



Alleviating Labour Shortages

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Foreword

Since 1994, Ireland has experienced an unprecedented growth in employment and as a corollary, a dramatic fall in unemployment. This success has, however, brought new labour market challenges as labour and skill shortages and associated recruitment difficulties have emerged across the economy. It is against this background that, in December of last year, the Forum established a Project Team to prepare a Report on Labour Shortages. A draft of this Report was considered by the Forum at its Plenary Session in Dublin on October 10th last. At this meeting, members also heard a keynote address on a range of policy issues from the Tánaiste and Minister for Enterprise, Trade and Employment, Ms. Mary Harney T.D. Subject to a number of comments, which are now incorporated in the text, this Plenary fully endorsed the Report.

Labour market policies can help address recruitment difficulties in a number of ways including developing workforce skills, promoting more efficient labour market matching and supporting the expansion of the labour force. While a comprehensive policy response requires action in all these areas, this Report focuses on policies to facilitate the expansion of the workforce.

Overall, the Report attempts to do two things. First, in Sections II-IV, it places the issue of labour shortages in perspective. It discusses the nature and extent of the problem and examines the potential for mobilising additional labour supply from domestic sources. It then sets out a broad policy agenda to ensure that effective opportunities for labour market participation are available to all. Second, in Sections V-VIII, the Report discusses specific policies that can help alleviate labour shortages. It considers policy in four areas: welfare to work, taxation, supports for women returners and immigration policy.

Section I provides an overview of the Report as a whole and includes a summary of the specific recommendations made. We hope that this Report will be taken into account by all relevant interests and assist the development of more effective policies to manage our new found prosperity in as efficient and socially just way as possible.

Section I

Introduction and Overview

Introduction and Overview

- 1.1 Since 1994, Ireland has experienced an unprecedented expansion in employment that has brought widespread benefits. As the labour market has tightened, unemployment has fallen dramatically and participation has increased. As a result, living standards have risen and consistent poverty has been alleviated.
- 1.2 This success, however, has brought new labour market challenges as labour and skill shortages and associated recruitment difficulties have emerged across the economy. While rising wage rates can be expected to bring labour supply and demand into equilibrium over time, labour supply policies can help address recruitment difficulties by developing workforce skills, promoting more efficient labour market matching and supporting the expansion of the labour force. A comprehensive policy response requires action in all three areas. The focus of this Report is on the third of these, namely policies to facilitate the expansion of the workforce.

Labour Shortages in Perspective

- 1.3 The two key factors determining the labour supply challenge over the medium-term are the performance of the economy and the evolution of participation rates. Without updated medium-term forecasts for growth and participation, it is not possible to quantify overall labour requirements. However, comparing different scenarios helps to identify the relevant policy issues (Section II).
- 1.4 *Scenario 1:* The ESRI Medium-Term Review Central Forecast sees the economy growing at 5.1% per annum on average in the 2000 –2005 period and employment growing at 2.1% per annum. In such a scenario, employment would increase by 176,000 and the overall participation rate would have to increase from 58.9% today to 61% by 2005 to match forecast employment expansion. In this scenario, modest increases in participation rates would mean that no significant increase in immigration would be necessary to meet labour supply requirements.
- 1.5 *Scenario 2:* Higher growth rates would imply a much greater challenge. If

annual growth were one per cent higher on average than in the above scenario, employment would grow by 268,000 and participation would have to increase to 63.8% by 2005 to match employment growth. Failing this, immigration would have to increase. However, there is considerable uncertainty about the feasibility and even the desirability of such a higher growth scenario.

Expanding the Workforce

- 1.6 The relative emphasis to be given to immigration or participation policies is an important question in its own right. Immigration is an important mechanism for meeting specific skill shortages. However, it places additional demands on infrastructure including housing. In the present context of supply constraints, this exacerbates existing problems in these areas. This suggests some caution about relying on immigration to expand labour supply in aggregate terms. Our analysis of participation in the Irish labour market shows that considerable potential remains for mobilising domestic labour supply (Section III). This is the central theme of our Report.
- 1.7 We identify four key challenges to employment policy (Section IV). These are:
- The labour market situation of the least skilled;
 - Supporting older people in the labour market;
 - Addressing barriers to women's employment; and,
 - The right to work of people with disabilities.
- 1.8 *The labour market situation of the least skilled:* There are two complementary ways to address this challenge. First, there are measures to address education and skill deficits both before young people enter the labour market and among adults. A particular challenge is to ensure that priority is given to addressing the education and training needs of the least skilled, regardless of their current employment or social welfare status. In order to do this the focus of training policy in the current labour market context must be clarified. The second complementary approach is to 'make work pay' at the lower end of the labour market through the development of:

- The minimum wage;
- Targeted tax relief, especially through increasing basic tax credits;
- In-work benefits; and,
- Other welfare to work policies.

1.9 *Supporting older people in the labour market:* The challenge here is to restructure retirement and early retirement incentives on the one hand and ensure opportunities for remaining in employment on the other. Many of the rules incorporated in social security and tax systems present an all or nothing choice to older workers. Reform should, therefore, focus on measures that allow for a more gradual withdrawal from the labour market according to individuals' preferences and abilities. Specific Irish research is required to clarify the relative roles of incentives to withdraw versus effective exclusion from the labour market as factors determining the fall in participation of older workers. As a priority, labour market policy must address both the prevention of long-term unemployment of older workers and the re-integration of older men and women into the labour market.

1.10 *Addressing barriers to women's employment:* The barriers to employment facing women are broadly of two types. First, there are the difficulties faced by parents of young children in particular in combining work and family responsibilities. This issue can be addressed through the provision of time, money and services. Time flexibility is a crucial element in enabling parents, men and women, to reconcile employment and childcare responsibilities. Currently, some £250 million is committed to childcare supply measures over the period of the National Development Plan (2000-2006). However, as we are starting from a very low base of provision, ongoing substantial investment will be required. Support for childcare costs should be introduced as a priority. It has not been possible to reach a consensus on the best way forward on this issue, which, in any case, is being addressed in the context of the Programme for Prosperity and Fairness (PPF). Second, women face additional obstacles when seeking to return to work after a period of absence caring for children. Both the tax and social welfare systems incorporate specific disincentives to women returning to work. In addition, being out of employment for relatively long periods of time poses additional obstacles – in terms of familiarity with the current labour market, skills that have become obsolete and even loss of confidence

in one's ability to make the transition back into work.

- 1.11 *The right to work of people with disabilities:* People with disabilities constitute a relatively large proportion of the working age population and employment among this group is significantly lower than for the population as a whole. The Department of Enterprise, Trade and Employment, in consultation with stakeholders in the disability sector, has formulated a three-year (2000-2003) strategy aimed at improving employment opportunities. While much progress has been made in recent years, there is a long way to go to ensure that the rights of people with disabilities are fully provided for.
- 1.12 We discuss these four key challenges in Section IV, setting out a broad policy agenda for ensuring that effective opportunities to participate in the labour market are extended to all. In doing this, we deliberately touch on a wide range of policy issues. Clearly, it is not possible to address each of these issues in depth. Rather we select particular policy areas for more in-depth discussion. The role of welfare to work policy, tax individualisation and the provision of specific guidance and employment supports to women returning to the labour market are addressed in Sections V-VII respectively. Finally, we consider immigration policy in Section VIII.
- 1.13 A summary list of specific recommendations follows in Box 1.1.

Box 1.1

Summary List of Recommendations

(Number references are to corresponding paragraphs in the Report)

Labour Market Assessment

- 2.13 Outreach to and technical assistance for small businesses developing recruitment and retention strategies should be a priority for the National Employment Service.
- 2.14 An efficient job placement service within the National Employment Service is essential.
- 2.31 Updated medium-term forecasts for growth and participation are required.

The Participation Challenge

- 4.14 Every effort should be made to facilitate old and new Pre-Retirement Allowance (PRETA) claimants into paid employment. It would be useful, therefore, to review the operation of PRETA to ensure that adequate supports are put in place for the reintegration of the older long-term unemployed.
- 4.30 The PPF working group to review costs of disability should include in its terms of reference the real costs of people with disabilities returning to work and coping with the transition to work.

A Comprehensive Welfare to Work Strategy

- 5.8 The Department of Social, Community and Family Affairs (DSCFA) should develop a comprehensive welfare to work strategy to ensure that the social welfare system facilitates access to paid employment opportunities for all, regardless of social welfare category.
- 5.9 The DSFCA should set up a Welfare to Work Policy Unit to review welfare to work provision across the social welfare system and to develop a comprehensive strategy. A Cross Departmental Welfare to Work Team should be established to address issues arising in this area. The Policy Unit

and Cross Departmental Team should be assisted by a Welfare to Work Advisory Group made up of representative groups of different claimant categories, representatives from the welfare to work information infrastructure and the Social Partners.

- 5.12 We support the recommendation of the *'Report of the P2000 Working Group on Women's Access to Labour Market Opportunities'* that qualified adults in households where the claimant is eligible to participate in active labour market programmes should be eligible for Job Start and Workplace.
- 5.17 Information leaflets encouraging qualified adults to take up employment should be clear and realistic about the implications for both the claimant and the qualified adult.
- 5.18 The Forum supports administrative individualisation as a first step towards a gender equitable social welfare system and it urges a speedy conclusion to the work of the PPF Working Group examining this issue. Welfare to work outcomes for qualified adults should be taken into account by this Group.
- 5.19-5.25 A more comprehensive welfare to work strategy will necessitate a wider overview of the interaction between secondary benefits and decisions to return to work.
- 5.21-5.23 The implementation of the tapering of rent allowance will require specific monitoring.
- 5.24 Unemployed people and lone parents can retain the medical card for three years after going back to work. We strongly urge that Health Boards and other agencies publish accessible information on this provision and ensure that this policy is fully implemented.
- 5.26–5.30 Earned income disregards have not been developed in any common framework and can appear inconsistent and confusing. Disregards should be as consistent, simple and transparent as possible across all social welfare payments. Net pay should be used in all instances including all Supplementary Welfare Allowance (SWA) and medical card means-tests. Indexation should happen annually and should ensure that at least the

original value of the disregard is maintained. An additional systematic review of disregards should take place every five years. Future tapered disregards should follow a consistent formula to enable those with low numeracy levels to self calculate, for example based on “5” - 25%/50%/75% or £5/£10/£15/£20/£25/£30.

- 5.33 Measures to support decision-making and risk-taking should include a guarantee of a return to original payments if the attempt at returning to work does not succeed.
- 5.34 –5-36 Access to quality and relevant information is a vital part of efforts to support the transition from social welfare into work. There is still a need for a blueprint or national strategy to develop a comprehensive and integrated information infrastructure.
- 5.38 The Welfare to Work Policy Unit should also be responsible for monitoring information technology developments in welfare to work information and advice, including the REACH initiative, developments in Comhairle and the mainstreaming of good practice initiatives from the Centres for the Unemployed.
- 5.39 Welfare to work information services are heavily dependent on Community Employment. To avoid dilution of this infrastructure, these should be identified as ‘essential services’. The Standing Committee on the Labour Market should address this.
- 5.40 Consideration should be given to naming specific sub-groups (e.g. Refugees, asylum-seekers with permission to work, homeless people, people leaving prison and the Traveller Community) as eligible categories for welfare to work supports and to targeting advertising within certain communities of interest.
- 5.41 FÁS should ensure that Welfare to Work modules are standard on all labour market programmes as well as on all CE Supervisors training.
- 5.42 The ‘*Report of the P2000 Working Group on Women’s Access to Labour Market Opportunities*’ recommendations on the need for gender relevant information should be implemented as a priority.

Individual or Joint Taxation?

- 6.11 We do not find the arguments for income splitting compelling in principle. Furthermore, there are strong arguments in terms of personal rights and respect for the autonomy of all individuals to favour individual taxation.
- 6.20-6.21 The overall distributional effect of the present policy of band individualisation is regressive. This is of concern given the PPF commitment to “*develop the structure of the tax system to deliver benefits and focus resources in an equitable manner.*” While we support individual taxation in principle, greater priority needs to be given to limiting these regressive effects through ensuring that the other elements of an overall personal tax reform package comprise measures favouring those on lower incomes and/or all taxpayers equally.
- 6.27 We recommend that consideration be given to ‘administrative individualisation’ of income tax for married couples. This would mean changing the current default option to separate assessment with the option of joint assessment on one spouse at the joint request of the couple
- 6.30 –6.31 The Home Carers Allowance (HCA) has introduced a new barrier to married women wishing to return to the paid labour force. The HCA should not be increased further. (Beyond this, however, there was a divergence of views on how the distortions brought about by the HCA should be addressed).

Women Returning to the Labour Market

- 7.11 – 7.15 To maximise their considerable resource potential, we recommend the setting up of a National Support Programme for Women Returners. The core elements of such a Programme should include the establishment of women returners as a priority group within FÁS Employment Services and Training provision. The structures required to implement this Programme should include the establishment of a National Advisory Committee including the Social Partners.
- 7.21 The recommendations of the ‘*Report of the P2000 Working Group on Access by Women to Labour Market Opportunities*’ should be

implemented without delay. This will involve co-ordination between the Departments of Social, Community and Family Affairs; Enterprise, Trade and Employment; Education and Science; and the Social Partners. A clear timetable for implementation should be established. The outcomes for women arising from these recommendations should be tracked and monitored in a transparent manner to assess their effectiveness in targeting women and increasing their access to education and training.

- 7.24 In its ‘*Action Programme on Long-term Unemployment*’, FÁS set a percentage target for participation of the long-term unemployed in mainstream training programmes. For the purposes of this target, the definition of long-term unemployed should include long-term qualified adults.
- 7.25 FÁS is committed to ensuring that “*FÁS services reach key groups such as long-term unemployed women, women returners, women with disabilities, traveller women and early school leavers.*” Developing this approach will require specific participation targets, support measures and organisational initiatives in relation to each of these groups.
- 7.26 A specific target should be set for provision of mainstream training programmes on a part-time basis.

Immigration Policy

- 8.35 With the growing significance of economic immigration, it is important that Irish policy in this area is clearly defined. We therefore welcome the fact that the Government has moved to update the legislative basis for policy. We hope that publication of this draft legislation will provide the opportunity for a more considered and better informed public debate on immigration policy in general and economic immigration in particular.
- 8.37 Consideration should be given to allowing people who have been working in accordance with a work permit for an extended period (of perhaps two or three years) to then qualify for a more open working visa type arrangement.
- 8.40 Different provisions for accompaniment by family apply to Work

Authorisations and Work Visas. This should be kept under review and returned to if it is seen to act as a barrier to attracting designated workers to Ireland.

- 8.41 Consideration should be given to issuing Work Authorisations/Visas for a longer duration in the first instance. An initial duration of at least three years would seem to be in line with emerging practice in countries such as the UK, Germany and the US. In addition, the longer-term options open to authorisation/visa holders must be clarified to enable employers and the National Employment Service to positively promote a clear package to prospective workers.
- 8.42 The Work Visa Scheme is applied to designated occupations. The specific categories designated should be kept under review to ensure that they continue to match identified needs.
- 8.43 The marketing of the Work Visa/Work Authorisation Scheme requires attention.
- 8.44 Third country nationals legally resident in EU Member States, even those who have lived there for many years, are not accorded freedom of movement within the EU. This issue will be considered under Title VI of the Treaty and merits a positive approach from Ireland.

Report Preparation

- 1.14 The Forum's Project Team on Labour Shortages was set up in December 1999. The final membership of the Team was as follows:

Aileen O'Donoghue, Irish Business and Employers Confederation (Team Chairperson)
Councillor Tadgh Curtis, Association of Municipal Authorities
Frank Doheny, Department of Enterprise, Trade and Employment
Helen Johnston, Independent Government Appointee
Camille Loftus, Irish National Organisation of the Unemployed
Senator Paschal Mooney, Fianna Fáil
Orla O'Connor, National Women's Council of Ireland
Gearoid O'Maoilmhicíl, National Youth Council of Ireland
Manus O'Riordan, Irish Congress of Trade Unions
Deputy Gerry Reynolds, Fine Gael

The following also served for periods on the Team:

Mike Allen, formerly Irish National Organisation of the Unemployed
Brendan Butler, Irish Business and Employers Confederation
Mary Coleman, Irish Cooperative Organisation Society
Gráinne Healy, National Women's Council of Ireland
Senator Helen Keogh, formerly Progressive Democrats

Forum Secretariat: Laurence Bond

- 1.15 The Team met regularly between December 1999 and October 2000. A copy of the terms-of-reference agreed by the Team and the Management Committee in February last is attached as Annex II.
- 1.16 A consultant, Ms Mary Murphy, was commissioned to prepare background material on *Welfare to Work Issues*, from which we have drawn extensively in Section V.
- 1.17 The Forum considered a draft of this Report at its Plenary Session in Dublin on 10 October 2000. Subject to a number of comments, which are now incorporated in the text, this Plenary fully endorsed the Report.

Acknowledgements

1.18 Many people, too numerous to mention individually, provided invaluable assistance to the Team in preparing this Report. Particular thanks are due to the following who met with the Team and whose advice and expertise facilitated its work: Professor John Fitzgerald, Professor Jerry Hughes and Mr. James Williams of the ESRI; Ms. Mary Murphy; Mr. Paul O’Doherty; Mr. Glen Carr, Ms. Liz Carter, Ms. Carol Conway, Mr. Peter Davitt, Ms. Patricia Lee, Ms. Fiona Nolan, Mr George Ryan and Ms Marian Vickers; Ms. Frances Byrne, Ms. Mary Flavin, Ms. Judy Maloney, Ms. Sinead Togher and Ms. Maggie Phayre.

Section II

Labour Market Assessment

Labour Market Assessment

2.1 Our examination of labour market developments in this Section provides the essential context for the remainder of this Report. We begin with a discussion of recent labour market pressures. This is followed by a brief discussion of the importance of training and labour market matching for facilitating adjustment in this new context. However, our focus is on labour supply. We introduce this theme by considering recent and prospective trends in labour demand and supply. Following this assessment, we set out our broad approach to expanding the work force.

A High Pressure Labour Market

2.2 Since 1994, Ireland has experienced an unprecedented expansion in employment that has brought widespread benefits. As the labour market has tightened, unemployment has fallen dramatically and participation has increased. At the same time, living standards have risen and consistent poverty has been alleviated. Employers have benefited from strongly growing demand and expanded business opportunities. Many people have benefited from wider job opportunities and higher earnings— including many of those who in earlier years had suffered the worst consequences of slack labour markets - less-educated young people, women, and the manual working class. Until recently, all of this had largely occurred without any apparent loss of output or employment growth due to labour shortages, and with only modest effects on inflation. However, this is now no longer the case.

2.3 Employers now identify labour and skill shortages and associated recruitment difficulties as a major problem. As late as 1996, the private sector vacancy rate was only around 2%, little different than it had been at the beginning of the decade. In late 1999, a national survey of private sector vacancies found a vacancy rate¹ of 6.5%. This was an increase on the 5.8% rate recorded the previous year. In 1998,² 27% of firms reported vacancies

¹ Vacancies are defined as “*unmet demand for labour, where the positions are currently unoccupied, available immediately and the firm is actively searching for workers*”. The vacancy rate is measured as vacancies/employment+vacancies.

² The full results of the 1999 survey are not yet available.

and most of these firms said that they considered at least one current vacancy ‘hard to fill’ (Williams and Hughes, 1999). When asked to rank seven possible difficulties facing Irish companies, ‘Difficulties in Recruiting Staff’ was ranked as most problematic by 38% of all firms in a nationally representative sample, which was at least twice as many as for any other single reason (Nolan, O’Neill and Williams, 1999). Shortages are not restricted to the private sector. There are also large numbers of vacancies in the public sector. Staff shortages are posing significant difficulties to public service providers in many areas, including medical and social care services.

- 2.4. Alongside the recruitment difficulties faced by employers, a tight labour market presents new challenges to macroeconomic management. In particular, there is an increased risk of wage adjustment overshooting with adverse consequences for competitiveness. As the National Competitiveness Council recently argued “*Pervasive skill and labour shortages are increasing the risk of overheating and a much sharper than expected economic slowdown*”(2000a:7). The recent rise in inflation has also heightened concerns about overheating in the economy (International Monetary Fund, 2000; Department of Finance, 2000).
- 2.5 Addressing skill shortages and facilitating an expansion of labour supply can also help to minimise the risk of a hard landing for the economy. However, insofar as an expansion of total labour supply is achieved by expanding the overall population - i.e. through immigration – it places additional demands on infrastructure including housing (Duffy et al, 1999). This may have negative consequences in the present context of infrastructural supply constraints. More generally, insofar as there are risks of overheating, labour supply measures can help macroeconomic adjustment only as part of a balanced package in which supply and demand-side policies are brought together in a coherent manner.
- 2.6 While all regions in Ireland have experienced employment growth in recent years, not all have grown at the same rate and the labour market is not equally tight across all parts of the country. Regional policy can, therefore, play an important role in easing labour market and other tensions that arise in an economy operating at, or close to, full employment. This underlines the urgency of putting in place a National Spatial Strategy.³

³ Preparatory work for a National Spatial Strategy is in progress at the Department of the Environment and Local Government.

