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

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Introduction

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

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

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

Government departments, public sector agencies, the social partners and NGOs have responded on several fronts to the unemployment crisis. The core departmental and organisational architecture through which the state channels support to unemployed job-seekers is being quite fundamentally recast. Capacity on existing programmes has been increased and terms of access to them have been eased. New programmes and schemes have been introduced. Even the institutions and actors in the vanguard of designing and implementing these responses, however, know that more is required. The scale of the response needs to be greater and that means, in turn, a more vigorous redeployment of resources; the consistency and effectiveness of the variety of measures involved needs to be improved and that requires deeper analysis and more long-term thinking; the ownership of, and responsibility for implementing, changes need to be broader and that requires greater consultation and improved systems of governance. A second wave of further and deeper change should aim, therefore, to have just these characteristics.

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

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

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

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

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

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

It will become clear that the 'activation' of institutions considered in this way will require additional spending in several areas. In the current context, this will have to come entirely from reallocation *within* labour market spending (from passive to active measures and from measures where take-up is voluntary to measures where take-up is mandatory), but it may also be necessary to reallocate resources from other budgets *to* labour market spending. The latter will not be easy as any reallocation to labour market spending can be considered as entailing a lower level or quality of public services delivered elsewhere. This is a real issue. However, people who have lost their jobs in the current recession or who cannot find one bear costs of an entirely different order to those whose net pay has been reduced, social welfare been lowered, have had their entitlement to a public service withdrawn or are having to wait longer for a public service. *If* a reallocation of resources from other uses to labour market policy can be demonstrated as effective in keeping individuals from drifting into 'unemployability', with all its consequences, it would be difficult to override it in the current context. This should only be considered, of course, once all potential within the current labour market budget for reallocation has been exhausted. However, that some existing labour market spending can be transformed into more 'active' forms is not an assumption that the level of spending itself is correct.

1

The Fall in Employment and Rise in Unemployment

1.1 Introduction

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

1.2 The Fall in Employment

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

1.2.1 Job losses by sector, gender, age and nationality

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

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

Sector and gender

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

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

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

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

Age and nationality

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

The numbers of young people aged 20-–-24 in employment fell by 45 per cent between the first quarter of 2008 and the fourth quarter of 2010. At one time, there were over 250,000 young[2] people in employment but their numbers had fallen to 127,400 by Q4 2010. Young people, typically, suffer disproportionately from job losses in recessions as they tend to have entered employment more recently, are more likely to hold temporary contracts and to be employed in cyclically sensitive industries than older workers (Scarpetta *et al*. 2010). Panel B shows that the rate of job attrition among young people slowed less during 2010 than for the other group of workers massively affected, i.e., EU 15–27 nationals.

A particularly novel feature of job creation between 2004 and 2007 was the large share of new employment taken by nationals from the new EU Accession States. The share of total employment in the Irish economy held by nationals of other countries rose from 6.7 per cent to 15.6 per cent over the period, with nationals from the EU 15–27 alone accounting for 7.8 per cent in 2007. The latter were concentrated particularly in two sectors, Hotels & Restaurants and Construction, where their shares of total employment were 21 per cent and 13 per cent respectively (NESC, 2008: 10–11). Their relatively recent arrival, concentration in sectors heavily reliant on domestic demand and, within those sectors, tendency to be employed at levels below their qualifications[3] also made them particularly vulnerable to the collapse in construction and in domestic demand that has occurred. By Q4 2010, the number in employment had fallen by 61,400 from its peak in Q1 2008, a drop of some 36 per cent. By contrast, the employment level of Irish nationals was down 9 per cent from its peak. Detailed research by Barrett and Kelly (2010) confirms that, after controlling for age and other characteristics, Accession State nationals were particularly vulnerable to job loss as the recession deepened in 2009.

