuals leave the unemployment system around the time when their benefits expire. This gives rise to what is termed a 'spike' in the outflow rate around the time that benefit eligibility is exhausted. This was (is) frequently interpreted as evidence that people 'wait' until their entitlement is nearing exhaustion before they get serious about job-search, drop their reservation wage, and find and take another job. When the duration of an unemployment spell is measured by length of time to acquiring the next job (rather than length of time registered), 'spikes' are much smaller. Not distinguishing between duration in the unemployment system and time to next job is akin to a 'measurement error' if one was seeking evidence of a work disincentive effect (Card *et al.* 2007).

From the viewpoint of labour market efficiency and its long-term dynamism, it is not always the case that short unemployment durations are better than longer ones. High replacement rates for a period of time can enable workers to avoid being precipitate in discounting their skills and experience and help them 'hold out' for job-matches that are more stable and in which their productivity is higher.

This theory was considered to capture the behaviour of the US labour market for high-school graduates well: improved unemployment insurance increased labour productivity by encouraging workers to seek higher productivity jobs, and by encouraging firms to create those jobs (Acemoglu and Shimer, 1999). The availability of unemployment insurance in Central and Eastern Europe is considered to have speeded the reallocation of workers to higher-productivity sectors, while its absence in former territories of the Soviet Union speeded wage decline, allowing low-productivity sectors survive longer and delayed economic restructuring (Boeri and Macis, 2008). However, evidence that better Unemployment Insurance (UI) improves the quality of post-unemployment jobs in Europe is suggestive without being conclusive. Some studies find that longer UI duration contributes to higher earnings and/or improved tenure when new employment is finally taken, while other studies establish that reductions in the duration of UI do not result in lower-quality jobs being accepted, i.e., there is no evidence that the reservation wage came down – people simply took jobs sooner of a sort they would have taken anyway (Howell and Rehm, 2009; van Ours, 2007; van Ours and Vodopivec, 2008).

From the viewpoint of welfare, also, replacement rates that extend unemployment spells are not necessarily bad. Independently of alleviating poverty, high replacement rates in the early months of an unemployment spell can help smooth consumption.

Generous unemployment compensation in the initial months of an unemployment spell can play a significant role in 'smoothing consumption' for households with significant financial commitments (mortgages, debt repayments, etc.) that cannot be easily altered. If the benefit income were significantly lower, the full shock of unemployment would fall on a small set of consumption goods such as food, clothing and heating. Concern at the potential work disincentive effect of unemployment insurance must be balanced by appreciation for its potentially large welfare effect (Chetty and Szeidl, 2007; Chetty, 2004; Boeri and Macis, 2008).

There is also evidence that high replacement rates are an integral part of the 'flexicurity' model of how labour markets function. Combined with the assurance of quality training opportunities and the inevitability of being 'activated', high replacement rates in the initial months of an unemployment spell can increase workers' co-operation with company restructuring.

Denmark has very high job mobility by international standards (as measured by average tenure, job creation, job destruction and job changing). This is 'definitely' linked to the country's low level of employment protection legislation but also considered to be supported by workers' greater willingness to take risks as a result of the comprehensive social safety net (Bredgaard *et al.* 2006).

5.5 Conclusions and Directions of Change

Labour market and poverty alleviation objectives pull in opposite directions where policy on social welfare payment rates is concerned. On the one hand, people in receipt of social welfare may not take jobs that are offered them, though they would be good for their well-being and their futures, if the payment rates of social welfare and receipt of secondary benefits make household out-of-work incomes comparable to what they would be if people took jobs. The decision may be that 'work does not pay' and that a lifestyle, not high but with a degree of security attached to it, based on welfare receipt is preferable to one built around a job that may not last. On the other hand, reductions in social welfare can undermine already low living standards, increase poverty and indebtedness with their attendant (and fiscally costly) ills, lead to a growing focus on procuring additional temporary sources of income rather than a steady job, contribute significantly to severe stress and deteriorating health, and lead inexorably to lower employability. Aside from these potentially harsh impacts on individual recipients, reductions in welfare rates can have macro-level effects in reducing domestic demand, widening income inequality and undermining social cohesion generally.

Social welfare rates

These payments have major objectives in alleviating hardship. A generalised reduction in social welfare rates has immediate and negative consequences for the purchasing power and living standards of a much larger number of people than are 'incentivised' to make the transition from welfare to work because of it. As an activation measure, therefore, lowering social welfare rates is a blunt instrument.

Social welfare payments, since the recession started, have had to be reduced for straightforward affordability reasons. Their payment rates had improved significantly during the years of strong revenue buoyancy occasioned by unsustainably high levels of domestic demand. The level of tax revenue estimated for 2011 is similar to what government received in 2003 when the unemployment rate was below 5 per cent, the monthly LR number averaged 172,400 and the maximum personal rate of JA was €124.80 weekly. Whether a further contribution to meeting the social welfare savings in 2012–14 that are an integral part of the country's rescue plan must come from lowering (some) rates remains to be seen. If current payment levels of all social welfare can be sustained, it will be a major achievement and reflect strong solidarity at the national level with social welfare recipients.

Disincentive effects

The payment rates of social welfare (along with other factors) impact on the level of replacement rates and concerns are consistently expressed in Ireland that replacement rates are high for a significant number of the unemployed *and* that they, therefore, constitute a disincentive to leave welfare for work.

It is important to be clear on some key distinctions: (i) the distinction between ‘nominal’ replacement rates (calculated on the basis of ‘representative’ individuals and without taking the impact of means-testing into account) and ‘actual’ replacement rates (what individuals actually receive in social welfare after their household means have been assessed); (ii) the distinction between replacement rates faced by people with dependent spouses and children and faced by single people or people with spouses who are earning; and (iii) the distinction between replacement rates faced by people who have been continuously on the LR for twelve months or longer and faced by people in the first months of their unemployment spells. Depending on *which* are being examined, Ireland’s replacement rates can be described as high or low.

The amount of social welfare paid to people reflects their particular circumstances to a significant degree (because of increases for qualified dependants, household means-testing and eligibility for secondary benefits). In some circumstances, high cumulative social welfare payments result and replacement rates are correspondingly high. But it is important to establish the proportions of the unemployed who are in the circumstances that bring them high welfare payments and lead to high replacement rates.

The circumstances in which social welfare payments are at their highest in Ireland apply to only minorities of the unemployed. The large majority of claimants on the LR, in fact, face replacement rates that are low. This is because the large majority of claimants are either single people or have spouses/partners still in employment whose earnings are taken into account in household means-testing to reduce the amounts of social welfare paid. Concerns that receipt of secondary payments and of housing supplements in particular raise replacement rates to high levels, for example, apply to only small proportions of those on the LR.

Concerns that social welfare is having disincentive effects may have a stronger basis in what can happen as people who are combining receipt of a social welfare payment with low-paid, part-time work attempt to earn more. Ireland’s social welfare code has developed to allow people on the LR (and those in receipt of other working-age payments, e.g., lone parents) to engage in part-time work while retaining some or all of their social welfare payments. The withdrawal of these payments as their earnings increase, along with higher taxes they must pay, may lead some people to decide it is not worth their while to work additional hours (a classic ‘poverty trap’).

Activation

Where replacement rates *are* high (the nearly 59,000 individuals or 18 per cent of all LR claimants receiving payments in July 2010 that were augmented by full increases for dependants remain a significant group), ‘activation’ measures (Chapter 7) are more effective – and less counterproductive – than generalised reductions in welfare rates in fostering transitions to employment. Some countries successfully combine high replacement rates with low unemployment, low long-term unemployment and low claimant counts because they have vigorous and effective activation measures. The disincentive effects of high replacement rates, therefore, cannot be considered in isolation from the rules and conditions governing the eligibility for unemployment payments and how they are enforced. Key features of social welfare codes and their administration mediate the potential disincentive effects of their payment levels.¹⁰⁵ The best way to sustain and protect what are good payment levels of long-term social assistance in Ireland for people in certain circumstances is to intensify and improve activation policies.

The ongoing need to find savings in social welfare spending on the part of a state whose circumstances have changed utterly in a relatively short space of time should not be confused with the search for improved activation measures, a longer-standing challenge for Ireland’s welfare state. Effective activation (it will be seen) includes transparent and fair forms of conditionality and recourse to sanctions (lower payments for a period or their temporary suspension); the latter, however, entail ‘surgical’ reductions in welfare payments, not generalised ones.

¹⁰⁵ ‘In the Danish case, the potential disincentives deriving from high income replacement rates are addressed by requiring the unemployed to be actively seeking jobs and by [having] mandatory full-time activation after 12 months of unemployment for adults and after 6 months for persons under the age of 25’ (Madsen, 2007: 71).

Appendix 5.1 Computation of Family Disposable Income in Work and Family Disposable Income Out of Work: July 2010 Live Register

Single	NMW	67% AIE	AIE	150% AIE	200% AIE
Gross	17542.2	22534.51	33633.6	50450.4	67267.2
Weekly	337.35	433.36	646.80	970.20	1293.60
Tax	0.00	16.29	58.98	180.40	312.99
Income Levy	6.75	8.67	12.94	19.40	25.87
PRSI	0.00	12.25	46.66	72.54	98.41
<i>Net weekly</i>	<i>€330.60</i>	<i>€396.15</i>	<i>€528.22</i>	<i>€697.86</i>	<i>€856.33</i>
LTUA	196.00	196.00	196.00	196.00	196.00
Fuel Allowance	12.31	12.31	12.31	12.31	12.31
Smokeless	2.40	2.40	2.40	2.40	2.40
<i>Net weekly value</i>	<i>€210.71</i>	<i>€210.71</i>	<i>€210.71</i>	<i>€210.71</i>	<i>€210.71</i>
R/R	63.73%	53.19%	39.89%	30.19%	24.61%

Couple (one earner)	NMW	67% AIE	AIE	150% AIE	200% AIE
Gross	17542.2	22534.51	33633.6	50450.4	67267.2
Weekly	337.35	433.36	646.80	970.20	1293.60
Tax	0.00	0.00	23.78	108.86	241.45
Income Levy	6.75	8.67	12.94	19.40	25.87
PRSI	0.00	12.25	46.66	72.54	98.41
Spouse JA	159.7	109.4	2.0	0.0	0.0
<i>Net weekly</i>	<i>€490.29</i>	<i>€521.87</i>	<i>€565.44</i>	<i>€769.40</i>	<i>€927.87</i>
LTUA	326.10	326.10	326.10	326.10	326.10
Fuel Allowance	12.31	12.31	12.31	12.31	12.31
Smokeless	2.40	2.40	2.40	2.40	2.40
<i>Net weekly value</i>	<i>€340.81</i>	<i>€340.81</i>	<i>€340.81</i>	<i>€340.81</i>	<i>€340.81</i>
R/R	69.51%	65.30%	60.27%	44.30%	36.73%

Appendix 5.1 *Continued*

Couple + 1CD (one earner)	NMW	67% AIE	AIE	150% AIE	200% AIE
Gross	17542.2	22534.51	33633.6	50450.4	67267.2
Weekly	337.35	433.36	646.80	970.20	1293.60
Tax	0.00	0.00	6.48	91.55	224.15
Income Levy	6.75	8.67	12.94	19.40	25.87
PRSI	0.00	12.25	46.66	72.54	98.41
FIS	105.24	56.14	0.00	0.00	0.00
JA Means	166.41	216.66	324.08	502.60	681.12
JA Payable	189.49	139.24	31.82	0.00	0.00
CB	34.62	34.62	34.62	34.62	34.62
<i>Net weekly</i>	<i>€554.71</i>	<i>€586.29</i>	<i>€647.16</i>	<i>€821.32</i>	<i>€79.79</i>
LTUA	355.90	355.90	355.90	355.90	355.90
Fuel Allowance	12.31	12.31	12.31	12.31	12.31
Smokeless	2.40	2.40	2.40	2.40	2.40
CB	34.62	34.62	34.62	34.62	34.62
<i>Net weekly value</i>	<i>€405.22</i>	<i>€405.22</i>	<i>€405.22</i>	<i>€405.22</i>	<i>€405.22</i>
R/R	73.05%	69.12%	62.62%	49.34%	41.36%

Couple + 2CD (one earner)	NMW	67% AIE	AIE	150% AIE	200% AIE
Gross	17542.2	22534.51	33633.6	50450.4	67267.2
Weekly	337.35	433.36	646.80	970.20	1293.60
Tax	0.00	0.00	6.48	91.55	224.15
Income Levy	6.75	8.67	12.94	19.40	25.87
PRSI	0.00	12.25	46.66	72.54	98.41
FIS	162.84	113.74	20.00	0.00	0.00
JA Means	166.41	216.66	324.08	502.60	681.12
JA Payable	219.29	169.04	61.62	0.00	0.00
CB	69.23	69.23	69.23	69.23	69.23
<i>Net weekly</i>	<i>€619.12</i>	<i>€650.70</i>	<i>€711.57</i>	<i>€855.94</i>	<i>€1,014.41</i>
LTUA	385.70	385.70	385.70	385.70	385.70
Fuel Allowance	12.31	12.31	12.31	12.31	12.31
Smokeless	2.40	2.40	2.40	2.40	2.40
CB	69.23	69.23	69.23	69.23	69.23
<i>Net weekly value</i>	<i>€469.64</i>	<i>€469.64</i>	<i>€469.64</i>	<i>€469.64</i>	<i>€469.64</i>
R/R	75.86%	72.17%	66.00%	54.87%	46.30%

Couple + 4CD (one earner)	NMW	67% AIE	AIE	150% AIE	200% AIE
Gross	17542.2	22534.51	33633.6	50450.4	67267.2
Weekly	337.35	433.36	646.80	970.20	1293.60
Tax	0.00	0.00	6.48	91.55	224.15
Income Levy	6.75	8.67	12.94	19.40	25.87
PRSI	0.00	12.25	46.66	72.54	98.41
FIS	296.04	246.94	145.97	20.00	0.00
JA Means	166.41	216.66	324.08	502.60	681.12
JA Payable	278.89	228.64	121.22	0.00	0.00
CB	155.54	154.58	154.58	154.58	154.58
Net weekly	€782.18	€813.95	€881.27	€961.29	€1,099.75
LTUA	445.30	445.30	445.30	445.30	445.30
Fuel Allowance	12.31	12.31	12.31	12.31	12.31
Smokeless	2.40	2.40	2.40	2.40	2.40
CB	155.54	155.54	155.54	155.54	155.54
Net weekly value	€615.55	€615.55	€615.55	€615.55	€615.55
R/R	78.70%	75.62%	69.85%	64.03%	55.97%

Methodology of analysis

All Jobseekers' Benefit and Allowance claims in payment in July 2010 were analysed. Casual claimants (individuals working between one and three days in any week and receiving partial unemployment payments as a consequence) and claims awaiting payment were excluded.

A basic out-of-work payment was identified for each claimant on the basis of their household composition (or 'family type') and on the assumptions that each received the (Smokeless) Fuel Allowance and, where applicable, Child Benefit. The in-work family disposable income was calculated for different levels of earnings; the amount of an unemployed spouse/partner's own Jobseeker's payment (or FIS if it were higher) and, where applicable, Child Benefit were added, while the income levy, PRSI and income tax were deducted. Replacement rates on these bases were calculated.

6

Modernising Jobseeker's Benefit and Jobseeker's Allowance

6.1 Introduction

This chapter examines Ireland's principal payments for supporting unemployed people, Jobseeker's Benefit and Jobseeker's Allowance.¹⁰⁶ It draws conclusions and recommendations as to how the administration of each should be improved to respond to what is new in the composition of unemployment today, and to support more rapid progress towards a knowledge economy. This modernisation entails adopting a new perspective on the issue of overpayments and developing control measures that do not penalise all jobseekers. The overall objective is to have a system of unemployment compensation that accepts that periods of unemployment are a risk run by a very wide section of the labour force, that the risk should be detraumatized as much as possible, and that quite different supports should operate in the short term and the long term respectively – though with the same objective, i.e., to empower and incentivise people in receipt of unemployment compensation to return to employment.

Sections 6.2 and 6.3 discuss directions in which JB and JA, respectively, should eventually be changed. While the changes are feasible only in the medium to long term, clarity on the end goal should inform how they are treated in the short term also. Section 6.4 examines the issue of overpayments, including those arising from fraud.

6.2 Jobseeker's Benefit (JB)

6.2.1 The basics

Jobseeker's Benefit is Ireland's insurance-based compensation for unemployment. It is paid for a maximum period of twelve months as an entitlement on the basis of contributions made during previous employment as an employee (self-employed workers cannot build up entitlement). Payment is made out of the Social Insurance Fund (into which employees' contributions are paid and ring-fenced) and a claimant's personal rate is increased in recognition of a spouse/partner or

¹⁰⁶ A third social welfare payment is significant for people who enter unemployment by being made redundant. The Department of Social Protection administers statutory redundancy payments, also out of the Social Insurance Fund. Under the Redundancy Payment Acts 1967–2007, employers are obliged to pay a 'statutory redundancy entitlement' that is related to an employee's length of service and normal gross weekly earnings. Typically, a person made redundant is entitled to a lump sum equivalent to two weeks' pay per year of service plus a bonus week. Employers then receive a 60-per-cent rebate from the Social Insurance Fund. These payments can be substantial for the individuals who qualify for them and are the closest Ireland's unemployment compensation regime comes to making pay-related payments. Since 2007, the number receiving redundancy payments and their total cost has risen markedly (Table 2.3). However, they remain small as a proportion of the number of new registrations taking place on the LR (gross inflows) each year.

children who are dependants ('qualified increases'). Though the Social Insurance Fund pools the contributions employees and their employers make to support workers who fall foul of the risk of unemployment, the social partners have no role in its administration, which is carried out wholly by the DSP. JB is paid at a flat rate (all pay-related elements have been removed) and the rates (the maximum personal rate and the increases for dependants) are the same as for other means-tested social welfare payments. The principal significance of its insurance-basis to claimants, therefore, is that they receive it in their own right and that their maximum personal rate is not affected by other income they may have (though income from JB is taxable) or by the level of earnings of other household members.

There are intricacies that affect whether a claimant is entitled to the maximum personal rate and/or to full increases for their dependants. A claimant of JB is:

- ◆ Only entitled to the full personal rate of €188 a week if their weekly earnings in 2009 (the relevant tax year for determining payment levels in 2011) were at least €300. If earnings were lower, the level of payment to which they are entitled is lower;
- ◆ Only entitled to the full increase for a dependent adult if their spouse/partner is earning less than €100;
- ◆ Only entitled to the full increase for a dependent child if their spouse/partner is earning less than €310.

6.2.2 Changing the level of payment

As already noted, JB is paid at a flat rate and without a pay-related element. It does not attempt, therefore, to relate the amount a person receives to the amount of their former contributions or seek to protect workers' established living standards, even in the initial months of their unemployment spell. By contrast, some European countries accord short-term unemployment benefit a significant role in guarding against a catastrophic drop in household income in the early months of an unemployment spell, and in relieving financial pressure on people so that they can 'hold out' for better and more lasting job-matches. Because of these roles, unemployment insurance in those countries is paid at a higher rate in the initial months than later in an unemployment spell (and higher than social assistance rates) and may also incorporate a pay-related element. The temporarily higher level of the payment is viewed as a support to effective job search and not as a 'disincentive'.

