

TASC Submission on Unemployment and Youth Unemployment

TASC is an independent, progressive think-tank dedicated to promoting equality, democracy and sustainability in Ireland through evidence-based policy recommendations.

Preface

The jobs crisis is the worst aspect of Ireland's current economic crisis.

Unemployment starkly marks people out as 'have' or 'have not': have a decent home, have security to bring up a family, have hope for the future – or not.

High unemployment causes profound inequality of wealth, quality of life and social status.

The oldest among the unemployed must fear that they will never work again, while the young must fear that their opportunities to start a career and work towards a comfortable quality of life are damaged, if not blocked completely.

The inequality between generations is particularly acute. Younger people will be paying for the bank bailout well into their middle age, yet many of them are unable to find work – even with good qualifications. There are excellent arguments, from an equality as well as an economic perspective, for creating a job guarantee scheme for younger people, leveraging the capacity of civil society organisations and local authorities to act as 'employer of last resort'.

The weakness of the Irish social protection system, and the relatively low level of income replacement that social insurance provides to workers who lose their jobs, means that the lifestyle changes forced upon people who are unemployed even for a few months can be significant.

Long-term unemployment is growing in Ireland. It risks permanent detachment of people from the labour market, reopening the scars of the 1980s such as the deterioration of mental health and widespread addiction to drugs and alcohol.

Failure to address the consequences of high unemployment is social disinvestment.

For example, by weakening education supports that keep young people in school and college, the quality of the labour force declines and Ireland's long-term productive capacity diminishes correspondingly. The loss to the economy of tomorrow caused by today's failure to address joblessness should not be underestimated.

Social disinvestment also has fiscal consequences. For example, what multiple of the money saved in cuts to community employment schemes will be spent in future years dealing with crime, addiction and other social problems? Many of the solutions to acute unemployment, such as that experienced by lone parents, can be addressed by targeted employment schemes to provide the supports they

need to enter the labour market. Focused investment in childcare and afterschool care could have a particularly beneficial impact.

The scale of our unemployment problem is huge and must be addressed head on. To date, schemes proposing five or ten thousand places per year each are simply operating at the wrong level of magnitude. Solutions are needed that will lead to hundreds of thousands of sustainable jobs as soon as possible.

There are cost-effective, equitable solutions. For example, using the capacity of the Internet to provide online education and training, across a wide range of topics (especially, but not exclusively, science and technology), would offer equal opportunity to many who are unemployed to gain some form of qualification from home or from their local library or Internet café. Unlike conventional training based in local centres, online learning does not have the traditional staff requirements and can scale up much more readily to meet the scale of the challenge.

Online learning has had dramatic effects in the emerging economies and complements, rather than replaces, conventional education. It also avoids the risk of 'welfare competition' where those who need training least take up places, crowding out those who will never work again without that kind of support.

It is cynical to suggest, as some observers have, that emigration will take care of the problem. Not only is this unethical, it is not based in sound economics. With recession affecting most of the global economy, including many traditional destinations for Irish emigrants, there is no evidence to indicate that high unemployment in Ireland will be solved by people leaving.

It is also important to recognise that a racist element has entered into the unemployment debate and must also be rooted out. Everyone who is unemployed in Ireland, regardless of their nationality, must be given opportunities to work again. While fraud must be tackled, the discourse should not be allowed to undermine the equal right of workers from Ireland's new communities to claim unemployment benefits while living here. Likewise, new types of unemployment support may be required to help people from ethnic minorities find jobs, including English language learning – which could be efficiently done online or through more dedicated television and radio programmes.

It is unacceptable to claim that large scale solutions are simply impossible. With Ireland's still high level of Gross National Income (GNI) per capita¹, there is more than enough domestic income to provide sufficient jobs, but radical redistributive measures may be required to make this happen.

This, in turn, points to the economic basis of any solution. There is a need to increase the demand-side of the equation. More people and companies need to increase their demand for goods and services, which in turn creates the environment where jobs are created.

This is not mere stimulus for short-term benefit, but is a plan to ensure that money is put into long-term productive investment, such as infrastructure and education. The benefits of productive investment are reaped by the economy as a whole, as it opens up the possibility of starting and

¹ GNI per capita was USD 33,370 (purchasing power parity) in 2010 according to World Bank data. GNI excludes the income of foreign multinationals that may artificially inflate Ireland's GDP per capita figures

expanding businesses that could not operate otherwise. For example, software firms need people with the right technical skills, and they also need broadband internet connections, if they are to set up outside of the main urban centres.

The economics suggest that, while by no means easy, it is possible to reverse the jobless situation through productive investment. At the same time, to avoid a social cleavage across communities on the basis of employment status, equality considerations demand that employment (especially youth employment) is the primary focus of how we plan and measure successful economic recovery.