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

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

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

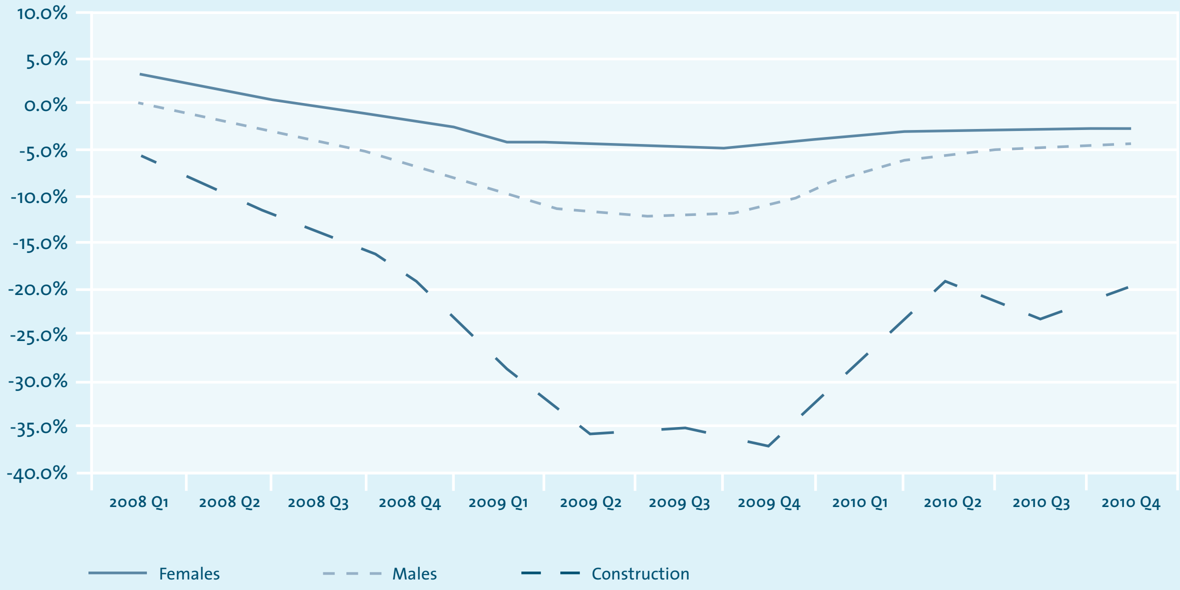
Economic Sector (NACE Rev. 2)	2004 LEVEL '000	2007 LEVEL '000	2010 LEVEL '000	2004–07 CHANGE '000	2007–10 CHANGE '000
Male					
Agriculture, forestry and fishing	99.4	101.1	74.7	1.7	-26.4
Industry	211.2	207.3	171.2	-3.9	-36.1
Construction	202.7	247.5	101.6	44.8	-145.9
Wholesale and retail trade	134.5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

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

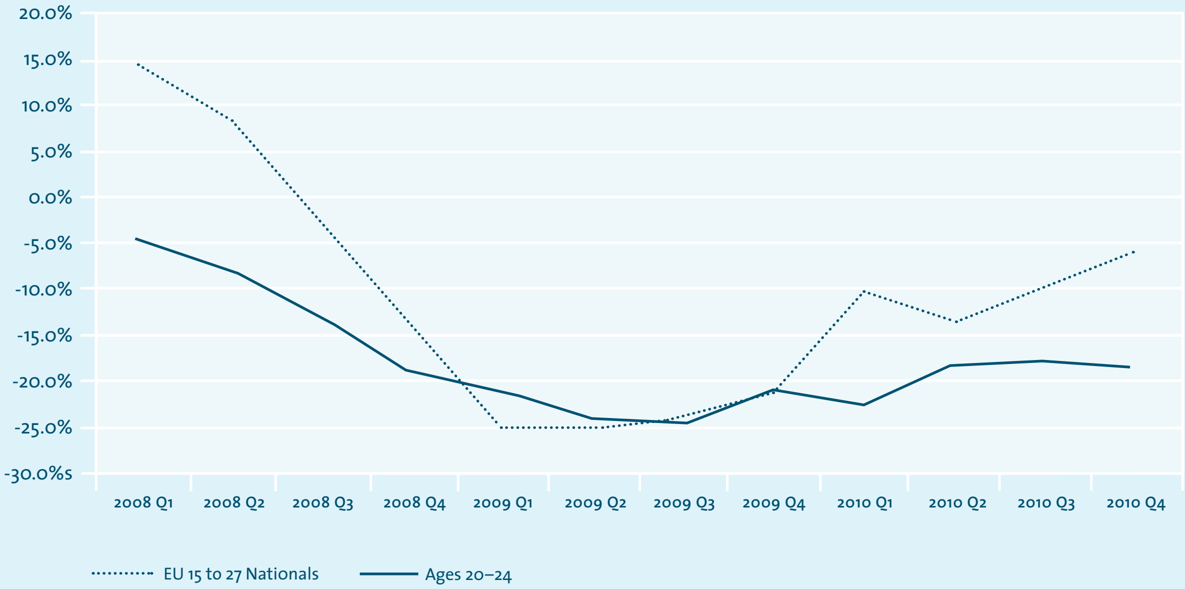
Note *The periods are from Q4 2004 to Q4 2007 (the quarter of peak employment) and from Q4 2007 to Q4 2010. Employment is on an ILO basis, seasonally adjusted, of persons aged 15 and over.

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

A. Males and females



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



Source QNHS, Table A1, successive quarters

1.2.2 Job losses by skill level

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

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

Table 1.2 Jobs Lost by Broad Occupational Group

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

Source QNHS, Table 4

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

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

Table 1.3 Jobs Lost by Highest Level of Education Attained

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

Source QNHS, Table 23

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

1.2.3 Job losses in sectors based on exports

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

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

Manufacturing industry

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

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

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

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

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

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

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

Source Forfás Annual Employment Survey 2010.