For example, in the Netherlands, the level of payment of unemployment insurance is set to replace 75 per cent of previous earnings up to a daily maximum (earnings of €168 in 2006) in the first two months of an unemployment spell and 70 per cent in the third and later months for which a claimant is eligible (Schils, 2007). This meant, for example, that an individual becoming unemployed from a well-paying job in the Netherlands in 2006 stood to receive more than three times what their counterpart in Ireland received in the early months of their unemployment spell. In addition, Collective Labour Agreements in the Netherlands provide for further 'top-ups' – paid for by both employers and employees – that, in some instances, replace up to 100 per cent of pre-employment income. In Denmark, also, the level of payment of unemployment insurance generally is based on previous earnings and

replaces 90 per cent of previous earnings up to a benefit maximum (of €90 a day for a five-day week for someone full-time insured). There is also provision for voluntary, private insurance arrangements to add to the relatively generous basic entitlement, but the premiums are high and change frequently relative to the perceived risk of unemployment. Response to the provision, so far, has been muted (3 per cent by 2006 of those eligible) (Madsen, 2007).

In summary, a number of arguments support the payment of JB at a higher rate for a few months than other welfare payments to people of working age:

- ◆ It strengthens the contributory principle and further rewards an established connection to the workforce;¹⁰⁷
- ◆ It cushions the drop in household income consequent on becoming unemployed and, therefore, has a major welfare effect;
- ◆ When large numbers become unemployed at the same time, it increases the counter-cyclical function of unemployment compensation;
- ◆ It funds job-search and may help people hold out for more suitable and, hence, more stable job-matches;
- ◆ As it is not means-tested, paid for a limited duration and not affected by the income of other household members, it places no obstacles in the way of job-search¹⁰⁸ and does not impact on the labour supply decision of a working spouse;¹⁰⁹
- ◆ It can reduce the demand for employment protection, increasing the flexibility of the labour market.

The relatively well-established phenomenon of a 'spike' in the exit rate from the unemployment system (i.e., a substantial increase in the probability of ceasing to claim unemployment insurance as the month in which eligibility ends gets nearer) does not deny these positive functions of a higher rate so much as confirm them, so long as the period of entitlement is kept short. While countries have learned, to their cost, that protracted periods of entitlement can prolong unemployment spells, the same countries have not surrendered the advantages of a higher rate even as they (in some instances, substantially) reduced the period of eligibility.

The development of JB in Ireland over the last two decades has largely ignored any specific functions of unemployment insurance in the short term. Its distinct nature was progressively lost sight of as it was caught up in a general movement to align rates across the full range of welfare payments. A large number of those who became unemployed in the current recession might well regret this legacy. They have experienced some of the steepest falls in living standards of all those thrown out of work by the recession across the EU. The opportunity to shield the rate of JB for the initial months of a claim from general cuts in welfare was not taken. The opportunity to pay it at a higher rate than other welfare rates for a limited period should be considered when and as the economy and fiscal position improve.

¹⁰⁷ This includes enhancing the value of working in the formal rather than the informal sector.

¹⁰⁸ 'Lock-in' effects are discussed in Chapter 7.

¹⁰⁹ The only effect on the behaviour of family members is an income effect.

6.2.3 Changing the period of eligibility

As already noted, one of the first responses to the crisis in the labour market in Ireland was to reduce the period of entitlement to JB from fifteen to twelve months. This was in sharp contrast to several other countries. In the US, for example, the authorities responded to the recession by markedly increasing the period for which unemployment insurance is paid.¹¹⁰ Generally, when the labour market is tight and unemployment low, people becoming unemployed have less difficulty and more opportunities in sourcing new employment. Conversely, in a time of recession and high unemployment, finding new employment is more difficult, and the counter-cyclical contribution to demand of unemployment compensation is more important.

If Ireland had retained the fifteen month duration of JB, it would have delayed by three months each JB claimant's transfer to JA or 'exit' from the LR (into uncompensated unemployment/inactivity) when their period of entitlement ends. While going ahead with the reduction occasioned some short-term fiscal savings, it has had downsides that have been little studied. In a depressed labour market, where it is extremely unlikely to induce a speedier re-entry to employment, the shorter period merely accelerates the erosion of household resources, occasions disincentive effects sooner on spouses/partners, increases the number who move into uncompensated unemployment or inactivity altogether, and removes more unemployed jobseekers from eligibility for supports that are linked to being on the LR.

A strong case can be made that the period of entitlement to JB in Ireland should, henceforth, be counter-cyclical rather than pro-cyclical. It should shorten as the economy improves but lengthen in response to a sustained downswing. This would be a tangible example of a more fundamental principle, namely that economies need 'permanent yet adaptable labour market policies and institutions, whose levels and structure vary with the business cycle in order to enable workforce adjustment [take place] in a socially acceptable way' (Cazes *et al.* 2009).

6.2.4 Changing the calculation of contributions

Eligibility for JB is based on reckonable contributions. There are significant differences across Europe in how contributions are calculated in order to be eligible for unemployment insurance.

In Ireland, 104 contributions are required to qualify for nine months of JB (thus, two years of cumulative insured employment) and 260 contributions or over (a minimum of five years of cumulative insured employment) to be eligible for twelve months of payment. However, only contributions made up to, and in, the second-last complete year before the year in which a claim is made are counted¹¹¹— so, for example, for claims made in 2011, it is the count of contributions by the end of 2009 that determines eligibility. This means that it is possible for someone to have up

110 E.g., OECD (2009), 'Addressing the labour market challenges of the economic downturn: a summary of country responses to the OECD-EC questionnaire'.

111 The 'relevant tax year'.

to twenty-three months of contributions disregarded. This practice is motivated by the concern to make payments only to those with an established attachment to the workforce and not to those who only 'recently' entered it. It can, understandably, come as a shock to people who enter employment and lose it within a two-year period.

In addition, there is a requirement that thirty-nine of the cumulative contributions should have been made in the second-last year preceding the year of the claim.¹¹²This, in effect, makes it more difficult for a person returned to the workforce after a long absence to establish entitlement to JB quickly. For example, a prolonged interruption in employment for family or health reasons followed by up to twenty three months in a new job would yet establish no claim to JB. Not only would the most recent contributions be disregarded on the basis of the 'relevant tax year' rule as discussed, but the absence of an active attachment to the workforce in that tax year (verified by paid or credited contributions) would disqualify a person no matter what the number of their contributions was in a more distant past.

Compared to several other European countries, these rules for calculating contributions to establish eligibility for JB are archaic and lack transparency. Other countries' unemployment insurance systems more evidently reward employment records and calibrate both the level of payment and its duration more smoothly to reflect individual contribution records. In the Netherlands, for example, claimants of unemployment insurance must first fulfil a 'weeks' condition' – i.e., they must have worked in twenty-six of the last thirty-six weeks, this entitles them to a basic three month duration of benefit amounting to between 70 and 75 per cent of past earnings. Then, under a further 'years' condition', if they have worked for four of the last five years, their period of entitlement to benefit is extended by an additional month for each year worked. Such rules allow people who may have entered employment only recently to yet qualify for a least a small duration of benefit, while also rewarding those who have been in employment over a long period of time. In Denmark, eligibility for unemployment insurance is based on (voluntary) 'membership' of an insurance fund for at least one year, with full-time employees required to have been in employment for fifty-two weeks in the previous three years. In Germany, unemployment insurance is paid to people who have worked and paid contributions for twelve of the last twenty-four months.

The shortening of the period for which JB is paid and the increase in contributions required to establish an entitlement to payment in the first place, both of which were measures taken to restrain costs since the crisis began, have further weakened the contributory element in Ireland's hybrid welfare state. The particularly difficult position in which a large number of people have been placed reinforces the need to revise the rules by which contributions are calculated. Any revision should bring greater transparency and fairness to the link between individual contributions, their payment levels and periods of entitlement, thereby strengthening the contributory principle. Currently, the self-employed are ineligible for receipt of JB on the basis that they pay a separate and lower rate. Arrangements for at least a voluntary opt-in on the part of the self-employed should be considered.

¹¹² They may be paid or credited.

6.3 Jobseeker's Allowance (JA)

6.3.1 The basics

Jobseeker's Allowance¹¹³ is paid to unemployed jobseekers who do not have sufficient contributions based on previous employment to qualify for JB or whose period of entitlement to JB is exhausted. The payment is made up of a personal rate and increases for recognised adult and child dependants that are at the same level as for JB (except that JA now pays a lower personal rates to young claimants aged under twenty-five). The most crucial differences with JB, however, are that JA is, potentially, of indefinite duration and is means tested. What claimants are paid is affected by any other income they have and by the earnings of other household members. As it is means-tested, JA is not taxable. The intricacies affecting the amount of JA a claimant will be paid, therefore, are:

- ◆ The total payment due the claimant's household (i.e., full personal rate, plus full increases for adult and child dependants) is reduced by 60 per cent of any earnings above a €60 weekly maximum that arise from the claimant's own part-time work or work by their spouse/ partner;
- ◆ Lower personal rates apply if they are aged eighteen to twenty-one or twenty-two to twenty-four;¹¹⁴
- ◆ The personal rate is lowered if they are under 24 and living in their parents' home (the 'benefit and privilege' rule).

It is funded out of general taxation, not taxable, and administered uniformly for the state by the DSP. There is no regional or local government involvement in its administration, unlike the social assistance programmes on which the non-insured unemployed rely in many other EU member states. Two issues deserve particular attention here.

6.3.2 Changing the treatment of part-time work

The ability to claim compensation for part-time unemployment is constrained by the criterion that, to do so, a person must be wholly unemployed on three days out of six. This results in hugely uneven treatment. For example, a person with one regular hour of work per day on each of four working days (a total of four paid hours a week) does not qualify, while a person with full-time work on three working days (a total of twenty-one paid hours) does. It can be argued that this interpretation of what constitutes availability for work is based on the patterns in working hours of the economy in the past, and does not reflect the more service-based, customer-focused and globally engaged economy of today. In the Netherlands, for example, workers are entitled to some unemployment insurance benefits if they lose their earnings for at least five or *half of their working hours* (van Ours & Tuit, 2010). The opportunity of occasional or temporary work can be particularly valuable to JA recipients. A thorough simplification and modernisation of the

¹¹³ It was called Unemployment Assistance until October 2006.

¹¹⁴ In 2011 rates, €100 and €144 respectively instead of €188.

rules governing receipt of JA/JB and part-time working is overdue. It would help maintain attachment to the workforce and reduce the size of the black economy, freeing administrative resources as a consequence.

6.3.3 Advancing towards a single payment for all people of working age

A major reform being signalled for Ireland's welfare state is a phased but steady movement towards having one single social assistance payment for all people of working age. This was explored by NESC as a 'participation income' (*The Developmental Welfare State*, 2005) and what it would entail for the Irish public system has recently been mapped out by the DSP (*Report on the desirability and feasibility of introducing a single social assistance payment for people of working age*, November 2010).¹¹⁵ The basic rationale is clear: any person of working age in need of social assistance (with or without a disability, with or without caring responsibilities, etc.) is assessed in a similar fashion for the contribution they can potentially make (usually some capacity for employment but not always taking the form of paid work) and the manner in which the necessary income support is provided them must not block but should encourage them in making that contribution. As the DSP makes clear, the successful introduction of such Single Payment will require developed capabilities and a high level of co-ordination across the entire public system (including all and any service providers in receipt of public funding). In the context of this report, it should be noted that such a reform will not be quick or produce savings in the short term. However, its perspectives on the purpose of social welfare, on the obligations of the state and their implications for service providers, and on the context and inevitability of activation should reinforce and guide the imperative for savings that the current crisis is forcing on the social welfare budget. These same considerations should also increase co-operation with, and participation in, the implementation of current reform strategies for specific social assistance schemes (the One Parent Family Payment, Disability Allowance, etc.).

As in other areas, hindsight suggests that earlier and swifter movement on this front would have ensured unemployed people received a more comprehensive and effective range of supports than is currently the case. For example, a single payment would have given them access to a payment more quickly and under more transparent and stable conditions; it would have reduced the hazards and negated the advantages of transferring to a different welfare payment; and it would have lessened poverty and unemployment traps. Above all, it would have ensured that accessing the payments that provide the more secure income support (One Parent Family Payment, Disability Allowance) was not facilitated by demonstrating an inability to prepare for or seek employment. The current crisis, thus, should reinforce the strategic direction that the DSP is taking and bring added support from the other key departments and agencies integral to its success. It should further accelerate and guide the business transformation and organisation restructuring ongoing within the DSP. It should strengthen consultation with the community and voluntary sector in order that as widely shared as possible

¹¹⁵ The discussion in the UK around its intention to introduce a Single Universal Credit is instructive.

understanding of activation and its requirements is embraced (see next chapter). It will need exceptional political commitment if exceptions and special measures are not to accompany the introduction of a Single Payment to such an extent that its intended simplicity is lost.

6.4 Control Measures that do not Penalise all the Unemployed

At any time, the management of social welfare expenditure requires striking a balance between ensuring people know their entitlements and receive them (promoting take-up) and guarding against overpayments (be they due to claimant error, administrative error, or fraud). In particular, an appropriate level of resources has to be devoted to detecting overpayments, clawing them back where possible and implementing appropriate sanctions where fraud is established. Ireland entered the current crisis with a social welfare system in which overpayments due to error or fraud were a significant and persistent problem, amounting to some 3 per cent of total annual social welfare expenditure (Comptroller and Auditor General [C&AG], 2010¹¹⁶).

Before concluding, however, that savings of a high order (e.g., €600m+) can be reaped from tighter control measures, careful reading of reports from the C&AG and the Department of Social Protection (DSP) suggest caution. Error not fraud is the principal reason why overpayments are made, error that is sometimes on the part of claimants (e.g., not reporting a change in circumstances in time but without fraudulent intent) and sometimes on the part of the DSP itself. In a random sample of payments made to recipients of the JA in October 2009, for example, 11 per cent were found to be overpayments, 4 per cent underpayments¹¹⁷ and 84 per cent were correct. Suspected fraud was identified in 3 per cent of the cases examined, error on the part of claimants in 8.6 per cent and error on the part of the DSP in 1.2 per cent. In a tentative comparison with the comparable UK scheme, the C&AG notes that overpayments of entitlements are estimated to account for 5.4 per cent of total expenditure in the UK as against 4.1 per cent in Ireland (or 5 per cent and 3.3 per cent respectively, net of underpayments¹¹⁸). The most striking difference between the two jurisdictions was the much smaller proportion of overpayments due to official error in Ireland (0.6 per cent versus 2.4 per cent) (C&AG, 2010: 426).

It is inaccurate and unfair, therefore, to regard people on the LR as those most likely to attempt fraud and where the greatest savings can be made. For a start, social welfare payments other than JA in Ireland have higher suspected levels

¹¹⁶ This estimate was provided by the Accounting Officer of the Department of Social Protection to the Committee of Public Accounts on 25 February 2010 and is cited by the C&AG provides more in-depth analysis, see *Accounts of the Public Services 2009, Vote Management*, Report of the Comptroller and Auditor General, Vol. 2, p. 427 (September 2010).

¹¹⁷ Underpayments receive less attention from the media but are a concern to the DSP and C&AG. The DSP does not research them as intensively as overpayments but takes the approach that increasing people's awareness of entitlements (e.g., through the department's leaflets and work of the Citizen's Information Centres) improves the likelihood that self-interest will operate to reduce the problem to a minimum.

¹¹⁸ Underpayments – i.e., low take-up and people not receiving income support to which they are entitled – across all the UK's social security payments, are estimated to be £1.3bn a year and overpayments to be £3.1bn (the former is 42 per cent of the latter). See Department of Work and Pensions (2010), *Universal Credit: Welfare that Works*, para. 23.

of overpayment (principally Disability Allowance and the One Parent Family Payment). More importantly, public opinion is not being informed of progress that has been made. The October 2009 survey of Jobseeker's Allowance, already cited, is a significant advance on an earlier survey in 2003 that found evidence 16 per cent of JB/JA payments were overpayments. While the case for improving controls on social welfare spending undoubtedly has continuing validity, it should not be justified by pointing to the surge in the LR occasioned by the recession. In fact, the DSP notes that recession may *reduce* the incidence of JA overpayments because it has reduced the opportunities for recipients to increase hours of work and earnings and, typically, a significant proportion of overpayments arise because recipients do not alert the department in time to improvements in their circumstances (this is claimant error and, usually, without fraudulent attempt). A final observation, prompting modest expectations of the contribution tighter control can make to social welfare savings, is that social welfare overpayments – in any jurisdiction – are only reclaimed to a limited extent. Most are made to people on low incomes who spend the money on immediate needs but will have very limited means out of which to pay a bill for accumulated overpayments, should one be received at a later date.¹¹⁹

Social welfare fraud, of course, unlike claimant errors, deserves no tolerance. In good and bad economic times, it takes resources from more important uses, steals from the taxpayer and is particularly damaging to the interests of social welfare recipients themselves (it justifies the more intrusive policing of benefits generally and creates greater public suspicion of welfare receipt). The most appropriate time for significantly improving the detection and sanctioning of fraud is, generally, when unemployment is low – there are fewer claimants to police, more job offers against which to test claimants' willingness to work, and staff resources can be diverted to investigation with less damage to mainstream services. The same factors operate in reverse when unemployment is high to make it a difficult time in which to improve the detection and sanctioning of fraud.

Despite this, public and political attention to fraud appears to move in a contrary direction to trends in the underlying conditions for doing something effective about it. When unemployment was low, jobs plentiful and fiscal resources less an issue, there was little interest in – or appetite for – increasing the detection and sanctioning of fraud; if anything, a relaxation occurred (Grubb, 2009). As unemployment has risen and jobs and fiscal constraints become scarce, the issue of fraud has received significant political attention and the scope for significant savings from tightening administrative procedures and increasing investigative activities has been highlighted.¹²⁰ Some of this current concern is an acknowledgement of the 'legacy' issue, i.e., weaknesses in the system, which were not adequately addressed before the recession, now entail greater waste simply because the volume of resources being put through the system has hugely increased.

¹¹⁹ Dublin City Council's prospects of recovering rent arrears illustrate this point. Underpayment of rent accumulated in the good years when many tenants failed to report salary/wage increases in time. The discovery of the underpayments was highlighted when tenants informed the Council that they had become unemployed, by which time they were no longer in a position to pay off the accumulated arrears (*The Irish Times*, 20/12/10).

¹²⁰ See, for example, 'Huge rise in public tip-offs alleging welfare fraud', *The Irish Times*, 31/01/11.