Nat O'Connor

Director, TASC

Key recommendations

- An investment strategy focused on social and economic infrastructure is key to ‘demand-led’ initiatives to address unemployment, generating employment directly and laying the foundations for long-term competitiveness and productivity
- Potential sources of financing for such an investment strategy include the National Pension Reserve Fund, fast-tracking projects funded by the European Investment Bank, accessing a proportion of private pension fund investments, and harnessing the capacity of state companies to borrow for investment
- Investment could take place over a number of years in collaboration with the private sector
- Drawing on best practice, labour market activation services must focus on quality, and staff must be high-skilled, regularly evaluated and examined
- Traineeship/internship programmes should be modified to:
 - Put in place appropriate progress monitoring and quality control systems to avoid displacement of paid employment
 - Develop assessment processes including setting of learning objectives and targets, and establishment of accreditation for volunteering
 - Coordinate work experience with local employers; this could include identification of struggling but viable businesses which could benefit from interns
- Study should be carried out to assess feasibility of providing a ‘Youth Job Guarantee’, ensuring that if a young person fails to access appropriate education, training or employment, the local authorities and/or not-for-profit organisations will act as employers of last resort
- A programme of tailor-made supports should be developed to assist young people considering starting up their own business
- Such measures could include reducing waiting time for Back to Work Enterprise Allowance from 12 to six months for those under 25
- Package should also include entrepreneurial training and resolution of credit-worthiness issues through provision of micro finance

Executive Summary of Main Points

Overview of the Unemployment Crisis

- Policy responses must be informed by the extent to which crisis is caused by insufficient labour demand, rather than inadequate labour supply
- Overall decline in economic activity since 2007 is the proximate cause of the unemployment crisis, and the procyclical fiscal policy adopted in response to crash has compounded the crisis
- There has been a three-fold increase in unemployment during past five years
- Ireland has fourth highest seasonally-adjusted unemployment rate in the EU
- Of the 302,000 unemployed at end of 2011, 59,700 were aged 15-24. Long-term unemployment has doubled from 89,100 at the end of 2009 to 182,100 at the end of 2011
- Long-term unemployment typically translates into structural unemployment, i.e. a mismatch between skills of long-term unemployed and evolving labour requirements. This requires a complicated set of supports aimed at preventing further 'drift' from labour market and ultimately equipping people with skills needed to re-enter market

Skills Profile of the Unemployed

- Those previously employed in craft and related areas, and as plant and machine operators, constitute 36.1 per cent of all those on the live register.
- Some groups are more likely to have lower levels of education and are more at risk of becoming long-term unemployed.

Potential sources of employment

Context

- The current unemployment crisis is primarily a demand-side problem: the demand for labour is less than the available supply of appropriate labour
- Addressing this issue requires a targeted programme of investment and economic growth

Recommendations

- An investment strategy focused on social and economic infrastructure is key to 'demand-led' initiatives to address unemployment
- Such a strategy would generate employment directly (e.g. in the construction of a next generation broadband network, retrofitting of energy-inefficient buildings, education), and also lay the foundations for long-term competitiveness and productivity
- Potential sources of financing for such an investment strategy include the National Pension Reserve Fund, fast-tracking projects funded by the European Investment Bank, accessing a

proportion of private pension fund investments, and harnessing the capacity of state companies to borrow for investment

- Investment could take place over a number of years in collaboration with the private sector
- This would result in a dramatic reduction in numbers of unemployed, with capital projects (e.g. broadband, retrofitting) directly employing thousands of unemployed construction and plant workers
- More jobs would be created providing the requisite auxiliary services
- Investment in human capital through education and training will also create jobs directly while ensuring that labour force skills are continuously upgraded

Measures the Government could be taking

This section examines the policy measures in the *Action Plan for Jobs and Pathways to Work*, identifies areas for improvement, and raises questions regarding some of the proposed measures.

Labour Market Activation – National Employment and Entitlement Service (NEES)

- International best practice is drawn from countries with highly developed activation measures
- Nordic labour market policy is based on investment in human capital, simultaneously deploying activation measures including an obligation to work
- Irish expenditure on active labour market measures (2009) was 0.87 per cent of GDP, compared to Denmark (1.62 per cent) and Belgium (1.41 per cent)
- It appears that the increased levels of engagement envisaged in *Pathways to Work* will initially target the newly unemployed in several pilot areas, with the result that majority of those on live register will not benefit
- Scale of interventions planned for long-term unemployed is insufficient (15-20,000 targeted for intervention, out of long-term unemployed cohort of over 180,000)
- Drawing on best practice, services must focus on quality, and staff delivering services must be high-skilled, regularly evaluated and examined
- NEES may not currently have skills and capacities required to achieve the best practice outlined in *Pathways to Work*
- Institutional reform is therefore critical

Labour Market Activation – education, training and work experience

- ESRI report on *Activation in Ireland* highlighted predominance of general and low-skill training activity. It found a mismatch between training provision and educational profile of the unemployed, and noted that training provision did not address structural unemployment among former construction workers
- At present 28 per cent of workforce have qualifications at NFQ levels 1 to 3 (equivalent to Junior Certificate and below)
- Realisation of National Skills Strategy targets will require additional 500,000 working age individuals to progress by at least one NFQ level

- This will require significant reform in education and training provision, and investment in expanded provision
- Issues relating to quality: e.g., evaluation of Labour Market Activation Fund found no record of what happened to half of 10,000 who completed a training course
- While JobBridge provides work experience, there are concerns it has also facilitated profitable companies to fill vacancies at low wages. Therefore, internships may displace previous paying jobs
- Initiatives must be continuously monitored and evaluated to measure effectiveness and impact, and to guard against perverse consequences

Labour Market Activation – incentivisation and institutional reform

- Moves to transfer lone parents onto Working Age Payment over time do not take account of the fact that the main barrier preventing lone parents from accessing education and training and/or employment opportunities is the lack of affordable childcare/afterschool care and the absence of jobs with flexible hours/working.
- Cuts to employment support schemes such as Community Employment (CE) will reinforce barriers to participation in education/training by specific groups
- Institutional reform proposals in *Pathways to Work* include plans to contract private sector to provide activation services, associated with 'payment by results'
- A UK Audit Office evaluation of a similar programme found that providers may 'cherry-pick' those who are easier to place