Note *Totals include some small sectors not in Table.

Internationally traded services

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

No official data series tracks employment arising specifically from tourism. It is proxied by employment in Accommodation and Food Service Activities (a category that includes hotels, restaurants, bars, canteens and catering).[6] By 2007, the 'service exports' of tourism were estimated to be underpinning 93,000 jobs, with 16,000 of them having come on stream over the previous four years (Table 1.1). Comparable international data suggest that Ireland then had the sixth-largest tourism sector in Europe (ranked by the proportion of total employment provided by the sector), with only the Mediterranean countries and Austria having larger.[7] A significant degree of overcapacity built up in the hotel sector (estimated as much as 25 per cent in 2008[8]) as investment decisions were influenced by a wish to avail of capital allowances for tax purposes more than the fundamentals of the industry. Overall, the expansion of the sector in the years prior to the current recession gave employment largely to women (Table 1.1) and was wholly reliant on nationals from other countries, particularly the new EU Member States. Over the 2004–07 period, the employment level of Irish nationals in the sector fell by 9,000 while that of other nationals increased by 28,000 (NESC, 2008: 11). By the first quarter of 2010, employment had fallen by almost 15,000 (Table 1.1). It is likely that most of these jobs were lost by workers from overseas.

1.2.4 Job losses in sectors based on domestic demand

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

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

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

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

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

Construction

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

While significant numbers of professionals found employment in the booming construction sector (an estimated 19,000 civil engineers, architects, quantity surveyors, etc.), it recruited much larger numbers of low-skilled workers, many of them young males.[12] By 2007, the sector employed 150,000 people in craft occupations, of whom 37 per cent had lower secondary education or less as their highest educational attainment and 22 per cent were aged 15–24 (EGFSN, 2008). An additional 41,000 were employed as construction labourers of whom 59 per cent had attained only lower secondary education or less and 20 per cent were aged 15–24.[13] As the construction sector contracted, these lower-educated and younger members in its workforce were let go in the largest numbers (Table 1.5, Panel A).

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

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

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

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

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

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

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

Domestic services

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

Table 1.5 Employment Profile in Selected Occupations

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

Source EGFSN National Skills Bulletins

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

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

1.3 The Rise in Unemployment

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

1.3.1 Respecting different measures

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

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

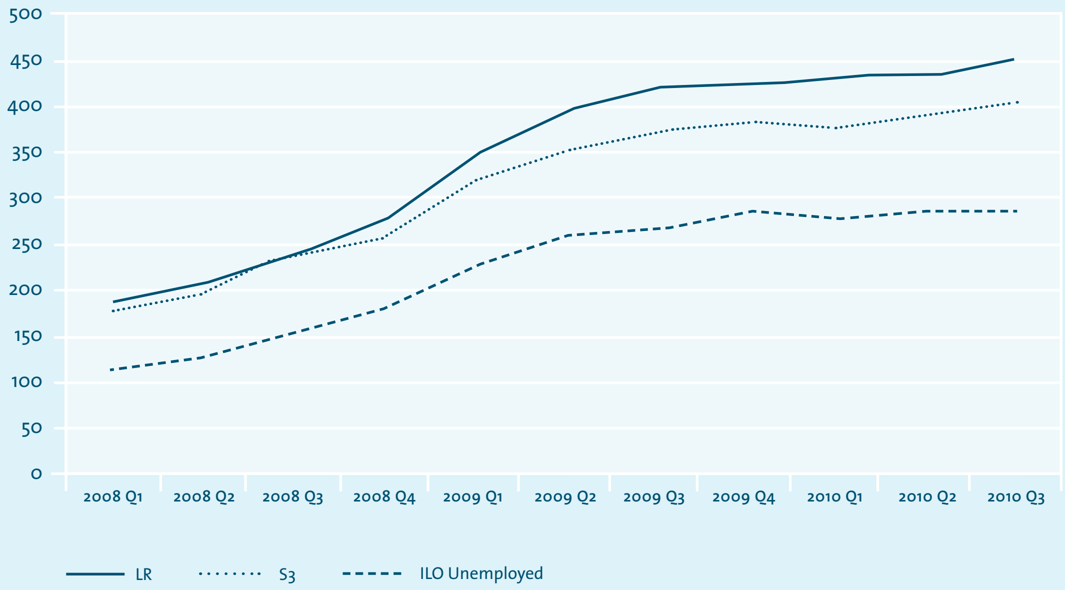
The Live Register, by contrast, is not as good a measure of unemployment as it includes people on systematic short-time working and others who, though in receipt of JB/JA or signing for credits, are not immediately available for and seeking work. While not as reliable a measure of labour market slack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