However, *how* this issue is highlighted and addressed impacts significantly on unemployed people. The following are two fundamentally different perspectives: (a) believing it is now opportune to make significant changes in how fraud is detected and sanctioned, because the scale of the increase in the LR and the 'quality' of the inflow underline the extent to which existing procedures are outmoded and obsolescent; (b) advocating stronger controls on fraud because it is growing as an issue along with the rise in unemployment. Which perspective is communicated as guiding policy can influence how unemployed people are viewed by the still large majority of the public who have no direct experience of being on the LR. It will also influence the self-image of those on the LR themselves and the degree of courtesy and efficiency built in to the arrangements for serving them. Some points should be noted:

- ◆ The large increase in claimant numbers has made an absolute increase in the number of fraudulent claims practically impossible to avoid. Even success in reducing the proportion of claims that are fraudulent is likely to be offset by the scale of the increase in claims;
- ◆ To seek to hold the number of fraudulent claims constant during the current recession, let alone drive it down, implies making greater progress in improving controls and applying sanctions than was made when unemployment was low and resources more plentiful. The exigencies of processing the larger increase in claims make it difficult, and even a questionable use of resources, to increase control efforts in line with the level of processing activity;
- ◆ Some changes in the composition of the LR, principally, the growing proportion of all claims that are subject to means-testing and the larger number who are nationals from the Accession States, have increased the overall complexity of processing and administering claims. The increased likelihood of errors (by claimants themselves, and by administrators) should not be interpreted as evidence of a growth in fraud; and
- ◆ The large numbers who have joined the LR for the first time in their lives, many of them after extensive years of working and with a strong work ethic, would suggest that the *propensity* to defraud the social welfare system may have fallen, not risen, with the onset of the recession. While (perhaps, understandably) conducting the research that would confirm this has a low priority at the current time, it is important to note the absence of evidence to support the counter-thesis, i.e., that the propensity to defraud JB or JA has risen as the numbers on the LR have soared.

The increase in political and media attention given to social welfare fraud since the recession began, therefore, is not based on empirical evidence that the problem is worsening but has other roots. The belief that welfare fraud is rampant, however, has the welcome side effect of increasing support for measures that yield savings on social welfare expenditure. These measures are necessary for other reasons but they should be explained and defended without recourse to arguments that increase automatic and systematic suspicion of all who are on the LR.

It would be particularly regrettable if exaggerated concerns about fraud were to lead to the postponement or shelving of measures that will, otherwise, bring the administration of JB and JA more into line with Ireland's ambitions to develop a knowledge economy and a learning society. For example:

- ◆ 'Signing on' online and by mobile phone once a month is to complement appearing in person at a Welfare Office as a way of confirming a person's presence in the state and allowing them declare they still available for and seeking work. These more discreet and efficient methods will enable claimants to avoid the potential stigma and discomfort of queuing in public in their own neighbourhoods;
- ◆ The electronic transmission of JB and JA payments to bank accounts, suspended for all clients early in the recession, is to be gradually restored. Having to make weekly visits to sometimes crowded post offices has been a significant deterioration in service quality for a large number of claimants;
- ◆ The new Public Services Card being introduced in 2011 is intended to deliver efficiencies across the public service and improve customer service generally. It incorporates significantly enhanced security features (laser engraving personalisation, a signature, photograph and electronic card authentication), which can be expected to substantially reduce the rate of fraud and error arising from concealed or mistaken identity;
- ◆ The first steps are underway to enable claimants of JB seeking to transfer to JA to self-certify their means. Placing this degree of trust on the applicant rather than on a public official to verify a household's means constitutes a profound and welcome change in the administration of the means test. Instead of public officials being required to verify the household means of each applicant, applicants themselves will be relied upon to determine if their households qualify, and their assessment will be accepted until there are grounds for believing otherwise. As with the introduction of self-assessment for the self-employed, the realisation that public data systems increasingly 'talk' to each other (that DSP, Revenue, the PES and other public bodies are becoming more empowered and competent to share data), that audits will be regular and based both on advanced techniques of risk assessment and a rising level of public co-operation, and that sanctions are serious and sure to be enforced, will serve to keep the numbers tempted to claim fraudulently to a minimum. Public officials can use the time freed to improve audits and a new equilibrium can be reached in which the assumption of trust is balanced by a high level of effectiveness in identifying and punishing fraud.

These measures are welcome developments, which deserve both to be wider known and more vigorously communicated.

7

The Theory, Practice and Governance of Activation

7.1 Introduction

A reflection on activation has to reckon with deeply held views on the purposes of social welfare and the scope for widely different assessments of what it achieves. In part, this can stem from different understandings of what ‘activation’ constitutes and why it is currently in vogue to the extent that it is in many industrialised countries. At one extreme, activation awakens fears that social welfare payments will be suspended or reduced in a bid to force claimants into low-paying and unstable jobs that significantly undermine their well-being. At the other extreme, the indefinite payment of welfare without a structured engagement with recipients is considered tantamount to paying an ‘exclusion wage’ and not in recipients’ long-term interests, much less those of the Exchequer.

This chapter begins with a selective review of the large literature on activation and other countries’ experiences with it (Section 7.2). Section 7.3 acknowledges the grounds for unease with activation in Ireland, some of which are compounded by the current context of a deep recession. Section 7.4 looks in some detail at the emergence and current practice of activation in Ireland. Section 7.5 outlines how Ireland’s labour market authorities currently intend to proceed in this area. Section 7.6 provides observations on the authorities’ plans and makes recommendations. The chapter, overall, makes clear that, if activation is to be successful and deliver the outcomes sought, it cannot be engineered by a few for the many but requires the coordinated and competent engagement of a wide number of actors, not least of social welfare recipients themselves; hence, the importance of proceeding with broad agreement on its purpose and methods. This challenge, of quite major proportions to Ireland’s labour market authorities and social partners at the current time, has been formulated as follows:

‘In the history of other (mainly European) countries, intensive activation measures have often been adopted only after long years of high unemployment. Ireland needs to avoid this scenario, promoting greater public understanding of the underlying issues so that sufficient support and consensus around effective measures can arise without this. This will not be an easy task and will require a strong political commitment at the highest level’ (David Grubb, Dublin, February 2009).

7.2 Active Labour Market Policies and ‘Activation’ in General

7.2.1 The reasons different welfare states have come to embrace them¹²¹

During the 1990s, it became the standard recommendation of international bodies that industrialised countries should seek to shift resources in their labour market policies from passive to active measures.

Passive measures are those that provide income support to unemployed people. The core ones include each country’s unemployment insurance payment (in Ireland, JB) and whatever programme provides income support when eligibility to an insurance-based payment is exhausted (in Ireland, JA). Compensation for redundancy and early retirement programmes are also included by the OECD as passive measures. There is significant variation across countries in whether and how job-search or skills-upgrading is required of unemployed people in return for receiving income support. Passive measures were developed to extremes in some countries during the 1980s when invalidity and/or early retirement payments were effectively used to induce people with poor employment prospects to quit the labour market.

Active measures, by contrast, are those that are expressly about helping unemployed people get back into work. They include, therefore, job-placement and related services, training programmes, in-work benefits that help ‘make work pay’, work experience and direct employment programmes, incentives to employers to recruit from among the unemployed and measures that increase the conditionality of benefits. The term ‘Active Labour Market Policies’ refers, in effect, to a range of instruments that are diverse and constructed differently in each country but share a common or overarching objective, i.e., to help unemployed people move into employment as soon as possible or progress nearer to doing so.

The OECD *Jobs Study* of 1994, the EU’s European Employment Strategy (EES) launched in 1997 and its first Lisbon Strategy drawn up in 2000 can be considered as advocates of a ‘first generation’ of activation policies (Daguerre and Etherington, 2009). In broad terms, they encouraged a shift within spending on labour market and social policies towards ALMPs, placed a strong emphasis on training (particularly in the EU), and paid priority attention to the position of people in receipt of unemployment benefits (the openly unemployed).

In the light of experience within individual countries, the characteristics of a second generation of activation policies have begun to emerge. The newer approaches place greater emphasis on the effectiveness of ALMP spending rather than on its level and, thus, on programme design rather than programme type. They are less inclined to automatically endorse higher spending on general training and education measures for which the evidence of effectiveness has been less than

¹²¹ Overviews drawn on here include (see bibliography for fuller details): G. Berlin (2010), *Rethinking Welfare in the Great Recession: Issues in the Reauthorisation of Temporary Assistance for Needy Families*; A. Daguerre and E. Etherington (2009), *Active labour market policies in international context: what works best? Lessons for the UK*; W. Eichhorst and R. Konle-Seidl (2008), ‘Contingent Convergence: A Comparative Analysis of Activation Policies’; OECD (2005), ‘Labour Market Programmes and activating strategies: evaluating the impact’, *OECD Employment Outlook 2005*; P. Auer et al. (2005), *Active Labour Market Policies around the World. Coping with the consequences of globalisation*; J. Martin (2001), ‘What works among active labour market policies: evidence from OECD countries’ experiences’.

expected. They seek to encompass all working-age recipients of benefits in response to evidence that conditionality applied to unemployment benefits alone prompts transfers to more lightly monitored benefits attached to an 'inactive' status (lone parents, people with disabilities, early retirement). Finally, the newer approaches are considered, on balance, more supportive of a 'work first' rather than 'human capital' approach, meaning that outcomes for the 'hard to employ', in particular, improve more (including their eventual up-skilling) when an early return to employment rather than a return to full-time training or education is emphasised.

The distinction between a work first approach and a human capital approach first developed to capture important differences in why and how countries became engaged with activation. A simplified and stylised summary is, nevertheless, instructive.

The work first approach is most associated with English-speaking countries. An early and particularly narrow version, termed 'workfare', was introduced in the USA. It sought to tighten the terms and conditions of welfare receipt so that all recipients in normal health and free of debilitating personal circumstances would prefer to hold entry-level jobs. Initial successes in reducing welfare caseloads and increasing employment forced the acknowledgement that a significant proportion of the jobs entailed in-work poverty, were short-term and led to repeat unemployment. The fastest route to employment was not necessarily the surest way to remain in employment, much less achieve a sustained improvement in family income. The retention of employment and the quality of jobs became more central issues. Two types of complementary measures were subsequently strengthened – those that improved individuals' employability, on the one hand (counselling, job-search assistance, foundation training, etc.), and those that raised their net wages in work, on the other (earnings supplements, access to affordable childcare/medical care, etc.). With this incorporation of positive measures, it also became apparent that workfare, if it was not just to shift a problem elsewhere but contribute to solving it, did not come cheap. In the short term at least, it entailed spending in a different way rather than spending less. The different manner of spending, however, offered real prospects of improving people's well-being and, with a considerable lag, their degree of self-reliance, also.

The human capital approach is most associated with the Nordic welfare states. It can be considered an integral part of the Swedish welfare state from as early as the 1950s, when the twin goals of achieving full employment *and* maintaining a generous welfare state were acknowledged as requiring a strong active labour market policy in the Rehn-Meidner economic model. An equilibrium was to be achieved between extensive social provision funded out of general taxation and a high level of employment on which significant tax was levied. The two objectives were mutually supportive. The provision of universal services made it possible for more in the adult population to hold employment (women, lone parents, people with disabilities, people with low skills), while high employment fuelled tax revenues and reduced welfare spending making it easier to afford the services. If the employment rate dropped, for whatever reason (declining competitiveness of the private sector, insufficient re-skilling and up-skilling in the work force, labour force withdrawal), this equilibrium was endangered. This is why activation became integral to the Nordic social model. The extensive welfare provision had to be

reciprocated by a strong expectation and requirement that people of working age were members of the workforce and should be skilled to a level that enabled tax to be levied on their earnings without endangering their living standards. Hence, these states became associated with a human capital approach to activation.

This simplified account of the complex trajectories of hugely different welfare states and traditions highlights the significance of the wider welfare state setting to how a country approaches and practises activation. It will look different and be experienced differently in a country where people in work on modest earnings have ready access to services supportive of being in employment (medical care, childcare, training, housing, transport, etc.) and one where they must pay for such themselves or do without (e.g., Annesley, 2007). It is for this reason that there has been relatively little apprehension or resistance within the Nordic states as they have incorporated more elements from the work first approach into their initially strong human capital approach, whereas apprehension with work first has been stronger in countries with more limited welfare states and where the revenue from relatively low levels of taxation has been kept for spending on the section of the population in the greatest need.

This fundamental difference in welfare state contexts apart, a degree of convergence has taken place between the work first and human capital approaches to activation. A common objective has come more clearly into focus, i.e., that people should achieve a sustainable independence from social benefits and not just an early transition from welfare to work. The work first discourse has had to reckon with the fact that for former welfare recipients to remain in employment and out of poverty, in-work benefits and/or their skills had to improve. The 'human resource development' discourse has had to reckon with the evidence that expensive retraining programmes were not having a commensurate pay-off and that there was a need to increase the incentives to acquire skills and use them in employment. In effect, activation – from whatever starting point (labour market shortages or entrenched welfare dependence) and within whatever welfare state setting – requires that attention be given to two dimensions if it is to be successful: (i) ensuring people remain interested in and committed to finding a job, and (ii) improving people's productivity and employability. Activation can be considered to involve making explicit the respective obligations that are on the individual and the state in each area, and accepting that in clearly defined instances continuing state support can be made conditional on the individual's fulfilment of obligations.

7.2.2 Evidence on the effectiveness of ALMPs

Four types of effects are commonly distinguished for active labour market policies:

- ◆ **Motivation (or 'threat') effects.** These arise when the imminent prospect of being required to take part in an ALMP or face a reduction/suspension in benefit makes people seek work more actively to avoid perceived disadvantages of being on the programme;

- ◆ **Qualification effects.** These arise when ALMPs improve the employability of participants. Because of soft and hard skills acquired on the programmes, those completing them become more confident to seek jobs, competent to perform them and are more attractive to employers;
- ◆ **Lock-in effects.** These arise in two ways. Minimally, job-search activities may be reduced because of the time constraints of participating in an ALMP. Maximally, being on the programme may make a person less willing to try the open labour market and/or employers less likely to make them a job offer;
- ◆ **Well-being effects.** These arise from how participants experience a programme directly and independently of whether and how participation affects their future employment. For example, being engaged in meaningful activity with others may reduce their social isolation and restore their sense of having a contribution to make.¹²² In this way, it can stem a drift into social exclusion and/or poor health, and help maintain an attachment to society, whatever about the labour market.

Evaluations of individual programmes in search of these effects have become more plentiful and more sophisticated, though Europe still lags behind the US in this respect. Some illustrative findings from this research help identify central design issues that the improvement of Ireland's active labour market measures will have to address.

Motivation or 'threat' effects

As a preliminary, it should be noted that, for these effects to arise, the 'threat' of having to participate in an ALMP or risk some loss of benefit must be credible. That means that programme places are available, that those running the programmes take referrals, and that benefit sanctions are not easy to avoid or postpone. The Netherlands and Denmark are two countries that meet such conditions. Some empirical findings from evaluations of labour market programmes in those countries include:

- i) From the Netherlands, that, at some stage and for some people, a reduction or suspension of their benefit leads to higher employment, an effect that is sustained even after the period of the sanction expires;¹²³ and
- ii) From Denmark, that it is unemployed people with alternatives rather than the most disadvantaged who are the more likely to re-enter employment rather than take part in an ALMP.¹²⁴

¹²² The value to wider society of activities carried out on direct employment and training programmes mean that 'service effects' can also validly be factored into evaluations of their cost effectiveness. However, the programmes in question are not then being evaluated as labour market programmes, where the focus is on participants' future employment prospects, but as social economy or public sector programmes.

¹²³ For example, the imposition of sanctions (for infringements such as inadequate job search, declining job offers, late reporting, fraud, inaccurate information) that ranged from a payment 5 per cent lower during one month to 20 per cent lower during four months increased the re-entry to work by over 140 per cent among recipients of Unemployment Assistance in Rotterdam (van den Berg *et al.* 2004). A good overview is van Ours, 2007, 'Compulsion in Active Labour Market Programmes, *Journal of the National Institute of Economic and Social Research*, No. 202, October 2007.

¹²⁴ 'The lesson to learn from the Danish research results is that inflow to the benefit system can be reduced by the threat of activation for unemployed persons with sufficient labour market resources, but that this type of measure does not work well for disadvantaged unemployed with few chances to enter the labour market' (Pedersen, 2007).

Martin's summary of the evidence for the OECD is that, on balance, continued receipt of income support after an unemployment spell has lasted a certain duration should be made conditional on participation in active programmes but that referrals to programmes need to be handled flexibly in accordance with the availability of places that correspond to the actual needs of the jobseekers in question (Martin, 2001).

As of the present, there has been no compulsory referral to training or direct employment programmes in Ireland. New lower rates of JA have, however, been introduced for younger age groups. Anecdotal evidence suggests that the interest of some young people in education and training has increased as a result, but a full and transparent evaluation of the impacts of the measure on poverty and social inclusion, as well as human capital, will be important in assessing its merits.

Qualification effects

The most striking finding from evaluations of training or education programmes for unemployed people is that their impact on post-programme employment rates is not as large or as easily identified as is often supposed (Auer *et al.* 2005; Kluge 2006; OECD 2005; Martin and Grubb 2001; etc). This limited evidence for a strong employment dividend from training and education programmes has been a particular source of concern in countries that adopted a strong human capital approach to activation (Denmark, Sweden). However, it is clear that qualification effects of ALMPs are particularly difficult to measure. Experts in Denmark, for example, observe that the minimal link that can be observed between returning to education and subsequent re-employment is because most of the unemployed who return to education already have medium or high qualifications to begin with (Kvist and Pedersen, 2007). The effects of educational activation are larger for those less educated to begin with, but in Denmark only small proportions of the least educated unemployed return to further education, i.e., become 'educationally' activated (as in Ireland and elsewhere – see the discussion on raising the lowest skill levels in chapter 4).

The absence of an effect for the already well-educated may be because the contribution of education to employment and earnings is cumulative and the impacts of small increments are difficult to detect – the stylised fact stands that additional years of formal education are good for later employment and earnings but fuels an expectation that 'more is always better', which may not be the case. Some experts, accordingly, point out that significant 'qualification effects' from ALMPs should not really be expected, as many of them are of short duration, while 'building up human capital is a long-term project' (van Ours, 2007). For example, estimates of the returns to schooling show that it typically takes a year of schooling to increase a person's wage by 6 to 9 per cent. Applying a similar rate of return to training, a one-month training programme could be expected to lead to an increase of 0.6–0.75 per cent, an effect perhaps too small to be noticed. If human capital is built up this slowly, it is not difficult to imagine that the job-finding rate is not much affected by short training courses. Longer training courses are more likely to help but their impact may also take a longer time to register (OECD, 2005). They also have a downside – they can 'lock in' workers who reduce their job-search intensity because of the time that is spent on the course (van Ours, 2007).