Action Plan for Jobs

- The Plan has an ambitious target of 100,000 jobs in four years, but provides no information on the assumptions informing its projections
- The Plan does not include any significant new investment, and thus provides no short-term solutions for the currently unemployed
- The Plan makes little provision for unemployed/underemployed construction workers, since they currently lack the skills required by the high-tech sectors prioritised in the Plan
- The Plan does not include measures to address specific issues such as youth unemployment
- The quarterly reports envisaged in the Plan must include the data used to report on job creation and the estimated cost per job created

Measures specifically relevant to engaging and activating the young unemployed

Context

- There are currently 59,700 young people between 15-24 unemployed. Unemployment among young people is 31.6 per cent (EU average: 22.4 per cent), and in January 2011, 27,154 young people were long-term unemployed
- Youth employment levels continue to fall
- Inequalities in the labour market now exist within and between generations
- Specific challenges facing young people in accessing the labour market include:
 - More likely to lose job during a downturn
 - Specific barriers to entry, often stemming from lack of experience
 - Early unemployment increases likelihood of subsequent unemployment
- Many young people with incomplete secondary education entered labour market during boom to take up employment in construction and related sectors
- Young people without formal qualifications require significant support through labour market activation measures
- Many graduates are leaving education with little prospect of employment

Recommendations

- Support for young people should mainly be based on existing employment policies, complemented where necessary by targeted intervention
- Reform and expansion of high-quality education and training courses needed as part of a clear progression path towards employment
- Traineeship/internship programmes should be modified to:
 - Put in place appropriate progress monitoring and quality control systems to avoid displacement of paid employment
 - Develop assessment processes including setting of learning objectives and targets, and establishment of accreditation for volunteering
 - Coordinate work experience with local employers; this could include identification of struggling but viable businesses which could benefit from interns
- Internships must ultimately lead to gainful employment
- Investment programme outlined would improve employment prospects of young people with high levels of education/training who have benefited from work experience
- Sectoral policies can promote medium/long-term job creation if well-designed and targeted at sectors with high potential for employment growth
- Well-targeted policies can promote private initiatives in “youth-friendly” sectors such as tourism, catering, ICT, social services and sports
- Study should be carried out to assess feasibility of providing a ‘Youth Job Guarantee’, ensuring that if a young person fails to access appropriate education, training or employment, the local authorities and/or not-for-profit organisations will act as employers of last resort

- A programme of tailor-made supports should be developed to assist young people considering starting up their own business, including reducing waiting time for Back to Work Enterprise Allowance from 12 to six months for those under 25
- Package should also include entrepreneurial training and resolution of credit-worthiness issues through provision of micro finance
- A partnership approach (involving State agencies and Government Departments, trade unions, business groups, local authorities, enterprise boards and the youth, community and voluntary sectors) must underpin measures aimed at engaging and activating young unemployed people.

Introduction

TASC is an independent, progressive think-tank dedicated to promoting equality, democracy and sustainability in Ireland through evidence-based policy recommendations.

TASC welcomes the invitation to make a submission to the Joint Committee on Jobs, Social Protection and Education on the issue of unemployment and youth unemployment. This submission provides an overview of the extent of the unemployment crisis and a skills profile of the unemployed. This is followed by an outline of the potential sources of employment and suggestions regarding the measures that Government should be taking, with reference to the current policy initiatives. Finally, this submission makes a number of recommendations aimed at dealing with the specific issue of youth unemployment.

Section 1

Overview of the Unemployment Crisis

To determine the correct set of policy responses to the unemployment crisis we must first diagnose the underlying cause of the problem. The extent to which we establish the unemployment crisis as a problem of inadequate labour supply, as opposed to insufficient labour demand, will inform the appropriate policy responses.

The overall decline in economic activity since 2007 is the proximate cause of the unemployment crisis, with Gross National Income falling by 21.4 per cent between 2007 and 2010. At the height of the boom in 2007, the unemployment rate was five per cent, close to full employment. The decline in economic activity reflects the crash in property prices beginning in 2007/2008 and the related twin implosions in the construction sector and in the banking system.

The crash also created a large exchequer deficit as tax receipts plummeted and spending on unemployment benefits and related social protection expenditure surged. The macroeconomic policy response so far has been to increase taxes and to cut discretionary public spending by over €24 billion, with at least an €9 billion of further discretionary fiscal consolidation planned. This procyclical fiscal policy has compounded the unemployment crisis.

The total number of persons unemployed at the end of 2011 stood at 302,000². This compares to just 97,900 at the end of June 2006, representing a three-fold increase over the last five years. With regard to youth unemployment, 59,700 of the unemployed are aged 15-24, illustrating the scale of youth unemployment in real terms.

The annual decrease in employment for 2011 was 15,400. This decline brought total employment at the end of 2011 to 1,807,800. At the same time, the total labour force was 2,109,800, a fall of 12,400 since the end of 2010.