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

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

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

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



Source QNHS

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

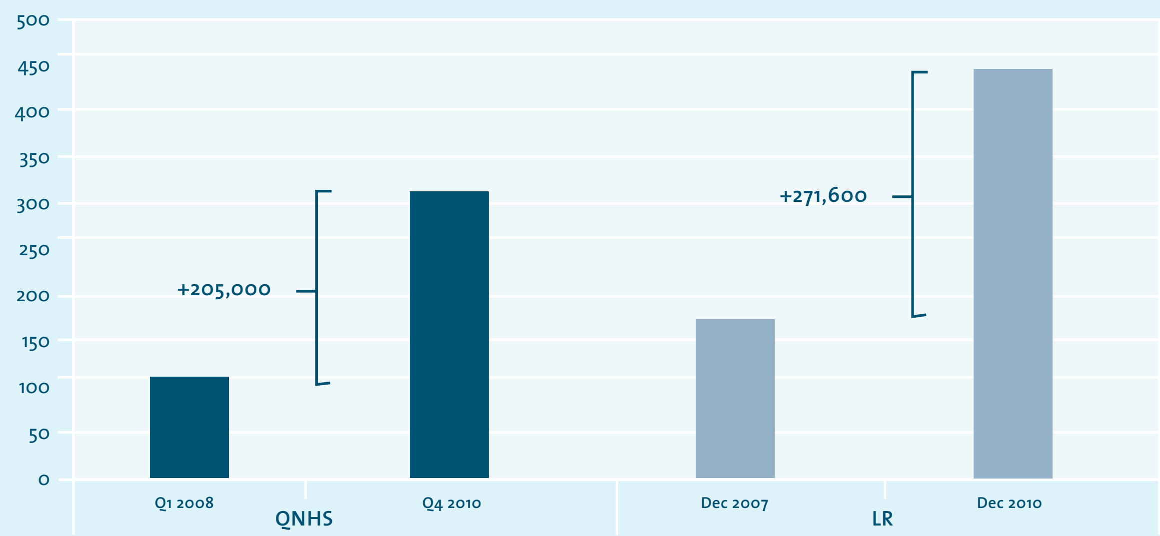
1.3.2 The scale, incidence and duration of unemployment

The scale of unemployment

The QNHS shows unemployment surging from around 110,000 in the first quarter of 2008 to 315,000 in the fourth quarter of 2010, an increase over the three years of 205,000 (Figure 1.3). The seasonally adjusted Live Register total was 172,400 in December 2007 but 444,000 three years later, an increase of 271,600. These formidable absolute figures – comparable to the aggregate population of several Irish counties[16] – go some way to conveying the number of people who have been shut out of the Irish labour market and remain in the country to experience, for good or worse, the supports and services in place to help them (re)enter employment sooner or later.

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

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



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

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

The incidence of unemployment

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

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

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

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

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

The duration of unemployment

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

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

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

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

Table 1.7 Numbers on the Live Register, by Duration

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

1.3.3 Falling participation and rising emigration

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

Falling participation

From its peak of 64 per cent (Q4 2007), the participation rate fell to 61 per cent in the fourth quarter of 2010.[17] The fall was exceptionally large for teenagers (ages 15–19) and also dropped significantly for young adults (ages 20–24) as more from each group have returned to full-time education rather than remain as unemployed members of the workforce. The participation rate for people aged 25–44 has dropped much less. At ages 45 and over, a gender disparity emerges with females actually recording stable or slightly improving participation rates while those of males have fallen (see Table 9, QNHS). This is surprising given the experience in previous recessions that female participation rates were more responsive than those of males to swings in aggregate labour demand. The traditional pattern, therefore, whereby women tended to withdraw from the labour force in larger numbers than men when faced with unemployment and, consequently, were less likely to be recorded as unemployed, has been less noted in this recession.

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

17 Seasonally adjusted series.

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

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

Rising emigration

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

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

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

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

Source CSO Population and Migration Estimates, April each year

1.3.4 The educational attainment of the unemployed

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

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

Table 1.9 Educational Attainment of Unemployed, 2007 and 2010*

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

Source Micro data from QNHS kindly provided through DES

Note *1 Q2 of each year.

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

1.3.5 Movements on and off the Live Register

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

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

The particularly difficult position of the self-employed

It is important in this context to note the particularly difficult position of the self-employed. Generally, their numbers have risen and fallen in line with overall employment trends (i.e., their share of total employment has been steady). Over the four years, 2004–07, the numbers of self-employed rose by 14 per cent to peak at 362,000 or 17 per cent of total employment; by the fourth quarter of 2010, they had fallen by 65,000 to 297,000, or 16.3 per cent of total employment (see various editions of the QNHS). It is an exceptionally indirect process as to how much of their drop in employment leads to a rise in the LR. Their class S contributions do not entitle them to JB so entrance to the LR hinges on whether their household circumstances establish an entitlement to means-tested JA, a decision that can be complex given the assets and debts that remain after a small business closes. Their admittance to the LR, therefore, depends on a significant degree of discretion.