A second stylised finding is that training that involves the private sector generally has the biggest impact in reducing future reliance on welfare. That is to say, the relevance of training to ‘real life’ workplaces and the motivation of participants to complete their training appear higher in programmes that have employer participation. In Denmark, for example, private job training records the largest direct employment effect for both its ‘advantaged’ jobseekers (those in receipt of unemployment insurance) and its ‘disadvantaged’ ones (those in receipt of municipal social assistance).¹²⁵

Some of these findings have already been glimpsed in the relatively small number of programme evaluations that have been carried out in Ireland.

Lock-in effects

Lock-in effects can arise on programmes of any type that last a significant period. The least serious lock-in effect is that participants reduce job-search effort while on courses. This can be countered through the simple expedient of building in an element of active job-search to programmes themselves, and being clear that participants remain available for work in the open labour market (Martin, 2001). The context of recession, however, alters the significance of not searching while on programmes,¹²⁶ probably making it unnecessary to address this effect directly. The more serious type of lock-in effect is that habits or expectations are acquired while on programmes that make participants less successful in the open labour market afterwards. These ‘disqualification’ effects can arise on low-quality programmes. Participation on a given programme may even be considered by employers as a signal of poor work habits, creating a type of scarring effect from participation. The adjunct ‘do no harm’, therefore, is not to be taken lightly. In the case of direct employment programmes, it is observed (as with training) that those that are close to real work situations achieve more for participants’ re-employment prospects than those that more resemble pure ‘make work’ schemes (Martin, 2001).

The thrust of these findings has also emerged in evaluations of Irish labour market programmes, in particular of the Community Employment programme.

Well-being effects

The more distant the intake to a programme is considered to be from the open labour market – the lower the skills and weaker the employability of participants – the more the activation in question assumes the nature of ‘social activation’ rather than activation ‘for employment’. Distinguishing persons who have a realisable potential to hold decent employment in the open labour market from those who do not is not easy. Profiling based on arm’s-length statistics (age, sector of previous employment, duration of welfare receipt, area of residence, etc.) goes only so far and person-to-person interviews and expert assessment of individuals are ultimately required to respect the heterogeneity within even narrowly targeted

¹²⁵ Individuals aged twenty-five or over who participate in private job training reduce their dependence on social security by 20 percentage points, i.e. two months a year.

¹²⁶ For example: ‘Participation in training has a smaller negative impact on job-search intensity and higher positive long-term effects on employment in recession than otherwise’ (Lechner and Wunsch, 2009, ‘Are training programs more effective when unemployment is high?’ *Journal of Public Economics*, Vol. 94).

groups. On the one hand, it is important not to reinforce the poor self-image and low expectations that ‘hard to employ’ individuals can have on the basis of an attributed group identity. It should not lightly be assumed of any individual that they cannot develop the capabilities to hold satisfactory employment in the open labour market. On the other hand, participation in the routines and social interaction of direct employment programmes, in particular, can be beneficial of itself for some participants, and the requirement to demonstrate the programme’s contribution to improving post-programme outcomes could overlook the substantial welfare improvements being achieved.

The now long debate in Ireland over the purposes and effectiveness of the Community Employment programme, the Jobs Initiative scheme and other direct employment programmes, have, probably, not been connected sufficiently with other countries’ experiences with and practices of ‘social activation’, but it is clear that similar issues and themes have already emerged.

7.2.3 The architecture of success

Activation embraces both the short-term and long-term unemployed but does so differently. To be ‘available for’ and ‘actively seeking’ work is an obligation on all unemployed job-seekers, including recipients of unemployment insurance in the first months of an unemployment spell. However, individuals’ needs at the start of, and later in, unemployment spells are different. In the early months, a significant proportion need to be provided the equivalent of space and encouragement as they take stock of what has befallen them and seek to mobilise their own resources and networks to assess their options and take action accordingly. Counselling, information and assistance in drawing up personal plans may be the best forms activation can take. In Denmark, the acceptance of a ‘passive’ period to the receipt of unemployment insurance, during which the labour market authorities accord themselves a background role requiring contact with the PES but leaving job-search methods and strategies to the individuals themselves, is particularly strongly articulated. As unemployment spells lengthen, the composition and circumstances of those remaining unemployed become less diverse (the more employable find jobs, individuals’ resources and networks begin to shrink, job-offers become less attractive, etc.) and more intensive support is required. This is where activation proper begins with, often, the introduction of an element of obligation to use some of the wider supports made available.¹²⁷ Early contact with the PES facilitates early detection of who may and may not have major problems in re-entering employment; profiling techniques help distinguish between them.

What characterises ‘best practice’ in activation in industrialised countries has become progressively clearer and is sketched here in broad brushstrokes.

As activation is extended from those who are ‘employment ready’ to those distant from the labour market, a **wider set of measures** needs to be made available. These include: work-focused interviews; effective referral procedures between

¹²⁷ In Denmark, recipients of unemployment insurance know that, after twelve months, they will be required to accept an activation offer (place on an ALMP programme). This is seen to increase the outflow of the better-educated UI recipients still remaining. It is interpreted as a ‘motivation effect’, i.e., those UI recipients capable of forging some alternative to being assigned a place on an ALMP do so (Kvist and Pedersen, 2007).

the PES, benefit administrators and operators of ALMPs; tailored and targeted training and education courses, including personal development and bridging courses; interaction with providers of key non-labour market services (e.g., health, housing, debt management, etc.); in-work benefits and employer subsidies; fair, credible and flexible sanctions; and – as a final measure – some direct employment programmes.¹²⁸

As the set of measures gets wider, they need to be applied in a **personally tailored and flexible** manner to individuals' particular circumstances for maximum effectiveness. 'Individualised service plans' become part of the vocabulary of even mainstream service providers. The greater the difficulties people face, the longer the time period the individualised plans must cover. **Progression pathways or trajectories** become necessary and a new function is created in the service system (that of the 'mediator', 'facilitator', 'mentor', etc.).¹²⁹ As well as advising the client and drawing up the pathway or trajectory of choreographed and sequenced interventions considered most likely to benefit them, these new professional roles involve *accompanying* the client over time and revising and altering the framework pathway or trajectory as results and circumstances suggest. At the same time, both parties have to embrace transparent forms of **conditionality** – i.e. individuals and service providers must be clear on what each is to do and that not doing what has been agreed has consequences (sanctions for the individual, the obligation to continuing courteous payment of welfare for the state). Supportive conditionality (NESC, 2002; 2005) further ensures that the stronger party (the state) asks nothing of the weaker party (the individual) that it does not appropriately support the latter to perform. The wider set of measures brings **more diverse providers** into play, local as well as central government, NGOs and commercial providers as well as public bodies. Whether direct public provision or tendering and outsourcing by the Public Employment Service is the principal route taken, the pursuit of 'good practice', nevertheless, brings the different providers to develop **similar organisational tools and procedures**, e.g., profiling, networking, protocols and Memoranda of Understanding, agreed referral procedures, the sharing of data, and the embrace of outcome-based assessment, performance management and monitoring.

The growing diversity of the actors makes the quality of the co-operation and co-ordination between them pivotal to satisfactory outcomes and the quality of the service individuals receive. This increases the need to improve governance arrangements (van Berkel and Borghi, 2008).¹³⁰ There is an early emphasis on overcoming institutional and administrative fragmentation within the public system. More contractual relationships are developed between different levels of government and across delivery units within the public sector, as well as between

¹²⁸ An important addition to the tool box, if hard-to-place groups are genuinely to be helped, is some form(s) of subsidised work (e.g., Denmark's 'flex-jobs', Germany's 'mini-jobs', etc.). Described by the OECD as a 'backstop to activation for the most hard-to-place unemployed' (*OECD Economic Outlook 2010/1*: 255, 285).

¹²⁹ 'Trajectory' is the preferred term of the Flemish labour market research institute, HIVA, by which it refers to the multiple services through which a jobseeker is guided sequentially, such as initial registration for employment services, detailed assessment, the resolution of barriers to employability, the formulation of an individual action plan, vocational training, job-search training and job placement (Struyven (2004), 'Design choices in market competition for employment services for the long-term unemployed', *OECD Social, Employment and Migration Working Papers No 21*).

¹³⁰ This review article of research on the governance of activation identifies four key themes: marketisation, decentralisation, inter-agency cooperation and individualisation of service provision.

public entities and private or not-for-profit service providers, and between the individual and the state. The design of incentives and the administration of successive waves of tendering become prized competencies of the labour market authorities. Some countries develop successful 'quasi-markets' for stimulating the supply and ensuring the quality of activation services. The level of trust and degree to which the same basic strategy is subscribed to by the different public bodies, social partners and NGOs, become integral to the success of activation.

The extent to which these measures, procedures and institutional arrangements are developed influences how conditionality is perceived and practised and, hence, its effectiveness. The less developed are institutions and supports (particularly services), the more likely it is that a greater recourse to sanctions will only drive issues associated with employability underground.¹³¹ The more developed they are, the greater is the likelihood that the conditionality inherent in the payment of unemployment compensation will be widely embraced, and benefit administrators be supported in their efforts to require compliance with what are widely seen as reasonable obligations on welfare recipients, and in their best interests. A common approach can then develop and be applied by benefit administrators, the PES and those who allocate places on ALMPs.

7.3 Conditionality

7.3.1 Different welfare regime contexts

It is clear from the above that the actual practice of activation within a country assumes emphases and nuances that the wider welfare state of which it is a part enables and makes necessary. The major contextual differences of which policy makers in Ireland may need to be aware in developing a fair and effective form and practice of activation are captured in Figure 7.1. Basically, it depicts how countries differ in the levels and coverage of the support they provide unemployed people (the horizontal axis) and the extent to which they make access to this support conditional on what unemployed people do (the vertical axis).

The first quadrant (low support and high conditionality) depicts a welfare regime that rigorously rations access to income replacement and support services for people without jobs and makes higher levels of support conditional on employment (in-work benefits are more generous than out-of-work benefits). Activation is framed within a welfare regime and society that subscribe strongly to keeping taxation low and an 'employment first' approach. Poverty among those out of work is deep, while the cost of ensuring that work is a route out of poverty is also high, as people with weak productivity 'price' themselves into work and earn at low levels. In so far as high conditionality is a given (e.g., culturally ingrained), progress in tackling

¹³¹ Daguerre (2009) concludes that the US evidence 'suggests financial sanctions, should be implemented with caution, as they tend to affect individuals with the most severe barriers to employment'. She cites a Minnesota study that found sanctioned families were four times as likely as the welfare recipients generally to report chemical dependency, three times as likely to report a family health problem, and twice as likely to report a mental health problem or domestic violence. Moreover, sanctioned individuals were more likely to have trouble understanding [the rules governing social welfare receipt] and the consequences of not participating. In a similar vein, a drawback noted in applying much tougher mutual obligation regimes to young people than to older age groups is that 'young people stop applying for help, and therefore disappear from official statistics. In particular, youth from ethnic minorities can drift into informal market activities or even illegal activities, simply because the mutual obligations system lacks the supportive elements which are crucial to effectively serve very disadvantaged youth (OECD, 2008, *Jobs for Youth: Netherlands*).

poverty and increasing the level of support to those in need (moving to the right on the horizontal axis) entails improving in-work benefits and subsidising civil society to care more for the jobless. The obvious exemplar is the USA with, for example, its time limit on welfare receipt in an individual's life ('three strikes and you're out') yet its large spending programme that tops up low earnings (the Earned Income Tax Credit). The US welfare regime, however, is easy to stereotype and the degree of diversity across its constituent states and levels of involvement (subsidised) of non-state actors easy to overlook.

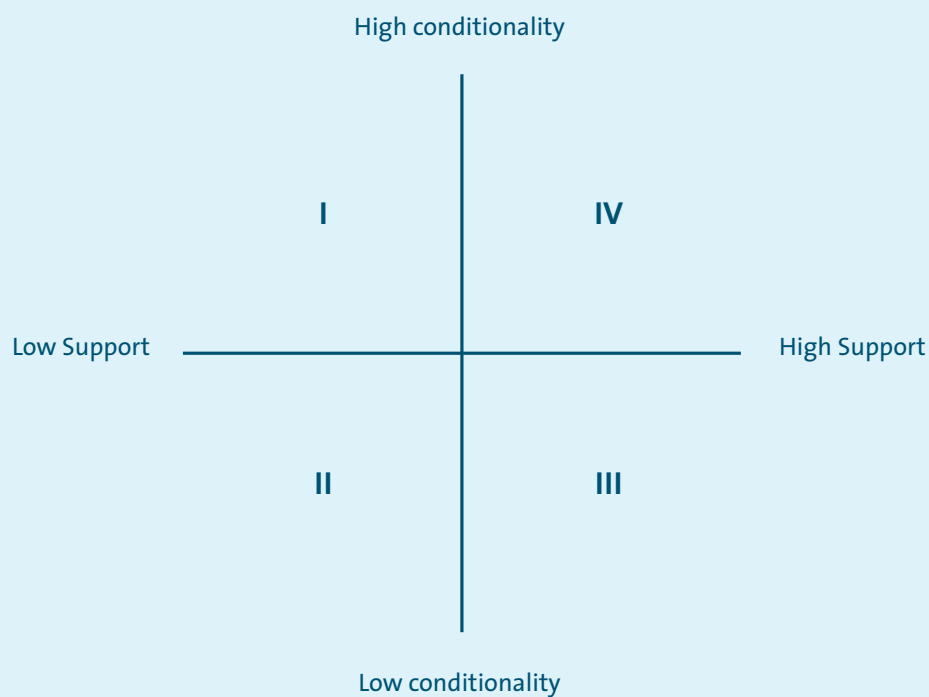
The second quadrant (low support and low conditionality) depicts a welfare regime that provides low levels of income replacement and support services for people without jobs but makes access to them relatively easy. Activation is framed within a welfare regime and society that subscribe strongly to keeping taxation low and sharing the resources that can be made available among all those out of work. Poverty among welfare recipients is high and a significant proportion of welfare receipt is of long duration. In so far as low conditionality is a given (e.g., based on wide sympathy for the predicament of unemployment), progress in alleviating poverty is focused on devoting increased tax resources to raising welfare payments. The obvious exemplar may be Ireland, which, until recently, framed the issue of unemployment supports largely within the context of poverty alleviation and made significant progress in that regard. This is not to overlook individual analyses and reports that sought to query whether conditionality was out of favour primarily because it was challenging and expensive to introduce, rather than that it was unfair to welfare claimants (e.g., NESF, 2005; DSFA, 2006).

The third quadrant (high support and low conditionality) depicts a welfare regime that devotes significant resources to income replacement for people without jobs, guarantees them access to relatively good services and yet has little recourse to conditionality. Activation is framed within a welfare regime and society that subscribe strongly to ensuring that people are only selected into employment when their productivity supports the payment of comprehensive social insurance, and that a status outside the workforce (and thus exemption from activation) is facilitated for those whose productivity is low. Poverty in society is kept low but a social divide is notable between 'insiders and outsiders', with the latter characterised by their long-term joblessness and reliance on invalidity/sickness benefits and early retirement schemes. Because high productivity is a fundamental requirement for accessing employment, progress in reducing long-term joblessness and raising the employment rate is difficult because of the obstacles to bringing low productivity jobs on stream, and a shared view among the social partners that such jobs are not acceptable alternatives to long-term welfare dependency. The obvious exemplar here was Germany, where the long-established strength of manufacturing nurtured a normative view of what employment should typically entail and from which reforms, only since the early part of this century, have begun to move away.

The fourth and final quadrant (high support and high conditionality) depicts a welfare regime that provides high levels of support during unemployment, both in income support and services, but requires specified and clear forms of co-operation from unemployed people in return. Activation is framed within a society that supports high taxation, a large public sector, and a welfare regime that uses tax

receipts effectively to ensure that the high levels of support during unemployment produce a quid pro quo to the taxpayer and the economy. Employment rates are high and poverty in- and out-of-work is low, but a pervasive role is accorded to – and played by – the state in monitoring welfare receipt and tax compliance, and sanctions are significant and credible. In so far as the large public sector is the given, success in maintaining the good outcomes and broad societal support entails constantly monitoring the efficiency of the public sector and ensuring there are incentives for lower-skilled workers (absorbed into the public sector as a last resort) to improve their productivity. The obvious exemplars are the Nordic countries. Their welfare states, generally, attract admiration from overseas but for reasons that, frequently, do not include their strong acceptance and practice of conditionality.

Figure 7.1 Different Contexts to Framing Activation Policies



Quadrant	Dominant Discourse	Main danger	Main response
I	'Work first'	In-work poverty	In-work benefits
II	Scarce resources	Welfare poverty	Improve welfare
III	Protect living standards	Long-term joblessness	Low productivity jobs
IV	Citizens' obligations and entitlements	Intrusive state	Public sector competition

In conclusion, this brief sketch of the wider contexts within which activation policies are framed underlines the extent to which they assume forms aligned with wider welfare regimes and reflect their characteristics. It suggests movement is needed within any context and that no country's practice should be demonised or lionised as having nothing/everything to offer Ireland.

7.3.2 Reservations with conditionality in Ireland at the present time

Reservations with the application of conditionality to social welfare receipt have been widespread in Ireland and are by no means fully dispelled. It is understandable that attitudinal and institutional predispositions against reinforcing conditionality developed during decades of scarce employment and an apparent chronic labour surplus (e.g., Grubb *et al.* 2009: n 351; Grubb, 2010: n 14). Reinforcing the conditional nature of social welfare during a prolonged and deep recession can similarly appear tantamount to 'blaming the victim'. If activation entails, at an advanced stage in some individuals' spells of welfare receipt, the state's capacity to require them to do specified work or undergo specified training, for at least a period, under pain of having their welfare payments reduced or suspended, it can be challenged in several specific ways in a time of recession.

- i) In a recession, there is simply not enough 'to activate people into'. Even entry-level jobs attract waves of candidates, while education and training programmes (particularly those that are known to demonstrably improve employment prospects) are over-subscribed. It is argued that it would be fairer to recipients of JB and JA to relax rather than tighten enforcement of the 'available for work' and 'actively seeking work' criteria at the current time. In similar fashion, it is argued that continuing with plans to regard lone parents whose youngest child is older than 14 and claimants of disability allowance who have a partial work capacity as members of the workforce (therefore, entitled to social welfare on condition that they, too, are 'available for' and 'actively seeking' work) should be suspended until the unemployment rate has returned to low single figures.
- ii) The threshold to individual productivity governing access to a decent job is simply too high for a significant proportion of people on the LR to reach. They are people whom the educational system and/or previous employers have failed and their low skills and age make them poor candidates for either employment or training. Requiring them to work, in effect, pushes them into extremely low paid work with detrimental effects on their well-being.
- iii) Activation does not come cheap. The experience of other countries suggests that spending on active and passive measures is complementary rather than substitutive. If Ireland has, indeed, arrived at a stage where its rates of welfare payment are good, it simply cannot afford – within the fiscal constraints of at least the next few years – to raise its spending on active measures to a level that would match (protect) the current level of spending on passive income transfers.
- iv) The core services that support people in work on low earnings in Ireland are underdeveloped (e.g., the level of earnings up to which the medical card can be retained, the affordability of childcare, the rent supplements available when in work, etc.). To push more people (e.g., those with dependants) to work for the current NMW, and even more so to lower the NMW, is to have them work within inadequate support infrastructures with negative consequences for themselves and their families.