Eurostat³ data for February 2012 shows Ireland to have the fourth highest seasonally adjusted unemployment rate in the European Union at 14.7 per cent⁴. By contrast the EU average is 10.2 per cent. The rate of unemployment among young people, i.e. those aged below 25, stood at 31.6 per cent for Ireland and at 22.4 per cent for the European Union as a whole. Seasonally adjusted unemployment is 17.9 per cent for males and 10.8 per cent for females. The overall employment rate for individuals of working age in Ireland was sixty per cent in 2010, four points below the EU average. The rate of employment among males in Ireland was six percentage points less than the EU average rate of employment for males, which was seventy per cent in 2010. For the same year the employment rate among females was fifty-six per cent, compared to fifty eight per cent for the EU as a whole.

Even these figures fail to capture the whole story as long-term unemployment increased from 7.3 per cent to 8.6 per cent over the year to Q4 2011. Long-term unemployment⁵ accounted for 60.3 per cent of total unemployment in Q4 2011 compared to 51.5 per cent in the fourth quarter of 2010 and 33.3 per cent in the fourth quarter of 2009.

Long-term unemployment has doubled from 89,100 in Q4 2009 to 182,100 in Q4 2011. This is particularly worrying because long-term unemployment typically translates into structural unemployment. Structural unemployment reflects the mismatch between the skills of those who are long-term unemployed and the skills required as the economy continues to evolve and new sectors of employment emerge.

² Unemployment and employment figures for Ireland are from Central Statistics Office, Quarterly National Household Survey. Comparative Irish and EU figures are from Eurostat.

³ http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-02042012-AP/EN/3-02042012-AP-EN.PDF

⁴ The standardised unemployment rate in March 2012 was 14.3%

⁵ The long-term unemployed are defined as those unemployed for over twelve months.

Structural unemployment is also characterised by other issues reflecting the human and social costs associated with long-term unemployment. These issues can include family breakdown, mental illness and addiction, which compound the problem of long-term unemployment and require a complicated set of supports aimed at preventing further 'drift' from the labour market and ultimately equipping people with the skills necessary to re-enter the labour market.

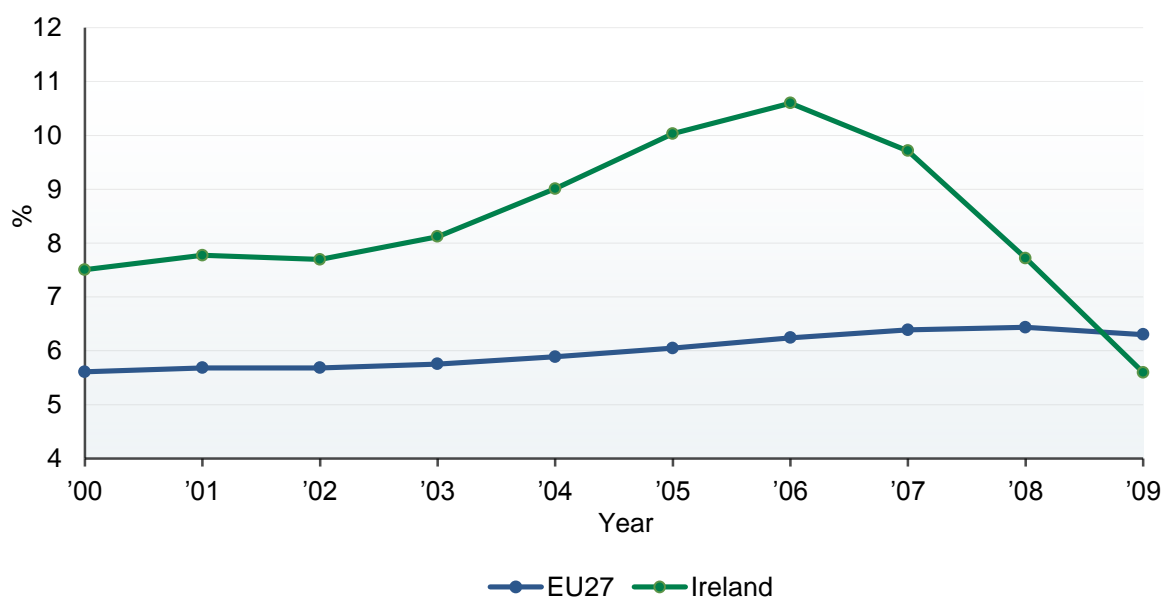
The total share of the population aged 15-64 in employment fell from a peak of 69.2 per cent in 2007 to just 60 per cent by 2010, and to 59.3 per cent by end 2011. Overall employment fell from 2,112,800 in Q2 2008 to 1,807,800 in Q4 2011. In other words net employment declined by 305,000 in just over three years. By far the largest sectoral decline in employment between Q4 2007 and Q4 2011 was in the construction sector (see Table 1). Employment over the same period has increased in the information and communication sector (+8.8 per cent), the human health and social work sector (+7.4 per cent) and the education sector (2.0 per cent). As shown in Table 1, 59.2 per cent of total employment in the construction sector has been lost since the end of 2007. This is twice as large as the next highest loss which was 29.6 per cent for the agriculture, forestry and fishing sector.

Table 1: Largest sectoral decline in employment numbers between Q4 2007 and Q4 2011

Sector	Employment Change ('000s)	Loss of sectoral emp. as % of Q4 2007 sectoral emp.
Construction	-155.2	59.2
Wholesale and retail trade	-50.9	16.2
Industry	-46.1	16.2
Agriculture, forestry and fishing	-33.8	29.6
Accommodation and food service	-18.6	13.9
Professional, scientific and technical	-18.4	16.3
Administrative and support services	-18.2	22.1

Sources: CSO Quarterly National Household Survey

Figure 1: Value of the construction sector as a percentage of gross value added, 2000-2009.