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

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

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

Figure 1.5 Proportion on the Live Register who are JA Applicants

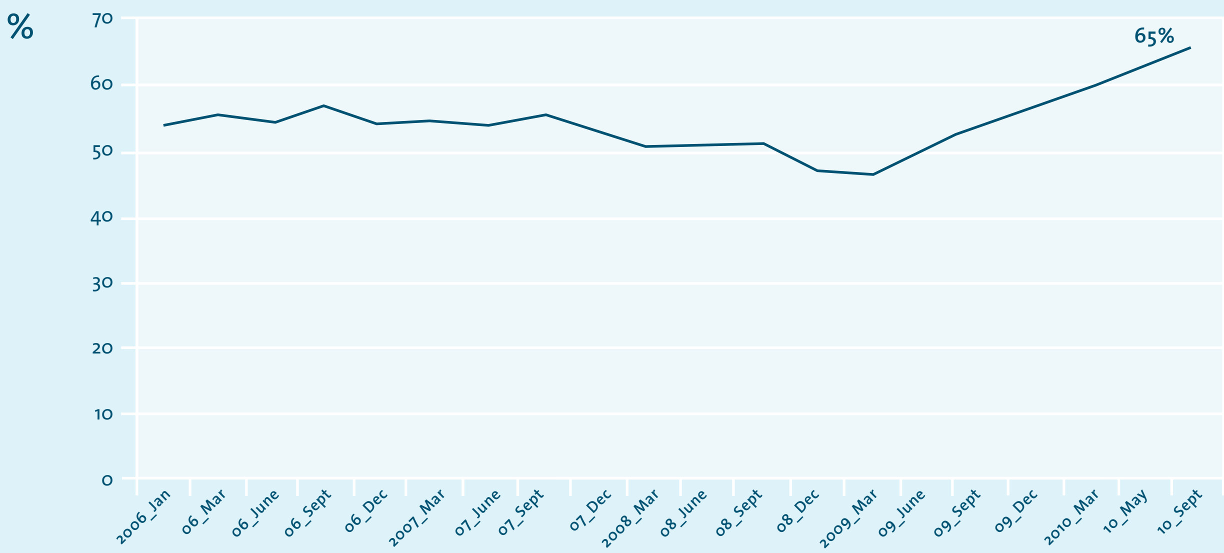
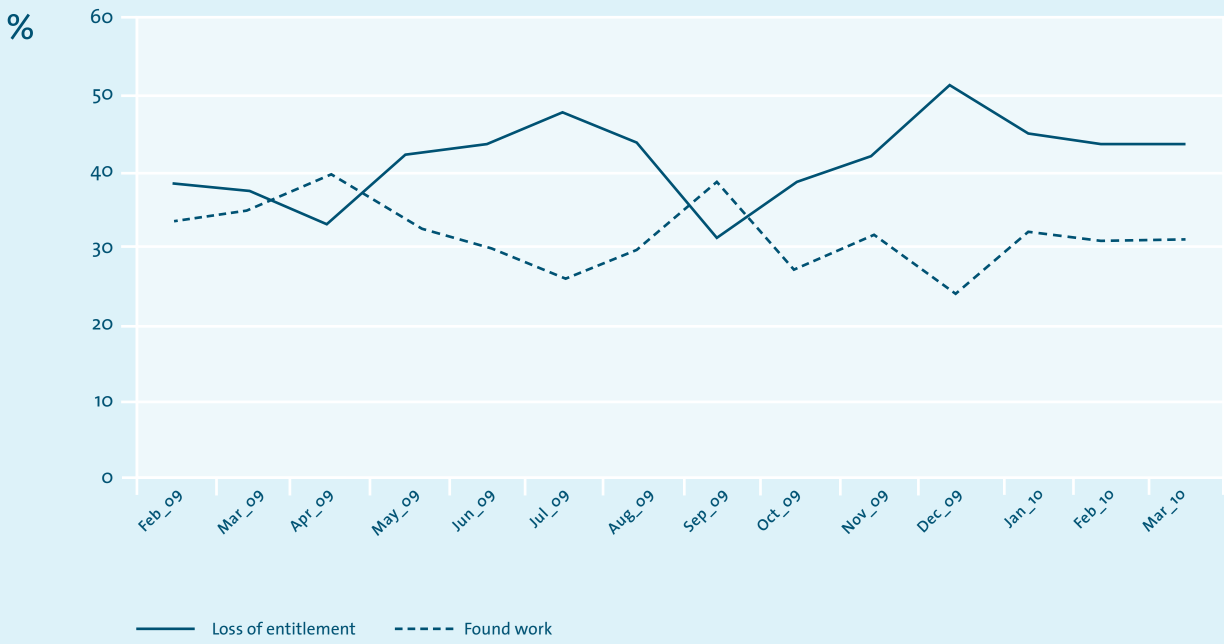


Figure 1.6 Claim Closures Due to Loss of Entitlement and Finding Work Respectively, as Percentages all Claim Closures, Feb 09 to Mar 10.