- v) Women stand to lose unfairly. They constitute the majority of lone parents, of those performing caring duties in the home, and of adults benefiting from Increases for Qualified Adults (IQAs). In so far as activation policy is built on the assumption that all adults of working age are members of the workforce until proven otherwise, women run the largest risk of being the losers as the status quo is changed.
- vi) Some people are uncomfortable with the degree of reinforcement that activation brings to the conditionality already in the social welfare code. Such language as, for example, 'mutual contracts' and 'reciprocal obligations', they argue, implies a degree of symmetry between two parties, which simply does not apply where an individual with potentially no income at all on which to fall back and the state with the enormous resources that are at its disposal are concerned.
- viii) 'Activated' clients can make poor employees. Wise employers, particularly those recruiting for customer-service positions or where team spirit and/or the handling of expensive equipment/materials are important in day-to-day operations, cannot risk having resentful or unco-operative staff. Some employers can even believe that too great an emphasis on their role in making ALMPs work is tantamount to making them pick up where state-funded programmes and services (including poor education) have failed.

Articulating these perspectives serves to underline the complexity of the issues dealt with in this chapter, and the extent of the challenge of developing an understanding of, and approach to, activation that commands wide support. The perspectives are not articulated as straw men to be knocked down but because each makes an important point, which needs to be reflected in how activation is understood and implemented at the current time. None, however, is a sufficient argument for not wanting to improve the current practice of activation in Ireland.

For example, Chapter 3 has already advanced some answers as to what people are to be 'activated into'. It made three things clear: (i) replacement jobs are more significant than net job creation and should be targeted by activation policy; (ii) the supply of education/training places for people with lower skills should not be accepted as a constraint even in the current fiscal climate; (iii) activation itself has a contribution to make to job creation. This chapter will add that (iv) 'labour market activation' in a recession must be acknowledged as entailing longer trajectories for more people, and that (v) 'social activation' has assumed greater prominence.

The belief that a significant number of unemployed people will not be able to muster the 'human capital' and reach the level of productivity that enables them to hold decent employment is precisely what activation helps to address. It does this, in the first place, by helping identify (on the basis of in-depth knowledge of people's capabilities obtained through one-to-one interviews) where this is *not* the case, so that people's membership of the workforce is not considered prematurely over on the basis of statistical profiling or other arm's-length approaches; it operates out of the perspective that the threshold to individual productivity can improve because of employment and not only prior to it; it helps identify those for whom subsidised work or forms of direct employment are appropriate; and, finally, it facilitates the transfer of people to other social welfare programmes where this is legitimate and welfare-enhancing.

Activation does not come cheap but expenditure on JB/JA is soaring anyway and, as has happened in the past, its rise may be ratchet-like (rising steadily during the recession but falling by much less when the economy recovers) unless some understanding of the appropriate proportionate activation required is adopted and implemented.

The severe fiscal constraints certainly make it a difficult time to consider easing eligibility to the subsidised services from which low earners, in particular, benefit (the medical card, childcare, rent supplement, etc.). Activation, however, increases the potential return to the state from extending such subsidies and, other things being equal, strengthens the case for doing so even if it were to be at the expense of other subsidies from which people in the upper half of the income distribution are benefitting significantly. The initial point being addressed, therefore, is not really about activation but about budget priorities.

The view that women are likely to be the principal victims of a greater emphasis on activation must reckon with the evidence that women are currently the principal victims of the social welfare code as it stands (many having access to social welfare only through their husbands, having difficulty establishing pension rights, finding transitions between employment and welfare particularly hazardous, etc.). If activation brings more women to hold employment and for longer periods in their working lives, it offers solid prospects for reducing female (including lone parent) poverty and child poverty.

The fundamental asymmetry in power between welfare recipients and the state are grounds for caution in using such language as 'reciprocal obligations' and 'contracts'. It is not intrinsic to activation, however, that it be communicated in such language. More essentially, activation involves bringing to the surface requirements and conditionality that are latent in the social welfare code and fundamental as to why individuals ask for, and are awarded, income maintenance from the state. It appears eminently reasonable to many people, welfare recipients as well as taxpayers, that public bodies administering public funds should be empowered to oblige anyone to whom a regular weekly payment is being made to verify their ongoing need for the payment and attend a periodic interview.

Finally, some employers may wish to have nothing to do with activation while others have experienced that the ranks of welfare recipients contained workers who developed precisely the qualities and aptitudes they sought. The task of activation is to bring employers not to overlook a source of recruitment that is near at hand on the basis of anecdote, untested assumptions or because they are afraid they will be left to perform a social role without support from the labour market authorities.

The preceding samplings from a wider literature on activation ground the conclusion that it is only likely to achieve satisfactory and lasting outcomes for individuals and the Exchequer when its objectives and methods are widely embraced as necessary and fair.

7.4 Area-Based Strategies and Activation in Ireland

A specific factor influencing how activation has been understood and practised in Ireland over the past two decades has been the emphasis on area-based strategies for tackling unemployment. Several types of organisation and programme developed in response to the high unemployment of the 1980s, and received public funding to provide services to unemployed people in their own neighbourhoods (e.g., the LESN, Area-based partnerships, etc.) and/or employ them directly in providing services within their communities as an alternative to remaining unemployed (e.g., the Community Employment and Job Initiative programmes, etc.). Funding for these bodies and programmes grew substantially and was maintained at a high level, even when a large reduction in long-term unemployment occurred at the national level. This allowed the intensity and quality of the supports provided to unemployed people to improve, but also enabled the weight given the complementary objectives of fostering community development and combating social exclusion to increase. Area-based partnerships, for example, came to acquire roles in combating educational disadvantage, capacity-building, improving the physical environment, fostering local service infrastructures and brokering statutory-voluntary networks, in addition to helping unemployed people overcome isolation, remain attached to the labour market and improve their skills. Their initially clear focus on empowering unemployed people to overcome labour market disadvantage was diffused.

Towards a greater focus on outcomes

The Local Development Companies and the Local Employment Service have their origins in the early 1990s and were part of a deliberate strategy to reduce long-term unemployment. The characteristics of the **analysis** leading to their establishment was that significant numbers of the long-term unemployed lived in areas of concentrated socio-economic disadvantage and that this reduced their chances of receiving the services they needed to exit unemployment. National agencies and bodies struggled to provide services of the quality, diversity, flexibility and sequencing that the welfare-to-work challenge required because the areas in question differed fundamentally from the localities and settings in which they typically operated.

The characteristics of the **strategic response** included that the specific needs of unemployed persons and of the areas or neighbourhoods in which they lived would be jointly addressed. Services to help people exit unemployment would be integrated into a wider strategy for the development of their community. Services to unemployed people would also be delivered by organisations that were not only for but 'of' the communities in which the LTU lived and, thus, would have a culture and ethos that made it easier for them to be approached than the local offices of national bodies. The strong links of the LDCs and the LES with their local communities were to attract the LTU to the tailored education, training and work experiences they provided, and local employers to support their services – placement in particular but training initiatives as well (see NESF, 1995; NESF, 1990). In addition, the targeted focus and significant autonomy of area-based partnerships and of the LES were to allow the recruitment of specialised staff with an empathy and skill sets that were neither necessary nor easy to replicate across mainstream service providers.

This analysis and strategy underpinned the establishment of twelve area-based partnerships in 1991. It was largely the plausibility of this analysis and strategy, together with the political urgency to be seen to be doing more and the availability of European Social Funds, and not the evidence of outcomes provided by evaluation, that led to the decision to increase their number to thirty eight just three years later in 1994. Nevertheless, to a significant extent, the analysis and the strategy behind area-based partnerships delivered. Examination of the activities of LDCs and LESs over the years confirm that they have primarily been in contact with an extremely disadvantaged clientele. Fitzpatrick's Associates (2007) found that a range of evaluations of partnership work was broadly positive because the partnerships were innovative, put in place a local infrastructure that allowed other things to occur at local level, harnessed resources (financial, physical and human) for their areas, carried out a significant amount of good work at local level and had staff that were highly motivated and trained.

In a similar vein, Eustace and Clarke (2006) identified features in the partnerships' way of working that were considered to 'work' for their clients. These included:

- ◆ Their focus on the multi-dimensional and complex nature of clients' needs, with many of them providing pre-training and interpersonal skill development that helped to motivate clients, build their confidence and develop 'soft skills' such as communication, work ethic etc.;
- ◆ The close co-operation of partnerships with mainstream service providers (FÁS, VECs, the HSE, GPs, local authorities, etc.) so that their clients benefitted from referral networks and services that were more integrated;
- ◆ Their work with employers, as many partnerships linked in with companies operating locally to develop work placements, etc;
- ◆ Their development of after-care mechanisms to support those who entered employment or became self-employed.

Fitzpatrick's Associates also noted, however, that structured systems to exchange information, either horizontally or vertically, across the area-based partnerships had never been put in place. This contributed to their conclusion that a definitive evaluation of the partnerships was not possible:

'The greatest weakness of the Partnership experiment is the lack of ability to state definitively in an evidence-based manner, after 15 years of implementation, what impact they have had as a programme on the communities in which they are established. Evaluators have generally concluded that, while there is no doubt that the areas have developed over time, it is more difficult to demonstrate what the Partnership's distinct contribution has been over and above what might have occurred anyway because of economic growth or other interventions' (Fitzpatrick's Associates, 2007:23).

It is the experience, internationally, that the objective of 'community development' makes initiatives undertaken under this rubric exceptionally difficult to evaluate. A review of the international literature on community development programmes by the Centre for Effective Services finds that 'credible evidence of 'what works' in terms of programme design and content, and programme implementation and

delivery is largely absent' (CES, 2009:5). When resources were relatively plentiful, it was easier to commit resources without robust evaluation confirming what was being achieved, for whom, and with what efficiency. In the current context, however, it is valid to seek stronger evidence that the future prospects of unemployed individuals are being advanced in meaningful and verifiable ways by community development strategies being publicly funded as responses to unemployment.

The rationalization of area-based partnerships and LEADER companies into larger county-wide LDCs brings challenges as well as opportunities to their mission to focus on the disadvantaged. On the one hand, it means the considerable number of long-term unemployed people who do not live in disadvantaged areas now find themselves within the remit of an LDC. On the other hand, however, it also makes outreach on the part of LDCs both more necessary and more difficult; any 'recognition factor' that may have made it easy for the LTU to approach a service because they considered it 'ours' will be more difficult to maintain. The alignment of LDCs with the broader boundaries of counties and cities must also bring further impetus to the quest to make area-based strategies led by the community and voluntary sector a more integral extension of how local government itself analyses and commits to redressing entrenched neighbourhood disadvantage. This will be to the benefit of accountability and security in the former, and of the flexibility and effectiveness of services in the latter.

Community Employment and other programmes

Funds for community development and area-based strategies are administered by Pobal and channelled, primarily, through the Local Community Development Programme, the Community Services Programme and the Rural Social Scheme. As noted in Chapter 2, Pobal has required organisations funded under the LCDP to increase the weight they accord employment services for unemployed job-seekers in their overall operations. Recipient organisations can, in addition, play a major role in fostering uptake of national active labour market programmes that the DES and DSP design and fund to combat unemployment (e.g., the BTEA, BTWEA, etc). A particularly significant one is the Community Employment programme (CE).

CE is the largest single programme bequeathed to the present armoury of labour market measures from the unemployment crisis of the 1980s. Its annual budget of over €350m and some 23,000 participants account for a major part of Ireland's aggregate spending on active labour measures. Because of CE, the share of expenditure on labour market policy devoted to 'direct job creation' in Ireland (42 per cent in 2008) is consistently one of the highest in the EU (Eurostat, 2008, 2010b). From its inception, CE has had two objectives, which have probably more often competed with each other than been complementary, i.e., to channel funds to organisations that will employ recipients of social welfare in providing local services and to help the long-term unemployed return to the 'open' labour market (Boyle, 2005). The primary concern of the sponsoring organisations (largely from the community and voluntary sector but also schools and local government) is, typically, to provide the local services in a satisfactory way, while the primary concern of the labour market authorities is to see the employability of programme participants demonstrably improve. As the poor labour market progression of CE participants came to be increasingly evident in the context of steadily fuller

employment (and despite several attempts to improve the training element associated with CE employment),¹³² its weak labour market role was increasingly considered secondary to other outcomes – namely, the value of the services it provided to local communities and the semi-permanent, sheltered employment it gave a clientele whose unemployability was considered confirmed rather than challenged by the booming labour market. Constituency politics further dictated that political attention focused on CE's community services more than its labour market impact (and even on a role claimed for it in containing potential social unrest, Boyle, 2005:58). Sponsors and participants came to share an interest in reducing the degree of participant turnover on the programme with the result that relatively few places were available to be filled each year. Consistently throughout CE's history, sponsors have been obliged to recruit from specified categories of welfare recipients but have retained the freedom to select the individual participants themselves and without any obligation to the PES or DSP to take referrals.

Other smaller programmes have subsequently adapted variations of what might be termed the CE 'template'. **The Rural Social Scheme** (launched in 2004) seeks primarily to supplement the incomes of rural dwellers – those engaged on a small scale in farming or fishing and already in receipt of social welfare – and to do so by giving them the opportunity to engage part-time in providing services of benefit to their local communities. There is no expectation of progression and, consequently, no element of training is required. Local Development Companies have the responsibility to ensure the work in question is beneficial to local communities. The current capacity of the Scheme provides 2,600 participant places and 130 supervisor places. **The Community Services Programme** (launched in 2006 and subsuming an earlier Social Economy Programme) seeks chiefly to remedy services deficits in geographically or socially excluded communities that mainstream public and private providers are not adequately reaching. As a secondary objective, it is to create as much employment (part-time and full-time) as possible for residents in these communities who are distant from the labour market. Only legally incorporated community organisations and enterprises can apply to the CSP. In 2008, some 2,100 people were employed in the CSP funded projects. Finally, **the Tús Community Work Placement programme** (announced in 2010 and being rolled out in 2011) takes the familiar form of providing part-time work for people on the LR on activities that are beneficial to their local communities and for which LDCs vouch, but adds a new element. The programme is to test the availability for work of people on the LR and help the DSP in its task of managing the Register. The delivery of Tús begins with the DSP, which first supplies panels of LR claimants in whose cases it has an interest to the LDCs who, then, have the responsibility to source suitable part-time work activities. Should someone subsequently be offered a place and refuse it, further inquiry then takes place into their eligibility to remain on the LR. By the end of 2011, it is anticipated that 5,000 places will be available on Tús.

¹³² Findings that the Programme makes a poor contribution to participants' employment prospects have been consistent – e.g., Report to the Cabinet Committee on Social Inclusion (2003), Indecon (2002), Deoitte and Touche (1998), O'Connell and McGinnity (1997). The most recent evaluation (Forfás, 2010) estimated that an additional three of each one hundred CE participants entered employment as a result of their three-year participation compared to what would have happened in the Programme's absence (*ibid.* pp.120-133).

The strong roles that have developed for local groups in supporting the long-term unemployed and others distant from the labour market are a major asset in addressing the current unemployment crisis. At the same time, realising the full value of this asset at the current time will require changes. It is clear that such programmes as CE and the RSS enable many people with weak market skills to contribute to their local communities in ways that are proportionate to their circumstances, and that they inject funds into the community and voluntary sector, enabling groups to increase their reach and professionalism. However, even before the crisis, the quality and sophistication of many of the evaluations carried out lagged behind what the scale of the programme expenditures justified, and more robust evidence was needed that local communities and, in particular, individual programme participants were benefiting on the scale required.¹³³ Embracing such evaluation now is an even greater imperative given the steadily rising opportunity cost to using public funds. In addition, a ‘new long-term unemployed’ can now be regarded as competing with the more traditional clientele of the LDCs, LESN, CE, RSS, etc. As Chapter 2 made clear, a large number of people educated to Leaving Certificate or higher and with significant work experience behind them have already passed the twelve-month threshold that technically constitutes them as LTU. They, too, have a need to be supported in making contributions that draw on their higher skills and expertise, and some diversion of public funds to support new programmes that achieve this is required.

7.5 The Emergence and Current Practice of Activation in Ireland

Until recently, employment services and the payment of JB/JA were conducted by two wholly separate public bodies (FÁS and the Department of Social & Family Affairs) that had independent and different systems for providing services to the same unemployed individuals. The extent of the separation between employment services and the administration of social welfare in Ireland was extreme by international standards and, even before the recession, had come to be regarded as a hindrance to the development of a more customer-oriented, flexible and responsive system, which was genuinely able to keep unemployment spells as short as possible. FÁS and the Department of Social Protection drew up protocols for sharing information and following agreed procedures, but progress was slow and uneven. The current crisis, however, has accelerated more rapid and far-reaching changes in how employment services and welfare receipt are co-ordinated than have been undertaken for a long time.¹³⁴ The establishment of the National

¹³³ Halpin and Hill (2007) is a good example of the new generation of more rigorous evaluation studies. They apply advanced techniques to ascertain who benefited and to what extent from direct employment programmes over the period, 1994-2001. They find: (i) the programmes were well targeted – they recruited jobless people in their middle years who had low levels of education, problematic labour market status and tended to be poor in significant numbers; (ii) there was no evidence ‘whatsoever’ that programme participation had any positive effect in reducing people’s poverty risk; (iii) there was ‘insufficient’ evidence to suggest programme participation was damaging.

¹³⁴ Other factors, in addition to the surge in unemployment and the large proportion who are well educated (see Chapter 1), have also served to increase the determination to undertake deep reforms. FÁS entered the crisis damaged by revelations of serious lapses in its corporate governance, which made the moment ripe to overhaul and restructure the agency. Research continued to mount that many of the individual programmes and supports Ireland provided unemployed jobseekers were, in fact, achieving little for them and falling further behind what reforms in other countries were achieving for their unemployed (e.g., Grubb *et al.* 2009; Forfás, 2010; McGuinness *et al.* 2011).

Employment and Entitlements Service to provide a 'one stop shop' for unemployed people needing income support and employment services (discussed in Chapter 3) has major potential to constitute a step-improvement in the efficiency and effectiveness of the services unemployed people receive.

The NEES should soon be able to reverse the significant disadvantages that unemployed people and service providers experienced from the strong separation between employment services and benefit administration in the past. Individuals had to sort out for themselves the implications for their social welfare and any secondary benefits (including housing support) they were receiving if they acted on the advice of an employment services officer and enrolled in an education or training programme, took part-time, casual or temporary work, got work experience or undertook voluntary work. Employment services officers had to advise and accompany individuals as they moved closer to new employment without being in a position to influence or guarantee them their income security. Social welfare administrators had to ensure that people who were genuinely seeking or preparing for new employment had income security but they were not in a position to know whether and what steps welfare recipients were taking to find or prepare for work and how they were faring.