As the data from Figure 1 suggests, the size of the Irish construction sector in the period leading up to 2007 grew unsustainably relative to the size of the Irish economy. Labour demand in the construction sector will not return to these boom time levels for the foreseeable future and the oversupply of property during the last decade will, if anything, keep the relative contribution of the construction sector to overall economic activity below EU average levels. The implication is that most of the lost construction jobs will not return. Most of the unemployed workers from the construction sector will therefore have to be retrained in different skills or return to education in order to find employment in Ireland.

Section 2

Skills Profile of the Unemployed

A good indication of the skills base of the unemployed and underemployed can be obtained by disaggregating the individuals on the live register by their previous occupation. This breakdown is shown in Table 2. 'Craft and related areas' is the largest of these categories at 24.2 per cent of those on the live register. This is followed by plant and machine operators at 16.2 per cent and personal and protective services at 12 per cent. The compositional breakdown illustrates the centrality of the

construction crash to the unemployment crisis. This breakdown also provides pointers as to where Government action needs to be targeted. Those previously employed in craft and related areas, and as plant and machine operators, constitute 40.4 per cent of those on the live register.

Table 2: Skills composition of those on the live register disaggregated by previous occupation

	March 2011	March 2012	Annual Change
Craft and related	114,427	104,946	-9,481
Plant and machine operators	70,416	70,440	+24
Personal & protective services	51,025	51,931	+906
Other occupation	49,560	49,104	-456
Sales	45,638	46,610	+972
Clerical and secretarial	41,753	40,971	-776
Professional	23,255	23,057	-198
No occupation	15,290	17,943	-12,653
Managers and admin	17,052	16,836	-216
Associate professional & technical	12,777	12,210	-567
Total	441,193	434,054	-7,139

Sources: CSO, Live Register, March 2012

Groups with lower levels of education are more at risk of being unemployed. While the Government needs a diverse set of policy responses to reflect the diversity of those who are unemployed, a heavy emphasis should be placed on those who are most at risk of becoming long-term unemployed.

Section 3

Potential sources of employment

The current unemployment crisis in Ireland is primarily a demand-side problem: the economy-wide demand for labour is less than the available supply of labour. The biggest single obstacle to creating employment is the depressed nature of the domestic economy. The best way to substantially reduce the rate of unemployment is to embed economic growth.

There is an urgent need to address the deficit in labour demand through a balanced programme of targeted investment. A strategy of investing in social and economic infrastructure must be a key element of 'demand-led' initiatives to address unemployment, because not only will such a strategy directly generate employment - it will also lay the foundations for improved competitiveness and productivity in the long-term.

Given the lack of fiscal space, creativity is required to finance such investment. Potential sources of financing include the National Pension Reserve Fund; fast-tracking European Investment Bank financed projects; accessing a proportion of private pension fund investments; and harnessing the capacity of state companies to borrow for investment.

Potential areas for investment include the construction of a next generation broadband network; renewable energy sources and infrastructure; our water infrastructure; retro-fitting of energy-inefficient buildings; public transport; education (especially early childhood education); and primary healthcare infrastructure. This investment could take place over a number of years in collaboration with the private sector. The capital projects (broadband, retro-fitting buildings, renewable energy infrastructure; and public transport) would employ thousands of unemployed construction and plant workers, who make up the largest segment of all those who are unemployed. Thousands more would be employed providing the requisite auxiliary professional, technical and other services.

Consideration should also be given to increasing seed funding for high potential start-ups and increasing the scale of measures designed to improve access to credit of small and medium enterprises as this in turn will facilitate expansion in production and in the number of workers required.

Investment in human capital through education and training (from pre-primary to tertiary level) is also important to ensure that the skills of the labour force are continually being tuned to meet the changing requirements of the evolving economy. This is an essential feature of an advanced economy that is driven by innovation and technological change. The issues relating to investment in human capital are explored further in Section 4 below.

Section 4

Measures the Government Could Be Taking

In 2012 the Government published two significant policy initiatives. These were *Action Plan for Jobs*, aimed at supporting job creation, and *Pathways to Work*, aimed at reforming the labour market activation measures that support unemployed people back into employment. This section explores these policy measures in some detail, identifies areas for improvement and raises questions in relation to a number of specific policy measures.

Labour Market Activation – National Employment and Entitlement Service

Pathways to Work sets out to achieve some much-needed reform in relation to labour market activation measures. The ambition “*is to develop a new approach to engagement with people who are unemployed which meets international best practice*”. Plans to increase the level of engagement with people who are unemployed, and improved targeting of activation places, are essential ingredients of an effective active labour market policy. *Pathways* also includes measures aimed at ‘incentivising’ unemployed people to take up employment opportunities, as well as incentives for employers to take on unemployed people. The final element focuses on reforming institutions to deliver services to people who are unemployed.

Pathways to Work draws on international best practice, where increased levels of engagement with unemployed people forms a central plank in active labour market measures. This approach will be rolled out through the National Employment and Entitlement Service (NEES). But it will take time, resources and institutional reform if it is going to achieve the objectives of a work-focused welfare payment and effective and targeted service delivery.

However, it appears that increased levels of engagement will only target those who are newly unemployed and in a number of pilot areas, in the first instance. This means that the vast majority of people currently on the live register will not benefit from an improved service. There are also plans to target activation measures at approximately 15,000-20,000 long-term unemployed people per year, up until 2015. Again, the scale of the interventions planned for the long-term unemployed will not be sufficient to deal with the scale of the problem, with 182,100 now classed as being long-term

unemployed.