2.7 As with any market, the labour market has ways of reducing shortages. Tight labour markets generate higher wages and other incentives – such as better benefits and more flexible work arrangements – to encourage new entrants to the market. As wages increase, employers seek fewer workers, while more people are attracted into the labour force. Rising wage rates can be expected to bring labour supply and demand into equilibrium over time. However, in practice market adjustment takes time and is not a perfect mechanism so that wages may overshoot as noted above. Thus, labour supply policies can play an important role in assisting adjustment to tighter labour markets by developing workforce skills, promoting more efficient labour market matching and supporting the expansion of the labour force. The focus of this Report is on the third of these, namely policies to facilitate the expansion of the workforce. However, we emphasise at the outset that a comprehensive policy response to our rapidly changing labour market requires action in all three areas.

Developing Workforce Skills

2.8 Skill shortages are a significant factor in the persistence of vacancies. In the 1998 vacancy survey cited above, firms reporting difficulty filling vacancies were asked to indicate which of nine suggested options were responsible for their recruitment difficulties. Shortage of applicants with the right practical skills was the single most frequently cited reason (cited by 46% of firms) followed by shortage of applicants with the right practical experience (43%). These were followed by ‘too much competition’ (37%) and ‘lack of qualifications’ (20.9%) (Williams and Hughes, 1999).

2.9 The distribution of vacancies also highlighted the importance of specific skill shortages. Sectoral vacancy rates were grouped closely around the 6% average i.e. the distribution of vacancies by sector broadly followed that of overall employment. However, occupational vacancy rates were more widely dispersed with the highest vacancy rates found in higher/technical occupations. Six of seventeen broad occupational groups had vacancy rates above 10% including: Engineering Professionals (11.1%); Computer Professionals (14.8%); Engineering Technicians (10.8%); Science Technicians (10.9%); Computer Technical Staff-Associate Professional level (14.1%); and, Security (10.8%).⁴ In some of these occupations, labour is in

⁴ It appears that in the 1999 National Vacancy Survey, the vacancy rate for engineering technicians had increased to 15.5% while that for Computer Professionals had fallen to 8.6%. (See National Competitiveness Council, 2000b). However, the full results of this survey are not yet available.

short supply internationally and countries are competing to attract or retain specialist staff. In these occupations, our ability to attract skilled people to Ireland is an important competitive issue.

- 2.10 In late 1997, the Government established the Expert Group on Future Skills Needs under the aegis of Forfás. Following publication of its first report, the Government, in April 1999, allocated an additional £75 million to provide 5,400 third level places for the electronics and software sectors. In its second report, published in March 2000, the Expert Group recommended 1,150 additional third level places for the pharmaceutical, chemical, food and biotechnology sectors and recommended initiatives to improve the availability of skills for research and for the construction sector. Apart from addressing specific higher skill gaps, policies to upskill the labour force will play a crucial role in promoting labour market adjustment and ensuring competitiveness in the long run. The challenge here is to ensure that the required priority is given to addressing the training needs of the least skilled while having due regard to other training policy objectives (CSF Evaluation Unit, 1999).

Labour Market Matching

- 2.11 While the occupational vacancy data suggest specific skill shortages in higher/technical occupations, in most cases these are small occupational groups accounting for a relatively small share of total vacancies. Relatively high vacancy rates and associated recruitment difficulties exist across the economy.
- 2.12 Delays in adapting recruitment practices to a very different labour market also directly contribute to the persistence of vacancies. In a buyers market, which is what we have been used to in Ireland until recently, prospective workers compete with each other for available jobs and the onus falls on the worker to sell him or herself to the employer. In our new sellers market, employers must compete with each other to recruit and retain available workers and the onus is on the employer to market job offers to the prospective employee almost as they would market a product. This means identifying the ‘market’ and responding to what the ‘customers’ (i.e. employees or prospective employees) want. Firms looking for staff need to compete on wages but also on non-pay factors such as working conditions, flexibility, family issues and in-work training.

- 2.13 A tighter labour market has already stimulated greater employer innovation in these areas, serviced in part by a rapidly growing private recruitment industry. While many firms have been actively adapting to the changing labour market, it appears that such change has come about more quickly in larger firms with professional human resource departments. Some employers may have particular difficulties in adapting to the changing labour market and greater efforts to support them may be required. Small employers in particular may have the greatest difficulty finding and retaining qualified workers, yet many are not familiar with new recruiting techniques. Thus, greater outreach to and technical assistance for small businesses by the National Employment Service should be a priority. The ‘*Mind the Gap*’ package developed for the UK Skills Task Force provides a useful model here (see www.dfec.gov.uk/recruit/index.htm).
- 2.14 Public policy can also help match workers to employers, particularly by providing information about available job openings, job search assistance and help for employers in developing effective recruitment and retention practices. As Williams and Hughes, the ESRI authors of the National Vacancy Survey argue: “*The increase in vacancies in recent years highlights the importance of having an efficient job placement function within the public Employment Service. Research in other countries shows that improvements in job-matching by the public Employment Service can significantly reduce the duration of vacancies*” (Williams and Hughes, 1999:xii).

Recent Labour Market Trends

- 2.15 The emergence of general labour shortages across the economy must be seen in the context of the transformation in the labour market that has taken place within a relatively short period. Since 1994, Ireland has experienced unprecedented growth in employment. In the six years from April 1994 to April 2000, employment increased by 450,000, or significantly more than a third (37%). Where did all these extra workers come from? Some came from unemployment, which fell by 136,000 over the six years. This fall combined with the strong growth of the labour force brought about a rapid fall in the ILO unemployment rate, from 14.7% in 1994 to 4.3% in 2000. Most new jobs were filled as a result of a rapid expansion in the labour force, which grew by 314,000 (data on trends in the Irish labour market are set out in Tables 2.1 and 2.2.). This rapid growth in the labour force came

about through increases in the working age population in combination with increasing participation rates.

Table 2.1: Labour Market Trends ('000s), 1994-2000				
Year (Spring)	Population 15+	Labour Force	At Work	Unemployed
1994	2687.4	1431.6	1220.6	211.0
1995	2723.3	1459.2	1281.7	177.4
1996	2766.7	1507.5	1328.5	179.0
1997	2815.0	1539.0	1379.9	159.0
1998	2869.7	1621.1	1494.5	126.6
1999	2915.4	1688.1	1591.1	96.9
2000	2962.6	1745.6	1670.7	74.9

Source: CSO Quarterly National Household Survey

Table 2.2: Labour Market Ratios (%), 1994-2000			
Year (Spring)	Participation Rate	Employment Rate	Unemployment Rate
1994	53.3	45.4	14.7
1995	53.6	47.1	12.2
1996	54.5	48.0	11.9
1997	54.7	49.0	10.3
1998	56.5	52.1	7.8
1999	57.9	54.6	5.7
2000	58.9	56.4	4.3

Source: Table 2.1

2.16 Between 1994 and 2000 the working age population (15+) grew by 275,300, most of which (226,800) was accounted for by natural increases (Table 2.3). Ireland experienced a baby boom between the mid-1950s and the late 1970s that has been feeding through into the labour force over subsequent decades. Until relatively recently this was either offset by emigration or translated directly into higher unemployment. However, in the booming economy of the last six years it contributed to the rapid growth in employment. Fertility declined quite sharply after 1980 and thus the natural increase has been falling. While this year (2000) it will add around 27,000 to the population of working age, this will fall to around 12,000 in 2008 (Hughes, McCormick and Sexton, 2000). Nevertheless, the natural increase will continue to contribute strongly to labour supply over the medium term.

Year to Spring	Growth	Natural Increase	Net Migration
1995	35.9	42.5	-6.6
1996	43.4	41.4	2.0
1997	48.3	39.4	8.9
1998	54.7	38.3	16.4
1999	45.9	33.6	12.3
2000	47.1	31.6	15.5
1994-2000	275.3	226.8	48.5

Source: CSO Population and Migration Estimates

2.17 Net immigration also contributed to the growth in the working age population. Ireland's pattern of migration has moved from a situation of heavy net emigration in the 1980s through to fluctuating around zero in the first half of the 1990s, and then to relatively strong net immigration since 1996 (CSO various; Punch and Finneran, 1999). Between 1994 and 2000, net immigration added 48,500 to the population of working age with much of this concentrated in the second half of the period (Table 2.3). Thus, net migration accounted for only a small part of total labour force growth in recent years. However, in the medium-term, net immigration is expected to continue at close to the level reached in the last few years, while the natural increase will fall. Immigration will, therefore, account for a higher share of growth in the working age population in the future.

2.18 Net immigration is the product of gross inward and outward flows (Table 2.4). Since the mid-1990s, gross emigration has fallen somewhat, while gross immigration has increased. Irish nationals have typically accounted for around one half of annual inflows, although in the most recent year this fell to 43%. Over time, as the reservoir of potential immigrants among Irish nationals abroad declines, the composition of immigration by country of origin can be expected to change.

Year to Spring	<i>All</i>			<i>15 plus</i>		
	Gross Immigration	Gross Emigration	Net Migration	Gross Immigration	Gross Emigration	Net Migration
1995	31.2	33.1	-1.9	25.9	32.5	-6.6
1996	39.2	31.2	8	32.6	30.6	2
1997	44	29	15	37.6	28.7	8.9
1998	44	21.2	22.8	36.8	20.4	16.4
1999	47.5	29	18.5	41.2	28.9	12.3
2000	42.3	22.3	20	37.3	21.8	15.5
1994-1999	248.2	165.8	82.4	211.4	162.9	48.5

Source: CSO Population and Migration Estimates

2.19 The labour supply effects of a growing population of working age have been reinforced by increased participation, especially by women. The participation rate – i.e. the proportion of those of fifteen years or over who are in the labour force – increased by 5.6 percentage points from 53.3% in 1994 to 58.9% in 2000. Participation increased much more rapidly among women than men (Table 2.5). Male participation increased by 3 percentage points to 71% between 1994 and 2000 while female participation increased by 8.2 points to 47.2% in 2000.

	Men			Women		
	Participation Rate	Employment Rate	Unemployment Rate	Participation Rate	Employment Rate	Unemployment Rate
1994	68.0	58.0	14.7	39.0	33.3	14.8
1995	68.0	59.7	12.1	39.7	34.8	12.2
1996	68.1	60.0	11.9	41.4	36.5	11.9
1997	67.8	60.8	10.4	42.0	37.7	10.3
1998	69.4	63.8	8.1	44.0	40.7	7.4
1999	70.2	66.1	5.9	46.0	43.4	5.5
2000	71.0	67.9	4.3	47.2	45.2	4.2

Source: Derived from CSO Quarterly National Household Survey

Future Scenarios

2.20 Recent employment trends have been highly exceptional when compared to historical experience in Ireland. Nevertheless, the consensus among

economic forecasters is that employment will continue to grow strongly over the medium-term, although at a declining rate compared to the last five years. The ESRI Medium-Term Review (Duffy et al, 1999) is the only model-based, medium-term forecast available and to date it has provided the framework for medium-term Government planning in the National Development Plan. Here we discuss the implications for labour supply of this forecast. Since this is not the only possible scenario for the medium term, later we consider the implications of lower and higher growth rates.

- 2.21 The Review's Central Forecast sees a slowing in the growth rate of GNP from 6.7% per annum between 1995-2000 to an average of 5.1% between 2000 and 2005. It forecasts a corresponding fall in the rate of growth in employment, from 4.4% in the last five years to 2.1% over the next five years. Calibrating these forecasts to the latest Quarterly National Household Survey (QNHS) data for March-May 2000 suggests that employment will increase by 176,000 in the five-year period 2000-2005.
- 2.22 One of the most remarkable features of the recent boom is that unemployment has continued to fall further than many commentators thought possible. While the unemployment rate can probably fall further in the short-term, it is impossible to determine exactly what will happen over the medium-term. If the unemployment total were to remain unchanged, the unemployment rate would in any case fall to 3.9% by 2005. Higher or lower unemployment would respectively increase or decrease the pressure on labour supply. However, a significant increase in the unemployment rate could only occur because of a downturn in the economy, thus changing the overall scenario. Here, for simplicity, we assume no change in the number of unemployed over the period.
- 2.23 Given our unemployment assumption, meeting the demand for labour would require that labour supply increase by the same amount as employment i.e. 176,000 or roughly 35,000 per year on average. It is important to remember here that the factors underpinning Ireland's recent exceptional labour supply growth, i.e. natural increase, increased participation and net immigration, will continue to operate in the years ahead.
- 2.24 In the CSO's latest population projections, the population of working age is expected to increase to 3.15 million by 2005 (CSO, 1999). This projection assumes net immigration of approximately 15,000 per annum over the

period.⁵ Taking this forecast as given, the overall participation rate would have to increase from 58.9% in 2000 to 61% by 2005 to match forecast employment expansion. Lower (higher) participation would necessitate higher (lower) immigration than that assumed by the CSO. Clearly, the evolution of participation rates over the medium term is one of the key factors determining the labour supply challenge.

2.25 In recent years, participation rates have increased more rapidly than expected. Both the CSO and ESRI had forecast a participation rate of 59% for 2005, and as we have seen, this has already been achieved. In the absence of updated forecasts, it is only possible to speculate on what will happen over the medium-term. However, participation rates can be expected to continue their increase. As the rate of increase required for participation to reach 61% by 2005 is considerably lower than that achieved in recent years, it seems likely that growing participation will continue to meet a large part of labour supply requirements. There remains considerable scope for policy to influence outcomes in this area.

2.26 What are the implications of this assessment for immigration requirements? Based on the ESRI forecasts for employment outlined earlier, the Government has estimated that some 200,000 workers or a gross immigration total of 336,000, would be required to meet labour supply needs over the seven-year period from 1999 to 2006.⁶ This represents annual gross immigration of around 48,000 per annum. (As the estimated requirement was front-loaded in the first year, the requirement for 2000-2005 was 46,400 per annum). These estimates are not dramatically higher than the level of gross immigration recently achieved which has averaged 44,400 per annum since 1996 (See Table 2.4).

2.27 In addition, the assumptions underpinning this calculation, while not unreasonable, tend to support an estimate of the immigration requirement that is at the higher end of the plausible range. For example, it assumes unemployment remaining constant at 95,000 through to 2006, which seems high, as we have seen above. Second, it assumes gross emigration of 27,000 per annum over the period. Again, this may be on the high side as

⁵ See 'Population and Labour Force Projections 2001 - 2031' CSO July 1999. The higher migration assumption (MI) used here sees a gradual decline in net immigration over the period as follows: 1996-2001: +20,000 per annum; 2001-2006: +15,000 per annum; 2006-2011: +10,000 per annum.

⁶ This forecast is in the 'Report of the Inter-Departmental/Agency Group on Immigration Policy', February 2000, unpublished.

emigration has fallen in recent years. Thus, for example, since 1996 gross emigration has averaged around 25,000 per annum (see Table 2.4). Third, it assumes that migrants' labour market participation rates are in line with overall participation. Higher participation assumptions (in line for example with the age and/or education profile of migrants) would tend to lower the immigration requirement.⁷ Finally, overall assumptions about participation in the economy as a whole may also prove an underestimate as we have seen above.

- 2.28 Clearly, an update of these forecasts is required for planning purposes. In the meantime, it seems reasonable to conclude that fairly modest increases in participation rates relative to recent experience would mean that no significant increase in immigration would be necessary to meet the labour supply requirements implied by the ESRI Central Forecast. However, as both the CSO and the ESRI have forecasted immigration as declining over the medium term, maintaining present levels may still present a challenge.
- 2.29 We should emphasise that this broad conclusion refers to the employment scenario implied by the ESRI Central Forecast outlined above. What happens if growth diverges from this forecast? A range of external and/or domestic factors could bring about lower than forecast growth. If growth falls below the above forecast, the required labour supply will likely also fall.
- 2.30 More important for our purposes here is the possibility of higher growth than that forecast by the ESRI. It is already evident that growth in the current year will be higher than expected. Since the beginning of the boom forecasts have generally underestimated the rate of expansion and this could happen again. Assuming growth in productivity remains as predicted in the Central Forecast, any increase in the growth rate would be directly reflected in the rate of employment growth. We have estimated that adding one quarter of a percentage point to the annual rate of growth of employment would mean that employment over the five years to 2005 would increase by 198,000 rather than 176,000. Adding half a per cent would produce 221,000 jobs and a one per cent increase would result in 268,000 jobs over the period. Based on the projected working age population of 3.15 million in 2005, and assuming no change in unemployment as in our discussion of the ESRI

⁷ This depends on participation assumptions for both immigrants and emigrants.

scenario, these figures would require participation rates in 2005 of 61.7%, 62.4% and 63.8% respectively. Again, lower participation rates would require higher immigration.

2.31 In such a higher growth scenario the labour supply challenge would clearly be much greater. However, without updated medium-term forecasts for growth and participation, it is simply not possible to quantify overall labour requirements. What we have presented here is an illustrative scenario. Given recent concerns about overheating, it is not clear how feasible any higher growth scenario might be. While the rate of growth in labour supply is one of the determinants of the growth rate, other factors such as infrastructural constraints may make higher growth over this period unsustainable. This raises issues of macroeconomic analysis and planning that remain the subject of considerable debate.

2.32 It also raises broader societal questions about the appropriate strategic objectives of economic and social policy over the medium-term. It is now widely acknowledged that job-creation *per se* is no longer the appropriate overriding objective of national policy. However, it is not clear what strategic objective, if any, should replace it. The authors of the ESRI Quarterly Economic Commentary have recently suggested that:
“Development can be interpreted as qualitative increase in economic well-being in contrast to the quantitative increases implied by growth. It is clear that an economy may need to grow in order to develop, but there comes a point when continued growth can be at the expense of development”.
(McCoy, Duffy and Smyth, 2000)

Expanding the Workforce

2.33 According to the Expert Group on Future Skills Needs: *“Appropriate responses to general labour shortages aim to expand the overall supply of labour in the economy. Such responses could include attracting new entrants into the labour market, seeking to encourage those who have left the labour force to rejoin, increasing the hours worked by the existing workforce, assisting the unemployed to gain jobs, and raising immigration to augment the domestic labour supply.”*(2000:21) It is the last of these options – that of policies to raise immigration – that has received most attention in recent public debates.

- 2.34 We have already seen that without updated medium-term forecasts for growth and participation, it is not possible to quantify overall labour requirements. We suggested earlier that it seems reasonable to conclude that fairly modest increases in participation rates would mean that no significant increase in immigration would be necessary to meet the labour supply requirements implied by the ESRI Central Forecast. However, over the medium-term, even relatively small increases in the annual growth rate above that forecast would imply a much greater challenge to participation and/or to immigration policy.
- 2.35 The relative emphasis to be given to immigration or participation policies is an important policy question in its own right. Recently the ESRI has warned that immigration to date, by adding to population growth, has increased pressure on infrastructure, particularly in terms of demand for housing. Given supply constraints, this has added to house price inflation. Immigration flows are driven in the first instance by the performance of the economy rather than by Government policy and this will continue to be the case. However, the additional costs associated with increased immigration over the short to medium-term suggest some caution in actively pursuing expansion of the labour supply in aggregate terms from this source. It is important, therefore, to emphasise that considerable potential remains for mobilising domestic labour supply. This, the central theme of our Report, is addressed in Sections III – VII. Immigration policy does, however, have an important role, particularly in meeting specific skill shortages and we discuss this in more detail in Section VIII.

Section III

Employment and Non- Employment

Employment and Non-Employment

3.1 While Irish participation and employment rates have increased among men and especially among women, many adults remain outside the labour force. Identifying those population groups with significantly lower than average employment rates highlights where there may be potential for additional labour supply from domestic sources. In this Section, we compare Irish employment rates⁸ with those of other EU countries and present a breakdown of employment rates within the Irish population. We then briefly report the main findings of recent Irish econometric analysis of labour force participation.

Ireland in Europe

3.2 Achieving a significant increase in the employment rate is a central objective of the European Employment Strategy. At the EU Summit in Lisbon in March of this year, Member States agreed an overall objective of raising the employment rate from an average of 61% (1998) to “*as close as possible to 70% by 2010 and to increase the number of women in employment from an average of 51% today to more than 60% by 2010.... Member States should consider setting national targets for an increased employment rate*” (Presidency Conclusions).

3.3 Earlier (Table 2.2) we reported employment rates for Ireland calculated for the population aged fifteen years and over, in line with national practice.⁹ It is therefore important to note here that the EU targets quoted above and all comparisons presented in this sub-Section are calculated for the ‘working age population’ aged between fifteen and sixty-four. This excludes from the comparison, differences arising both from cross-country differences in participation among older people (which in general are not very large) and differences in the proportion of the adult population that is elderly (which are more significant).