7.5.1 The National Employment Action Plan (NEAP)

The NEAS was the first major attempt by FÁS and the then Department of Social, Community and Family Affairs (DSCFA) to resolve some of these dilemmas. Adopted in 1998 in response to the European Employment Strategy, its primary intention was to reduce long-term unemployment by structuring intervention and engagement with the state's employment services for people remaining on the LR for long periods.

Prior to the introduction of the NEAP, recipients of JB or JA were not required even to register with the PES, let alone draw up and abide by personal agreements with employment service officers, while the DSCFA had to verify claimants' job-search activities and/or availability to work entirely independently of any contacts claimants had with the PES. The only exception had been the introduction in 1996 of compulsory registration with the PES for eighteen and nineteen year olds who had been unemployed for more than six months. Otherwise, unemployment policy in Ireland had tended to resist programmatic efforts to 'pressure people who were in receipt of benefits into employment and training schemes' (Boyle, 2005) and, unusually by international standards, 'it was generally possible to receive unemployment benefits without registration for placement or any other contact with employment services, or participation in active programmes' (Grubb, 2009: 5).

The NEAP was a first change to this extreme separation. It began in September 1998 with the DSFA referring all those aged under twenty five and passing a six-month threshold on the LR to FÁS Employment Services for an interview. It progressed steadily to embrace older age groups (initially adopting an eighteen-month threshold in their case) and to shorten the thresholds that triggered referral. By December 2006, all LR claimants passing a three-month threshold were being referred automatically by DSFA to the FÁS Employment Services. This remains the current situation.

Despite concerns that the NEAP process constituted a relatively 'light touch' engagement with LR claimants (Box 7.1), early evaluations tended to support, but tentatively, that it was having a discernible, positive and – in all likelihood – cost-effective impact (O'Connell, 2001; Indecon, 2005). The data available for these early studies and the methodologies they employed, however, were not sufficient to establish and quantify clear programme effects. For example, the data clarified whether and when people exited the LR but could not pinpoint whether and when they also entered employment; the research methodologies could not identify what value-added contribution the NEAP was making over and above what would have happened anyway (this involves being able to compare outcomes for people who participated in the NEAP with what happened to similar people on the LR who did not participate¹³⁵).

¹³⁵ In research terms, this requires comparing outcomes for a 'treatment group' (individuals who take part in a programme such as the NEAP) with one or more 'control groups' (individuals similar in all other respects other than that they do not take part in the programme being evaluated).

Box 7.1 The NEAP Process (in 2010) and Reforms Underway

All LR claimants passing a three-month threshold were referred automatically by the DSP to FÁS Employment Services or to an LES for an initial interview. Interviews were one-to-one and each was scheduled to last forty minutes. For some interviewees, the conversation and counselling were considered all that could be done. When judged necessary and helpful, interviewees became part of a FÁS Employment Service Officer's (ESO) or LES Mediator's caseload. An agreed action plan was then drawn up to facilitate and guide a return to work, sooner or later, and which specified any participation in educational, training or personal development courses considered necessary.

The initial interview was the only form of quasi-compulsory, face-to-face contact with the PES required of people beginning a fourth consecutive month on the LR. While follow-up and review interviews were part of the agreed action plan (their number and duration varied considerably but, typically, a case-loaded claimant had two to three interviews), there was no formal process requiring individuals to attend again after the first interview. In addition, people who managed to leave the LR after being interviewed (for whatever reason) but returned to it (repeat unemployment) were not referred by the DSP a second time to the PES, even though such repeat unemployment connotes an underlying vulnerability (once 'NEAPed', a person was forever 'NEAPed').

If individuals did not attend or declined offers of employment or training following the interview, this information was contained in codes used by the PES to provide feedback to the DSP on the outcomes of their customers' engagement. However, the quality of the information fed back was insufficient to allow deciding officers in the DSP to make decisions on individuals' continuing eligibility to full social welfare payments. For example, if a course was declined because of the location where it was being provided, the lack of transport facilities available, childcare needs, etc., though known to the ESO, this information was not made available to the DSP. The information was returned, in effect, in a form that served little purpose and did not support the possibility of qualitative follow-up action.

The above describes briefly how the NEAP was functioning by 2010. Expert external reviews (Grubb *et al.* 2009) and a rigorous evaluation of the programme (McGuinness *et al.* 2011) found it was achieving little and was even counterproductive. Such criticisms have combined with the opportunities arising from the DSP's assumption of responsibility for the PES and the urgency brought to public sector reform generally by the recession to accelerate the identification and implementation of a set of major improvements in how the NEAP functions. These feature: providing PES staff and benefit administrators with access to the same data system for facilitating the one case-management approach; the ability to schedule the initial NEAP interview for groups (of up to twenty) as well as individuals to maximise the time use of professional staff and ensure three-month threshold is adhered to despite high unemployment; the automatic scheduling of repeat or follow-up interviews under the new case management approach; capturing the required profiling data from entrants to the Live Register that allows each person's probability of leaving it within twelve months to be calculated; the ability to introduce and implement more credible sanctions (principally lower payment rates of social welfare culminating in full suspension of payment for a period) for clear non-co-operation (DSP, 2011).

An early willingness to give the NEAP, as it were, ‘the benefit of the doubt’, despite the lack of rigour in evaluations carried out, was understandable. The NEAP was Ireland’s first attempt to establish a serious programme of a type that a wide body of international research confirmed, generally, as having a positive impact and constituting good value for money (i.e., programmes entailing interviews, counselling, job placement services, coaching in job-search techniques, monitoring of job-search effort, and sanctions for clear non-co-operation). Tentative findings and informed judgements, in the Indecon (2005) report, in particular, helped to soften extreme fears and exaggerated expectations, respectively, of what summoning people on the LR to job-focused interviews could achieve. For example:

- ◆ A particular challenge had been to understand the reasons for the large number of referred claimants (consistently about one-third) who did not attend for interview. The Indecon study found that the majority of non-attendees had ‘normal’ explanations (claimants had found a job in the interim, signed off before getting the letter, transferred to another welfare programme, etc.), that a further group had responded to the activating impact of the simple receipt of a letter from DSFA (e.g., *ibid.* p. 111), while a relatively small third group emerged as displaying a distinct element of non-co-operation with the programme (e.g., *ibid.*, p. 44);
- ◆ LR claimants with particularly poor re-employment prospects appeared more likely to attend for interview on being referred than claimants with better prospects. This suggests that the latter were more likely to respond to the referral letter by intensifying their job-search activities without assistance from FÁS. This, too, chimes with international research. Danish studies, for example, find that the motivation effect of their ALMPs (i.e., evidence that the imminence of being ‘activated’ leads to intensified job-search) is stronger for recipients of unemployed people on insurance benefits than for those on means-tested assistance. This is interpreted as evidence that people with options are more likely to take action to avoid being required to participate in an ALMP while those with the least (or no) options do not avoid it and may even welcome it;
- ◆ Higher levels of satisfaction were expressed with the conduct and content of the interview itself than with what the interview subsequently led to (*ibid.* p.120). This suggests that resistance to being asked to a first interview may be less an obstacle in revamping and improving the NEAP than scepticism that, after even a ‘good’ interview, there are meaningful options that the interview will have opened up;
- ◆ Indecon, finally, did not believe the NEAP process was driving people into either poorly paid jobs or onto other social welfare schemes. When people were transferring to other social welfare, they believed it more likely to be appropriate than ‘disguising’ unemployment. Jobs acquired as a result of NEAP participation were more likely to require higher than lower skills than in participants’ previous jobs, while relatively low-paid jobs constituted better options for many individuals than staying on the LR because of the skills, experience and confidence, etc., of being in employment (*ibid.* pp, 112-113).

While observations such as these helped the different stakeholders to accept that the NEAP was neither an attack on relatively defenceless job-seekers nor a silver bullet for reducing welfare caseloads (and that the European Employment Strategy, which had prompted its introduction, was, accordingly, neither sinner nor saint), the actual full requirements for a successfully functioning NEAP have taken several more years – and the findings from new, more sophisticated evaluations – in order to emerge clearly.

Research by McGuinness and ESRI colleagues (2011), for example, examines the extent to which the NEAP, as it functioned during 2007 and 2008, achieved or did not achieve what participants, administrators and society at large principally expected it to achieve – increase the likelihood that people leave the LR for a job. Their research was able to compare individuals on the LR who were similar in all essentials (duration on the LR, educational attainment, health, age, etc.¹³⁶) except that some were referred and interviewed under the NEAP (the ‘treatment group’) while others were not (the ‘control group’). Surprisingly and disappointingly, their careful econometric analysis carried out on a large data set¹³⁷ clearly establishes that taking part in the NEAP had been bad for people: it had reduced the chance of entering employment within a year by 17 per cent (*ibid.* pp. 35–40). To have not found a strong positive effect is, of itself, a challenging finding. It suggests that there was no ‘threat effect’ from being referred, no ‘motivational effect’ from the interview itself and no ‘empowerment effect’ from the quality of advice given (acting cumulatively, these hoped for effects would be expected to produce a discernible positive effect on the entry rate to employment). Finding a strong negative effect is more challenging still. It suggests that, as a result of being referred and interviewed, NEAP ‘graduates’ subsequently changed their behaviour in a way or ways that made them less likely to enter employment as a result. The quantitative methods yielding such a disturbing finding could not take the analysis further and throw light on how or why people had changed their behaviour. Two explanations may be advanced, each of which entails a form of negative learning: (i) participants, who initially may have approached the interview with trepidation, ‘learned’ that the system was, in effect, incapable of and/or uninterested in monitoring their job-search activity. After the interview, they, accordingly, reduced the intensity of their job-search. This possibility was first articulated by the OECD prior to the publication of the ESRI: ‘unemployed people learned that if you attend at least the first NEAP interview you do not necessarily have to do anything else’ (Grubb, 2010); (ii) participants, who initially may have approached the interview with expectation, experienced that the system had little to say to or offer them, and they became more discouraged and reduced the intensity of their subsequent job-search as a result. The two lines of explanation are not mutually exclusive. That Ireland’s NEAP by 2008 was not registering the positive impacts generally found for such programmes in other countries may, therefore, be attributable to several deficits at the time, which are since being more strongly addressed, e.g., poor collaboration between FÁS and the DSFA in monitoring job-search, the rare recourse to sanctions, low expectations of service users on the part of FÁS and Social Welfare personnel, poor management, inadequate IT systems, etc.

¹³⁶ Also marital status, level of spousal earnings, employment and unemployment history, and geographic location.

¹³⁷ 11,334 individuals were selected as being validly comparable out of an original group of 60,189.

Qualitative research commissioned by the National Youth Council of Ireland (NYCI, 2010) confirms that some of these deficits continued to exist in 2010. It found that young users (aged eighteen to twenty-five) of state services to the unemployed were, generally, underwhelmed by the quality and effectiveness of the services they received from FÁS and Social Welfare Local Offices.¹³⁸ While the young users were genuinely 'working' at job-search and conscious that the recession had increased the workload of the officials they met, they were also expectant of competent help and aware of where and how the services they had received could have been better. They pointed, in first place, to the quality and commitment of service personnel in the state system as core to whether a quality service is delivered or not ('the positive impact that good customer service can have on the motivation and job-seeking efforts of the young unemployed person was discussed, extensively' (*ibid.* p. 51). They believed that being able to deal with the same member of staff on each visit, for employment services and social welfare, would significantly improve the system's standards, co-ordination of services and the level of clients' understanding of and engagement with the system. Qualitative research of this kind underscores the extent to which unemployed jobseekers have experienced negatively the separation and limited co-ordination between FÁS and social welfare local offices to date and how much they stand to benefit from their successful integration, and the realisation of the DSP's current Transformation Agenda. The latter, for example, envisages an integrated service with 'skilled and knowledgeable case managers' empowered to work with a person through all their needs rather than to administer just the one scheme for which they have responsibility before passing them on to someone else (DSP, 2011: 12).

7.5.2 Monitoring and control

Independently of the NEAP, the DSP seeks to establish and verify that recipients of JB and JA are available for work and actively seeking work. Once a decision has been made to award payment, claims must be maintained by signing monthly at a local or branch social welfare office.¹³⁹ Signing-on is not for the purpose of monitoring job-search activity but in order that the claimant renew their declaration to comply with the obligations of receiving the payment and to establish their continuing presence in the state. Claimants are also liable to be summoned to availability interviews after seven months and again at twelve months of claiming. At the latest of these, claimants may be referred on for more intensive supports from the Department's Employment Services and Facilitators (see below). The OECD team observed: 'It is not clear how systematic availability interviews are, i.e., what proportion of long-term claimants [actually] have ... the required interviews near the [stipulated times]' (Grubb *et al.* 2009: 53).

In addition to the above, local control teams based in local social welfare officers gather intelligence and follow it up, and conduct spot-checks usually based on prior analysis and experience of the types of payment and claimant circumstances (e.g., sector of employment, location, etc.) associated with fraud.

¹³⁸ For example, of ninety young jobseekers interviewed following their meeting with a social welfare jobs Facilitator, two out of three awarded a satisfaction rating below the 'mid-point' on a ten-point satisfaction scale (where 1 equals 'very dissatisfied' and 10 equals 'very satisfied').

¹³⁹ Those who live more than six miles from such an office may post a claim form.

7.5.3 DSP employment services and facilitators

As already mentioned, the DSP has developed processes independently of the NEAP to facilitate all people of working age in receipt of welfare – i.e., people with disabilities and lone parents as well as recipients of JB and JA – to take up employment, education, training or development opportunities (through its Employment Support Services, participation in the High Supports Process, etc.). By the time the National Partnership Agreement was drawn up in 2006 (*Towards 2016*), it was envisaged that the Department would achieve, with investment funded under the NDP for 2007–2013, ‘an active, outcome-focused, individual case-management service of all social welfare customers of working age who are not progressing into employment or accessing training or education opportunities’, and that this would ‘place activation on a level with service delivery and control as a central part of the core business of the Department’ (*ibid.* pp 57, 51).

A key component of the Department’s internal infrastructure for achieving this is slow but incremental progress in developing the requisite IT systems capable of handling the type of data traditionally collected by the Department to process social welfare payments *and* labour market-relevant data traditionally collected by FÁS, while also being able to draw on relevant information in other public data systems (revenue, health, housing, etc.) in ways fully compliant with Ireland’s high standards of data protection.

A further key internal development supporting the DSP’s relatively new activation role has been the role of the Facilitator. Facilitators have clients selected for them by the DSP’s central Activation Unit from among those who have already been seen under the NEAP process but remain unemployed. Currently, a Facilitator sees about forty clients per month. In addition, they deal with drop-in clients and with referrals from other local organisations. The number of Facilitators is clearly small given the surge in the LR and the growing competition that recipients of long-term social welfare face not just for jobs but for places on training and educational programmes.

The work of Facilitators overlaps in a number of ways with that carried out by LES mediators, but there are key and revealing differences.

- ◆ *Advocacy and discretion:* Facilitators can advocate for an individual within the Department of Social Protection and have some latitude to ‘bend’ the rules so that, for example, an individual is deemed eligible to participate in a scheme on the basis of need and capacity to benefit, and despite marginally missing the qualifying criteria;¹⁴⁰
- ◆ *Departmental experience/knowledge:* many Facilitators move to their role from previous positions within the DSP so have an in-depth knowledge of the social welfare system, its strengths and weaknesses;
- ◆ *Progression and obligation:* the fact that social welfare recipients are asked to meet Facilitators in a letter from the Department, which administers their payments, provides more of a motivation for clients to engage than, for example, a letter from FÁS;

¹⁴⁰ They are also able to draw on the Activation and Family Support Programme (AFSP) fund, and the Technical Assistance and Training (TAT) fund, to allow them add tailored, once-off elements to support packages for individuals.

- ◆ *Culture*: the background and insertion of Facilitators in the DSP can make it more difficult for them to establish empathy with, and gain the trust of, their clients (e.g., NYCI, 2010), whereas a personal experience of unemployment on the part of many LESN mediators and their base within disadvantaged areas does the opposite.

7.6 How the Labour Market Authorities Currently Intend Proceeding

As seen, there was more success in widening the coverage of the NEAP than in deepening the process. The intention behind the process and obligatory first interview was that a meaningful dialogue would begin between claimants and the labour market authorities as to how the underlying reason for their remaining unemployed and on welfare could be effectively addressed. By the standards of the past, a lot began to happen under the NEAP. However, by the standards of best international practice and, more importantly, in the light of what was needed to make further inroads into the LR during a period of high aggregate labour demand, it was modest and had clear shortcomings.

The surge in the LR since 2008 has simultaneously made it difficult to continue providing services in the same way to hugely increased numbers, and imperative to act quickly on what has been learned since 1998 so as to give more people the opportunity to avoid drifting into long-term unemployment. The labour market authorities have resolved to 'upgrade' the NEAP in the following way.

They acknowledge that the manner of scheduling first interviews has led to much wasted time on the part of FÁS Employment Service Officers. The introduction of group appointments as well as one-to-one interviews will lessen the allocation of forty-minute interview slots to people who require much less. Group appointments will also allow greater numbers of customers to receive initial contact with the PES at an earlier opportunity. Normal reasons for missing an interview and having to reschedule it will be handled more effectively. The current practice of referring only people from the LR (passing a three-month threshold) will continue but, henceforth, each change is being 'proofed' for its applicability to all working-age recipients in receipt of social welfare (principally, lone parents and people with disabilities).

The breadth and quality of data captured when a claim for JB or JA is first made will be improved, such that a Customer Profile Rating is possible. This will ground the ability to identify the levels and types of intervention that people are likely to require (on the basis of their education and skill levels, family circumstances, caring responsibilities, age, etc.) and allow the level of attention (and resources) paid an individual to be increased in line with the level of need. Hitherto, individuals have been channelled in a uniform way regardless of their personal profiles.

On the basis of the Customer Profile Rating, people will, henceforth, be selected for referral and the type of referral most suited them identified. Some will be identified as requiring no further action at the time (thereby saving on staff time and resources); some will be referred to FÁS; some to the DSP's own Facilitators (or, at later stages in the process when more information has been acquired, to DSP

Local Area Control Teams). Eventually, it is envisaged that referrals will also be made directly to training and education providers and the organisers of special schemes (NGOs, employers).

Profiling, selection and referral will increasingly form part of an integrated case management system that records an individual's progress, allowing outcomes to be monitored and recorded, and enabling the different service providers (eventually the NEES and SOLAS) to pool their information and draw on it as required. This will strengthen the engagement of people with the suggestions and offers they receive from ESOs and enable social welfare officers to identify why, where and when benefit sanctions might be appropriate and do good rather than harm. To date, it has been clear that they lacked sufficient information to appropriately address customer non-engagement. The same person may, henceforth, be referred as often as their unfolding case history is seen to require and the curious constraint attached to the initial NEAP (one referral to the PES in a person's lifetime no matter how often they reappear on the LR) is being removed.