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

The two analyses, therefore, can be seen as complementary. During 2009, about one person was exiting the labour market for each person finding employment of those whose spells on the LR were under six months; when spells of all lengths are included, 'loss of entitlement' emerges as the single-most important reason why people leave the LR.

1.4 Summary and Conclusions

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

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

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

2

Responses To Date

2.1 Introduction

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

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

In pursuit of the second objective, mitigating the negative consequences of unemployment, unemployment regimes also differ. Every country's unemployment regime has to reckon with the potential for 'moral hazard' if people find that the cumulative support they receive when unemployed underpins a standard of living they would find it difficult to improve on if they took going job offers. Ensuring 'work pays', however, can be advanced by improving in-work support on the lower rungs of the labour ladder and/or by increasing the conditionality of unemployment support as unemployment spells lengthen. Taking the first tack is expensive; taking the second has to reckon with the evidence that poverty itself undermines human capital (people's health and skills) and leads to poor job matches. Again, national unemployment regimes find their own balances between what are valid but competing concerns. Some concentrate on preventing extreme hardship and social exclusion as unemployment lengthens, particularly where families have to be supported; other regimes embrace the objective of shielding people from immediate and dramatic drops in their incomes when they first lose their jobs. Focusing on the evils of long-term unemployment risks creating high marginal benefit-tax withdrawal rates when people leave welfare for work; focusing on the disruption of the onset of unemployment risks lowering the incentive to avoid unemployment in the first place and the intensity of job-search in the early months. Depending on the national context, therefore, the development of vigorous activation measures or of a proactive public employment service may be particularly strongly focused (or already achieved).

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

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

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

2.2.1 Low spending as a percentage of GDP

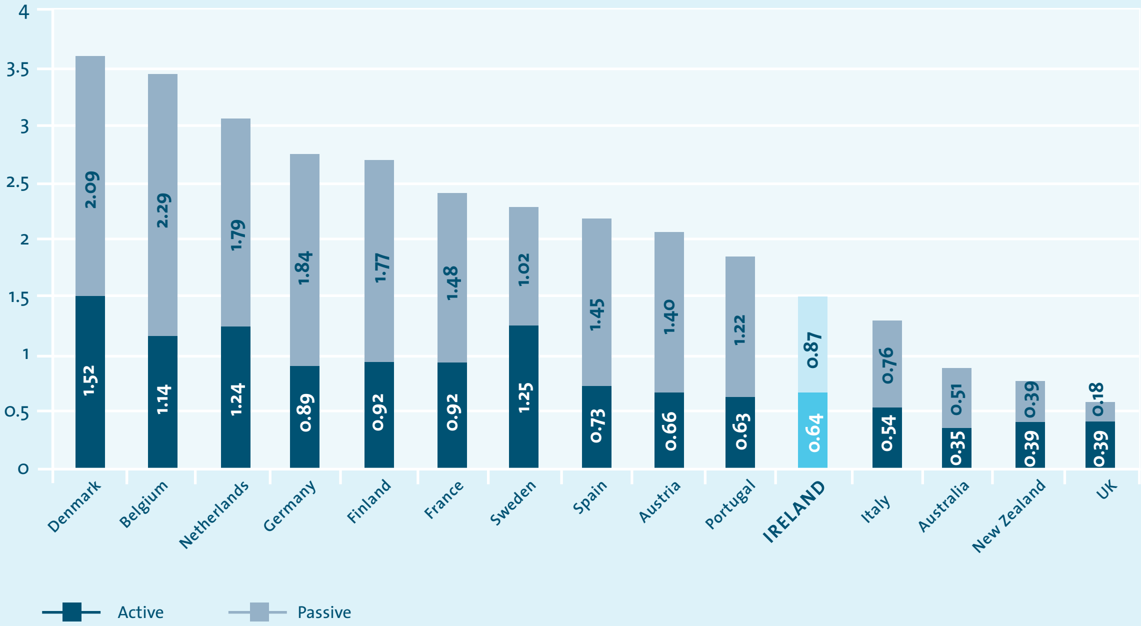
Figure 2.1 provides a picture of Ireland's typical level of spending on labour market measures in the years before the crisis broke, 2004–2007, in an international comparative context. As can be seen, when aggregate (active and passive) spending as a proportion of GDP is the indicator, Ireland was a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