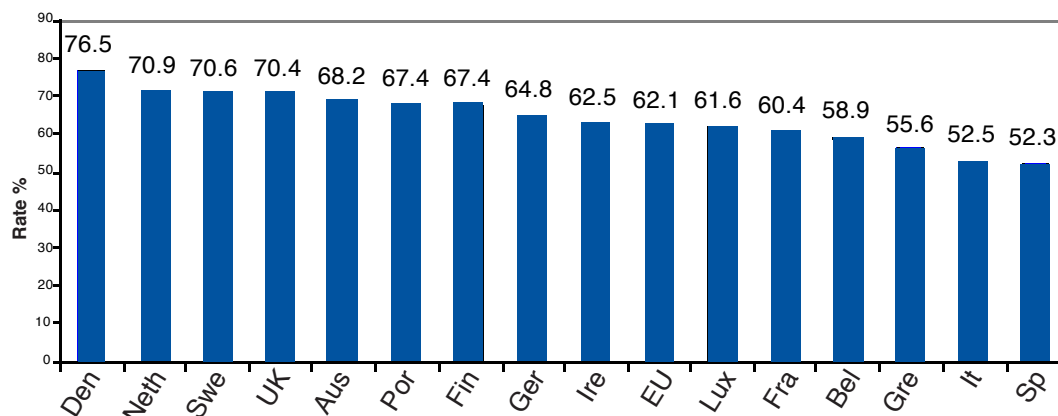
⁸ Comparisons of labour market activity may be based on a number of measures. Here we use the employment rate rather than the participation rate or any other measure. The main effect is that a country or population group with lower unemployment such as Ireland will compare more favourably than if the participation rate is used. This should be kept in mind in the following discussion.

⁹ The CSO does not publish employment rates but does report participation rates calculated on this basis.

3.4 Much of the debate on European employment rates has been motivated by comparisons with other OECD countries, especially the US.¹⁰ In 1973, overall employment rates in the US and in OECD Europe were equal at 65%. By 1998, the US rate (74%) exceeded the European rate (60%) by fourteen percentage points, reflecting increased divergence in both unemployment and participation. Female employment rates account for two thirds of this gap. Over this period, women’s employment rate increased from 43% to 49% in Europe and from 48% to 67% in the US. Back in 1973, the male employment rate in Europe, at 87%, exceeded the US rate of 83%. By 1988, the European rate had fallen to 72% while the US rate was 81%.

3.5 The latest EU Labour Force Survey (Eurostat 2000) shows that within the EU in April 1999, national employment rates diverged widely from 76.5% in Denmark to 52.3% in Spain.¹¹ Ireland’s rate at 62.5 % (in 1999) was marginally above the overall EU rate¹² of 62.1%, ranking ninth of fifteen EU Member States (Figure 3.1).

Figure 3.1: Employment Rates in EU, 1999.



Source: EU Labour Force Survey, 1999 (Eurostat 2000)

3.6 Male employment rates vary from 81.2% in Denmark to 67.1% in Italy (Figure 3.2). Ireland, at 73.6%, ranks seventh. Among prime age men (25-49), employment rates are closely grouped in a ten percentage point range between 84.5% in Finland and 93.8% in Luxembourg. Ireland’s rate

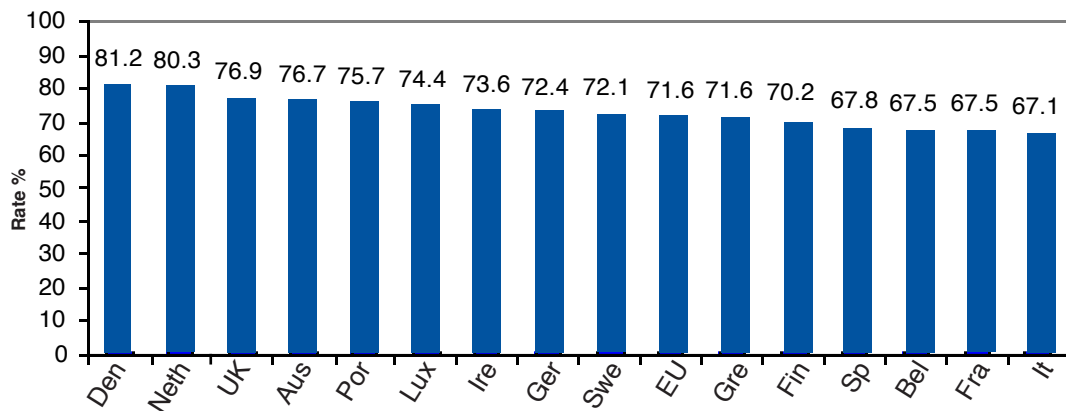
¹⁰ Data in this paragraph from Freeman, 2000.

¹¹ All EU comparisons in this sub-Section are from the EU Labour Force Survey for April 1999 (see Eurostat, 2000).

¹² Note that EU rates refer to employment rates calculated by Eurostat for the EU as a whole, rather than the mean of national employment rates. Given the above average population size among the low employment countries, the EU rate is typically below the country mean.

of 87.5% ranks eighth. Among younger (15-24) and older (50-64) men, employment rates diverge much more widely between Member States. Ireland's rate of 49.8% for younger men ranks fifth and lies midway in the range between Denmark's 69.5% and Belgium's 27.5%. Among older men, the Irish rate of 69.5% ranks fourth in the EU and lies close to the top of a range running from 74.6% in Sweden to 51.1% in Belgium. Ireland's relatively high rate here reflects in part the influence of high participation of older men in agriculture.

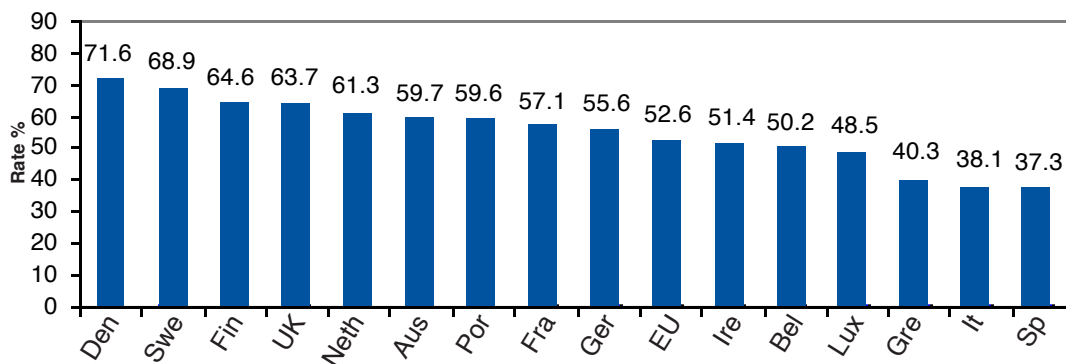
Figure 3.2: Male Employment Rates in EU, 1999.



Source: EU Labour Force Survey, 1999 (Eurostat 2000)

3.7 Female employment is the main factor in the divergence of Member States' employment rates. Female employment rates vary widely from 71.6% in Denmark to 37.3% in Spain (Figure 3.3). Ireland's rate of 51.4% is just below the EU rate (52.6%) and ranks tenth.

Figure 3.3: Female Employment Rates in EU, 1999.



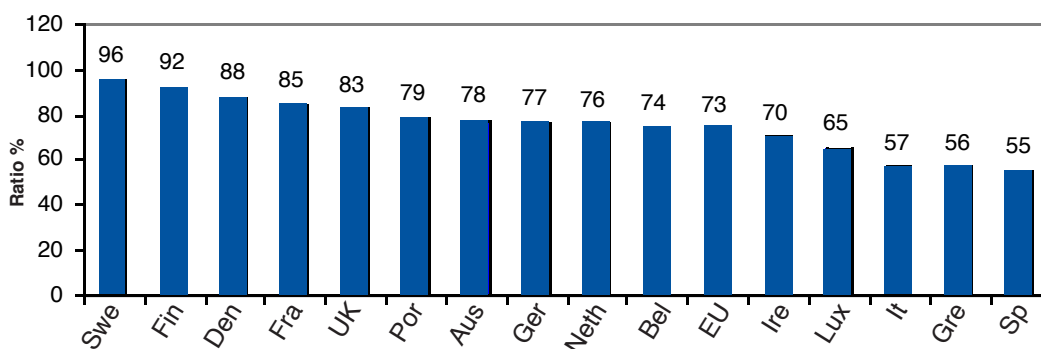
Source: EU Labour Force Survey, 1999 (Eurostat 2000)

3.8 With regard to female employment in particular, the usefulness of the EU rate as a benchmark for the performance of individual Member States is questionable. This is particularly clear when we focus on prime age women alone. Here Ireland’s (and Luxembourg’s) employment rate of 63% occupies a position between a group of three countries with very low rates (Spain, Italy and Greece with rates from 50% to 54%¹³) and the ten remaining countries where rates range upwards from 69% in France to 80.5% in Denmark. Arguably, the relevant challenge for Ireland is to join the high employment countries rather than simply match the EU rate.

3.9 The pattern of rates for younger women is similar to younger men. Ireland’s rate of 43% for younger women ranks sixth and lies midway in the range between Denmark’s 63% and Italy’s 21%. Among older women, the Irish rate of 32.8% ranks tenth in the EU, between Italy’s 22.5 % and Sweden’s exceptional 70.6%.

3.10 Finally, it is useful to compare countries in terms of employment equality, rather than simply in terms of overall rates. We do this by ranking countries on the ratio of female to male employment rates (Figure 3.4). Ireland’s female to male ratio is 70%, placing us eleventh in the EU. Again, the divergence among countries is striking, ranging from 53% in Spain to 94% in Sweden.

Figure 3.4: Ratio (%) of Female to Male Employment Rates, 1999.



Source: EU Labour Force Survey, 1999 (Eurostat 2000)

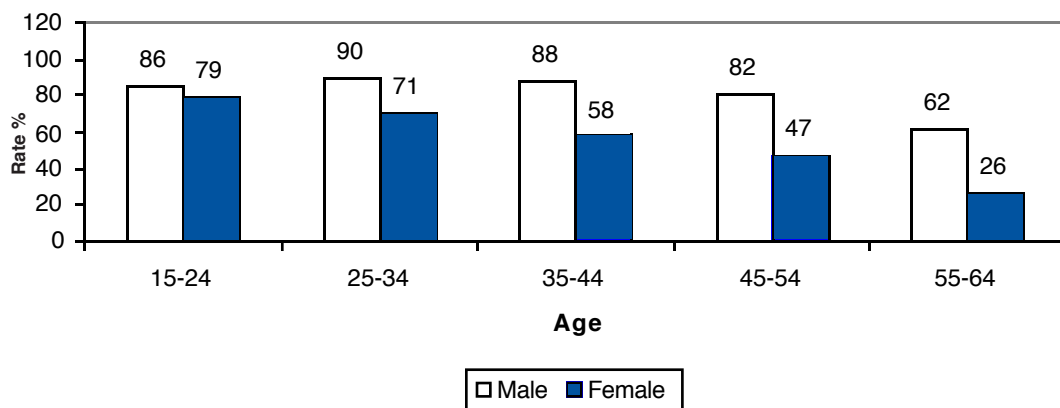
¹³ These three countries also have very low employment rates among younger (15-24) and older (50-64) women.

3.11 In summary, Ireland's rapid employment growth in recent years has brought an improvement in our employment rate relative to other Member States and this trend is likely to continue over the medium-term. Nevertheless, a comparison with other EU countries suggests that there remains considerable potential for expanding the workforce by increasing rates of employment participation, particularly among prime age and older women.

Disaggregating Irish Employment Rates

3.12 In this sub-Section, we look in more detail at employment rates in Ireland. The data are from special tabulations of the CSO's Quarterly National Household Survey, March to May 1999, unless stated otherwise. Figure 3.5 plots male and female employment rates by age. Note that, in this and the next figure, the base used for calculating employment rates is the relevant population aged 15-64, excluding students. We use this narrower base as it gives a clearer picture of the impact of age and educational level *per se* on labour market participation. Broadly, both male and female rates fall with age. The only exception here is among younger men where the employment rate for those aged 25-34 is higher than for the under 25s. While the overall pattern is similar, female rates are lower than males at all ages and the decline is much more marked among women than among men, particularly in the initial child-bearing years.¹⁴

Figure 3.5: Male and Female Employment Rates by Age, 1999.

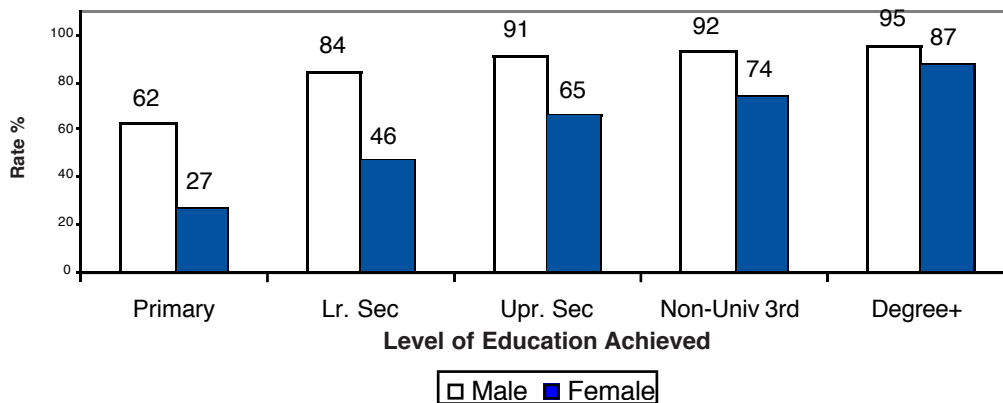


Source: CSO Quarterly National Household Survey, March to May 1999, special tabulation.

¹⁴ Note that while we refer to rates declining with age, these data only provide a snapshot of the population at a particular point in time.

3.13 Figure 3.6 plots male and female employment rates by educational level. As will be noted, employment rates increase with educational level for both men and women. Female rates lie below male rates across the education spectrum and show a consistent increase across that range. At higher educational levels, male employment rates increase more slowly as they begin to approach something like ‘full participation’. As a result, the disparity between male and female rates narrows at higher educational levels.

Figure 3.6: Male and Female Employment Rates by Education, 1999.



Source: CSO Quarterly National Household Survey, March to May 1999, special tabulation.

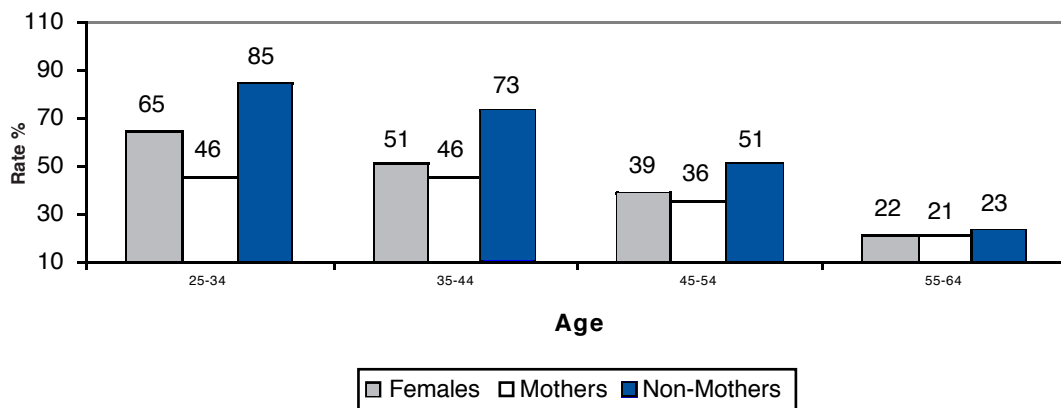
3.14 Women’s employment rates are lower than men’s at all educational levels and at all ages. Broadly these differences decrease with successively higher levels of education but increase with age. This picture suggests that some additional factor specific to women is present. The main factor here is withdrawal from the labour market following marriage (among older cohorts in particular¹⁵) and more generally following the birth of children.¹⁶

¹⁵ Almost from the foundation of the Irish State married women’s waged employment was actively discouraged. The most visible expression of this attitude was the marriage bar that required women to give up their civil service jobs on marriage. Similar provisions were also common in the private sector. The marriage bar was only finally abolished in 1973. Not coincidentally, this was the year Ireland joined the EEC. We joined at a period when equality policy was developing significantly at European level. A Directive on Equal Pay was adopted in 1972 and a wider Equal Treatment Directive in 1976. In Ireland, these Directives gave rise to the Anti-Discrimination (Equal Pay) Act 1974 and the 1977 Employment Equality Act. The recent Employment Equality Act (1998) extends and develops existing legislative provision for gender equality in employment and extends the scope of legislation to prohibit discrimination on a wide range of additional grounds.

¹⁶ According to Fahey and FitzGerald "Between 1981 and the early 1990s...the presence of children rather than marriage became the crucial factor affecting participation. In other words, mothers had much lower participation rates than women who had no children, irrespective of marital status" (Fahey & FitzGerald, 1997:67).

3.15 The latest data available on parental status come from the 1997 Labour Force Survey. Figure 3.7 plots female employment rates by parental status and age. Mothers here are women with resident children of any age. The effect of parenthood on women's employment is very evident. Indeed, its impact is even greater than the simple differences in employment rates shown here as mothers are over-represented among those working part-time. The impact of parenthood on overall female employment rates is significantly greater among women in their thirties and older (indicated in the figure by the declining divergence in the rates for 'females' and 'mothers') because the proportion of mothers in this population is much higher.

Figure 3.7: Female Employment Rates (%) by Age and Parental Status, 1997.



Source: CSO Labour Force Survey, April 1997, special tabulation.

3.16 Among older women, the distinction between mothers and other women is very small. In part, this reflects the independent influences of age and education. However, it is also a function of the definition of 'mother' in the data. Many older women categorised here as non-employed and as non-mothers are, in fact, women whose children are reared and no longer resident with them, but who have not returned to the labour market. While this pattern may have a 'cultural' explanation in terms of older women's orientations to paid employment, other factors may also be important. Older women might have caring responsibilities, other than for children, for example caring for parents or other elderly people, for family members with disabilities and so on. In addition, the negative effect on potential earnings of prolonged withdrawal from the labour market, especially at relatively low educational levels, might mean that the return from employment is insufficient to motivate participation. Specific tax and/or welfare provisions

may reinforce this. We return to these issues below.

Econometric Analysis of Participation

- 3.17 The above outline of labour market data is consistent with the results of multivariate analyses. Callan and Doris (1999) and Callan ed. (2000, Chapter 7) analyse male and female participation using data from the 1994 Living in Ireland Survey. These studies found a small negative effect of age *per se* on male and female employment up to age fifty-five and a larger effect thereafter. The presence of younger children in the household has a large negative impact on women's employment, as expected. However, teenage children have a small positive effect. This appears to reflect the lower childcare cost of older children, possibly combined with a greater need to earn income to meet the higher costs of maintaining them. It is important to remember here that this refers to the independent effect of older children *per se*. Other variables (such as 'years spent on household duties'), which at least in part are related to withdrawal from the labour market to have children, continue to have negative effects.
- 3.18 Husbands' unemployment is another important negative influence on women's participation, reflecting both shared characteristics of spouses and disincentives arising where unemployment payments are assessed on family income. Another interesting finding is that higher numbers of children reduce male participation, (a finding also reported by Murphy and Walsh, 1996). As this effect holds regardless of the age of children, it probably reflects disincentive effects arising from additional Child Dependant Allowances in the social welfare system rather than the demands of childcare.
- 3.19 Although the models presented by Callan and Doris and Callan ed. do not include education as a variable, earlier studies (Callan and Farrell, 1991) demonstrated its positive impact on both male and female participation arising directly from the impact of education on earnings. Earnings are included as a variable in the later models and have the expected positive effect.
- 3.20 Married female participation is significantly more responsive to earnings than is that of males. This difference is perhaps the most robust finding in economic analysis of labour supply and participation rates. This is generally

taken to indicate that the participation decision is largely influenced by economic considerations as opposed to factors such as social attitudes or legal norms (except insofar as such factors operate through their impact on earnings). It is also interesting to note that female labour supply elasticities (i.e. the measure of the responsiveness of participation to a unit increase in earnings) reported in these studies are lower than those of earlier Irish studies. According to the authors, this arises from the considerable growth in female participation that has already taken place.

- 3.21 While younger children have a strong negative impact on Irish women's participation, there are no representative Irish studies to-date on the impact of childcare costs *per se*. Research elsewhere generally confirms that the cost of childcare impacts negatively on women's participation, although there is considerable uncertainty about the magnitude of these effects, especially given uncertainty about the role of unpaid care (Blau, 2000; Anderson and Levine, 1999). Recent studies suggest both larger impacts on the participation of lower as against higher skilled women, reflecting the fixed cost character of childcare (General Accounting Office, 1994; Anderson and Levine, 1999) as well as a greater negative impact on participation in full-time rather than part-time work (Connelly and Kimmel, 1999).

Section IV

The Participation Challenge

The Participation Challenge

4.1 In this Section, following our earlier analysis, we map a broad policy agenda to ensure that effective opportunities for participation are available to all. We set out four key challenges to employment policy. The first three of these relate to the barriers to participation facing: unskilled workers and especially people with the lowest levels of education; older workers; and women. The fourth challenge - not covered in our earlier discussion because it has not been systematically measured - is ensuring the right to work of people with disabilities. While we discuss each of these challenges separately, in reality they are interrelated to a significant degree. In addition, in addressing these challenges, it is important that the specific difficulties facing people in rural areas and the need for special outreach initiatives in relation to education and training (NESF, 2000) are acknowledged and taken into account.