The OECD provides useful comparative data on public expenditure on labour market programmes⁶. Ireland's overall spending as a percentage of GDP increased from 1.55 per cent in 2007 to 3.49 per cent in 2009. This increase is largely attributed to automatic stabilisers, with unemployment-related payments increasing dramatically as the numbers unemployed increased. The level of spending by countries with highly developed active labour market programmes was comparable with spending in Ireland – Belgium (3.79 per cent), Denmark (3.35 per cent), and Finland (2.82 per cent). However, a direct comparison may be misleading because the rate of unemployment in these countries is approximately half that of Ireland.

The OECD also provides expenditure data on active labour market measures, upon which the new NEES is modelled. In Ireland we spent 0.87 per cent of GDP on active labour market measures in 2009, while countries such as Denmark and Belgium spent 1.62 per cent and 1.41 per cent, respectively. These comparisons illustrate the scale of investment required for active labour market programmes that meet the needs of workers, employers and the wider economy.

International best practice is drawn from countries that have highly developed activation measures. Nordic labour market policy is focused on investment in the population's human capital base, while at the same time deploying activation mechanisms which also include an obligation to work. The services provided place a strong emphasis on quality – and the skill requirements with regard to the staff are high. Regular evaluations and examinations of their own knowledge and skills are the norm. The institutional reform required in Ireland cannot be underestimated. If *Pathways to Work* is going to achieve best practice, it will require a set of skills and capacities within the NEES, which it may not currently have.

⁶ OECD Employment Outlook 2011
http://www.oecd.org/document/46/0,3746,en_2649_33729_40401454_1_1_1_1,00.html

Labour Market Activation - education, training and work experience

The ESRI report on *Activation in Ireland* shows how far we need to go in providing the types of training that are needed to improve people's prospects of re-entering the labour market⁷. The report highlights the predominance of general and low-skill training activity, which is unlikely to have strong positive impacts on employment prospects. The research also found a mismatch between training provision and the educational profile of unemployed people; nor did training provision address the structural unemployment among former construction workers. Finally, the report calls for a radical restructuring of training provision.

Over 450,000 education and training places are being provided in 2012. The National Skills Strategy sets out an ambitious set of targets in relation to investment in human capital by 2020 including:

- 48 per cent of the labour force having qualifications at NFQ Levels 6 to 10 (current skills profile stood at 32%);
- 45 per cent should have qualifications at NFQ levels 4 and 5 (current skills profiles stood at 40%); and
- The remaining 7 per cent will have qualifications at NFQ Levels 1 to 3 but should aspire to achieve skills at higher levels (current skills profile stands at 28%).

The realisation of these targets will require an additional 500,000 individuals of 'working age' progressing by at least one NFQ level. The proportion of the population aged 20-24 with NFQ Levels 4 or 5 should increase to 94 per cent and the progression rate to third level education will have to increase from 55 per cent to 72 per cent. The realisation of these targets will require significant reform in the provision of education and training at every level, and expansion in provision through investment.

A range of specific education, training and work experience measures aimed at the unemployed includes Springboard, which supports recently unemployed people to retrain. It was launched in May 2011 and provided 6,000 new places, while a further 500 places was announced in February 2012. The Labour Market Activation Fund (€20 million for 6,500 places) targets long term

⁷ ESRI (2011) *Activation in Ireland: An Evaluation of the National Employment Action Plan*.
<http://www.esri.ie/UserFiles/publications/RS20.pdf>

unemployed back into education and training. JobBridge is an internship programme, which has provided 5,000 internships and already met its target.

But much more needs to be done, and in a targeted way, to address the scale of the unemployment crisis. There's also an issue in relation to the quality of some of these initiatives – for example a recent evaluation of the Labour Market Activation Fund found that there was no record of what happened to half of 10,000 who completed a training course⁸. These initiatives need to be monitored on a continuous basis to measure their effectiveness and impact in supporting people back into the labour market.

In relation to JobBridge, while it has provided many unemployed people with valuable work experience, a concern would be that profitable companies simply use it as a vehicle to fill vacancies at very low wages. This gives rise to concerns that internships may, in some instances, be used to displace paying jobs that might have previously existed. Again, what is needed is increased scrutiny, monitoring and evaluation of JobBridge to ensure that it ultimately helps people into gainful employment and not into prolonged 'workfare'⁹, and to guard against perverse consequences.

Labour Market Activation – Incentivisation and Institutional Reform

Another element of *Pathways to Work* is 'incentivisation' – of those who are unemployed to take up jobs, along with incentives for employers to take on unemployed workers. In the case of employers there are a range of measures that reduce the cost of employing people, which make sense in times of recession and high unemployment.

In the case of 'incentivising' unemployed people, a number of reforms are planned to streamline working age payments, child income support and disability allowances. These reforms include moving lone parents onto working age payments over time. However, the main barrier preventing lone parents from accessing education and/or employment opportunities is the lack of affordable childcare and afterschool care, and the absence of jobs with flexible hours/working.

⁸ PA Consulting Group (2011) *Evaluation of the Labour Market Activation Fund 2010*.
<http://www.aeo.ie/assets/files/Policy%20Documents/LMAF%20evaluation.pdf>

⁹ Workfare is a form of welfare in which capable adults are required to perform work as a condition of receiving aid.