The implementation of this upgraded NEAP is expected to bring significant benefits to individuals on the LR and to the DSP. The former should find that dealings with the DSP and PES are easier and more to the point, that they get earlier and more tailored supports linked with their payments, and that the proportions of them who experience repeat unemployment or drift into long-term unemployment gets smaller. The Department anticipates being able to use its resources (principally the expertise of its social welfare officers and of the PES for which it is now responsible) more efficiently and effectively because they can concentrate them where the return (in the form of improved employability and shorter durations on welfare) is greatest. It also anticipates a rise in the professionalism and morale of its staff, improved control systems, and programme cost savings.

7.7 Conclusions and Directions for Further Change

The services that have been reassigned to the DSP – Employment Services and the Community Employment Programme from FÁS, the Rural Support Scheme and Community Services Programme from D/CE&GA¹⁴¹ – and the establishment of the NEES provide a wholly new opportunity to integrate income support with the utilisation of employment services and the implementation of activation strategies.

It is particularly important that the potential benefits associated with this institutional reconfiguration are fully exploited. International research and good practice suggests that it cannot be assumed that the physical co-location, much less formal merger, of these services at ministerial level will necessarily result in a seamless, co-ordinated and ultimately improved level of service for unemployed clients (Lindsay and Mailand 2009; EU 2006). In the Irish context, achieving this will require producing synergies from two distinct organisational cultures, adopting a shared and comprehensive case management system, and providing the data-

¹⁴¹ The assumption of responsibility by the DSP for supplementary income support currently provided by Community Welfare Officers under the HSE, and for Redundancy and Insolvency Payments currently provided by the DETI will complete the picture.

sharing and IT systems that support it. Sweeping Danish reforms, as noted, brought employment services and benefit administration together but differences in approach which the integration hoped to lessen were carried into the new integrated organisation and still evident years later (Lindsay and Mailand, 2009). It will also be important to have optimal engagement between the NEES and SOLAS in order to facilitate entry into FET of more among the unemployed and help stem the drift into long-term unemployment.

A specific issue to be addressed is the appropriate role of employment services professionals in activation. There is concern that the client focus inherent in guidance and counselling activity will be weakened if these professionals are seen to be involved in policing conditionality, monitoring activation activity and enforcing appropriate sanctions. The recent introduction of the principle of financial sanctions for recipients of JB or JA who refuse to participate in designated activation initiatives has reinforced this concern that employment services professionals, now under the direction of the DSP, will be less able to act as honest brokers who make decisions in their clients' best interests. It is in the joint interest of benefit administrators and employment services officers, however, that the 'rules of the game', reasonableness of what is asked and reasons why it is asked are communicated clearly to DSP clients when individual action plans are drawn up. No one is served, least of all the clients themselves, when contradictory messages are given by different parts of the public system. The real challenge, therefore, is that benefit administrators and employment service officers should have similar confidence in the reasonableness, feasibility and effectiveness of the individual action plans drawn up. Where this confidence is shared, a PES can embrace its appropriate share of responsibility for ensuring the effective monitoring and implementation of appropriate sanctions that are integral to effective and intensive activation measures (Madsen, 2007).

As outlined above, the changes to the administration and management of the LR that are underway are significant by Irish standards but modest by international standards. It is very much in the long-term interests of those whose unemployment spells are lengthening that the principal outcomes anticipated by these changes – i.e., to maintain their attachment to the workforce, improve their employability and ensure that their income security is not an impediment to taking available work – are allowed to guide their implementation. The Memorandum of Understanding between the Irish authorities and the EU/IMF has pledged to (*ibid.* p. 11):

- ◆ Improve the efficiency of the administration of unemployment benefits, social assistance and ALMPs, by exploiting synergies and reducing the overlapping of competencies across different departments;
- ◆ Enhance conditionality on work and training availability;
- ◆ Strengthen activation measures by (i) better profiling job-seekers' needs and increasing their engagement, (ii) better monitoring of job-seekers' activities with regular evidence-based reports, and (iii) applying sanction mechanisms that imply an effective loss of income without being perceived as excessively penalising.

These steps would have had to be taken anyway, were already in process and, if implemented in the context of a broadly embraced understanding of activation, will bring net benefits to unemployed job-seekers. The goals and procedures of activation require adequate staff/client ratios in order to be effective. Quality individualised support for large numbers of people cannot be provided without having an adequate supply of well-trained and motivated personal advisers. The supply of such personnel cannot be ramped up quickly. Redeployment and retraining within the DES and the DSP can make a significant contribution but the resources and commitment of the community and voluntary sector, and of the private sector, must also be harnessed.

The labour market authorities, before all else, need to exercise an authoritative leadership that will transform the current situation, in which different types of provider operate parallel systems for providing services to unemployed job-seekers, into one in which the same national system is delivered across a range of different providers, whose special expertise in each case is used to best effect.

The authority in question should rest on knowing 'what works' as well as on responsibility for the use of public funds. The interlinking of all the current bodies providing employment supports should be based on their common commitment to ensuring transparency and accountability in how they use public funds to support unemployed job-seekers. There should be agreed metrics for measuring each organisation's performance and clear procedures for identifying and disseminating what is seen to work most effectively. While the acquired experience and capacity of large, established providers to work with the same individuals over long periods of time is to be valued, scale or progeny should be no guarantee of indefinite funding. The exit of old providers and the entry of new ones is an integral part of driving standards upwards.

The balance achieved, therefore, between services provided directly by public bodies and those procured through service agreements drawn up between government bodies and NGOs or the private sector should be based on what works (effectively and efficiently) and the appropriately interpreted endorsement of service end-users (unemployed people themselves). Service delivery units and even individual professionals should have the same willingness to be assessed on outcomes and guided by performance management, whether they belong to the public sector, private sector or an NGO.

It is vitally important that activation should succeed, and that the ambitions of government and society in its regard do not to prove beyond the public system's capabilities and level of resources to deliver on, either directly or through the stimulation and guidance of sub-contracted parties. To this end, it is vital that local government, the social partners and the community and voluntary sector understand what is in train, are allowed to influence it, engage with it and are incentivised to contribute to its success.

Strong arguments can be made that the level of public funds channelled to the community and voluntary sector to combat unemployment should, minimally, be protected and, ideally, be increased in order that recipient organisations can continue to address social exclusion in its multiple aspects and long-term unemployment in its wider community context. The core reason is that social exclusion and

community disadvantage will, inevitably and relentlessly, increase the longer that unemployment remains high. However, here also, 'doing more of the same' may be neither possible (because of revenue constraints) nor desirable (because of doubtful efficacy) and a major but collaborative tightening of the focus on actual unemployed jobseekers should be actively considered. Employment services and the multiple other specific supports, which help people remain attached to the workforce and able to bid for employment when economic conditions eventually improve, become greater priorities, not lesser ones, in the current crisis. The voices of unemployed people themselves and, to the greatest extent possible, evidence about what works and what does not should guide both statutory bodies and NGOs in adopting and implementing such a tighter focus.

8

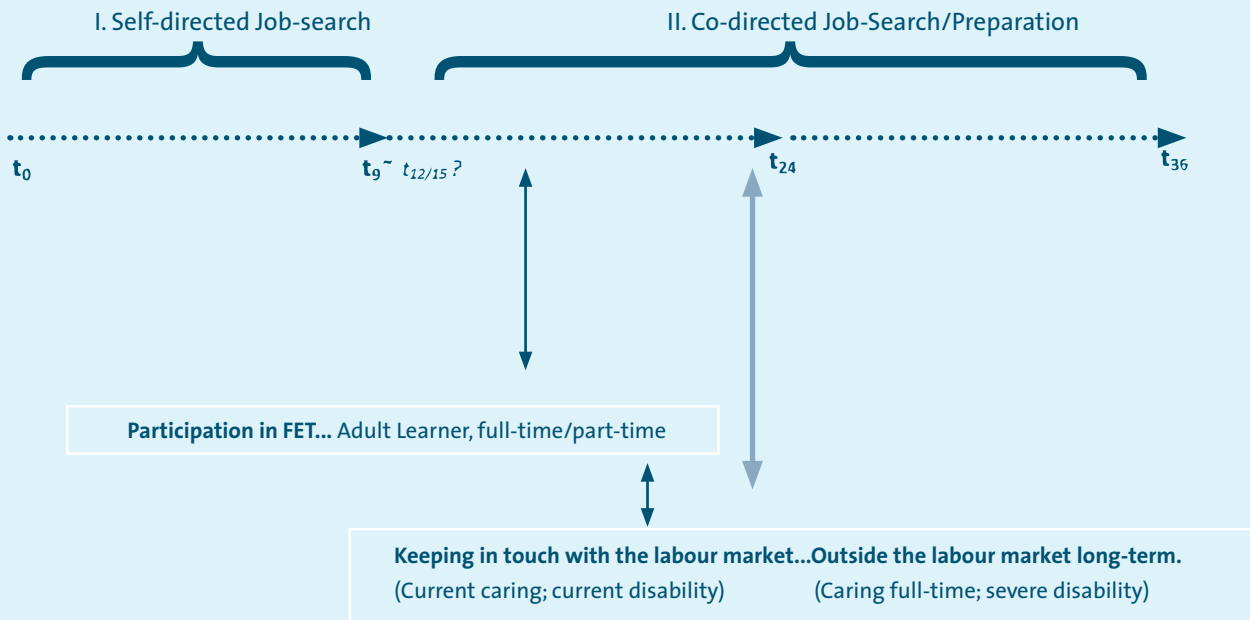
Temporary Measures

8.1 Introduction

The activation challenge discussed in Chapter 7 was evident before the current crisis broke. A significant proportion of the population of working age had been unable to get and hold jobs even in a booming economy, and policy was insufficiently effective in helping them do so. Learning from what failed to occur then, and ensuring the same does not happen again when the economy recovers, requires the deep changes to Ireland's public employment services, social welfare code, active labour market policies and statutory-voluntary relationships that have been discussed in the previous chapters. These are summarised in Section 8.2.

An additional activation challenge of an essentially temporary nature, however, is posed by the sheer scale and duration of unemployment caused by the economy's recent contraction. This other activation challenge is to provide opportunities for unemployed jobseekers to use their skills, time and talents in ways other than by job searching, studying or training, ways that are yet beneficial to them, Irish society and the future economy and for which they would receive at least the same levels of public support as they would if they remained on the LR. As this challenge is specific to the circumstances of the current crisis, specific measures adopted to address it can and should be temporary and be phased out as the labour market recovers. Section 8.3, accordingly, discusses internships and work placement programmes, while Section 8.4 discusses direct employment projects. Section 8.5 concludes.

Figure 8.1 Framework and Time-Line Guiding Supports and Services to Unemployed Jobseekers



8.2 Regimes for Short-Term and Long-Term Unemployment

Some distinctions have emerged as fundamental in this report: (i) between people in the early months of an unemployment spell and people whose spells have lasted for a year or more; (ii) between people of working age who should be expected to engage in job-search or prepare for employment and those who should not.

8.2.1 Different needs early and late in an unemployment spell

The first distinction, between the early months and second year or later in an unemployment spell, corresponds broadly to that between short-term and long-term unemployment, insurance-based and means-tested entitlement to unemployment compensation, and the transition from passive to proactive approaches in administering unemployment payments (Table 8.1). For reasons made clear in Chapter 5, this distinction, though core, is particularly blurred in Ireland. Traditionally, the challenge of how to support the long-term unemployed was focused on, primarily, containing the poverty associated with the status rather than ending the status. Rates of primary payments, secondary benefits and access to services were increased significantly for people still seeking work after three, four, five or more years. In fact, it is relatively unusual in the EU and OECD to be entitled to claim income compensation for years on end as someone who is unemployed and unable to find suitable work. Before unemployment spells go into a third year or longer, most countries insist more strongly than in Ireland on claimants'

participation in programmes that enhance their employability or they identify the underlying cause of prolonged joblessness more accurately and transfer claimants to long-term social assistance for a status outside the labour market.

Table 8.1 Unemployment Regimes: Short-Term and Long-Term

	Regime for Short-Term Unemployment	Regime for Long-Term Unemployment
Unemployment spell:	Months 0 to 9 (or 12/15?)	Months 9 (or 12/15?) to 36
Objective:	Self-directed job-search	Co-directed job-search and preparation for work
Assumptions:	Employable Motivated	Up-skilling required Incentives needed (carrots, sticks)
Obligations:	Register with PES	Draw up personal action plan with PES, adhere to it
Income:	JB, contribution-based	Individualised
Conditionality:	Light	Steadily intensifying
Services entitlement:	Information, advice Profiling Job-search assistance (self-help) Job clubs Career guidance Counselling	Job-focussed interviews Monitored job-search Job-search skills Short skills courses Bridging/foundation courses Mainstream FET for re-skilling (part-time and full-time) Tailored HEI courses Participation in ALMPs Obligatory period in direct employment

At the heart of how unemployed jobseekers are supported in the early months of an unemployment spell should be the assumptions that, generally, they are employable, have methods of informal job-search from which they should not lightly be diverted, know with reasonable accuracy the types and terms of employment they are capable of justifying with their performance, and can identify and choose what is best suited to them from among the supports that are available. The ability to design services for them on the basis of these assumptions is strengthened by profiling – it serves to identify those individuals of whom the assumptions are least apt and to fast-track them to other services designed for people job-seeking without success for twelve months or more. Immediately an unemployment spell begins, and whether or not a person has an underlying entitlement to JB/JA, they should be required to register with the PES. Ideally, the Social Insurance Fund should be structured and in a position to make some acknowledgement, in the form of a higher JB payment in the first months, of those who have contributed significant amounts to the Fund (through long employment records and/or high earnings). The typical sequence in which services would be availed of could look as follows. On first registering with the PES (m0), each unemployed person would be offered access to its information and advice or referred to more specialised sources appropriate to them. As the three-month threshold passes (m3), they would be

offered advice on their search strategies; as the six-month threshold passes (m6), the opportunity in to take part in Job Clubs; and at the nine-month threshold (m9), they would be required to attend a one-to-one meeting with a PES professional at which they would be helped assess their progress and options and made aware of the changed nature of support going into a second year.

Once an unemployment spell lasts longer than twelve months (a threshold that could incorporate a counter-cyclical element, i.e., come sooner under conditions of sustained low unemployment or later during a prolonged recession), the assumption should become that unemployed job-seekers now need the Public Employment Service to work more strongly with them to identify why re-employment is proving difficult and to draw up individual action plans that chart a realistic course as to how they will eventually re-enter employment. Both sides should make commitments and assume responsibilities. On the part of the PES, the responsibilities are to ensure the availability and quality of the services ‘prescribed’ for the individual in the action plan and the secure and courteous administration of adequate income support (in the form of a single payment for people of working age, a training allowance or whatever), while the action plan is unfolding. On the part of the individual, the responsibilities are to use the services that have been prescribed, to co-operate fully with the PES and other parties supporting the action plan and to attain the outcome (enhanced employability) that, ultimately, rests on her or him more than on anyone else. Respect for the taxpayer who funds the entire system requires that both parties embrace the need to have and use sanctions where an individual’s wilful and repeated non-compliance is clearly established (initially, a reduction in the amount of their payment escalating to its suspension for a period if necessary).

The typical sequence in which services would be availed of on the far side of the twelve-month threshold would look as follows. A first job-focused interview would agree how job-search activity is to be gauged and monitored (m12); short courses on improving search skills and/or other basic competencies (including to study) could then be required of some (m15 to m18) before entrance to tailored or mainstream further education and training programmes would be widely encouraged; and, finally, a person would be asked – assuming all these prior steps had been tried – to ‘do something’ other than job-search for a period, i.e., participate in a direct employment project or work placement. In this sequence, the current recession has added a relatively new type of unemployed person for FET providers and HEIs in particular to support: a significant group of those now unemployed already have good levels of educational attainment but acquired skills for jobs that will not return. They need the opportunity to substantially re-skill in order to target jobs that will be there. In many instances, this requires part-time programmes of long duration that enable people to simultaneously engage in substantial reskilling and continue job-searching.

8.2.2 Exemption from the requirement to seek or prepare for work

The second distinction is between people of working age for whom participation in activation strategies should be a condition of continuing to receive income support as unemployed and those who validly receive income support for a status outside the labour force altogether. This distinction becomes increasingly important as

activation strategies intensify. Little is gained from increasing efforts to move long-term claimants of JA into employment if there are underlying circumstances (poor health, caring responsibilities, addiction problems, etc.) that make it near to impossible for them to retain a job. Little is gained, also, if claimants who least want to co-operate with the PES (and with whom PES frontline staff may least want to engage) are able to transfer in significant numbers to more lightly policed and passive welfare programmes (principally, disability payments). As policy becomes clearer that an indefinite status as an unemployed jobseeker is simply no longer to be an option, it also has to monitor more closely the entry routes to alternative welfare programmes.

As noted, the current recession has notably increased withdrawal from the workforce and lowered the participation rate. This is largely because more people of working age have returned to further education or training, but also because some are concentrating on unpaid caring, domestic duties, other private matters or have transferred to other welfare programmes.

People of working age engaged full-time in education or training on courses lasting a year or longer can properly be regarded as ‘working’ at their studies and exempt from having to be available for and actively seeking work (part-time work that supports their studies does not contradict this position). Unemployed people are more likely to opt for the status of student and leave the workforce once their unemployment spells have begun to lengthen and they decide that long courses offer the best prospect of an eventual return to satisfying work (Figure 8.1). As Chapter 7 made clear, however, the international and national evidence is that it is the better-educated among the unemployed who are more likely to return to education rather than persist into a second year or longer with fruitless job-searching.

People for whom returning to education or long-term training is not a particularly attractive or viable option (frequently because of their poor experience of the formal educational system when young) may also seek to exit the workforce rather than remain under the obligation to seek or prepare for employment or take part in activation strategies as their unemployment spells lengthen. For many of them, withdrawal from the labour force is only feasible if they thereby become eligible for other forms of welfare receipt (disability allowance, carer’s allowance, the one parent family payment, etc). The discussion of activation (Chapter 7) concluded that judgement and not rules must have the final say, in many instances, in determining who is exempt from participation in the paid workforce (and, thus, from activation) on the grounds of poor health, a disability or the degree of their caring responsibilities. It also emphasised that return routes, even from a status outside the labour force that has lasted a long time, must be kept open and that there should be a huge reluctance to accept that anyone of working age has no future in the paid workforce. One of the central challenges in designing and delivering a single payment for people of working age is that it should be able to accommodate with tailored and flexible supplementary supports peoples’ changing roles within their families and communities without their being forced to distance themselves irretrievably from the paid workforce.

8.3 Temporary Measures for Extraordinary Times

Apart from the need and opportunities presented by the current crisis to modernise and reshape how unemployed jobseekers are supported on an ongoing basis, there is an immediate need to provide opportunities on a temporary basis for a significant number of those now unemployed to use their skills, time and talents in ways that are more beneficial to them, Irish society and the future economy than by remaining engaged full-time in job-search. Unemployed people who 'turn aside' from full-time job-search in this way to engage in activities (work placements, internships, voluntary work, learning a language, etc.), for a defined period of time, which provide valuable work experience, are important to others and contribute to retaining their future employability, should receive at least the same level of public support as they would get if they remained on the LR.