The Labour Market Situation of the Least Skilled

4.2 Addressing the labour market situation of the least skilled has been identified as a central part of the OECD Jobs Strategy and the European Employment Strategy. This issue has particular relevance for Ireland, given the relatively high proportion of our population with low formal educational levels, the high proportion facing literacy and numeracy difficulties and the persistent problem of early school leaving. These are major factors for many people who continue to experience long-term or recurrent unemployment and for many others who are excluded from the labour market.

4.3 There are broadly two complementary ways to address this challenge. First there are measures to address education and skill deficits both before young people enter the labour market as well as among adults. Here it is particularly important to ensure that the required priority is given to addressing the education and training needs of the least skilled (regardless of their current employment or social welfare status) while still having regard to other education and training objectives (see 7.8-7.10). In order to do this, the focus of national training policy in the current labour market context must be clarified (NESF 1997; CSF Evaluation Unit 1999).

¹⁷ The Forum issued a report on *'Early School Leavers and Youth Unemployment'* in January 1997.

- 4.4 A range of policies and programmes to address early school leaving are in place, most recently in the context of the Education Welfare Act.¹⁷ The development of more coherent policies of education and training for adults is also being addressed. The Government recently set out its broader strategy on adult education in its White Paper *'Learning for Life'* (Department of Education and Science, 2000). This includes commitments to greater investment in a national adult literacy/numeracy programme and to a Back to Education Initiative aimed primarily at adults who have not completed upper second level education. There is a growing recognition among policymakers that access to quality labour market oriented training is an essential part of policies for the unemployed. In addition, in the context of a tight labour market employers have increased their commitment to training. A Task Force on Lifelong Learning has now been established under the PPF. This Task Force is to map existing provision and will make recommendations to Government designed to significantly increase participation by adults in Lifelong Learning activities.
- 4.5 In labour market terms, education and training policies for the low skilled focus on employability. They aim to equip people to compete more effectively on the labour market. The second complementary approach is to 'make work pay' at the lower end of the labour market. Experience in Ireland and elsewhere shows the central role of this approach in promoting employment among the least skilled. Policies here include:
- The recent introduction of a minimum wage;
 - Targeted tax relief - especially through increasing basic tax credits;
 - The development of targeted (e.g. FIS) and universal (e.g. Child Benefit) in-work benefits; and,
 - Other welfare to work policies (see Section 5).
- 4.6 Recent Irish experience has also shown the important role that individual tailored guidance and career path planning can play in supporting entry or re-entry into employment (NESF, 2000).

Supporting Older People in the Labour Market

- 4.7 In the international context, ageing populations have meant that the labour market position of older workers has emerged as a key policy concern. This is reflected in the OECD's work on ageing and in the European Employment Strategy. The OECD has suggested that policy reforms in this area should be

guided by the following principles (OECD, 1998):

- Public Pension systems, taxation systems, and social transfer programmes should be reformed to remove both financial incentives to early retirement and financial disincentives to later retirement; and,
- A variety of reforms will be needed to ensure that more job opportunities are available for older workers and that they are equipped with the necessary skill and competence to take them.

4.8 It is increasingly recognised that the social institution of a retirement age is itself a major reason for the almost complete withdrawal from the labour market of people reaching this point. The most visible factor here is mandatory retirement at a certain age. In most EU Member States the statutory retirement age is sixty-five, although it is sixty in France and sixty-seven in Denmark. (Rubery and Smith, 1999). In the US, the 1986 Federal Age Discrimination in Employment Act prohibits mandatory retirement requirements for nearly all workers. Recently, the Dutch Government, in response to labour shortages there, has proposed a new Age Discrimination Act, which proposes to eliminate the requirement to retire at age sixty-five.

4.9 Even in the absence of mandatory retirement, the structure of pension provision is a key factor underpinning withdrawal from the labour market. In most OECD countries, very few people remain in employment beyond pension age. Some care is needed here. A number of countries have discussed and/or implemented entitlement restrictions such as increasing the public pension age.¹⁸ Such moves towards restricting pension entitlements have largely been motivated by cost concerns, but obviously also have labour market effects. It is important to state clearly here that we are not advocating this approach. Providing people with the opportunity to retire is the primary and entirely reasonable objective of pension systems.

4.10 Rather we are highlighting the importance of the interaction of pension and tax provisions, which in most countries produces a strong disincentive to continuing in employment. Elements in the structure of pensions provision and/or taxation can militate against continuing in employment, regardless of the preferences of individuals. Many of the rules incorporated in social security and tax systems present an all or nothing choice to older workers. Proposals for reform should focus on measures that allow for a more gradual

¹⁸ In the US, for example, the pension age is legislated to increase gradually from 65 currently to 67 by 2022.

withdrawal from the labour market according to individuals' preferences and abilities.

- 4.11 This type of debate is only beginning in Ireland - in part because of our specific demographic situation. However, present labour shortages have led to a growing focus on the potential for employment among the early retired. Earlier, we saw that there is a large fall-off in employment among people over fifty-five years. For both men and women, employment rates among those age 55-64 are around twenty percentage points lower than among those aged 45-54. This decline is broadly consistent regardless of educational level. The fall in male and female rates among this age group is similar, but actual employment rates are much lower among older women. This arises because the very low participation rates of older women reflect both early retirement as commonly understood, but also much earlier withdrawal from the labour market associated with marriage and children (see below).
- 4.12 Essentially the same policy issues arise – how to minimise incentives to retire early and at the same time ensure opportunities for remaining in employment. However, experience elsewhere suggests that frequently these issues affect different groups. Research in the UK found that there were two distinct groups among the early retired (Campbell, 1999). One was drawn from people in the top quartile of the earnings distribution who also had an occupational pension. The other group was drawn from the bottom quartile of the earnings distribution and had in effect been involuntarily displaced from employment. It is also important to recognise that these are not the only possible factors at work. Again, research in other countries suggests that elder care responsibilities are a significant factor in the employment participation decisions of older men, and especially older women.
- 4.13 Clearly, it would be very useful if specific research were devoted to these issues in Ireland. In particular, it is important to get a clear assessment of the relative roles of incentives to withdraw versus effective exclusion from the labour market as factors determining the fall in participation of older workers. We already know that specific incentives to early retirement *per se* may be less prevalent in Ireland than in some other European countries because, in earlier years, this country put far less emphasis on early retirement as a deliberate policy choice. We also know that non-participants among older men share many of the characteristics of the unemployed and that, while older workers may be less likely to become unemployed, they are much more likely to remain unemployed for long durations, and to

ultimately leave the labour market. Given this, we believe policy must urgently address both the prevention of long-term unemployment of older workers and the re-integration of older men and women into the labour market.

- 4.14 While recognising the Pre-Retirement Allowance (PRETA) as a valid choice, we consider that, from both an equality perspective and an anti-poverty perspective, every effort should be made to facilitate old and new PRETA claimants into paid employment. It would be useful, therefore, to review the operation of PRETA to ensure that adequate supports are put in place for the reintegration of older long-term unemployed people. All those applying for PRETA should be offered a guidance interview to ensure that they are fully aware of all potential employment options. They should also be made aware of all new income support or labour market programmes and should have full access to the full range of income and education/training and labour market programmes, on the same basis as those who are long-term unemployed.

Addressing Barriers to Women's Employment

- 4.15 Barriers to women's employment are broadly of two types. First, there are the difficulties faced by parents of young children in particular in combining work and family responsibilities. Connelly and Kimmel succinctly put the issue here: *"In an industrialised economy, it is nearly impossible to engage in market work while simultaneously caring for children. Thus, if a mother is to engage in such work, someone else must care for her children during working hours"* (1999). Second, women seeking to return to work after a period of absence caring for children face additional obstacles. These include disincentives to married women's employment arising within the tax and social welfare systems. In addition, there are obstacles posed by being out of employment for relatively long periods of time. These include lack of familiarity with the current labour market, skills that have become obsolete and lack of confidence in one's ability to make the transition back into work.

Reconciling Employment and Childcare

- 4.16 There are three broad ways to facilitate the employment of parents with young children – through the provision of time, money and services.

"...There are several policy models for solving the conflict between employment and childcare. Time money and services are the three central

policy elements: (1) Time to Care (2) Money for Care and (3) Care Services. These elements appear in different mixes in national Welfare State policy models, they change over time and they have different implications for the transformation of gender relations” (Ellingsaeter, 1998:2).

- 4.17 Time flexibility is a crucial element in enabling parents, men and women, to reconcile employment and childcare responsibilities. This depends in part on legislative provisions, including provisions for maternity and parental leave. A review of maternity protection legislation is in progress under the PPF. The Government has recently indicated that it is considering extending maternity leave. In addition, in order to meet the requirements of EU legislation, Ireland has recently introduced provisions for parental leave, on an unpaid basis. The PPF provides for the Department of Justice, Equality and Law Reform to carry out a review of the operation of the Parental Leave Act 1998, in consultation with the Social Partners. In terms of collective bargaining, the PPF also includes a *“Framework for the Development of Family Friendly Policies at the Level of the Enterprise”* - which establishes a framework for bargaining on these issues and on arrangements such as job-sharing, work-sharing, flexitime and so on.
- 4.18 In the current labour market context, there is a growing recognition among employers that family-friendly policies may be beneficial to both employee and employer (Fisher, 2000). This conclusion is supported by a large body of research elsewhere (Scheible and Dex, 1998; Scheible, 1999). Experience elsewhere also reinforces the importance of developing a body of research on the implementation and impact of family-friendly policies and of communicating the findings effectively, especially to employers. According to Scheible and Dex, writing in the British context, *“There appears to be a demand for more such (family-friendly) arrangement from employees, and possibly from the workforce which is not employed. But there is a range of obstacles if organisations are to go down this route. In each case, however, there are potential solutions, potential business benefits or ameliorating conditions which may make the transition less painful than employers might perceive it to be”* (1998: 27). The National Development Plan provides for a ‘positive action programme’, led by the Equality Authority, on the development of employer family-friendly projects and a promotional campaign to encourage greater sharing of family responsibilities.
- 4.19 Developing both the quantity and quality of childcare services has been identified as a central element of the National Childcare Strategy, and is being addressed through a number of institutional and policy initiatives. A

National Co-Coordinating Childcare Committee was established in December 1999 to oversee the development of a national childcare infrastructure, with Childcare Committees being established to advance childcare service provision at a local level. Childcare provision has been included as a priority in the National Development Plan. Currently some £250 million is committed to childcare supply measures over the period of the Plan (2000-2006). The Department of Justice, Equality and Law Reform has recently published a booklet on '*Childcare Funding in Ireland*', which summarises the measures being put in place. Overall, these measures are designed to support the provision of childcare, in terms of both increasing the number of childcare places and improving the quality of services. A range of other initiatives is also in place to develop after school services and to extend Early Childhood Education provision. However, the Forum wishes to highlight that this country is starting from a very low base in all these aspects of provision and will therefore require substantial ongoing investment in these areas.

- 4.20 We noted earlier (3.21) that research findings confirm that the cost of childcare impacts negatively on participation, and that this impact is greater for lower-skilled women. In addition women returning to paid employment may need a period of upskilling or reskilling in order to enter paid work. Given that affordable, quality childcare is not yet generally available, we consider that support for childcare costs should be introduced as a matter of priority. While we recognise that affordable childcare plays a vital role in facilitating greater female participation, we also believe that childcare solutions need to address a wider context than just the labour market (such as the educational and developmental role quality childcare can provide). While issues concerning financial supports for childcare costs have been central to recent policy debates, to date it has not been possible to arrive at a consensus on the best way forward. There are divergent views concerning the most equitable and efficient way to support childcare costs, and in particular, on the place of tax relief in a childcare strategy.
- 4.21 Some Forum Members believe that childcare support must be provided equitably, so that all parents can access affordable, quality childcare, regardless of their employment or income status. Given the particular barriers faced by those on low incomes, both in and out of employment, these Members believe the needs of these parents must be prioritised. For these Members tax relief does not satisfy these criteria. First, because it is restricted to those in the tax net, it would not recognise the needs of people trying to get into paid employment by undertaking training or education. Tax

relief may therefore compound the barriers women experience in accessing employment. Second, low paid workers would receive little or no benefit (as only a small amount of their income is taxable), leaving the workers most in need of support without it. Finally, as tax relief generally requires the production of receipts, parents using informal childcare providers cannot benefit. These Members believe it is essential to avoid developing a two-tiered system of childcare, where (some) employees receive tax relief automatically, while others have to apply for a means-tested social welfare payment. Accordingly, these Members have proposed the introduction of a universal Parental Childcare Payment as the only equitable (and most efficient) way to meet the diversity of parents' needs.

4.22 Other Members, while no less emphatic on the need to tackle the supply side of childcare provision and the desirability of universal child benefit, insist that the contribution made to the economy by working parents should be recognised and assisted through providing tax relief for the work-related costs that they incur in paying for childcare services. This view holds that the provision of such tax relief is central to the issue of labour shortages and the need to address the incentive for Irish women to take up paid employment, particularly given the fact that Ireland's female employment rate is below that of the EU average which in turn is below that of other advanced OECD economies. Full implementation of the tax relief measures recommended in 1999 by the *Partnership 2000 Childcare Report* is accordingly sought.

Additional Barriers Facing Women Returners

4.23 The social welfare system presents particular barriers to married women taking up paid employment. This is especially the case for the wives of men receiving means-tested payments, which are assessed on a family basis. Research has consistently shown that means-testing of unemployment payments against family income has large effects on women's participation rates (Callan and Doris 1999; Callan ed 2000). Apart from the spouses of means-tested recipients, many women claiming social welfare payments in their own right may face disincentives to entering the labour market. We return to these issues in Section V.

4.24 The structure of the tax system may also create specific barriers to women returners. The tax treatment of marriage and specifically the choice between joint or individual assessment is a factor here. Other things being equal, individual assessment favours women's participation more than joint assessment, although the magnitude of the effects depends on other elements

of the tax structure. A recent cross-country study on this issue concludes that: *“the design of the tax scheme is highly important for the economic incentives that married women face and their resulting labour supply behaviour”* (Callan et al, 1999). The Government has begun to address this issue in its decision to individualise the standard rate band and the implementation of this policy is discussed in Section VI.

- 4.25 Finally, returners face additional difficulties as a result of being out of the job market for relatively long periods. These may include a lack of familiarity with the current labour market, skills that have become rusty or outdated and possibly a lack of confidence in one’s ability to make the transition back into work. Overcoming these barriers depends on access to appropriate guidance, educational and training supports. These issues are discussed further in Section VII.

The Right to Work of People with Disabilities

- 4.26 The *‘Report of the Commission on the Status of People with Disabilities’* began with the blunt statement that *‘People with disabilities are the neglected citizens of Ireland. On the eve of the 21st century, many of them suffer intolerable conditions because of outdated social and economic conditions and unthinking public attitudes. Changes have begun to come about, influenced by international recognition that disability is a social rather than a medical issue, but many of these changes have been piecemeal’* (1996: 5). One undoubted impact of the work of the Commission is that the pace of change in Ireland has increased. New equality legislation outlaws discrimination in employment and in the provision of services based on nine grounds, including disability. A new National Disability Authority has also been established, and the implementation of the Commission’s recommendations is ongoing (Government of Ireland, 2000). Nevertheless, there is a long way to go to ensure that the rights of people with disabilities are fully provided for.
- 4.27 The Commission highlighted the difficulty of speaking precisely of the labour market situation of people with disabilities, given the limited data available, and recommended that this issue be addressed. However, there is little doubt that the disabled constitute a relatively large proportion of the working age population and that their employment is significantly lower than for the population as a whole.
- 4.28 We note that Eurostat is currently developing an ad hoc module on disability

for inclusion in EU Labour Force Surveys in Spring 2002. The UK and Sweden, exceptionally in the EU, include a module on disability in their Labour Force Surveys. In the UK in 1997, people with disabilities (defined as people who have a health problem or disability which is expected to last more than twelve months and which limits the kind of work they can do) accounted for 13% of the working age population,¹⁹ of whom one third (33%) were in employment compared to an employment rate of 72.5% for the population as a whole. A further 6% were unemployed (equivalent to a conventional unemployment rate of 15%). Thus, six in ten disabled people of working age were not in the labour market.

- 4.29 In 1998, the Government decided that employment and training services to people with disabilities, which had been administered by the National Rehabilitation Board, would be transferred to FÁS and this has now taken place. The PPF includes a number of commitments aimed at improving employment opportunities for people with disabilities. The Department of Enterprise, Trade and Employment in consultation with stakeholders in the disability sector, has now formulated a three-year (2000-2003) strategy. Integrating people with disabilities into the open labour market is a major objective of this strategy which includes a number of new initiatives, for example, the introduction of a national Supported Employment Programme, which was announced as part of Budget 2000.
- 4.30 In terms of social welfare, the recent integration of disability-related rehabilitative employment supports is welcome but needs careful monitoring to ensure that access is comprehensive. Back to Work income supports do not stretch to a full continuum of supports and the PPF Working Group to review costs of disability should include in its terms of reference the real costs of people with disabilities returning to work and coping with the transition to work.

¹⁹ In UK national statistics, this is defined as males 16-64 and females 16-59.

Conclusion

4.30 In this Section, we have tried to map a broad policy agenda for ensuring that effective opportunities to participate in the labour market are extended to all. In setting out this agenda we have touched on a wide range of policy issues. It would not be possible here to address each of these issues in depth. What we have done instead is to select three particular policy areas for more in-depth discussion. These are the role of welfare to work policies, tax individualisation and the provision of specific guidance and employment support for women returning to the labour market. These are addressed in Sections V–VII.

Section V

A

Comprehensive Welfare to Work Strategy

A Comprehensive Welfare to Work Strategy

- 5.1 Since its formation, the Forum has promoted a vision of employment opportunities for all as central to an inclusive society.²⁰ This is now also a central theme of the European Employment Strategy. Earlier we argued that pro-employment social welfare policies could play an important role in supporting the labour market participation of low skilled workers as part of a range of measures to remove disincentives and to ensure that participation in employment, even at the lower end of the labour market, is always rewarded. We also noted that disincentives arising from family-based assessment for social welfare had an important influence on women's participation. In this Section, we develop this discussion.
- 5.2 Building on the measures put in place by the Department of Social, Community and Family Affairs (DSCFA) over a number of years, we suggest that what is now required is the development of a more comprehensive welfare to work strategy across all social welfare categories and that a specific institutional infrastructure is required to support its development. We then discuss a number of other issues such a strategy might address. These are:
- Treatment of Qualified Adults;
 - Secondary Benefits;
 - Earned Income Disregards;
 - Risk Taking and Income Security; and
 - Information.
- 5.3 We recognise, given the accumulated legislative framework and the complexity of many of the issues involved, that there is no simple blueprint for developing a more comprehensive welfare to work strategy. We welcome the PPF decision to set up a Working Group to examine the role that refundable tax credits can play in the tax and welfare system, including the possibility of paying the Family Income Supplement through the tax system. The PPF also states that *'The Government will request the NESC to review the strategic options for the future of the tax and welfare systems over the next ten years, taking account of emerging trends and policy*

²⁰ See for example, Forum Report No. 4. 'Ending Long-term Unemployment', June 1994.

issues'. This work is currently underway. We recommend that this review adopt the principle that the tax and welfare systems should facilitate participation in paid employment for all who want it, and that due regard is paid to this principle in developing strategic options for the future.

A Comprehensive Welfare to Work Strategy

- 5.4 At the end of June 2000, there were 473,101 adult social welfare recipients of working age. Of these 200,889 were male and 272,212 were female.²¹ In addition, there were at least 57,823²² qualified adult beneficiaries of working age.
- 5.5 While it is not possible to determine the exact overlap between the social welfare population and labour force survey data, it is evident that a very large proportion of the non-employed of working age rely on social welfare in some form. Many people relying on social welfare may not be in a position to participate in the labour market and this must be respected. However, with appropriate supports many others might be able to take up employment. Thus, there may be substantial potential for increased labour market participation among this group. Depending on personal circumstances, adults within the social welfare system may need a range of supports – or none – to enter and remain in the labour market. As a general principle, the social welfare system should support people taking up employment opportunities.
- 5.6 Following international trends in the 1990s, Irish policy makers began to review the operation of the social welfare system to address barriers or obstacles to unemployed people returning to work. They have sought to put in place incentives to return to work and to ensure that there is sufficient enforcement of obligations to seek and take up work.
- 5.7 Unemployed people are obliged under social welfare legislation to be available for and genuinely seeking work and have traditionally been seen as the target of 'Welfare to Work' policies. However, in the context of a changing labour market, policies initially targeted at unemployed people have been extended to include some other social welfare claimants considered 'labour market able', for example lone parents and some on disability-related payments. Labour market supports have been extended to social welfare categories other than the unemployed without, however,

²¹ Data supplied by the DSCFA.

²² This figure does not include qualified adults of working age whose partners are receiving Old Age or Retirement payments.

extending the obligation to be available for and genuinely seeking work.