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

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

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

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



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

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

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

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

** Active LMP expenditure as percentage of total

*** Passive LMP expenditure as percentage of total

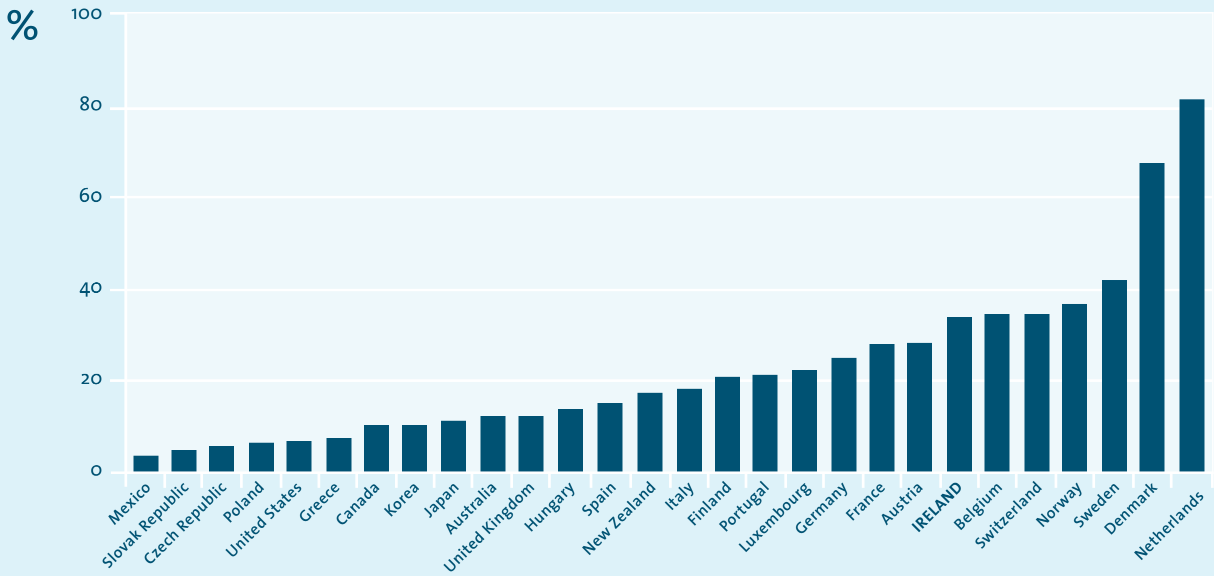
**** Unemployment rate, average 2004–2007

2.2.2 High LMP spending per jobseeker

Ireland's relatively low level of expenditure on labour market policies as a *percentage of GDP* over the period was compatible, nevertheless, with a relatively high level of LMP expenditure per unemployed person or per person wanting to work. In 2005, for example, though the share of GDP devoted to LMP spending remained one of the lowest in the EU 15 (at 1.5 per cent), Ireland's spending per person wanting to work[21] (adjusted for purchasing power standards) was the sixth-highest and bettered only by Denmark, the Netherlands, Luxembourg, Belgium and France (Eurostat, *Statistics in Focus 45/2008:3*). This was because the maintenance of strong growth in GDP kept unemployment low and generated growth in tax revenues enabling spending per unemployed jobseeker to increase significantly. More recent analysis by the OECD confirms this picture of Ireland as a relatively *high* spender on labour market policy when the absolute level of spending per unemployed person is examined (Bouis and Duval, 2011). Over the decade 1997-–2007, only the Nordic countries, Switzerland and Belgium devoted higher proportions of their GDP per capita on to ALMP spending per unemployed person than Ireland (Fig 2.2).

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

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



Source Bouis and Duval (2011)

2.2.3 The composition of LMP spending

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

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

Much more is suggested by Table 2.2 than can be explored here. Two important conclusions should, however, be drawn at this stage. First, cross-country differences in the levels of spending on labour market policy are significantly independent of differences in their levels of unemployment and primarily reflect economic, political and historical factors. Second, how countries spend their labour market budgets is as or more important than how much they spend, i.e., the design and composition of spending determine what it achieves as much or more than the level of spending.

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

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

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

Note * Eurostat categories, 2–7.