Budget 2012 included cuts to a range of employment support schemes such as Community Employment (CE) and back-to-education allowances and supports. These cuts will have the effect of re-enforcing the barriers to participation in education and training by particular groups. Thus, there is clarity needed on what will happen to groups such as lone parents who are expected to be 'available for work' but are unable to take up education/training opportunities or employment because of the absence of flexible arrangements and affordable childcare and afterschool care.

The final element of *Pathways to Work* is institutional reform. This includes plans to introduce 'payment by results', whereby the private sector is contracted to provide activation services for long-term unemployed. The report cites experience in the UK and Australia, asserting that it has "*proven effective in supporting the unemployed to secure employment*". This system has been operating for less than a year in the UK and there are no independent evaluations available at present.

A recent report from the UK National Audit Office on the introduction of the Work Programme in the UK provides some useful analysis and insights into the use of 'payment by results'¹⁰. Some of the findings include "*a significant risk that ministers' assumptions about the numbers who can be found jobs may be over-optimistic*". The contractual arrangements with private providers are also questioned because of the programme's demanding targets which "*may encourage providers to target easier-to-help claimants while not helping others... and reduce the level of service provided in order to reduce costs...*"

There are also issues identified in relation to private providers operating in areas of high unemployment and how "*they may struggle to meet nationally set targets*". The Report clearly articulates a range of other 'risks' associated with the Programme, highlighting the complexities behind what can often appear straightforward 'payment by results' measures, which can actually result in diminished services and 'cherry picking' people who are easier to place in employment.

The Report also identifies the future state of the economy as a key indicator of success and this means the availability of jobs. While *Pathways to Work* will hopefully deliver some much needed reform, its success will depend on whether or not the economy is growing and creating jobs, which is in turn dependent on investment, as discussed in Section 3 above.

¹⁰ National Audit Office (2012) *Department of Work and Pensions. The introduction of the work programme.* http://www.nao.org.uk/publications/1012/dwp_work_programme.aspx

Action Plan for Jobs

The *Action Plan for Jobs* brings together a series of existing and new measures aimed at supporting enterprise development and job creation. The *Action Plan* contains 270 specific action points across a range of areas including:

- The provision of finance for SMEs and high potential indigenous companies and the establishment of a Strategic Investment Fund.
- Plans to restructure enterprise agencies and the provision of targeted supports to the SME sector.
- Changes to the qualifying criteria for public procurement contracts.
- Changes to a number of taxation measures aimed at supporting enterprises.
- Initiatives aimed at tapping into the Irish diaspora for the purpose of networking, accessing international finance and job creation.
- Initiatives targeting a number of key sectors including cloud computing, gaming, agri-business as well as a focus on areas in manufacturing and healthcare for job creation.

The *Action Plan for Jobs* also sets an ambitious target of creating 100,000 jobs in four years. The Plan does not provide any information on the basis/assumptions which informed its projections. This target is extremely ambitious given the current economic situation here in Ireland and in the wider Euro area, which is the main market for Irish exports.

The fiscal environment is also a factor that must be taken into consideration, as a further package of fiscal consolidation measures totaling €9 billion is due to be implemented before 2016. These measures will have the inevitable effect of further reducing aggregate demand thereby putting more jobs at risk.

The *Action Plan for Jobs* includes a commitment to publish quarterly reports on the Plan's implementation. It is critical that such reports provide a transparent view on what has been achieved, the data that is used to report on job creation, and a broad estimate of the approximate cost per job created and the type of job.

For those currently unemployed, the *Action Plan for Jobs* does not provide any short-term solutions, as the Plan does not include any significant new investment. There is also little in the Plan for

175,386 un/under employed construction and plant workers, as they do not currently have the skills required for the hi-tech sectors prioritized in the Plan. Nor is there any mention of how the *Action Plan for Jobs* will address specific issues such as youth unemployment.

Section 5

Measures specifically relevant to engaging and activating the young unemployed

At present there are 59,700 young people (15-24) unemployed. The rate of unemployment among young people is 31.6 per cent for Ireland and 22.4 per cent for the European Union as a whole. One of the most worrying aspects of the current unemployment crisis is the growing numbers who are long-term unemployed. Employment levels continue to fall and clear inequalities in the labour market now exist – in terms of inequalities *within* generations, which are largely a function of the level of education and skillsets; and *between* generations, as young people have been significantly more affected than other age groups in the workforce.

Young people face specific challenges in accessing the labour market and these reduce their chances of finding employment. The main difficulties are:

- a higher chance of losing their jobs during economic downturns (“last in, first out”);
- specific barriers to entry, often stemming from lack of experience; and
- path dependence: early unemployment increases the likelihood of subsequent unemployment.

Young unemployed people are a diverse group and come from many different socio-economic and educational backgrounds. Young people with no formal qualifications are probably the most vulnerable group as their lack of accredited skills and qualifications makes it harder for them to secure employment, and they require significant support through labour market activation measures as they are most at risk of becoming long term unemployed.

Many young people with incomplete secondary education entered the labour market during the boom to take up employment in the construction and related sectors. Large numbers of graduates

are leaving further and third level education, but have little prospect of employment in the near future. Some are opting to remain in education, while others are emigrating.

For many young unemployed people, supports provided through high quality, person-centred, labour market activation programmes should provide them with the skills they need to take up employment in Ireland or elsewhere. Support for young people should mainly be based on existing employment policies, complemented, where necessary, by targeted interventions¹¹. The reform and expansion of high-quality education and training courses that are part of a clear progression path towards employment should address the needs of many young people who are in need of re-skilling and/or up-skilling.