- 5.8 While many elements of a welfare to work policy are now in place, the challenge is to develop this approach into a more comprehensive welfare to work strategy to ensure that as far as possible the social welfare system facilitates access to paid employment opportunities for all, regardless of social welfare category. The Department of Social, Community and Family Affairs should now adopt this as a strategic priority.
- 5.9 A specific institutional infrastructure is required to promote the development of such a comprehensive welfare to work strategy and in this regard we recommend:
- That the DSFCA set up a Welfare to Work Policy Unit, to review welfare to work provision across the social welfare system and to develop a comprehensive strategy;
 - That a Cross Departmental/Agency Welfare to Work team be established to address cross departmental issues arising in this area, including liaising with the PPF Group that is reviewing labour market supports;
 - That the Policy Unit and Cross Departmental Team should be assisted by a Welfare to Work Advisory Group made up of representative groups of different claimant categories and from the welfare to work information infrastructure, and the Social Partners; and,
 - That there be specific and sufficient staff designated to service this work and to serve as information conduits to statutory and independent information providers.
- 5.10 In the current context of labour shortages, the above recommendation for a more comprehensive welfare to work strategy could simultaneously promote both economic and social objectives. The following principles should inform strategy in this area:
- The tax and welfare system should facilitate progression, choice and risk taking, while guaranteeing income security;
 - Valid reasons why many social welfare claimants cannot participate in the labour market must be acknowledged. Respect for age, quality of life for people with disabilities and parenting choices for example should be facilitated as far as possible in the social welfare system; and,

- The information, support and advocacy structures underlying welfare to work should be further simplified and designed to meet the special needs of the welfare to work population including those with literacy and numeracy difficulties. People should largely be able to self-calculate the financial outcome from a decision to take up employment.

Treatment of Qualified Adults

- 5.11 At June 2000, there were at least 57,823 qualified adult beneficiaries of working age. (This figure does not include qualified adults of working age whose partners are receiving Old Age or Retirement payments). Approximately 2,600²³ of these qualified adults are currently earning enough (over £70 per week and under £135 per week) from paid employment to have their qualified adult payment reduced. As the majority of qualified adults are women, gender equity objectives can be advanced considerably by prioritising this area for welfare to work reforms.
- 5.12 In this regard, we support the recommendation in the *'Report of the P2000 Working Group on Women's Access to Labour Market Opportunities'* that qualified adults in households where the claimant is eligible to participate in active labour market programmes should be eligible for Job Start and Workplace (see Section VII), with a view to targeting both for labour market participation.
- 5.13 The welfare to work opportunities of qualified adults are not only dependent on access to childcare, education and training opportunities but are also vulnerable to unemployment traps. Budget 2000 saw a number of constructive changes to the treatment of earnings by qualified adults.
- 5.14 For example, Budget 2000 changes mean that from April 2000 the full rate Child Dependant Allowance can be retained until the qualified adult's earnings are more than gross £135 per week (previously half of the CDA was lost when the qualified adult earning reached gross £60). This is a substantial improvement and should facilitate qualified adults with children (especially in larger families) to move into part-time work. This area needs careful monitoring.
- 5.15 In addition, from April 2000, qualified adults may earn £70 gross

²³ October 2000 data supplied by DSCFA.

(previously £60 gross) before the qualified adult payment begins to be withdrawn and withdrawal is tapered up to £135 per week gross (previously £105 gross). Budget 2000 changes also means that these income thresholds now apply to qualified adults of all social welfare recipients. This consistent treatment of all social welfare qualified adults should serve to simplify the situation.

- 5.16 Qualified adults' earnings also affect the means-tested entitlements of their partners. Income disregards of £70 (if a qualified adult works 4 days or more) and £30 (if a qualified adult works three days or less) are deducted from qualified adults' net income. Remaining earnings are withdrawn at a rate of 50p in the pound from the claimant's unemployment assistance. (Different means tests exist for other social welfare claimants) This element of the means test constitutes a significant monetary disincentive at a family level and may cause conflict about internal distribution of money within the household.
- 5.17 Welfare rights workers have consistently reported that the impact and interaction between these three elements of the means-test is not fully explained in social welfare leaflets and consequently is not fully understood by welfare claimants making labour market decisions. This can lead to tension and conflict in the home where, while overall household income is increased, the claimant's social welfare payment is reduced, sometimes unexpectedly. Welfare rights workers and trade unions have reported instances of women giving up paid employment in order to restore the claimant's social welfare payment. Information leaflets encouraging qualified adults to take up employment should, therefore, be clear and realistic about the implications, both for the claimant and the qualified adult.
- 5.18 A PPF Working Group has been established to examine administrative individualisation in social welfare. The Forum supports administrative individualisation as a first step towards a gender equitable social welfare system and urges a speedy conclusion to the work of this Group. Administrative individualisation is based on splitting existing entitlements between spouses. Under the PPF, this is being examined "*in the context of continuation of joint assessment of means*". It should not be assumed therefore that administrative individualisation will solve the problem of one partner's earnings affecting the means of the other partner. Welfare to work outcomes should, therefore, be explicitly taken into account by the PPF Working Group.

Secondary Benefits

- 5.19 The disincentive effect on the loss of secondary benefits has received much attention in recent years and a number of positive changes have been made. These changes have been targeted at specific social welfare claimants. A more comprehensive Welfare to Work Strategy will necessitate a wider overview of the interaction between secondary benefits and decisions to return to work.
- 5.20 A number of commentators have suggested that the rapid rise in house costs in recent years could give rise to considerable financial disincentives to the take-up of employment, and have recommended that greater attention be given to the design of housing subsidies and their work incentive effects.
- 5.21 Changes announced in Budget 2000, which became operational in April 2000, mean that for people on Back to Work supports the loss of rent allowance is now tapered. Rent is gradually absorbed over a four-year period into a person's expenditure with the rent allowance retained at 75%, 50%, 25%, and 25%. Since the end of August, all long-term unemployed (12 months or more) can avail of the retention scheme if they take up full time work of 30 hours or more, even if this is not covered by a scheme.
- 5.22 A gross income rule applies to retention of secondary benefits so that a person cannot avail of this taper when gross household income exceeds £250 per week. Back to Work Allowance and Family Income Supplement (FIS) are not taken into account in the assessment of gross income. However, income from Community Employment is taken into account, so the gross income rule still affects some families with children, including lone parent families.
- 5.23 Implementation of the tapering of rent allowance will require specific monitoring. Early anecdotal evidence suggests that the scheme is difficult both to understand and to implement. Monitoring should be systematic and a feedback system should be designed to ensure the perspective of claimants, Community Welfare Officers (CWOs), welfare rights workers and other interested parties are adequately reflected in any review.
- 5.24 Unemployed people and lone parents can retain the medical card for three years after going back to work. In the past year, there has been administrative clarification of the rules governing this provision. However, Health Boards have yet to publish information leaflets and so fully implement the 1996 Budget decision. Anecdotal evidence suggests that the

administration of the medical card retention is still problematic. We strongly urge that Health Boards and other agencies publish accessible information and ensure that the policy is fully implemented.

- 5.25 In addition, it is not clear if the three-year retention is enough to keep families with children (who face a specific disincentive with loss of the medical card) in work. The issue of the medical card for families with children has been explored in the National Anti-Poverty Strategy and in the Goodbody P2000 Report on Disincentives and is increasingly common cause in medical card appeals. This will be the subject of a PPF consultation.

Earned Income Disregards

- 5.26 Some years ago the Forum recommended that, “*all income disregards should be updated, made uniform and simplified in their application*” (NESF Report No 3: Recommendation 2.14). Since then, there has been considerable progress in reviewing and reforming disregards. Nevertheless, levels of disregards vary widely across different welfare payments by both amount and method of calculation (see Box 5.1). Policy and practice with respect to disregards have not been developed in any common framework and can appear unnecessarily inconsistent and confusing.
- 5.27 We recognise that income disregards may be designed to meet a number of objectives and that different social welfare categories may have different needs and may face different circumstances. For the purposes of simplicity, however, the methodology used should be as consistent and transparent as possible across all social welfare payments. Here we highlight particular short-term issues.
- 5.28 There are inconsistencies as to the use of gross or net income when determining income disregards. Increased PRSI exemption levels and taxation thresholds now mean that for many low-paid and part-time workers there is little difference between net and gross pay. Net pay should be used in all instances including all Supplementary Welfare Allowance and medical card means tests. Given that the lone parents’ allowances are taxed, it would seem reasonable to use net rather than gross wages to assess income from work.

Box 5.1 : Earned Income Disregards			
Payment	Disregard	Rate of deduction	Children
UA	£10 per day (max three days)	60% of remaining income deducted from UA	£10 not allowed if dependant children
UB	Loss of days UB – subject to max three days work		
One Parent Allowance	£115.38pw	50% of remaining earnings are set against a tapered means test outlined in DSCFA book.	Income disregard does not depend on number of children
Disability Allowance	£76 per week	100% deduction	
Qualified Adult	£30 (3 days or less worked) £70 (4 days or more worked)	50% deduction from spouses welfare payment	
Self-employed	£30/£45 + travel	100% deduction	
Old age and pre- retirement non- contributory	No disregards	100% deduction	£2pw for dependant children

5.29 Indexation should happen annually and should ensure that at least the original value of the disregard is maintained. An additional systematic review of disregards should take place every five years.

5.30 Qualified Adult earning tapers and One Parent Allowance tapers are complex and off putting but difficult to simplify without affecting the outcome. Future tapered disregards should follow a consistent formula to enable those with low numeracy levels to self calculate, for example based on “5” - 25%/50%/75% or £5/£10/£15/£20/£25/£30.

Risk Taking and Income Security

5.31 Many low-income communities are still heavily dependent on social welfare. In the midst of economic growth, their experience differs from communities where high levels of employment are now the norm. Decisions to take up work are taken in a specific context and are based on a particular set of personal, family and local experiences and expectations.

5.32 Even with the right information, many people lack confidence in the social welfare system. Some, who may have had negative experiences of the

system in the past, may not be aware of the progress that has now been made in delivery of services. With nothing to fall back on, people cannot afford to risk a loss of base-line income. This is especially so when they are trading this security against low-skilled, low-paid or temporary jobs. Coupled with low self-esteem and low self-confidence, this often leaves people on social welfare disinclined to take risks.

- 5.33 The bottom line security of a social welfare payment is important and people need assurance that a decision to return to work will not result in their being trapped in a new unfamiliar form of poverty or unable at least to regain their original position. Along with measures to strengthen the information infrastructure and services, measures to support decision-making and risk-taking should include a guarantee of return to original payments if an attempt at returning to work does not succeed. We understand that such a provision is included in recent social inclusion legislation in France.

Information

- 5.34 We recognise the significant investment and progress made in information provision in the social welfare area over recent years. The Department of Social, Community and Family Affairs has developed a more customer-oriented approach to the provision of its services, and has given considerable priority to improving the quality and quantity of information made available. Within the remit of that Department, a new statutory agency, Comhairle,²⁴ has been established with responsibility for the provision of information, advice and advocacy to members of the public on social services. The Local Employment Service, the Citizens Information Centre network, and the Centres for the Unemployed and other more specialist groups delivering services or representing communities of interest have all developed and progressed.
- 5.35 While many of these developments were motivated in the first instance by the need to react to long-term and mass unemployment, it is now clear that even with lower unemployment and labour shortages, information continues to play a vital role in enabling economic and social policy objectives to be met. There is still a need for a blueprint or national strategy to develop a more comprehensive and integrated information infrastructure. While there have been pilot one-stop-shop models, there is no systematic policy to ensure the population at least has adequate information coverage and that

²⁴ Comhairle combines all aspects of the work of the National Social Service Board and the relevant information functions of the National Rehabilitation Board.

there is consistent high-quality and integrated information available throughout the country.

- 5.36 Access to quality and relevant information is a vital part of efforts to support the transition from social welfare into work. Apart from a limited number of Jobs Facilitators, Local Employment Services, Citizens Information Centre or Centre for the Unemployed based welfare advice workers, there is no specific service where a claimant can seek an integrated overview of the impact of welfare, tax and secondary benefit outcomes and options when considering an offer of work or the possibility of returning to work. This has obvious implications for the labour market choices people actually make.
- 5.37 The complexity of the information, coupled with ongoing (often positive) changes and the need to check across a number of Government Departments all mean that it takes a lot of time and effort to determine the likely outcome of any decision. Even with accurate information, policy may not always be practised uniformly in all areas. Welfare rights workers speak of it being difficult sometimes to get guarantees that information is correct and operational. This highlights the importance of the availability of independent advocacy for people reliant on the social welfare system.
- 5.38 Earlier we recommended the formation of Welfare to Work Policy Unit. An integrated approach to information should be a central element in a comprehensive Welfare to Work Strategy to be developed by this Unit. The Unit should also be responsible for monitoring information technology developments in welfare to work information and advice, including the REACH initiative, developments in Comhairle and the mainstreaming of good practice initiatives from the Centres for the Unemployed.
- 5.39 The present welfare to work information infrastructure is heavily dependent on Community Employment Workers. The forthcoming restructuring of CE could mean dilution of this infrastructure, unless these services are formally identified as ‘essential services’. This should be addressed in the PPF review of active labour market programmes that is being undertaken by the Standing Committee on the Labour Market.
- 5.40 Refugees, asylum seekers with permission to work, homeless people, prisoners leaving prison and the Traveller Community are all groups that have very specific information needs around welfare to work. Visibility is important in raising awareness of eligibility, options, and opportunities. Consideration should be given to naming specific sub-groups as specific eligible categories and to targeting advertising within certain communities of

interest. Many of these subgroups may face literacy and/or cultural barriers to returning to work and in dealing with the social welfare and tax systems. There is a need for proactive and creative information programmes using visual and aural communication and targeting specific communities of interest.

- 5.41 FÁS should ensure that Welfare to Work modules are standard on all labour market programmes as well as on all CE Supervisors training.
- 5.42 The *'Report of the P2000 Working Group on Women's Access to Labour Market Opportunities'* makes specific recommendations on the need for gender relevant information, including the need for a single comprehensive information manual for women. These recommendations should be implemented as a priority.

Section VI

Individual
or Joint
Taxation?

Individual or Joint Taxation?

6.1 As we have seen, the choice between individual and joint taxation of married couples has a significant influence on women's labour force participation (4.24). The recent Government decision on individualisation has moved this issue centre stage in Irish policy debate. In this Section, we discuss four aspects of individualisation policy:

- The Tax Principles at Issue;
- Individualisation of the Standard Rate Band;
- Administrative Individualisation; and,
- The Home Carers Allowance .

Tax Principles at Issue

6.2 The tax treatment of marriage centres on the choice of income tax unit i.e. the unit over which income is aggregated for tax purposes. This can be either an individual person or some group of persons, typically a married couple or the immediate family unit. In Ireland, married couples are usually treated as a unit for income tax purposes although they may opt for individual assessment. Along with Ireland, joint assessment is applied in the tax systems of a number of other OECD countries, including the United States, Germany and France. However, for some time the trend has been towards individual taxation which has been adopted by the majority of OECD countries, including , for example, Australia, Canada, Denmark, Sweden and the UK (see OECD 2000).

6.3 The Irish income tax system has always treated married couples as a single unit for income tax purposes. Before 1980/81, a married woman's income was deemed her husband's for tax purposes. The income of a husband and wife living together was aggregated and what was deemed to be the husband's tax liability was computed, based on the joint income of both spouses. A married tax unit was given a higher basic allowance than a single tax unit but then faced the same rate schedule on taxable income. Under this system, a married tax unit always had a lower tax liability than a single tax unit with the same income. However, where the tax reliefs available were less than the combined reliefs available to two single people, the tax liability

of a two income couple could and in some cases did exceed the tax liability of two single people with the same income.

- 6.4 This was the basis of the Supreme Court judgement on the Murphy Case in 1980, which found that the relevant tax provisions did not meet the constitutional requirement to protect marriage. The Supreme Court held that the State could not tax a married couple, both of whom are working, more severely than two single people in the same circumstances. In 1980, in response to the Supreme Court judgement, full income splitting was introduced i.e. each member of a couple was given the same allowances and bands as a single person and both allowances and bands were made fully transferable between spouses. This basic structure remained in place until Budget 2000.
- 6.5 In 1980, the Government of the day provided the following rationale for introducing income-splitting:
“... A narrow approach towards effecting the minimum changes to meet that Supreme Court’s decision would lead to unjustifiable discrimination against the one income family, particularly where a married woman elects to care for the family on a full-time basis at home rather than take up work outside the home....Even in cases where both spouses are working, their tax liability, if nothing were done, would vary depending on how incomes were divided between them.To implement the basic principle that taxpayers with the same income and the same family and social circumstances should pay the same amount of tax, the Government have decided to implement now in full our longer term plans for income splitting”.
- 6.6 It is important to recognise that the choice between individual and joint assessment for married couples necessarily requires a trade off between a number of different principles or objectives. Where taxation is progressive (i.e. where the proportion of income paid in tax rises with income) it is not possible for the tax system to both (a) impose the same tax liability on all couples at the same level of income, which is the primary objective of income splitting, and (b) to be completely neutral towards marriage.
- 6.7 Depending on the tax structure, joint assessment can violate marriage neutrality, both by producing marriage penalties (i.e. other things equal, a couple pays more tax on marrying than if they had remained single) and /or by producing marriage subsidies (i.e. a couple pays less tax on marrying than if they had remained single). Full income splitting is a particular form of joint assessment where the reliefs available to a couple are twice that of a

single person and are fully transferable between spouses. This equates their tax liability to that payable by two individuals, each with exactly half the couple's income. With progressive taxation, this will be lower than that payable by two individuals where the same income was unequally shared. Thus income-splitting avoids marriage penalties but incorporates widespread marriage subsidies to couples where one spouse is the principal earner. As a result, it creates what has been called a second-earner trap (McCafferey, 1999), by providing incentives to the employment participation of one spouse at the cost of creating specific disincentives to participation by the other.

- 6.8 Individual assessment, *per se*, is marriage neutral i.e. a couples tax liability is unaffected on marriage. As a result, it is also neutral regarding the labour market participation decisions of the couple. However, with individual assessment, couples with the same joint incomes may face different tax liabilities, depending on how that income is distributed between them. At some points in the income distribution, couples in which the spouses' incomes are more equal will tend to face a lower liability than those where one partner is the main earner.
- 6.9 The issue, therefore, is how these conflicting objectives should be weighted. The argument that income splitting is necessary to avoid "*unjustifiable discrimination against the one income family*" is based on a particular interpretation of horizontal equity i.e. the principle that equal incomes should be treated equally. However, income splitting only follows from this principle where there is a prior assumption that the married couple is a 'natural' income unit and it is precisely this assumption that is no longer simply taken for granted. When this is no longer assumed, it is not easy to define a straightforward rationale for treating married couples – and only married couples – in this way. In terms of income, married couples are not necessarily different from other collective units that share incomes – wider families, co-habiting couples and so on. Nor can all married couples with the same income be assumed to have the same ability to pay regardless of whether that income level is achieved by one or two earners. In principle at least, some account must also be taken of work costs and of the fact that single earner households also benefit from the work in the home of the non-employed spouse.
- 6.10 Alternatively, one could defend income splitting as a subsidy to marriage. It can for example be argued that marriage *per se* has social benefits that should be underpinned by State policy. However, even if this is true, income

splitting does not subsidise marriage *per se*. It subsidises marriages where spouses' incomes are unequal, and on balance the more unequal, the greater the subsidy. In doing so, it provides positive incentives for one spouse not to have an independent income. Thus any defence of income splitting on these grounds must provide a rationale for supporting the 'traditional breadwinner marriage' rather than marriage *per se*, and indeed for supporting the non-earning wives of higher paid husbands more handsomely than those of the lower paid. If the purpose is to provide support for the care of children then obviously dual earner couples, non-married couples and single parents also have children and it is generally recognised that there are more equitable and efficient ways of providing such support.

- 6.11 Overall then, we do not find the arguments for income splitting compelling. Furthermore, we consider that there are strong arguments in terms of personal rights and respect for the autonomy of all individuals to favour individual taxation in principle. In saying this, we want to make it quite clear that we are not making a blanket argument against the inclusion of dependency or family provisions in the tax or transfer systems. Whether and how such provisions should exist depends on the particular rationale in each case. In our view, a system based on individual assessment would retain the flexibility to include dependency provisions where required. Indeed, this flexibility and the fact that it makes provisions for dependency transparent are themselves additional arguments in favour of individual assessment.

Individualisation of the Standard Rate Band

- 6.12 Budget 2000 began a process of 'Individualisation of the Standard Rate Band'. In this Budget, the standard rate band was widened by £3,000 (from £14,000 to £17,000) while the amount of the band that is transferable between spouses was limited to £11,000. In effect then, for two earner²⁵ married couples the standard rate band was increased by £6,000 (to £34,000) while for single earner married couples it remained unchanged at £28,000. Furthermore, the Minister for Finance announced that over the next two Budgets the standard rate band would be widened by a further £11,000 to £28,000 combined with the abolition of the transferability of bands between spouses.

