Tackling Unemployment or supporting a low-pay economy

Mary Murphy, Maynooth University,
Dec 8th 2016
The Irish Welfare State in the 21st Century: Challenges and Change

M.P. Murphy & F. Dukelow, (eds)., Palgrave Macmillan, May 2016

Introduction: Murphy and Dukelow

Chapter one: Welfare states: how they change and why (Dukelow and Murphy)

Chapter two: Irish social protection system: change in comparative context (Cousins)

Chapter three: Activation: solving unemployment or supporting a low pay economy? Collins & Murphy

Chapter four: Redistribution in the Irish pension system: upside down? Hughes & Maher

Chapter five: Personal finance: financial services, access, credit and debt management (Stamp)

Chapter six: Irish water services reform: past, present and future (Dukelow)

Chapter seven: Reform of the Irish healthcare system: what reform? (Burke)

Chapter eight: Early childhood education and dare: a neglected policy arena? (Hayes)

Chapter nine: New managerialism: a political project in Irish education (Grummell & Lynch)

Chapter ten: Social housing policy and provision: a changing regime? (Finnerty et al)

Chapter eleven: Crisis and corporate welfare (O’Connor and Sweeney)

Chapter twelve: Ireland and crisis: one island, two different experiences (O’Maolaigh)

Conclusion: The changing Irish welfare state (Murphy and Dukelow)
Clear overlap between PTW and lower unemployment

- Oct 10 15.1% - Oct 16 7.5%
- Correlation does not mean causation
- No evidence or evaluation
- Intreo RCT ESRI 2017
- Previous Irish research suggests less likely to get a job (NEAP O’Connell 2011, BTEA, 2016)
Meta Analysis 1 – link between activation and employment

Finn and Gloster (2010) Meta Analysis: Lone Parents and Activation

- Availability & quality of evaluation evidence varies.
- What gets measured as success – welfare exit
- It's the economy stupid – growth magnify outcomes
  - one quarter activation,
  - one quarter IWB,
  - one quarter labour market growth – jobs
  - ST churning, messaging, disconnection, challenges change over time
200 cases in meta analysis

meta analysis 2

- Deadweight, Displacement costs
- Substitution effects (+&-)
- Negative externalities, social costs (+&-)

- Overall ALMP's have relatively small (zero?) effects in the short run (less than a year).
- Somewhat larger effects in the medium run (1-2 years) & longer run (2+ years).

Time profile varies with type of ALMP.
- Search assistance (and sanction) programs relatively large short term impacts. But churning ...... ?
- Training and private sector job subsidies - smaller short but larger in longer run.
- Public sector job subsidies tend to have negligible or even negative impacts.

Outcomes vary with target group
- Larger effects for women and long term unemployed and smaller effects for older workers and the young.
- Matching and counselling relatively good for disadvantaged but Human Capital less effective (ECEC)
- Training and private sector job subsidies good for long term unemployed – closest to LM
- OECD Activation studies - low (no?) effects for those “furthest from the labour market”
The Goldilocks Test

1. Would have got a job anyway
2. The measure lifts them up to a job
3. The measure not enough to lift up to a job

Graph: Employment rates by length of unemployment QNHS

- 1-2 yrs
- 2 - 3 years
- 3 yrs+

Level of employability required for a job

Don’t need Deadweight
Just right
Not significant enough

Employability enhancement effect of ALPM

Job seekers
So ........

• If there is little evidence activation works and some evidence suggesting a poor SROI why do it?

• Substitution effect really important in context of class and other forms of labour market inequality PTW logic, avoid LTU

• Public investment justified as measured against wider outcomes

• Politically salient and visible responses necessary

• Rhetoric of activation is itself a part of wider labour market adjustment
What is activation for ..... 

Managing politics of unemployment?

• Shifting blame to ‘supply side’ and articulating the problem as the unemployed or employability

• More employment/less poverty income focused Social Inclusion Discourse (SID)

• More behavioural focused Moral Underclass Discourse (MUD)

• Less structural focused Redistributive Egalitarian Discourse (RED)

Managing the political economy?