This approach does not 'sell people short'. It is not a substitute for measures that improve unemployed people's job-search, ensure they secure a fairer share of replacement jobs and improve their employability and attractiveness to employers. The last three years (2008–2010), however, have shown just how comatose the Irish labour market is: it is now possible that the level of employment may register no net increase until 2013. Only emigration and labour market withdrawal appear to have had significant roles in containing the rise in unemployment, while nothing has been able to stop the proportion of it that is long-term growing inexorably. Whatever the actual impacts of the many and diverse responses taken to the labour market crisis to date and discussed in previous chapters (programme evaluation – this report has noted several times – continues to be underdeveloped and underused in Ireland), two conclusions must be drawn: (i) their cumulative impact has been wholly insufficient; and (ii) further, more bold and imaginative responses must still be undertaken.

The diversion of public money from supporting unemployed people to be more effective job-seekers or engage in FET to support them in activities that quite deliberately divert or exempt them from job-search or FET would, in more normal labour market conditions, raise justifiable concerns. It might be feared that the people in question were being further 'locked out' from mainstream employment and, in effect, being sold a message that they are 'surplus to requirements' as far as the national economy was concerned. But normal labour market conditions do not currently apply (2011) and are not likely to in 2012. Imaginatively creating alternatives to the dole at the present time will not harm individuals' more long-term employment prospects, mainly because a significant proportion of those made unemployed by the crisis present no particular difficulty to employment services other than that they do not have jobs. They have sufficient educational attainment to ensure their ability to learn and adapt, and they have recent work experience and a developed work ethic. In short, they are eminently employable. To use the familiar analogy, their boats would rise with an incoming tide but, due to nothing that is within their power, no tide is expected for a considerable length of time. Their availability for, and commitment to, work cannot be doubted and little is gained by devoting scarce public resources to monitoring and testing their job-search and availability for work. They have skills and competencies that need to be exercised if they are not to deteriorate and, in many instances, public resources will bring a better return if used to help them exercise the skills they have rather

than to acquire new ones. They also have a high propensity to emigrate rather than remain on social welfare in Ireland. In this respect, they challenge public policy to be clearer in acknowledging that emigration is a waste and not a safety valve. This would entail actively marketing alternatives to the dole (such as those discussed below) as also alternatives to emigration. Where people yet choose to emigrate to protect their skills and careers, it would entail that Ireland's Public Employment Service would be imaginative, and determined in ensuring that, while employed in other economies, emigrants abroad continue, nonetheless, to feel valued and recognised members of Ireland's workforce.

As this challenge is specific to the circumstances of the current crisis, specific measures adopted to address it should be temporary and phased out as the labour market recovers. Two principal types of measures can be adopted:

- i) Internships and work placement programmes. These open up existing workplaces and projects to utilise the skills, time and talents of unemployed people, on terms and conditions that ensure they are not cheaper labour than employers can otherwise source and that they are accorded equal respect to existing workers;
- ii) Direct employment or public works projects. These should be projects that provide services genuinely valued by their users (even while they do not pay the cost of their provision) or which genuinely enhance existing infrastructure, i.e., the projects must produce valued end-products, a condition essential to protecting the status of those temporarily employed on them.

The following two sections offer brief and general reflections on what constitute, respectively, good internships and work placement programmes and good direct employment programmes. Actual programmes and projects are best developed through intense collaboration between the actors who have a role in making them happen. Schemes designed and announced at the national level frequently fail to deliver on expectations because operational difficulties were not sufficiently identified, while schemes advanced by single organisations may not address the concerns of all core constituencies and easily reflect partial interpretations of the unemployment crisis. NESC is not the body or the place to adjudicate the competing merits of individual schemes, much less to advance schemes or projects of its own. The more appropriate NESC contribution is made in the last section (8.1.3). Even three years into this unemployment crisis, a forum or clearing house is still lacking where the many actors who are in positions to identify, manage and deliver valuable projects and ensure that people on the LR are employed on them in a satisfactory way, has not been established. Ad-hoc consultations, totally at the discretion of central government, continue to provide the principal opportunity for advancing this agenda.

8.3.1 Internships and work placement programmes

As described in Chapter 2, new work placement programmes and forms of internship have been among the measures introduced in response to the current crisis. The rationale behind them is particularly clear where well-educated young people are concerned. Despite young people's best efforts, a large number will not be offered a job in the Irish economy for some time. By the time economic recovery

sets in, their lack of workplace and professional experience, the 'gap' in their CVs and the suspicion that unemployment of itself will have negatively affected them (hysteresis) may lessen their attractiveness to employers. Incorporating them as interns into 'blue chip' workplace settings and workplace teams for a period of time can provide first-hand experience of real work environments, opportunities to exercise their skills or acquire new ones, and entrance to networks that will be of value to their future job-search. Internships also serve, of course, to overcome the isolation and tedium of unremitting job-search and reduce the recourse to emigration. Sponsoring employers and existing employees, in turn, can benefit from the presence, eyes and ears of the young interns, and relationships begin that may lead to job-offers in the future. It is clear that much can be gained whenever the equivalent of people's JA continues to be paid to them when, instead of being available for and actively seeking work on a full-time basis, they work without pay in real workplace settings where they are getting valuable experience.

There are potential downsides. The unpaid work activities may not, in fact, provide valuable experience or improve human capital; the sponsoring organisations may merely be lowering their aggregate labour costs (substituting the young people's hours for paid hours they would otherwise have asked existing employees to work); the young people may, without meaning to, in fact, give up on job-search and forfeit job opportunities by being involved in unpaid work. Yet the upsides mentioned are stronger still. Research done for the NYCI makes clear that young people believe strongly that unpaid participation in the workplaces of decent organisations can help them break out of the Catch 22 situation in which advertised vacancies insist on suitable experience in applicants. Some even rate an unpaid workplace placement above returning to further or higher education for the contribution it would make to their future (NYCI, 2010).

On balance, it is imperative to consolidate and expand these workplace placement programmes. Much greater encouragement should be placed on successful employers with established reputations to multiply opportunities at the current time. Guidelines or criteria for gauging the quality of the experience provided to young people should be collaboratively but speedily developed by employers' bodies and those representing young people. A large programme, in which young people have confidence, will mean that job-matching proceeds more efficiently when the economy recovers, contribute in a major way to protecting young people's health and well-being and retain in the country some who will otherwise be lost to emigration ('If each major company committed to engaging ten graduates in work placements annual and each SME to two, we would minimise the possibility of emigration for up to 10,000 graduates', Blueprint, 2011). Box 8.1 gives an example of the type of extension and expansion of internship programmes that might yet be considered.

Box 8.1 Facilitating Young Unemployed in Acquiring Fluency in a Foreign Language

An example of the boldness and imagination that need to be brought to the challenge of providing temporary interruptions in unemployment spells is suggested by recent data showing just how poor are the language skills of Irish graduates.

It has been known for some time that the advantage of being native English-speakers and, to a lesser extent, the absence of land frontiers with neighbouring countries where different languages are spoken, have contributed to Irish students being poor in language proficiency compared with their European counterparts. Factoring out that learning English as a foreign language is a core concern of almost all school systems and graduates across Europe, the linguistic ‘effort’ of Ireland’s educational system and the attained language proficiency of its twenty-year-olds are still stunningly poor: exposure to a foreign language – uniquely across the EU 27 – is virtually absent in primary education and, at lower-secondary level, Ireland is also on the bottom rung (Eurostat, 2010c).¹⁴² By the time Irish young people are in third level, they are among least proficient in languages of students at their level across Europe. For example, in more than two-thirds of twenty European countries studied, the share of third-level students with very good proficiency in at least two foreign languages was above 20 per cent but, in Ireland, it was 5 per cent (Orr *et al.* 2011.)¹⁴³ Not surprisingly, the international mobility of Irish students (meaning the numbers who enrol abroad for a course, undertake a work placement or internship abroad, or do a language course abroad) is low by the standards of their European peers and the proportion from a higher educational background who have not enrolled abroad and consider their lack of language competency a ‘big’ obstacle is Europe’s highest (*ibid.*).

This low mobility and poor language proficiency of Irish students puts them at a disadvantage in competing for many of the jobs in those sectors of their own economy that are still recruiting (e.g., internationally traded services). The weaknesses are deep-seated and will require a thorough, comprehensive and sustained drive to be fully addressed. However, they should also motivate specific, temporary interventions designed to facilitate and incentivise many more of the young who are now unemployed, to target acquiring fluency in a major foreign language as a core personal objective to be achieved during the current unemployment crisis. For most people in their twenties, and for most foreign languages, a twelve-month period abroad would guarantee fluency. Incentives might even be tailored to encourage acquisition of languages for which no preparation was provided in the Irish educational system but which are important to Ireland’s trade and investment (Mandarin, Russian, Urdu, etc.).

¹⁴² The data are for 2008.

¹⁴³ The reference period for the Irish data is the academic year 2009/10. The UK does not participate in this particular compilation of indicators (Orr *et al.* 2011).

8.3.2 Direct employment programmes

Direct employment or public works projects can either provide services genuinely valued by their users (even while they do not pay the cost of their provision), or genuinely enhance existing infrastructures. In either case, flexibility in how the working day, working week and duration of employment is determined should be welcomed in order to respect the specific tasks entailed in different projects, and uniform templates should be a secondary consideration. Diversity should also characterise different projects' answers to how participants are guaranteed at least the equivalent of their LR payment. For example, sponsors of projects (who, presumably, stand to benefit directly from their completion) could be expected to cover expenses and/or provide a supplement; the maximum hours participants work could be based on dividing the amount of their weekly social payments by an agreed going rate for the job (as in the Part Time Job Opportunities Pilot Programme, see Social Justice Ireland, 2010); sponsors could commit to ensuring that an accredited training award would result from satisfactory participation in the project as a major 'benefit in kind'; etc.

Given the value of what the projects deliver and that they divert people from the LR to employment, the real constraint may not be so much financial as the ability to identify and bring on stream sufficient projects that meet the necessary criteria. It should not lightly be assumed, for example, that the community and voluntary sector, already heavily involved in this way, has substantial spare capacity to develop and implement projects of the required volume. A vital, even leadership, role should be assumed by local government.

The case is clear for bringing forward, to the greatest extent possible, capital investment projects that have already been planned and decided on as necessary for the country's economic and social infrastructure. This has been recognised in the programme of the new government, which commits to frontload investments in 'school building, non-national roads, healthcare and in job-creation', i.e., projects that are 'shovel ready' and labour intensive (*ibid.* pp. 14, 8).

The principal justification for such projects as school building, insulating the housing stock for greater energy conservation, replacing aged water piping to reduce wastage, installation of water meters, etc., remains that the infrastructural improvement itself is needed and has not been placed in doubt by the recession. Indeed, the fall in construction costs occasioned by the recession will only have further improved cost-benefit analyses in their favour. That the projects are, also, labour-intensive and have strong domestic multipliers (i.e., source most of their inputs from elsewhere in the economy) are major secondary benefits but should not be their primary justification. The quality of the employment provided rests, to a significant degree, on workers being sourced and paid in the normal way (hired by contractors and subcontractors who have successfully tendered for public sector contracts) and could be jeopardised by requirements to source workers from the LR or specified groups.

This said, the boosts such projects can impart to labour demand and domestic demand – in the context of an unemployment crisis whose epicentre has been the construction industry and where recovery is dogged by sluggish domestic demand – make the pace at which projects have been brought forward and

work commenced unacceptably slow (e.g., new school building and replacement of aged water pipes). The principal constraint here has *not* been resources¹⁴⁴ but organisations and procedures that have failed to innovate sufficiently in response to the huge additional value that earlier starts to projects have now acquired. The list of infrastructural enhancements that would be supported by cost-benefit analysis and constitute a valuable legacy from these otherwise distressed times should be boldly and more imaginatively extended, and local government and state bodies, in particular, required to identify more candidate projects for fast-forwarding.¹⁴⁵ In many instances, local authorities have a particularly important role to play in identifying infrastructural improvements that would enhance the business attractiveness, tourism product and quality of life in an area (e.g., cycle lanes, including routes to urban schools that obviate the need for road transport; out-of-school childcare facilities in school grounds; etc.)

Procedures and an institutional forum are urgently needed through which projects can be speedily identified and assessed against such criteria as (i) value of final infrastructural enhancement, (ii) their once-off, time-limited nature, (iii) their employment intensity, skill mix required and proportion of workers likely to be sourced from the LR (confining employment *only* to people on the LR and/or to the low-skilled risks the value of the project and status of those employed on it), (iv) domestic economy expenditures associated with them, (v) the contribution of employment on the project to participants' longer-term employability, and (v) overall cost-benefit analysis.

It is a further step to advance from identifying and delivering improvements to infrastructure in the normal way (cost-benefit analysis, tendering etc.) to undertaking projects whose principal *raison d'être* is the temporary employment they provide. As noted above, the epicentre of the unemployment crisis has been the construction sector. Other things being equal, this suggests that temporary direct work projects of a construction nature could make a significant contribution to interrupting otherwise long unemployment spells for a large number of those now unemployed. Several caveats attend this approach, however. In the first place, it might not, in fact, be good for the individuals concerned. International and Ireland's own experience (with CE) underline how occupying unemployed people for long periods on alternatives to preparing and competing for employment in the mainstream economy may ultimately reinforce their status as outsiders. This risk could be further reduced by ensuring that recruitment into direct employment projects did not 'lock' participants out of job-search or from taking steps to prepare for new careers but, rather, that such efforts increase as projects near completion. It is also clear, however, that construction skills in Ireland have been in over-supply and that many former workers in the sector are better served by re-skilling for other sectors than by being given temporary employment in construction.

A second ground for caution is that the capacity to identify and deliver on a significant volume of projects that would, simultaneously, deliver value for money in enhancing infrastructural assets, and maintain and enhance the skills

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¹⁴⁵ As an example, a national network of cycle lanes (including safe routes to school) is cited by the UK's National Endowment for Science, Technology and the Arts (NESTA) as a key example of a 'hidden' innovation that produced major economic and social benefits (NESTA, 2006: 32–34).

of the individuals employed cannot easily be assumed in either the non-profit or the public sector. The former played a large role as sponsors in the special labour market programmes that were devised in the late 1980s/early 1990s and continue to identify and manage activities funded under the Community Employment and Rural Support schemes. Much was and is achieved through these schemes, and significant improvements to them are underway, but they do not provide the template for what is now needed: the capacity of the sector is already significantly taken up with their current levels of utilisation, progression outcomes for participants have been poor and significant 'lock in' has occurred; significant 'producer interests' have been created in defending the programmes as not primarily labour market measures but subsidies for needed local services. Above all, however, the educational profile and work experience of a large number of those now unemployed make it inappropriate to confuse the case for a demand stimulus with the different need to, at times, test people's availability and willingness to work, require some work 'in exchange for' the dole, or support voluntary work and community development.

Other potential drawbacks to having recourse on a large scale to direct employment measures that temporarily occupy unemployed people include that temporary measures easily create producer interests that lead to their indefinite retention, and that targeting direct employment programmes at the most socially disadvantaged may create a stigma around participation that damages participants' future employment prospects (while not targeting means money is spent on some participants with less need than many non-participants). Once the potential downsides to bringing onstream a large volume of direct employment projects are identified and acknowledged by employers, trade unions and the labour market authorities, however, it is much more possible to anticipate and avoid them.

Box 8.2 Social Clauses

Internships, work placements and direct employment on once-off, specific projects all serve to interrupt individuals' unemployment spells. Such interruptions, despite being temporary, can help to maintain or enhance skills, provide work experience and prevent social isolation; they serve to stem the erosion of employability and keep people connected to the labour market. The heightened value of interrupting unemployment spells at the current time suggests that social clauses should be considered as a temporary expedient for increasing the supply of internships and work experience placements and to divert more labour market demand towards people on the Live Register. Social clauses are legal stipulations in invitations to tender for public contracts, which require those tendering to contribute in a specified way to a clear national social objective. In this instance, this would be the need to interrupt lengthening unemployment spells for a greater proportion of those on the LR.

Social clauses have been closely monitored and, more recently promoted, by the European Commission within the context of developing the Single Market. The Commission estimates that public procurement accounts for approximately 17 per cent of EU GDP, a scale that affords national governments considerable scope to use their purchasing power to leverage social policy objectives. While the European legal framework for public procurements is primarily designed to open up the public procurement market to competition, outlaw 'buy national' policies and promote the free movement of goods and services (Brammer and Walker, 2007), it is also supportive of using procurement to achieve wider social and environmental requirements, provided it complies with EU procurement rules and general EU law (COM, 2008b, 2008c; McCrudden, 2007). In 2010, the EU reinforced the case for linking social objectives and public procurement and the compatibility of doing so with Single Market rules in its *Guide to Taking Account of Social Considerations in Public Procurement* (COM, 2010).

In general, interest in Ireland in the use of social clauses in public performance contracts to provide employment and/or training opportunities for disadvantaged groups within the labour market has been limited to date. Concerns over the potential additional costs associated with such social clauses allied to an overly economic interpretation of the provisions of the EU Directives appear to be the key reasons. However, the stronger signal from the Commission that taking account of social considerations in the public procurement process is not only permissible but also potentially beneficial (EU, 2010) suggests public purchasing power should now be used to support the strategy of minimising the erosion of employability and drift into long-term unemployment. Social clauses have a potential to increase the supply of employment, training and/or work placement opportunities that would serve to interrupt or even break an individual's unemployment spell.

8.4 Conclusion: Process is Pivotal

The pivotal need now is for greater clarity on how temporary measures should be speedily identified, prepared and implemented, i.e., for a more transparent, inclusive and rapid process. The interaction to date has been strongest between central government and the mainline departments and state bodies directly under its control. The thrust of this report is that it needs to extend to include, in a stronger and more systematic way, the inputs of local government, private enterprise and professional associations, regional bodies and local communities. It seems imperative that a 'Board for Temporary Projects' (or some such name) should be established for a limited time period, its membership composed of people at the appropriate level in organisations that, collectively, could guarantee (i) a sufficient volume of projects valuable of themselves and sure to be well managed and delivered on, and (ii) participation/employment on terms and conditions that are fair and feasible for unemployed people while occasioning no additional Exchequer spending (other than the 'transformation' of what otherwise would have been spent on JA or other social welfare). The core criterion for Board membership should be that each member's organisation has an indispensable contribution to make to the Board's work and is committed to doing so, and members should be the plenipotentiaries of their organisations for delivering those contributions. The Board, therefore, would contain the necessary capability and competence for assessing and making operational proposals put forward by different organisations, such as local authorities, semi-state bodies, enterprises, the social partners and other NGOs. Its work should be guided by the criteria set out above (among others) and include consideration of, and learning from, past temporary employment projects. The Board would have to meet with whatever frequency 'got the job done' and be serviced by the secondment of staff with the requisite expertise sourced from across the public system. It should be established by end September 2011 and not be envisaged as needed beyond December 2012 (after which net employment growth is expected to resume in the Irish labour market).

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