- 6.13 It is useful to distinguish two aspects of the Government's band individualisation policy - the degree of band transferability and the band

²⁵ Strictly speaking two income couples, as, apart from the PAYE allowance, the tax system makes no distinction between earned and unearned income.

width. Band widening removes single and married taxpayers from the top rate of tax (125,000 in Budget 2000) in furtherance of the Government's objective to have 80% of taxpayers on the standard rate. Limiting transferability increases incentives to work for second earners in married couples and reduces the cost of band widening. The Government's individualisation policy is designed to produce no outright losers by reducing transferability only in parallel with compensating band widening.

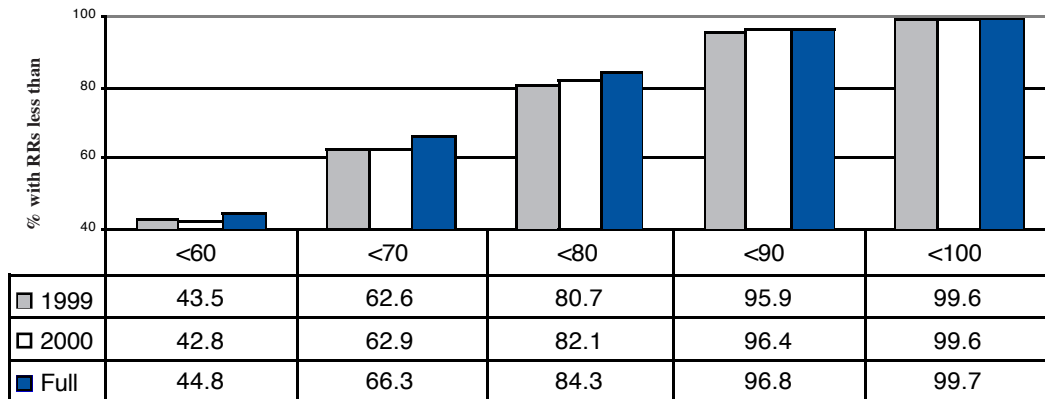
- 6.14 The Programme for Prosperity and Fairness provides the context for our discussion here. On personal taxation, the PPF states that:
- “The Government and the social partners confirm their support for further tax reform and tax reductions to improve the position of all taxpayers, increase the real take-home pay of those covered by this Programme, especially those with below average earnings, and develop the structure of the tax system to deliver benefits and focus resources in an equitable manner. Tax benefits can be delivered through increased personal tax credits, widening the standard rate band and reductions in the rates at which tax is levied. The Government and the social partners regard increases in tax credits and the development of the tax credit system as the priority areas for resources over the course of this Programme. It is an agreed policy objective of the Government and the social partners that, over time, all those earning the minimum wage will be removed from the tax net. The social partners support the policy of establishing a single standard rate income tax band for all individual taxpayers. They also agree that the standard rate income tax band should be kept under review in the light of increases in income levels and the objective of ensuring that, over time, at least 80% of taxpayers are not subject to the higher rate of income tax”.*
- 6.15 As one would expect, individualising the standard rate band (partially or fully) has a positive effect on replacement rates facing those on home duties in households affected by the measure.²⁶ Figure 6.1 compares the distribution of replacement rates among those on home duties under the 1999 tax structure, the 2000 structure i.e. including partial individualisation and a modified 2000 regime with full band individualisation respectively.²⁷ The Forum Secretariat used SWITCH, the ESRI's tax and welfare

²⁶ Households with incomes above £28,000 or where a second earner would bring household income above this level.

²⁷ Replacement rates can be measured in various ways. Here we use micro simulation estimates derived from the ESRI's SWITCH model. All the replacement rates shown here are calculated for the 2000 run setting. The replacement rate is the ratio of in work income to out of work income. In calculating these rates, SWITCH predicts in work earnings based on age and educational level, assuming entry into full time work. Note that replacement rates for married spouses are calculated as the ratio of family income

microsimulation model, to calculate these rates.²⁸ The percentage of those on home duties facing replacement rates of 80% or more falls from 19.3% in 1999 to 17.9% in 2000 and to 15.7% with full individualisation.

Figure 6.1: Replacement Rates of Persons on Home Duties



Source: Forum Secretariat.

6.16 On Budget day 2000, the Minister announced income tax reductions worth £942 million in a full year, of which £310 million was accounted for by changes to the standard rate band. Full band individualisation, if done in one move in the tax year 2000/2001 would cost £831 million.²⁹

6.17 Using SWITCH, we can analyse the distributional effects of policy changes for a representative sample of the population. We look first at partial individualisation. The SWITCH estimate for the cost of partial individualisation is £367 million, which is somewhat higher than the Budget estimate. Table 6.1 looks at the distribution of tax cuts brought about by this measure. It is important to note that, as most tax units in the lowest income deciles are not in the income tax net, they are generally unaffected by tax changes. (However, small losses can occur in such tax units, where an increase in parental income impacts on children’s social welfare entitlements through operation of the benefit and privilege rule. See, for example, Tables 6.1 and 6.2. For our purposes here, this can be ignored.) Overall, the benefits of partial individualisation are concentrated towards higher income households, even among those that are in the income tax net. This is not surprising as widening the standard rate band can only benefit those whose incomes are high enough to pay tax at the higher rate.

²⁸ This sub-Section includes results based on SWITCH, the ESRI tax/benefit model, described in T. Callan et al (1998) *Simulating tax and welfare changes* Dublin: ESRI. All calculations and accompanying commentary are the exclusive responsibility of the Forum and no responsibility for the results is accepted by the ESRI or by the authors of the model software.

²⁹ The Budget papers give £839 million as the cost of full band individualisation. The Department of Finance now estimates this at £830.9 million.

Table 6.1: Aggregate Change in Disposable Income, Partial Individualisation				
Income Decile	Partial Individualisation		Simple Widening	
	£m	%	£m	%
1	-0.2	-0.1	-0.3	-0.1
2	0.0	0.0	0.0	0.0
3	0.0	0.0	0.0	0.0
4	0.0	0.0	0.0	0.0
5	0.0	0.0	0.1	0.0
6	1.4	0.4	2.8	0.6
7	16.9	4.6	26.7	5.6
8	74.0	20.2	92.4	19.4
9	127.0	34.6	159.9	33.5
10	147.6	40.2	195.4	41.0
Total	366.8	100	476.9	100

Source: Forum Secretariat.

- 6.18 Table 6.1 also shows the effect of widening the band to £17,000 without restricting transferability. The cost of this measure increases to £477 million. The distributional effects of simple widening are very similar to partial individualisation with the benefits again concentrated on the highest income households. Thus limiting transferability has little effect on the distributional pattern of band widening *per se*. However, as limiting transferability claws back some of the costs of band widening, it reduces the absolute benefits going to higher income deciles.
- 6.19 Table 6.2 examines the impact of full individualisation, i.e. widening the standard rate band to £28,000 and eliminating transferability, if done in one move in the tax year 2000/2001. The SWITCH estimate for the cost of full individualisation is £862 million, which is close to the Budget estimate. Table 6.2 shows that the tax cuts brought about by full individualisation are concentrated on higher income households. Indeed the benefits of full individualisation, and thus of completing band individualisation, are more concentrated on higher income households than the partial individualisation introduced to date. Again, this is the expected effect of further widening the standard rate band. Table 6.2 also shows the effect of widening the band to £28,000 without restricting transferability. The cost of this measure increases to £1,261 million. Again, the distributional pattern of simple widening is very similar to individualisation with the benefits concentrated on the highest income households. Thus, as noted earlier, limiting transferability has little effect on the distributional pattern of band widening *per se* although it reduces the absolute benefits going to higher income deciles.

Table 6.2: Aggregate Change in Disposable Income, Full Individualisation				
Income Decile	Full Individualisation		Simple Widening	
	£m	%	£m	%
1	-0.2	0.0	-0.4	0.0
2	0.0	0.0	0.0	0.0
3	0.0	0.0	0.0	0.0
4	0.0	0.0	0.0	0.0
5	0.0	0.0	0.1	0.0
6	1.5	0.2	3.0	0.2
7	19.1	2.2	33.6	2.7
8	95.5	11.1	130.2	10.3
9	266.2	30.9	369.6	29.3
10	479.9	55.7	725.3	57.5
Total	862	100	1261.4	100

Source: Forum Secretariat.

6.20 Earlier, we indicated our support in principle for individual taxation. Here, we considered the implications of the Government's policy of individualising the standard rate band. Overall, band individualisation has positive effects on the incentives facing married women at home. We also looked at the distributional effects of individualisation. The policy combines two elements i.e. widening the band and reducing transferability. As the marriage subsidy produced by band transferability is distributionally regressive, its removal in a sense must be distributionally progressive and we have seen that this is indeed the case. This limits somewhat the regressive impact of band widening *per se*. However, the overall distributional effect of the present policy of band individualisation remains regressive.

6.21 This is of concern given the PPF commitment to “*develop the structure of the tax system to deliver benefits and focus resources in an equitable manner.*” Thus, while we support individual taxation in principle, we suggest greater priority needs to be given to limiting these regressive effects through ensuring that the other elements of an overall personal tax reform package comprise measures favouring those on lower incomes and/or all taxpayers equally.

Developing Administrative Individualisation

- 6.22 At present spouses may be assessed for tax as single people or jointly as a couple. Joint assessment may be on one spouse or both separately. Separate assessment is invoked at the request of either spouse. Separate assessment means that each spouse receives their individual entitlements in the first instance but unused allowances or bands may then be transferred to the other spouse, usually at the end of the year. A couple's combined tax liability under joint assessment is always the same, whether assessment is on one spouse or both spouses separately. Single treatment means each spouse is treated exactly the same as a single person with no transferability, thus the combined liability of both spouses may be greater than or equal to - but not less than - liability under joint assessment.
- 6.23 Administratively, joint assessment on one spouse is the default option. Under this arrangement, where both spouses are working, the bulk of the allowances are allocated to the assessable person, with the allowances directly related to the other spouse's income (e.g., the PAYE Allowance and half the Allowance, where relevant) granted to the other spouse. However, the couple may ask their Inspector of Taxes to allocate the total allowances due, excluding the PAYE Allowance, between them in any proportion they wish.
- 6.24 In practice, joint assessment on one spouse predominates. In 1999/2000, there were approximately 223,400 married couples with both spouses working in the tax system. Of these, the numbers being taxed under the different tax systems were as follows: Joint Assessment - 192,100 (86%); Separate Assessment - 29,100 (13%); and Single Treatment 2,200 (1%). In addition, an estimated 369,300 single earner married couples are taxed under joint assessment. Thus, while formally the tax system gives people a choice in how they are assessed, few opt for separate or single assessment.
- 6.25 We suggest that it is important here to recognise the implications of band individualisation combined with the shift to basic tax credits rather than allowances.³⁰ To date, the financial benefits to the household of shifting allowances and bands to the higher earner, more usually the husband, were widespread and in many cases could be relatively large. The elimination of band transferability and the shift to tax credits will mean that the maximum

³⁰ Budget 98 announced the decision to transform the basic allowances in the tax structure into credits. This will be completed in Budget 2001.

financial benefit to the couple from joint assessment will be determined by the value of the transferable tax credits. Furthermore, there can be no financial benefit to the couple from joint assessment, once the second earner's gross income exceeds the level of non-taxable income implied by these tax credits. This should make the options of separate or single assessment more attractive to second earners.

- 6.26 Nevertheless, it seems that married women entering employment may not take up their entitlements to tax relief, even where there is no negative effect on overall household income. Arguably, this reduces transparency in the operation of taxation in this area and reinforces unduly negative perceptions about the returns to married women's work. This may reflect women's choices or may simply reflect the inertia of the status quo. However, it may also reflect social and cultural barriers to exercising independent choice in these circumstances. We suggest that there is a parallel here with the operation of the social welfare system where women do not always exercise the options available to claim unemployment payments in their own right. It has been argued recently that *"two possible underlying reasons for their decision not to sign on may relate to the continued prevalence of the traditional male breadwinner role or the absence of an individual rights based approach"* (DSCFA 2000: 41). We suggest that there may be *de facto* constraints on women's choices regarding their tax treatment, which are reinforced both by tax policy and by the administration of the tax system.
- 6.27 In our view, therefore, the administration of personal taxation has an important influence on perceptions and potentially on labour market behaviour. We recommend, therefore, that consideration be given to 'administrative individualisation' of income tax for married couples. This would mean changing the current default option to separate assessment with the option of joint assessment on one spouse at the joint request of the couple.

The Home Carers Allowance

- 6.28 Following post-Budget 2000 debates on individualisation, a new Home Carers Allowance (HCA) was included in the Finance Bill. This measure had already been signalled in the Programme for Government. The introduction of the HCA raises important issues concerning equity in the tax system. In itself the basic transferable credit provides a tax subsidy to single earner households in a way that broadly ensures that single and two earner households on the same income (at least up to £28,000) pay the same tax.

The PAYE Allowance modifies this somewhat in favour of two earner households (where both are on PAYE). The HCA is an additional subsidy to single earner households who meet the eligibility criteria, which means that in many instances single earner households will pay less tax than two earner households on the same income. Earlier we noted, that in supporting individual taxation in principle, we are not making a blanket argument against the inclusion of dependency or family provisions in the tax or transfer systems. Whether and how such provisions should exist will depend on the particular rationale in each case. However the tax principles underpinning the HCA are unclear.

- 6.29 As a recognition of caring work, the HCA is flawed in a number of respects. Firstly, the carer receives no compensation, the benefit of the allowance goes to the carers earning spouse. Secondly, it discriminates between family types - the allowance is only available to married couples, so cohabiting couples are not eligible for this benefit. Finally, tax reliefs do not provide any benefit to households reliant on social welfare.
- 6.30 The Home Carers Allowance has introduced a new distortion which aggravates the problem of labour shortages by providing a disincentive for a second partner to take up paid employment and an incentive for second partners already at work to withdraw from the labour force. Thus, the HCA erects a new barrier to married women wishing to return to the paid labour force - as women perform the majority of caring work.
- 6.31 Given these concerns, Members agreed that the Home Carers Allowance should not be increased further. Beyond this however, there was a divergence of views on how the distortions brought about by the HCA should be addressed. For those Members who advocate tax relief for childcare there could be no greater anomaly than the present state of affairs which provides tax relief for staying at home but withdraws it and denies any further relief when a second partner takes up paid employment. These Members hold that the PAYE allowance cannot address this issue since it is an incentive to work in its own right, even when no care responsibilities exist. Similarly, the case for a significant increase in that incentive is also independent of the issue of rebalancing tax relief so as to ensure equality of treatment as between the different ways in which those having care responsibilities actually provide that care. This viewpoint holds that the tax neutrality of the HCA could be established by the introduction of equivalent tax relief for childcare costs incurred outside the home by working parents.
- 6.32 Other Members did not accept this linkage between the HCA and the issue

of tax relief for childcare. An alternative approach to neutralising the disincentive effect of the HCA is to increase the PAYE Allowance to the same level as the HCA. Indeed, as the PAYE Allowance is non-transferable, this would constitute an improvement in the incentive for married women to return to paid employment. The issue of support for workers with childcare costs would then remain to be addressed. As articulated in paragraph 4.21, some Members of the group hold the view that childcare support must be equitable, that low-income parents be prioritised, and that this cannot be achieved through tax relief. They believe it is essential that the childcare support system is not a two-tiered one, where (some) employees receive tax relief automatically while others have to apply for a means-tested social welfare payment. Accordingly, these Members have proposed the introduction of a universal Parental Childcare Payment as the only equitable (and most efficient) way to meet the diversity of parents' needs.

Section VII
Women
Returning to
the Labour
Market

Women Returning to the Labour Market

7.1 In this Section, following on from our earlier discussion (4.25), we consider supports for women returning to the workforce. The educational and labour market authorities provide a range of education, training and employment supports to enhance labour force participation and development. A brief overview and discussion of these provisions sets the context. We then discuss three issues:

- Development of a National Support Programme for Women Returners;
- Participation of Women Returners in Targeted Labour Market Programmes; and,
- Participation of Women Returners in Mainstream Training Programmes.

Overview of Provision

Education

7.2 Primary and Second Level education is free and is universally provided up to Leaving Certificate level. Further Education (Post Leaving Certificate) and Higher Education (University and Institute of Technology) provision, although mostly publicly funded and generally free at the point of use for full-time students, is not universally provided. Places are competitively allocated, based largely on prior academic achievement. The education authorities also provide targeted 'second chance' educational programmes for younger early school leavers (Youthreach) and for certain categories of adults (Vocational Training Opportunities (VTOS), Senior Traveller Training Centres). Most tuition fees for full-time participation in further and higher education are paid by the State.³¹ In addition, there is a range of financial measures (means-tested grants, VTOS, Back To Education Allowance and Special Funds) to support the educational participation of designated groups. Finally, statutory and non-statutory providers, including a vibrant community education sector, provide a wide range of adult learning opportunities.

³¹ Fee-paying students (e.g. part-time higher education students and students attending private third level colleges) are entitled to tax relief on tuition fees.

Training

- 7.3 A number of public agencies, principally FÁS and CERT, provide vocational training outside the education system. Apart from apprenticeship, where recruitment is the responsibility of employers in the designated trades, the organisation of training broadly parallels that of further education provision. Training is free at the point of use and Trainees are paid Training Allowances. While entrance criteria vary across mainstream training programmes (Specific Skills Training, etc.), prior educational achievement is generally important and places are competitively allocated to the strongest candidates.³²
- 7.4 In addition to mainstream training provision, FÁS provides a range of basic training programmes. Some of this provision is open access but for the most part, it is targeted on specific disadvantaged groups. The groups targeted include the young unemployed (Community Youth Training Programme), women returners (Return to Work) and people with disabilities.³³ CERT also operates a Return to Work Programme. Recently FÁS has introduced a new Bridging Programme targeted at the long-term unemployed/socially disadvantaged to provide an access route to mainstream training. In addition, a wide range of predominantly basic training programmes has been provided by statutory bodies and non-governmental organisations (NGOs) through EU Community Initiatives.

Direct Employment Programmes

- 7.5 Since the 1980s in particular, active labour market policy for disadvantaged adults has relied heavily on direct temporary employment programmes (Community Employment Options and Jobs Initiative). This was reinforced by a major expansion of such programmes in the early 1990s. More recently, Government policy has moved to reduce and refocus employment programmes, including the introduction of the Social Economy Programme, and to develop training support for disadvantaged adults. While employment programmes are typically referred to as targeted on the long-term unemployed, the operational definition of long-term unemployment includes a number of categories of socially disadvantaged adults experiencing long-term welfare dependence. Since the early 1990s, a training element has been incorporated into CE provision.

³² CERT provides specific foundation level training that qualifies successful participants for higher-level training courses.

³³ Until recently, targeted training for people with disabilities was organised by the NRB.

Employment Subsidies

7.6 The major employment subsidy is the Back to Work Allowance, which is the responsibility of the Department of Social, Community and Family Affairs. In addition, the Jobstart Programme provides a recruitment subsidy to businesses employing a person unemployed for three years or more.

Employment Services

7.7 In March 1999, the Government decided to establish the National Employment Service, bringing together the services provided through the FÁS Employment Service and the Local Employment Service (LES). The role of the Employment Services is to act as a gateway both to employment directly - the traditional function of matching job seekers to available jobs - and to employment supports. In recent years, the focus of Employment Services has shifted towards the provision of guidance for adults (NESF, 2000).

Discussion

7.8 A range of significant developments concerning education and labour market policies, particularly for adults, is underway. A National Training Fund has been established with the primary objective of training people in employment. The Government has recently published '*Learning for Life: a White Paper on Adult Education*' (Department of Education and Science, 2000) and a Taskforce on Lifelong Learning has been established under the PPF. In addition, the PPF provides for an overall appraisal of labour market policy under the auspices of the Standing Committee on the Labour Market as well as specific reviews of the Community Employment Programme and of supports for those facing the greatest barriers to getting and keeping jobs in the labour market.

7.9 Given our specific focus here, we do not attempt an overall discussion of these developments. However, we reiterate what we have stated earlier (2.10 and 4.3). Policies to upskill the labour force will play a crucial role in promoting labour market adjustment and ensuring competitiveness in the long run. The main challenge in this area is to ensure that priority is given to addressing the education and training needs of the least skilled, regardless of their current employment or social welfare status.

7.10 This requires addressing as a priority the quantity and quality of foundation or basic education and training provision for these groups as well as developing progression routes from this entry level provision into mainstream higher level education. Clearly, the implementation of a

National Qualifications Framework will be particularly important here. These issues have been the subject of extensive analysis and commentary, by the Forum and others, over recent years which is reviewed and summarised in an important report on '*Challenges for Human Resource Development: 2000 - 2006*' published earlier this year by the European Social Fund Programme Evaluation Unit. These issues remain central in the development of education and active labour market policies.