For other, highly qualified, young people, the issue is the lack of jobs to progress into. In this regard, work experience placements, traineeships or internships provide a valuable source of work familiarisation. Given the scale of youth unemployment such initiatives could be expanded. However this should only be done when a number of adjustments have been made to improve the quality of work experience initiatives including:

- Putting in place appropriate systems for progress monitoring and quality control purposes, to avoid displacement of paid employment and the potential abuse of such initiatives by unscrupulous employers;
- Developing assessment processes including the setting of learning objectives, targets and accreditation for volunteering;
- Co-ordinating work experience linked in with local employers, which could include the identification of struggling but viable business that could benefit from interns.

However, internships should ultimately lead to gainful employment and the programme of investment outlined in Section 3 would have a significant impact on the employment prospects of many young people who have high levels of education and training and have benefited from work experience. Job creation depends primarily on economic growth, which itself depends on technological change and productive investment, but also on the international context. Growth is fundamental to the creation of new jobs for all groups of workers, but is of particular benefit to

¹¹ Nevertheless, youth programmes have to be designed with caution to avoid crowding-out effects on other groups of workers.

young people who suffer most from economic downturns because of their short job tenure and lack of experience.

Sectoral policies, in particular, can promote job creation in the medium to long term, provided they are well designed and targeted at sectors with high potential for employment growth. Well-targeted policies can promote private initiatives in traditionally “youth-friendly” sectors such as tourism, catering, information and communications technology (ICT), social services such as health, as well as in the sports sector.

Responses that have been developed in other countries to address youth unemployment include the provision of a ‘Youth Guarantee’. This scheme ensures that if a young person fails to find appropriate education, training or employment, the local authorities and/or not-for-profit organisations act as employers of last resort. It was endorsed by the European Youth Forum in 2011 and the feasibility of developing such a scheme in Ireland should be explored¹².

As was stated in Section 4, the *Action Plan for Jobs* does not include any specific measures aimed at supporting young people as entrepreneurs (including social enterprise). There is a lack of information targeted at young people who may be considering starting up their own businesses. While the current economic environment is challenging, many young people have excellent innovative ideas, but they need tailor-made supports aimed at addressing their particular needs. The Action Plan for Jobs includes plans to reform enterprise supports and these reforms should include a specific focus on enterprise supports for young people. Other measures that could encourage young people to consider starting up their own business include reducing the waiting period for eligibility for the Back to Enterprise Allowance from 12 to six months for young people under 25. Entrepreneurial training and addressing issues such as creditworthiness through the provision of micro finance would also have to be provided as part of a package of supports for young entrepreneurs.

Finally, measures aimed at engaging and activating young unemployed people should, in general, adopt a partnership approach. Given the scale of the youth unemployment crisis, there is a need for all relevant actors to come together at national and local level to contribute to the development of responses to the crisis. These actors include State agencies and Government Departments, trade unions, business groups, local authorities, enterprise boards and the youth community and

¹² http://issuu.com/yomag/docs/a_call_for_change

voluntary sectors. They all have a contribution to make to develop national responses that can be applied locally.

Appendix

Table 3: Selected labour force indicators

	2009 (Q4)	2010 (Q4)	2011 (Q4)
Persons Aged 15 and Over ('000s)	3,521.0	3,512.2	3,505.3
In Labour Force ('000s)	2,155.2	2,122.2	2,109.8
Persons in Employment ('000s)	1,887.7	1,823.2	1,807.8
Unemployment Rates			
All Persons	12.4%	14.1%	14.3%
Male	15.7%	17.3%	17.3%
Female	8.3%	10.1%	10.6%
Numbers Unemployed ('000s)			
All Persons	267.4	299.0	303.0
Male	189.1	203.5	202.6
Female	78.4	95.6	99.5
Employment Rate (persons aged 15-64)			
All Persons	61.1%	59.4%	59.3%
Male	65.3%	63.1%	63.3%
Female	57.0%	55.7%	55.4%
Labour Force Participation			
All Persons	61.2%	60.4%	60.2%
Male	69.5%	68.3%	68.1%
Female	53.2%	52.9%	52.6%
Long-term Unemployment			
All Persons	4.1%	7.3%	8.6%
Male	5.7%	9.8%	11.6%
Female	2.1%	4.0%	5.0%

Source: CSO (April, 2012), Quarterly National Household Survey: Various

Table 4: Labour force indicators - youth

	Q4 2009	Q4 2010	Q4 2011
Employment Rate	%	%	%
Male			
15-19	12.4	9.4	9.5
20-24	48.3	45.4	46.2
Female			
15-19	12.8	12.4	10.3
20-24	57.0	51.2	49.4
All			
15-19	12.6	10.9	9.9
20-24	52.8	48.4	47.9
Unemployment Rate	%	%	%
Male			
15-19	39.7	43.1	45.0
20-24	32.3	32.3	32.4
Female			
15-19	25.2	31.3	34.9
20-24	15.9	21.0	20.1
All			
15-19	33.2	37.1	40.3
20-24	24.1	26.6	26.5
Participation Rate	%	%	%
Male			
15-19	20.6	16.5	17.3
20-24	71.4	67.0	68.4
Female			
15-19	17.1	18.1	15.8
20-24	67.8	64.8	61.9
All			

15-19	18.9	17.3	16.6
20-24	69.5	65.9	65.1