• In context of new global mode of JIT, and franchised production and services both in private and public markets

• Structurally shifting the labour market to ensure a supply of flexible labour force

• What is ‘activation’ changes from recession, recovery, prosperity
• A quick look back......
Quick chronology, back to the future

- 1980’s  FAS restructuring from AnCo ‘jobsearch’
- 1994   NESF No 4 Ending LTU. LES
- 1996   GSW reciprocal obligations
- 1997   P2000 supportive conditionality, sensitive activation,
- 1998   ESS, OMC, NEAP (FAS VETO)
- 2004   Migration led approach to LM shortages
- 2005   NESC DWS, LP reforms, tentative reframing
- 2008   Crisis,
- 2010   Trioika
- 2011   NEES, Intreo, Pathways to Work
Goetschy (2001), European Employment Strategy

• 1997 ESS - Employability, Adaptability, Entrepreneurship, Equal Opportunities

• 2001 Employment Guidelines but precedence to EMU and Ecofin

• Soft nature of OMC

• Lisbon Summit –investing in people, modernizing social protection

• Social inclusion ....... more employment focused

• Goetschy (1999) predicted an EU wide increase in precarious employment as a result of the Strategy’s emphasis on creating jobs irrespective of their quality.
2000’s competing models for activation

- 1990’s OECD mutual obligations, work first and making work pay

- 2000’s EU Flexicurity – flexibility and security

- 2000’s EU Active Inclusion for All ...... income, jobs, integrated services
Pre crisis

- FAS leadership - EU NEAP - ineffective - laggard
- Sensitive activation
- Supportive conditionality
- Flexicurity, life first, high road
Crisis

- 400,000 + all hands on deck to get money out
- 2010-11 PEX, SWAP, NEES – significant shift
- 2012-15 PTW, low road, work first, avoid LTU by STU in jobflow
- Activation PTW changes from recession, recovery, prosperity
- 2016-20 PTW ‘consolidate LTU, expand outside LR, meet LM needs’
- LMC, employer led, disproportionate presence in policy making
- No mention or discussion of work quality .... but avoid part time and low intensity patterns – not because of cost to society but cost to state?
Making sense of PTW- Brodkin (2013)

- **Regulatory** – controlling and commodifying
  - **Conservative** – personal behaviour & responsibility

- **Compensation** – make work pay and incentivising
  - **Neo liberal** – low pay economy

- **Enabling** – enhancing capability and removing barriers
  - **Social Democratic** – full employment
what is activation?

- System to ensure as many jobs as possible to live register unemployed, and by extension ... PTW 2012-15

- P 14 PTW 2016-20 function of activation shifts from recession to recovery or prosperity

- System to ensure Ireland’s workforce is fully employed and fully equipped to respond ‘flexibly’..

- Ensuring labour market efficiencies, maximising participation and addressing labour shortages ..... using language of active inclusion
Core question

• What kind of labour market is Ireland’s activation strategy merging people into.....

• Is it changing, and is activation part of the policy context that reinforces intensification of low pay? (more research needed)
UNITE (2016)

- 6 %, or €2ph below the EU-15 average.
- 18 % or €6.30ph below Northern and Central European (NCEE)
- 24 % or 10.20ph below the average of Small Open Economies (SOE)
OECD, 2013

Incidence of low pay in OECD countries

Chart 1: Low pay incidence (Source: OECD Stat)
Employment protection regime

Figure 2.1. **Protection of permanent workers against individual dismissal:**
Notice and severance pay for no-fault individual dismissal

<table>
<thead>
<tr>
<th>Notice Period</th>
<th>OECD Average</th>
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<tbody>
<tr>
<td>9 months</td>
<td>1.60</td>
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<tr>
<td>4 years</td>
<td></td>
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<tr>
<td>20 years</td>
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</tbody>
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OECD, 2013
Gendered dynamic, female voluntary part time v high, male involuntary part time doubled over crisis 6-12%, youth involuntary part time very high – significant underemployment
More regressive EPL (Turner & O’Sullivan)

Chart 3: Employment Protection in Euro Area 2008 and 2013

Index scale 0 least restrictive, 6 most restrictive

Source OECD (2013)
Collins 2015, Collins and Murphy 2016

Latest analysis LPC 2016

Women 74% of minimum wage workers ....
Migrants
Young workers

Overlap between low paid, low hours and precarious conditions

### Table 4.3 Distribution of Hourly Earnings by Selected Pay Thresholds, Ireland 2013 (% employees)

<table>
<thead>
<tr>
<th>Threshold</th>
<th>% above</th>
<th>% below</th>
</tr>
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<tbody>
<tr>
<td>Below €8.65</td>
<td>94.4%</td>
<td>5.5%</td>
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<tr>
<td>Below €10.00</td>
<td>86.2%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Below €11.45</td>
<td>74.3%</td>
<td>25.6%</td>
</tr>
<tr>
<td>Below €12.20</td>
<td>69.7%</td>
<td>30.3%</td>
</tr>
</tbody>
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**Notes:** See notes to Chart 4.1
Surviving in low paid underemployment?