National Support Programme for Women Returners

- 7.11 It is now recognised that people who have been outside the workforce for a substantial period have specific re-orientation needs that must be addressed in order to assist their re-entry into the labour market. In the current context of labour shortages, women returners still face a number of obstacles inhibiting their integration into the labour-force, including issues related to confidence and skills. As many women returners are not on the Live Register, they may be excluded from receiving priority consideration for State-assisted employment courses (see below).
- 7.12 For many of those who do re-enter the workforce, particularly on a part-time basis, studies carried out in the UK have identified a pattern of downward mobility among women returners, 30% of whom take jobs at a lower-level than they occupied before they withdrew from the labour-market (McGivney, 1999: 8).
- 7.13 In order to maximise the considerable resource potential presented by women returners and to avert this trend towards downward mobility, we recommend the setting up of a National Support Programme for Women Returners that would meet their specific needs. The core elements of such a Programme should include the establishment of women returners as a priority group within FÁS Employment Services and Training provision. This would involve the development of a tracking mechanism for women returners from their first point of contact. Common elements of the Programme nationally should include tracking and monitoring mechanisms, career path planning, the identification of progression routes, the availability of flexible training provision, and supports for participation.
- 7.14 The structures required for the implementation of the Programme should include the establishment of a National Advisory Committee including the Social Partners. This should ensure that this Programme is co-ordinated at a national level and should address regional issues in a consistent manner.

Regional Co-ordinators should be appointed to oversee the implementation of the Programme in a flexible manner that meets the needs of women in the regions. This, in turn, would involve a regional implementation plan. This regional plan should identify the mechanisms for proactively targeting women returners and set clear targets and performance indicators. The Local Employment Service and the FÁS Placement Service should play a central role in the implementation of the Programme at local level. Resources for childcare and travel allowances would be required to implement the plan, which would take account, *inter alia*, of the additional needs of women living in rural areas.

7.15 Development of the National Support Programme should take account of the lessons learned through the NOW Programme and through the work of organisations such as the Northside Partnership. It should also be informed by research on the specific needs of women returners to be carried out by the National Women's Council of Ireland under the Positive Actions Initiative of the Department of Justice, Equality and Law Reform. This research is intended to identify the information, guidance and support needs of women returners and to make recommendations on future actions. Its analysis of women returners will include:

- Comprehensive mapping of women likely to be interested in re-entering the workforce;
- Identification of education and training needs, of information gaps, including recommendations as to how they might be filled, and of possible progression routes into, and around, the labour-market; and,
- Development of models for future action.

Participation in Targeted Programmes

7.16 As noted earlier, both FÁS and CERT operate programmes specifically targeted at women returners. Apart from specific Return to Work provision, women returners may currently participate in other targeted programmes where they meet the relevant eligibility criteria. However, particular issues arise where eligibility for programmes is determined by receipt of unemployment payments (generally referred to as the Live Register criterion). Women may not be on the Live Register for a number of reasons. For example, people only available for part-time work cannot sign-on and unemployed spouses with working partners may not qualify for means-tested payments. In addition, even where there is underlying eligibility to an unemployment payment, married women may not sign on given the continued prevalence of the male breadwinner role in society. Also, a

limitation applies to unemployment payments which means that there is no financial benefit from both partners signing-on. In all cases, women are more likely to be affected than men (see DSCFA 2000: 41; see also 6.26 earlier).

- 7.17 Over time, policymakers have tried to address this issue in two ways. One approach has been to remove legal and other obstacles to women receiving unemployment payments in their own right and thereby allow them to become eligible for labour market programmes targeted on that basis. The introduction of the social welfare equality legislation in 1986 as well as other policy and administrative changes since then, has facilitated to some extent the 'signing on' option for married women.
- 7.18 A second approach has been to move away from exclusive reliance on the Live Register in defining eligibility. Many bodies, including the NESF, have advocated variations of this 'Live Register Plus' approach over time and eligibility for programmes such as CE and VTOS, which were initially restricted to those on the Live Register, has been widened to include other socially-disadvantaged groups.
- 7.19 Most recently, this issue was addressed by the '*Report of the Partnership 2000 Working Group on Women's Access to Labour Market Opportunities*' (DSCFA, 2000). This Group proposed three specific target groups:
- Category 1: Qualified Adults of persons who have existing entitlements of access to Active Labour Market Programmes, who are available for and genuinely seeking work;
 - Category 2: Spouses in low income, single earner families, who are available for and genuinely seeking work; and
 - Category 3: Returners/entrants to the labour force who have been primarily engaged in domestic and caring duties in the home, who are available for and genuinely seeking work.
- 7.20 The Access Group recommended that Category 1 should be eligible for participation in Community Employment, the Jobs Initiative, Workplace and Jobstart. In July 1999, the Government announced that Qualified Adults of eligible unemployed people would be eligible for CE. However, Qualified Adults are not eligible for the other three programmes. The Access Group also recommended that Category 1 should be: eligible for Back to Education Allowance; paid full personal allowances when participating in VTOS; and, added to the list of categories prioritised for inclusion on FÁS training

programmes. It further recommended that Categories 2 and 3 should have access to VTOS, but without payment of training allowances,³⁴ and should be added to the list of those categories prioritised for inclusion on FÁS training programmes.

- 7.21 Implementing the recommendations of the Access Group is central to removing barriers to women's participation in the labour market. These recommendations should be implemented without delay, given the commitment in the Programme for Prosperity and Fairness. This will involve co-ordination between the Departments of Social, Community and Family Affairs; Enterprise, Trade and Employment; Education and Science; and the Social Partners. A clear timetable for implementation should be established. Moreover, the outcomes for women arising from these recommendations should be tracked and monitored in a transparent manner to assess their effectiveness in targeting women and increasing their access to education and training.

Participation in Mainstream Training Programmes

- 7.22 Historically, women were dramatically underrepresented in mainstream training. "In 1973-74 there were only 18 women compared to 2,430 men at the training centres run by AnCO.. and only five female first year apprentices compared to 2,183 males" (Wickham 1982:153). In 1999, 46.5% of participants on all FÁS programmes (throughput) were women. Women accounted for 50.1% of throughput on non-apprenticeship training and 53% of employment schemes. However only 71 of 10,316 (0.7%) of apprentices were women (FÁS, 2000).³⁵ While occupational gender segregation is most notable in the area of apprenticeships, it persists throughout training provision in that many training courses have large majorities of either males or females (DSCFA, 2000).

- 7.23 As noted earlier, places on mainstream training courses are competitively allocated rather than targeted towards specific groups. Being on the Live Register is not a formal criterion for access to these programmes, although, in the past at least, it has been used to prioritise among applicants. We consider that being on the Live Register *per se* should not be used to

³⁴ Currently people signing on for credits are eligible for VTOS on this basis. The practical additional effect of such a provision would be to allow access to core provision in VTOS centres.

³⁵ A recent study found that women comprise 39% of total throughput in all 'active labour market programmes' broadly defined (WRC Social and Economic Consultants, 1998). This study identifies forty 'Active Labour Market Programmes' including FÁS, Department of Social, Community and Family Affairs, education and other programmes. It provides a gender breakdown of 1996/97 throughput data for 38 of these, on which the above figure of 39% was based.

prioritise access to training programmes. However, this should be distinguished from setting targets for participation by specific disadvantaged groups. In its 1998 *'Action Programme on Long-term Unemployment'*, FÁS has set a percentage target for participation of the long-term unemployed in mainstream training programmes. For Specific Skills/Job Training Scheme/Traineeship Programmes, it set a target of 20% long-term unemployed starters to be achieved by the end of 1999. The rate achieved in 1999 was 22% and a new target of 25% has been set for 2000 (FÁS 2000:4).

- 7.24 For the purposes of this target, the definition of long-term unemployed is *"persons who are more than one year in receipt of Unemployment Assistance/ Unemployment Benefit /One Parent Family Payment or over one year registered with NRB. Periods spent on a recognised training and/or employment programmes may be taken into account if the person was in receipt of any of the above payments preceding participation"*. We recommend that long-term qualified adults (Category 1 as defined by the Access Group) should be added to this definition.
- 7.25 Since 1990, FÁS has promoted participation through a rolling 'Action Programme for Women'. This has involved setting participation targets in specific areas where women are under-represented. It has also included support measures to help women take up places and organisational initiatives (training, etc.) within FÁS to support the positive action programme and to *"ensure that FÁS services and procedures are friendly to women"* (FÁS 1998:2). The broader concept of equality included in recent legislation is explicitly reflected in the most recent Action Programme (1988-2000) which states that *"FÁS will also seek to ensure that FÁS services reach key groups such as long-term unemployed women, women returners, women with disabilities, traveller women and early school leavers. The participation rates of such women will be monitored and reported on in future Reports"* (FÁS 1998:4). Developing this approach will require specific participation targets, support measures and organisational initiatives in relation to each of these groups.
- 7.26 In regard to the participation of women returners, these issues should be addressed in the context of the National Support Programme proposed earlier. Of particular concern here is the structure of mainstream training provision. We argued earlier that time flexibility in the workplace is important in facilitating women returning to the labour market. This is equally true of women returning to training. A specific target should be set for providing of mainstream training programmes on a part-time basis.

Section VIII

Immigration Policy

Immigration Policy

- 8.1 In December 1999, the Government agreed to put in place a proactive immigration policy to contribute to addressing skills and labour shortages. This policy involves active promotion of job opportunities in Ireland to residents of the European Economic Area (EEA), applicant countries for EU membership and elsewhere in the world. In addition, over the last two years the Government has made a number of changes to immigration policy in a narrower sense, i.e. the regulations that govern the entry, residence and employment of non-nationals.
- 8.2 Typically, beyond very short-term visits, immigration policies address three broad types of objective - economic (labour market), social (family reunification) and protection (refugees and asylum). How these are addressed and the balance between them varies between countries. In addition, countries may have a range of policies on immigrant integration. While all of these aspects of policy are important, our discussion here is confined to economic immigration policy.
- 8.3 Specifically, we do not address the issue of allowing asylum seekers a right to work. An analysis of this issue would require addressing wider questions in asylum policy that lie beyond the remit of this Report. It is therefore important to note that many of the organisations represented in the Forum advocate a policy of extending a right to work to asylum seekers, after a period and pending the outcome of their applications.
- 8.3 In what follows, we first consider Ireland's broad approach to economic immigration and to the employment of non-EEA nationals. We then look briefly at experience elsewhere. A distinction is usually made between policies for permanent and temporary migration. We look first at policy in the traditional countries of permanent settlement and then at immigration policies in Europe. In each case, we give a brief overview and discuss particular policies in selected countries. Finally, we consider issues arising for Irish immigration policy.

Irish Immigration Policy

- 8.4 The principal legislation governing the entry and residence of non-nationals in the State is the Aliens Act, 1935 and the Aliens Order 1946 as amended,

together with the regulations implementing the EU Rights of Residence Directives.³⁷ All EEA Area citizens (i.e. the EU plus Norway, Iceland and Liechtenstein) are legally entitled to work in Ireland without prior authorisation. Thus, for practical purposes, immigration policy applies to non-EEA nationals. It is important to note that the majority of immigration flows into Ireland are not regulated by ‘immigration policy’ in this sense.

- 8.5 The legislative framework provides that all non-EEA nationals require the permission of the Minister for Justice, Equality and Law Reform to reside in the State. Certain non-EEA nationals require a visa prior to entering the State and all non-EEA nationals, whether visa required or not, are subject to immigration controls upon arrival. These controls are applied on an occasional basis to people arriving from within the Common Travel Area between Ireland and the UK and systematically to people arriving from outside the Common Travel Area. Generally speaking, a person can be granted up to ninety days permission to remain as a visitor upon arrival, provided they can satisfy an Immigration Officer that they have sufficient funds to support themselves, that they have a valid visa if required and that they will not breach Irish immigration or other laws.
- 8.6 A person who wishes to reside in the State for longer than ninety days must apply for permission to remain. Non-visa required nationals in Ireland may register with their local Garda Registration Officer and apply for further permission to remain before their initial leave to enter expires. In the case of visa-required nationals, applications for permission to remain must be made from outside the country and will generally not be extended to those who entered on short visit category visas. The main grounds upon which further permission to remain can be obtained are: for the purposes of employment, to study, to operate a business or as a dependant family member of an Irish or EEA national residing in the State. Certain other categories are also granted permission to remain, including people recognised as refugees or granted humanitarian leave to remain by the Minister, or those seeking asylum. Particular criteria must be satisfied in order to obtain permission to remain in any of the above-mentioned categories.

Employment of Non-EEA Nationals

- 8.7 Many, but not all, of those granted permission to remain on social or humanitarian grounds (i.e. other than specifically for employment) have the

³⁷ In addition, the Immigration Act, 1999 sets out the principles and procedures that govern the removal of non-nationals from the State.

right to take up employment. Under the 1996 Refugee Act, a person accorded refugee status (whether as a Programme or Convention refugee) has the same rights to work as an Irish national.³⁸ Since 1999, anyone with leave to remain as a spouse or parent of an Irish national and those granted humanitarian leave to remain having been in the asylum process no longer require work permits to take up employment or self employment.

- 8.8 Those granted leave to remain as asylum seekers or to study in Ireland cannot in general take up employment. However, a Government decision of 26th July 1999 did exceptionally extend a right to work in Ireland to asylum seekers
- Who had made their application for asylum on or before that date (26th July, 1999);
 - Whose applications are over 12 months old and have not been finally determined; and,
 - Who have been complying with their obligations as asylum seekers.
- 8.9 Under this provision an estimated 3,536 asylum seekers have been given the right to take up employment while their asylum applications are being determined and do not require a work permit.
- 8.10 People may also be granted permission to remain in Ireland on employment grounds *per se*. These include employees admitted under the general Work Permit Programme and, since April of this year, under the Work Visa/Work Authorisation Programme for specific occupations. Reciprocal arrangements for working holiday visas with a number of countries give eligible nationals of those countries a further legal channel of entry to the Irish labour market. We discuss each of these in turn.

Work Permits

- 8.11 In general, employment of non-EEA nationals is regulated through the work permit system, which is administered by the Department of Enterprise, Trade and Employment. It is policy to ensure that, as far as possible, job opportunities that arise in the State are reserved for Irish or EU/EEA nationals. Thus, employers who apply for work permits are generally required to establish that it has not been possible, in spite of reasonable efforts being made, to fill the vacancy with an Irish or other person for whom a work permit is not required.³⁹ Work permits are issued for a period of up to one year in the first instance and may subsequently be renewed.

³⁸ Refugee numbers in Ireland are small, and not all of these would be in the labour market.

³⁹ In practice, work permits for certain occupations are not usually refused e.g. hospital doctors, entertainers booked for particular events in Ireland, etc.

Where a person has been employed under a work permit for five years, an open ended permit may be issued. A person employed in accordance with a work permit cannot change jobs or employers, unless a new permit is issued.

8.12 Since 1999, non-EEA nationals in a number of categories no longer need a work permit to take up employment. As noted earlier, these include people with permission to remain as a spouse or as a parent of an Irish national, and those given leave to remain on humanitarian grounds. Two other exempt categories are: employees of multinational companies operating in Ireland who are posted on an intra-corporate transfer/secondment for a maximum period of four years; and, people coming to Ireland from an overseas company for a maximum period of three years for training at an Irish-based company.

8.13 The number of work permits issued in recent years is set out in Table 8.1. Over the recent past, there has been a notable increase in the numbers of non-EEA workers admitted to Ireland. While 3,700 permits were issued in 1996, this had increased to 6,300 by 1999. Already, in the first ten months of this year, some 13,174 permits have been issued. In addition, the numbers reported for 1999 and 2000 underestimate the increase over earlier years, given the new work permit exemptions discussed earlier and new working visa arrangements introduced (see below). Work permits are issued for a maximum of one year. Thus, the number of permits issued in any year is in effect the stock of such immigrants in Ireland and the contribution of this source to labour supply growth is indicated by the year on year change.⁴⁰

Year	No.	Increase
1996	3,730	
1997	4,476	746
1998	5,630	1,154
1999	6,264	634
Jan to Oct 2000	13,174	6,910

Source: Department of Enterprise, Trade and Employment.

Work Visas/Authorisations

8.14 In March of this year, the Government introduced a new Work Authorisation (for nationals of non visa required countries)/Work Visa (for nationals of visa required countries) Scheme. Authorisations or visas are issued to qualified individuals with a job offer in a designated occupation.

⁴⁰ Strictly speaking, this also depends on the duration composition of permits.

Authorisations/Visas are issued for two years in the first instance during which holders have unrestricted access to the Irish labour market, and are renewable where holders continue to meet the criteria. The designated categories and numbers issued in the four months to end-September are set out in Table 8.2.

Table 8.2 Work Visas/Authorisations Issued, June-Sept 2000	
<i>Designated Categories</i>	<i>No.</i>
Information and computing technologies (ICT), professionals	297
Information and computing technologies technicians	29
Architects, including architectural technicians/technologists	15
Construction engineers, including engineering technician	12
Quantity surveyors	1
Building surveyors	1
Town planners	3
Registered nurses	235
Total	593

Source: Department of Foreign Affairs

8.15 In all, 593 authorisations/visas were issued in this period. Of these, 50% were issued to ICT professionals and 40% to registered nurses.

Working Holiday Agreements

8.16 Ireland has specific reciprocal working holiday authorisation agreements with Australia and New Zealand. Typically, these programmes allow young (18-30) nationals of these countries to come to Ireland for an overall period of one year and to take up casual or temporary employment, although permit holders may not work for any one employer for more than three months in that time. The numbers of working holiday authorisations has also increased in recent years. Australian authorisations were 895 in 1998, 1,370 in 1999 and 1,035 in the first six months (to end-June) of this year. The New Zealand authorisation quota has increased from 250 in 1998 to 350 in 1999 and to 1,000 for this year⁴¹ and it is expected that this will be filled.

8.17 In addition, USIT Now, in co-operation with the Department of Enterprise, Trade and Employment, organises reciprocal student work exchange programmes with a number of countries. The main programmes are with the US and Canada, but exchange programmes have recently commenced with Jamaica, Ghana, South Africa, Mexico and Argentina. These new

⁴¹ Data provided by the Department of Foreign Affairs.

programmes are small, accounting currently for around ten exchange students in each case. Permits are issued for four months (US and Jamaica) six months (Ghana, South Africa, Mexico and Argentina) or one year (Canada). The total numbers coming to Ireland have increased from 620 in 1996 to 1,229 in 1999 and an estimated 1,300 in 2000.⁴²

Immigration Policy in Settlement Countries

- 8.18 Few countries have specific programmes/policies of permanent settlement on economic grounds. The exceptions here are the traditional immigrant countries of Australia, Canada, New Zealand and the United States. These countries differ among themselves in the significance of the economic stream, relative to that of permanent settlement for family reasons, and in how economic immigration is structured. It is important to emphasise that whatever the initial reasons for admission to these countries, all permanent immigrants have access to the labour market. Given this, specific economic immigration policies are designed to tailor the overall contribution of immigration to developing the economy and/or to address specific labour market needs. Thus, they are typically skill-selective, i.e. human capital criteria are applied to prospective immigrants.
- 8.19 All of these countries also allow temporary economic migration. Again, this is largely skill selective, although provision is made for admitting lower-skilled labour to meet particular needs, for example, seasonal demands in particular sectors. This may be organised through specific programmes, such as the H-2A visa for seasonal agricultural migration in the US or through more general working holiday programmes as in Australia.

United States

- 8.20 The US Immigration and Nationality Act Amendments of 1965 repealed national origins quotas and established a preference system based largely on family unification and to a lesser extent on high skills. The Immigration Act of 1990 increased legal immigration ceilings and significantly increased the annual employment-based quota from 54,000 to 140,000, of which 110,000 are for highly skilled workers, 10,000 for needed unskilled workers and 10,000 each for immigrant investors and special immigrants. Nevertheless, the vast majority of US Green Cards are issued for non-economic reasons. In 1996, the US admitted 915,900 legal immigrants of which 117,500 (12.8%) were employment-based admissions.

⁴² Data provided by USIT Now.

- 8.21 The US also operates a range of what are termed non-immigrant (i.e. temporary) working visa programmes. The major programmes here are the H-1B Visa for high skilled workers and short term H-2A and H-2B Visas for temporary or seasonal agricultural and non-agricultural workers respectively. The H-1B programme is of most interest here.
- 8.22 The H-1B Visa grants work authorisation to highly skilled workers for three years, renewable for another three. Almost two-thirds of H-1B visas issued in 1999 were for IT and related jobs. Visas are issued in respect of specific jobs with specific employers. Employers do not have to prove that a shortage of US workers exists but they must meet certain conditions designed to ensure that H-1B workers are not used to undercut domestic workers (General Accounting Office, 2000). In 1990, a numerical cap of 65,000 new H-1B visas per annum was applied. In response to concerns about labour shortages in IT sectors, this cap was raised to 115,000 for 1999 and 2000 and 107,500 for 2001, after which it is supposed to revert to 65,000. However, the US Congress is expected to pass legislation to again increase the numerical limits on the H-1B programme. Overall, it is estimated that the current population of H-1B workers in the US totals 425,000 (Lowell, 2000), and this is expected to increase. In practice, employer applications for H-1B workers far exceed the numerical limits, with around 400,000 applications expected this year.

New Zealand

- 8.23 Under the 1987 Immigration Act, applications for permanent residence are considered in six main categories. These include Family, Humanitarian and four economic categories - General Skills, Investors, Entrepreneurs, and employees of businesses relocating to New Zealand. General Skills applicants must meet a minimum standard of English language competence and must have post school qualifications equivalent to three years certified course of study, and a further two years relevant full-time work experience (or pro rata for part-time work). Among applicants meeting this criteria, selection is based on a points system with points awarded in respect of qualifications, work experience, job offer, age-criteria,⁴³ and to a lesser extent for funds held, family sponsorship and partner's qualifications.
- 8.23 New Zealand also operates a Work Permit system to allow employers to recruit temporary workers from overseas to meet particular or seasonal skill needs that cannot be met from within the country (and to allow visitors to

⁴³ With highest points for age 24-29 and falling thereafter with no age points for those aged 50 or over. However this is counterbalanced somewhat by the points allocated for work experience.

combine holidays and work). Permits are issued to suitably qualified people who hold an offer of employment where there are no suitable New Zealanders available, or no New Zealanders who could be readily trained to do the job. Work Permits may be issued for up to three years.

Immigration Policies in Europe

8.25 The post-war Golden Age provides the backdrop to contemporary immigration policies in the EU. In that period, roughly from the mid 1950s to the first oil shock in 1973, many European countries (especially France, Germany and Switzerland but also others such as Belgium and Austria) actively recruited immigrant workers to meet their labour needs. Immigrant workers were concentrated in semi-skilled and unskilled manual occupations, in sectors such as heavy industry, mining, and construction (King 1990, 1997 a and b). Immigrant workers were principally drawn from the countries around the Mediterranean (Spain, Portugal, Italy, Greece and Turkey in Europe, along with Algeria, Tunisia and Morocco) and in some cases from former colonies elsewhere. Typically, immigrant workers were admitted as time limited ‘guest workers’ and as ‘seasonal workers’, and there was substantial rotation among the immigrant population. Nevertheless, over time, many immigrants achieved long-term resident status. While the UK Government did not actively promote the recruitment of immigrant workers to the same extent, long-standing immigrant inflows from Ireland continued throughout most of the post-war years. These years also brought new migrations to Britain from its former colonies in the Caribbean and the Indian sub-continent. British immigration policy throughout this period was generally geared towards restricting these flows (Hatton and Wheatly Price, 1999).

8.26 After the first oil shock in 1973, most European countries moved to stop further immigration for economic reasons, so called zero-immigration policies. However, while this applied to primary immigration, at the same time greater recognition was given to the right of family reunification. Over the following decade, the resident alien population in Europe remained roughly stable while a combination of factors brought about a shift in its composition. Already by the 1970s, economic development had brought about a decline in emigration from Italy and this was later repeated in Spain, Portugal and Greece, and most recently Ireland - all of which have latterly become countries of net immigration. This factor combined with family reunification, means that the proportion of non-EU migrants in the resident

alien population has increased.⁴⁴

- 8.27 From the mid-1980s, Europe saw large new migration flows from Africa and Asia while the collapse of communism in Eastern Europe and the Balkans produced - for a period at least - a further new source of immigrant flows. As the numbers of people seeking asylum in Europe grew, national policies generally focused on restricting these flows while continuing to meet obligations under international law (Miller 1994). Increasingly, these aspects of immigration policy have been co-ordinated at a European level, initially through the Schengen Convention and now under Title VI of the Amsterdam Treaty⁴⁵ that deals with visas, asylum, immigration and other policies related to the free movement of persons.⁴⁶
- 8.28 These developments have dominated European debates about immigration policy for over a decade. However, tentatively at least, a new debate on economic immigration policies is developing in individual Member States (including Ireland) and at a European level. In a recent speech, Commissioner Antonio Vitorino suggested that: *“As we stand at the turn of the century, the European Union is facing a changing economic and demographic situation which, I believe, calls into question our existing response to the phenomena of migration.”* (Vitorino, 2000). The core issue in this debate is whether and how the basis of European policies in this area should shift from the long-standing stance of zero primary immigration to a new acceptance of what is now generally termed ‘managed migration’.
- 8.29 A number of factors underlie this development. First, there is an acknowledgement that many countries already allow high skilled immigration and that given economic developments in Europe, the need to attract skilled labour from abroad is growing. Second, it is recognised that immigration may be at least part of the solution to addressing demographic imbalances arising from population ageing (Visco, 2000). Third, there is an increasing willingness to accept that illegal immigration has been meeting

⁴⁴ As family reunification became the main channel of legal immigration, the immigrant labour force fell as a proportion of the immigrant population. In addition, as immigrant populations were concentrated in the sectors hardest hit by recession and restructuring, they experienced higher unemployment.

⁴⁵ The fourth protocol to the Amsterdam Treaty establishes the positions of Ireland and the United Kingdom on the issues arising under Title IV of the Treaty. Its effect is to exempt both countries from all the provisions of Title IV but to permit either or both countries to opt in to particular measures. The conference which adopted the Amsterdam Treaty amendments took note of a declaration by Ireland that it intended to exercise its right under Article 3 of the protocol to take part in the adoption of measures pursuant to Title IV of the EC Treaty to the maximum extent compatible with the maintenance of the common travel area arrangements with the United Kingdom.

⁴⁶ Details of the European policy agenda on this issue are set out in a regularly updated Commission Communication *“Scoreboard to Review Progress On the Creation of an Area of ‘Freedom, Security and Justice in Europe’* COM (2000) 167 final.

labour market needs in some countries and that in practice regularisation programmes have acted as a *de facto* immigration policy.

Policy Developments in Selected European Countries

United Kingdom

- 8.30 As in Ireland, work permits are issued to employers for specific posts after reasonable attempts have failed to fill the post with a resident worker. In addition, the pay and conditions offered must at least equal those normally given to resident workers. However, the UK Work Permit system differs from that of Ireland in that it includes specific skill restrictions and in the duration for which permits may be issued. The UK recently reviewed its Work Permit system. This review recommended the modification of the existing employer based system and in May of this year, the UK introduced a fast track work permit for certain occupations.
- 8.31 Work permits are not issued for jobs at manual, craft, clerical, secretarial or similar levels. Normally permits are only issued for jobs that require high level skills defined as: (a) requiring a recognised degree-level qualification and two years relevant post qualification work experience; or (b) a senior executive or senior manager position which needs at least five years senior management experience or requiring high level technical or similar skills and substantial relevant senior management experience. From October 2000, the period for which permits for such high level posts may be issued has been increased from four to five years.
- 8.32 Permits may also be issued for jobs that do not meet the high skills criteria where the job needs specialised skills knowledge or experience and where the jobs of other people depend on filling the post. These are known as Keyworker permits. Until recently these permits were issued for a maximum of three years and on condition that the employer train a resident worker to replace the Keyworker at the end of the approved period. However, from October 2000, the Keyworker category has been merged into the main work permit arrangements, the domestic labour test has been simplified and the maximum permit period extended from three to five years.
- 8.33 The UK Government has recently indicated that it is looking again at the issue of immigration policy. The Government's current position was outlined in a recent speech by Immigration Minister, Barbara Roche MP, which concluded. "*We must ensure that immigration policy must continue to serve the national interest. All western countries are now considering how*

best to respond to the changes I have described. We do not yet have the answers for Britain. What we see now is a genuine debate on the benefits and challenges of managed migration” (Roche 2000:7).

Germany

8.34 In May 2000, the German Government announced the introduction of a new work permit programme for IT specialists known formally as the ‘IT Specialists Temporary Relief Programme’. The programme has been labelled as the German Green Card Programme although the US parallel is not the Green Card but the H-1B visa programme (see above). Permits will be issued for three years in the first instance with the possibility of getting an extension for up to two more years, i.e. for a maximum total of up to five years. In the first instance, 10,000 special work permits will be issued. The Programme will then be reviewed and a further 10,000 permits may then be issued if needed.

Issues for Irish Policy

8.35 Drawing on our review of immigration policy here and elsewhere, we set out a number of issues regarding the development of policy in this area. We note that the Department of Justice, Equality and Law Reform is preparing an Immigration and Residence Bill ‘to update the law on immigration, residence and other matters related to non-nationals’. In addition, the Department of Enterprise, Trade and Employment is preparing a Work Permits Bill ‘to put the Work Permits regime on a comprehensive statutory footing’. We emphasise that with the growing significance of economic immigration, it is important that Irish policy in this area is clearly defined. We therefore welcome the fact that Government has moved to update the legislative basis for policy in this area. We hope that the publication of this legislation will provide the opportunity for a more considered and better informed public debate on immigration policy in general and economic immigration in particular.

8.36 Ireland’s general work permit system shares many features with temporary economic migration policies in most other countries. All countries apply restrictions and Ireland’s admission criteria are in many ways less restrictive than those of other countries. Our controls in this area are essentially market led, i.e. they are determined by the non-availability of suitable Irish workers. Beyond this, the Irish system does not include specific skill restrictions, neither is it geographically or sectorally selective, nor does it apply quotas. Overall, then, Ireland’s general work permit policy seems reasonably

flexible and this view is underpinned by the very rapid increase in permits issued in the recent past.

- 8.37 Typically, work permits have facilitated largely short-term employment in Ireland. It must be considered whether, given present and expected conditions in the Irish labour market, we may need to attract workers here for longer periods. At present, employers, can renew work permits annually and thus in principle they can retain immigrant workers for longer periods, or replace them with new recruits from abroad. However, it is questionable whether this procedure is adequate or fair for either employers or immigrant workers, where in reality a job needs to be filled on a long-term basis. Employers may face added recruitment and associated costs. Workers in this situation essentially remain tied employees. Perhaps the main issue here is not the duration of initial admission, but the conditions for renewal. We suggest that consideration should be given to allowing people who have been working in accordance with a work permit for an extended period (of perhaps two or three years) to then qualify for a more open working visa type arrangement.
- 8.38 In regard to attracting higher skilled workers, it is important to emphasise that Ireland is directly competing with other countries in Europe and beyond for workers who are in scarce supply globally. The British Immigration Minister, Barbara Roche, M.P noted recently: *“Perhaps the most interesting thing about the recent German scheme aimed at IT workers is not that the Germans want to attract foreign workers with IT skills - but the difficulties they are having doing so. The market for skilled labour is a global market - and not necessarily a buyers market”* (Roche 2000:5). Certainly in the IT area and possibly in other areas also, Irish policies must be geared with this competition firmly in mind. However, consideration must also be given to the possible negative effects of ‘brain drain’ on source countries.⁴⁷
- 8.39 The Work Authorisation/Work Visa Scheme is an important new development in Irish policy. We welcome the establishment of an Advisory Group, including the Social Partners and others, to review the Scheme and advise on future developments. In our view, the new Scheme has both strengths and weaknesses compared with developments elsewhere. On the plus side, the Irish system is administratively very straightforward for applicants and authorisations/visas can be issued with the minimum of red tape.

⁴⁷ The concern here is that source countries will lose their most qualified workers and that their economic development will suffer as a result. The issues here are complex as Ireland’s experience testifies. See for example Visco, (2000: 20-22).

- 8.40 However, some features of the programme make it less attractive than it might be. Provision for accompaniment by family is mixed. People with work authorisations (i.e. from non-visa required states) may immediately be accompanied by their families. Until very recently, people from visa-required countries had to be working here for one year before their families could join them. This has now been reduced to three months. We welcome this development. Nevertheless, this distinction remains a matter of concern. It must be kept under review and returned to if it is seen to act as a barrier to attracting designated workers to Ireland.
- 8.41 The duration of visas/authorisation is also an important issue. At present visas are issued for two years. Importantly, they may be renewed subsequently and no overall limitation on visa duration has yet been set. Consideration should be given to issuing authorisations/visas for a longer duration in the first instance. An initial duration of three years would seem to be in line with emerging practice in countries such as the UK, Germany and the US. No renewals will arise until 2002. However, the longer-term options open to authorisation/visa holders need to be clarified much sooner to enable employers and the National Employment Service to positively promote a clear package to prospective workers.
- 8.42 The Scheme is applied to designated occupations. This seems a reasonable way to meet specific skill shortages that cannot be filled through developing the skills of domestic workers. Within this approach, the specific categories designated must be kept under review to ensure that they continue to match identified needs.
- 8.43 While it is still early days in terms of operating the Work Visa/Work Authorisation Scheme, we believe that the marketing of the programme requires some attention. We assume that the Internet plays a significant role in the IT job market. Our own Internet search for information on the programme suggests that at least this aspect of marketing has not been adequately addressed. Compare for example the information available on the Irish programme at <http://www.entemp.ie/lfd/working.pdf>, which was the best information we could find, with that on the new German IT Programme at <http://www.bma.bund.de>.⁴⁸
- 8.44 Finally, we note that third country nationals legally resident in EU Member States, even those who have lived there for many years, are not accorded

⁴⁸ On the opening page under the heading Top Themen, click on IT-Fachkräftebedarf.

freedom of movement within the EU. This is an obvious source of rigidity within the EU labour market. This issue will be considered under Title VI of the Treaty and it merits a positive approach from Ireland.

Annexes

Annex I

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Annex II

Labour Shortages Project Team Terms of Reference

1. Given current labour shortages and with tight labour market conditions expected to continue for some years, and having regard to the Forum's mandate regarding social exclusion and equality, the Labour Shortages Project Team will advise on practical measures to ease shortages and associated recruitment difficulties
2. In addressing this brief the Team will, as appropriate:
 - (a) Review the extent, nature and reasons for current shortages, and also their geographical, sectoral and skill characteristics;
 - (b) Review projected labour market conditions over the medium term; distinguishing in particular expected supply and demand trends in skilled and unskilled labour markets;
 - (c) Examine the reasons for low labour market participation among married women and lone parents* and recommend measures to facilitate participation, where desired;
 - (d) Examine the reasons for persistent unemployment and low labour market participation among men and women with lower levels of formal education and recommend measures to promote their recruitment;
 - (e) Review the operation of immigration policy and suggest changes, if required, in the light of changed labour market conditions.

February 22, 2000

* As the Forum subsequently established a Project Team on Lone Parents, this Report does not specifically address this issue.

Terms of Reference & Constitution of the Forum

1. The main task of the Forum will be:-
 - to monitor and analyse the implementation of specific measures and programmes identified especially those concerned with the achievement of equality and social inclusion;
 - to do so through consideration of reports prepared by teams comprising the social partners, with appropriate expertise and representatives of relevant Departments and agencies and its own Secretariat;
 - with reports to be published by the Forum with such comments as may be considered appropriate; and
 - to ensure that the teams compiling such reports take account of the experience of implementing bodies and customers/clients, including regional variations in such experience.
2. The Forum may consider such policy issues on its own initiative or at the request of the Government.
3. Membership of the Forum will comprise representatives from the following four strands:
 - the Oireachtas;
 - employer, trade unions and farm organisations;
 - the voluntary and community sector; and
 - central government, local government and independents.
4. The terms of office of members will be for an initial period of at least two years during which alternates may be nominated. Casual vacancies will be filled by the nominating body or the Government as appropriate and members so appointed shall hold office until the expiry of the current term of office of all members. Retiring members will be eligible for re-appointment.
5. The Chairperson and Deputy Chairperson of the Forum will be appointed by the Government.
6. The Forum will decide on its own internal structures and working arrangements.

7. The Forum will be under the aegis of the Department of the Taoiseach and funded through a Grant-in-Aid which will be part of the overall Estimate for that Department. The annual accounts of the Forum will be submitted for audit to the Comptroller and Auditor General.

8. Finally, the staffing and conditions of employment of the Forum's Secretariat will be subject to the approval of the Department of the Taoiseach.

Membership of the Forum

Independent Chairperson: Maureen Gaffney

Deputy Chairperson: Dermot McCarthy

(i) Oireachtas

Fianna Fáil: Noel Ahern T.D.
Seán Haughey T.D.
Beverley Cooper-Flynn T.D.
Michael Kitt T.D.
Senator Margaret Cox
Senator Paschal Mooney

Fine Gael: Gerry Reynolds T.D.
Paul McGrath T.D.
Bill Timmins T.D.
Senator Mary Jackman
Senator Therese Ridge

Labour: Derek McDowell T.D.
Senator Joe Costello

Progressive Democrats: Senator Jim Gibbons

Independents: Michael Lowry T.D.

(ii) Employer, Trade Union and Farm Organisations

(a) Employer/Business Organisations:

IBEC: Brendan Butler
Aileen O'Donoghue
Small Firms Association: Lilian O'Carroll
Construction Industry Federation: Mirette Corboy
Chambers of Commerce/Tourist Industry
/Exporters Association: Carmel Mulroy

(b) Trade Unions: Eamonn Devoy
Blair Horan
Jerry Shanahan
Manus O'Riordan
Joan Carmichael

(c) Agricultural/Farming Organisations:

<i>Irish Farmers Association:</i>	Betty Murphy
<i>Irish Creamery Milk Suppliers Association:</i>	Pat O'Rourke
<i>Irish Co-Operative Organisation Society:</i>	Seamus O'Donoghue
<i>Macra na Feirme:</i>	Eileen Doyle
<i>Irish Country Womens Association:</i>	Eva Coyle

(iii) Community and Voluntary Sector

<i>Womens Organisations:</i>	Ursula Barry Gráinne Healy Susan McNaughton
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<i>Unemployed:</i>	Camille Loftus Joan Condon Mary Murphy
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<i>Disadvantaged:</i>	Joe Gallagher Chris McInerney Janice Ransom
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<i>Youth:</i>	Gearóid Ó Maoilmhichíl
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<i>Older People:</i>	Paddy Donegan
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<i>Disability:</i>	John Dolan
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<i>Environment:</i>	Jeanne Meldon
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<i>Others:</i>	Fr. Seán Healy Mary Murphy
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(iv) Central Government, Local Government and Independents

(a) Central Government

Secretary-General, Department of Finance
Secretary-General, Department of Enterprise, Trade and Employment
Secretary-General, Department of Social, Community and Family Affairs
Secretary-General, Department of Tourism, Sport and Recreation
Secretary-General, Department of the Environment and Local Government

(b) Local Government

General Council of County Councils: Councillor Constance Hanniffy
Councillor Tom Kelleher
Councillor Enda Nolan

Association of Municipal Authorities: Councillor Tadhg Curtis

County and City Managers Association: Donal O'Donoghue

(c) Independents

Professor Gearóid Ó Tuathaigh, National University of Ireland, Galway
Ms. Marian Vickers, Northside Partnership
Ms. Helen Johnston, Surg Equipment Ltd.
Mr. Niall Fitzduff, Rural Communities Network
Ms. Noreen Kearney, Trinity College, Dublin

Secretariat

Director: Seán Ó hÉigearthaigh
Policy Analysts: Laurence Bond
Sarah Craig
David Silke
Executive Secretary: Michelle Ryan

Forum Publications

(i) Forum Reports

Report No	Title	Date
1.	<i>Negotiations on a Successor Agreement to the PESP</i>	November 1993
2.	<i>National Development Plan 1994 - 1999</i>	November 1993
3.	<i>Commission on Social Welfare - Outstanding recommendations</i>	January 1994
4.	<i>Ending Long-term Unemployment</i>	June 1994
5.	<i>Income Maintenance Strategies</i>	July 1994
6.	<i>Quality Delivery of Social Services</i>	February 1995
7.	<i>Jobs Potential of the Services Sector</i>	January 1996
8.	<i>First Periodic Report on the Work of the Forum</i>	June 1995
9.	<i>Jobs Potential of Work Sharing</i>	January 1996
10.	<i>Equality Proofing Issues</i>	February 1996
11.	<i>Early School Leavers and Youth Employment</i>	January 1997
12.	<i>Rural Renewal - Combating Social Exclusion</i>	March 1997
13.	<i>Unemployment Statistics</i>	May 1997
14.	<i>Self-Employment, Enterprise and Social Inclusion</i>	October 1997
15.	<i>Second Periodic Report on the Work of the Forum</i>	November 1997
16.	<i>A Framework for Partnership - Enriching Strategic Consensus through Participation</i>	December 1997
17.	<i>Enhancing the Effectiveness of the Local Employment Service</i>	March 2000
18.	<i>Social and Affordable Housing and Accommodation: Building the Future</i>	September 2000
19.	<i>Alleviating Labour Shortages</i>	November 2000

ii) Forum Opinions

Opinion No.	Title	Date
1.	<i>Interim Report of the Task Force on Long-term Unemployment</i>	March 1995
2.	<i>National Anti-Poverty Strategy</i>	January 1996
3.	<i>Long-term Unemployment Initiatives</i>	April 1996
4.	<i>Post PCW Negotiations - A New Deal?</i>	August 1996
5.	<i>Employment Equality Bill</i>	December 1996
6.	<i>Pensions Policy Issues</i>	October 1997
7.	<i>Local Development Issues</i>	October 1999
8.	<i>The National Anti-Poverty Strategy</i>	August 2000

(iii) Forum Opinions under the Monitoring Procedures of Partnership 2000

Opinion No	Title	Date
1.	<i>Development of the Equality Provisions</i>	November 1997
2.	<i>Targeted Employment and Training Measures</i>	November 1997