In work poverty
1bn corporate welfare state subsidies for low pay
Second earners (women and young people)
Want more hours


Chart 3.1: Family Income Supplement 2000-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure</th>
<th>Recipients - Children</th>
<th>Recipients - Families</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>100</td>
<td></td>
<td></td>
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<td>2002</td>
<td>150</td>
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<td>2003</td>
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<td>2004</td>
<td>250</td>
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<td>2012</td>
<td>650</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>700</td>
<td></td>
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</tbody>
</table>

Source: DSP Statistical Reports

Chart 3.2: Growth in Casual and Part-Time Workers on the Live Register, 2002-2015

Source: CSO, Live Register, various years.
Return to question - what is activation?

- Peck and Theodare (2001) pressure caused by ‘activation’ puts downward pressure on wages.

- Grover (2009) understands activation as part of the broader shift towards neo liberal governance where social policy is subordinated to economic competitiveness and where PES privatisation PBR (re)commodifies labour.

- Darmon and Perez (2010, 84) associate activation with the recommodification of labour and mobilisation of a new form of ‘floating’ or more portable and flexible employees.

- Standbyability (Sweden), flex-insecurity (Murphy and Loftus 2015) ‘if and when’ (O’Sullivan et al 2015)

- .............. ‘In work’ activation (UK – USC, micro working, bundling, slivers of time)

- Functionally recalibrates welfare to shifts in political economy and labour market
Undermining resistance to poor jobs

- Assumption jobs have ‘natural’ socially unacceptable floor – people just won’t do them
- Minimum wages
- Regulation
- Social Protection as ‘decommodification’, a protection from unreasonable job offers
- Does activation loosen ‘floor’
- Minimum wage inadequate if unrelated to hours
- Regulation over flexible in ‘low hours’
- Make work pay through incentives FIS/ALMP
- Social protection – activation refocuses what is a reasonable job offer
  - Societal discourse
  - Eyes of claimant/employee
  - Eyes of employer

Subtle, not necessarily intentional, accidental policy outcomes, manifest and latent
What can be done 1 – compensation

- €1b+ in corporate welfare, cost of working age income disregards, FIS, and ALMPs, JB, JP, WEP (Collins and Murphy 2016)

- 5% of social protection budget, equivalent to LP budget

- State subsidisation of low paid employment, plan for Family Work Benefit v Min W/Living W

- Cliffs, transitions, nesting, choice, WLB - In Work conditionality

- Link to quality of employment

- If and when, regulatory framework

- Min and Living Wage

- Minimum hours framework

- Enabling In work progression

- Life Long Learning – soft skills

- No in work conditionality – counterproductive and dangerous
What can be done 2 – sanctions

- Sanctions – 1%
- Messaging – 100%

Triple Homogenisation
- Integration √
- Increase √
- Extension ?

- Gender, LP, QA, JST
- People with Disabilities

- In work conditionality

- Four legislative changes without concerted resistance?
- Hassenpflug Reasonable Indicators
- Potential significant denial of human rights, safeguards, transparency, accountable power
- Publish regional desegregated sanction and penalty data
- Engage workers in trade unions – street level sabotage
- Keep a lid on it and watch for vulnerable - disconnection
What can be done 3 – enabling

• Work first privileges short term employment activation, less patience with social activation and wider family or community intervention

• 25% HH, disability VLWI NESC

• Education, training, apprenticeships, guidance

• In work enabling

• Enabling the state

• Solas – lack of guidance, training infrastructure (FAS)

• CE, TUS, Gateway, JB, SICAP maintain last resort schemes

• Barriers, Public Services, Transport, Childcare, Housing

• Realistic timeframe for interventions especially with more vulnerable (Frazer & Marlier, 2009)

• Health, disability and care need to be taken seriously
To conclude .... lots can be done ......

- Link employment based income supports & tax credits to job quality regulation and longer hour jobs (no cost, possible savings)

- Avoid excessive sanction regime, monitor and do not apply to low hours work (no cost)

- Orient activation towards enabling integrated services and make relevant to vulnerable populations (SIP and SROI suggest savings)