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

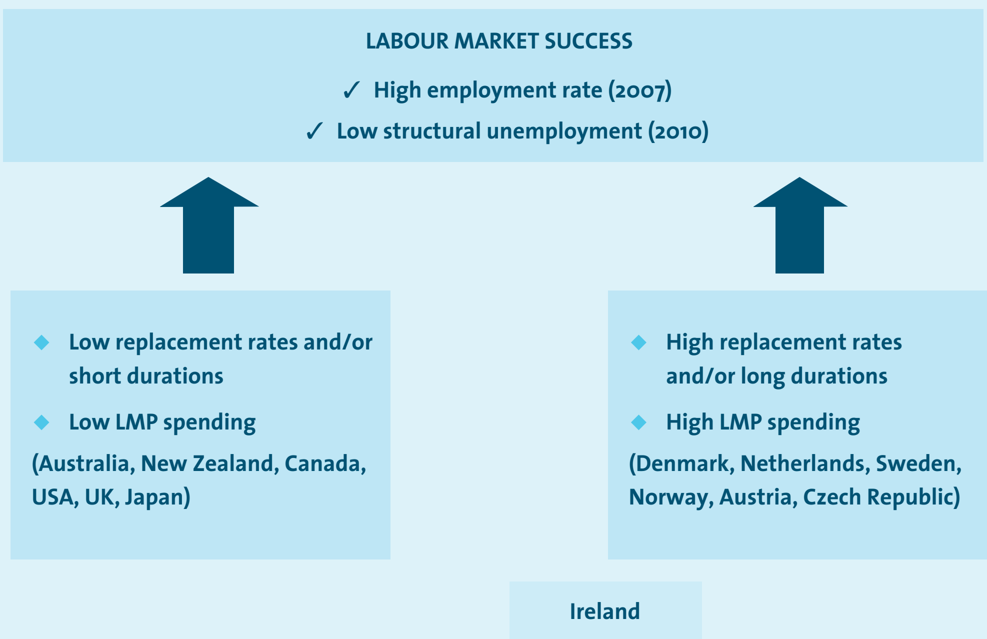
*** Covers measures that aim to promote the labour market integration of persons with reduced working capacity.

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

In analysis that is tentative rather than definitive, Bouis and Duval (2011) observe that twelve OECD countries enjoy significant labour market success – meaning that (i) they had high employment rates in 2007 (just before the crisis broke) and (ii) are currently estimated to have low levels of structural unemployment in 2010 (two years into the crisis). These twelve countries, they find, constitute two distinct groups. A first group has relatively low benefit replacement rates and/or limited duration to benefit receipt and low ALMP spending; the six countries in this group are largely English-speaking and outside of Europe (Australia, Canada, Japan, New Zealand, United Kingdom, United States). A second group has relatively high benefit replacement rates and/or long duration to benefit receipt and high ALMP spending; the six countries here are all smaller European states (Austria, Denmark, Netherlands, Norway, Sweden, Switzerland). As the authors reflect, labour market policies in the first group are imbued with an awareness that 'high and long-lasting unemployment benefits can raise structural unemployment through adverse effects on job-search incentives and by pushing wages above market-clearing levels' (Bouis and Duval, 2011: 14), whereas policies in the second group are confident that 'well-designed activation policies can offset the detrimental employment effects of high and long-lasting benefits on job-search incentives and also reduce unemployment directly by improving the job-matching process'.

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

Figure 2.3 Different Routes to Labour Market Success



2.3 Responding to the Crisis

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

2.3.1 Institutional Reconfiguration

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

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

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

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

2.3.2 Priority Cohorts for ALMPs

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

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

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

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

2.3.3 Social welfare changes

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

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

- The maximum period of receipt of Jobseeker's Benefit was reduced from 15 months to 12 months, and the number of contributions required to be eligible for the maximum period was raised from 104 (2 years) to 260 (5 years). This step was taken in October 2008.

- Lower rates of Jobseeker's Allowance have been introduced for young claimants. In May 2009, the maximum personal rate for those aged 18 or 19 (with some qualifications) was reduced to €100 per week unless they are participating in specified training or education courses, an arrangement extended to those aged 20 and 21 in January 2010. New applicants aged 22 to 24 have had their maximum personal rate reduced to €150 and then €144, under the same conditions as for those under 21, in January 2010 and January 2011 respectively.

- The maximum personal rate of social welfare payments for all people of working age (under 66, thus including JB and JA) was cut by 4 per cent from €204.30 weekly to €196 (January 2010) and by another 4 per cent to €188 weekly (January 2011) with corresponding cuts in increments for qualifying adult dependants. All social welfare recipients, however, people of working age people and pensioners, lost the receipt of a Christmas bonus (double the value of their weekly payment in a week before Christmas) from December 2009 onwards. The cumulative reduction in JB/JA rates has been 10 per cent to date.

- The Social Welfare Miscellaneous Act (June 2010) introduced new eligibility criteria under which sanctions in the form of reduced payments (and not just the suspension of payments altogether as hitherto, a 'nuclear' option seldom resorted to) can be applied to individuals in receipt of JB or JA where job offers or activation measures have been refused.

- Finally, many among those in receipt of JB or JA payments have also been impacted by reductions in universal and secondary payments: the reductions in Child Benefit (particularly that in Budget 2011, which was not offset by a rise in the Qualified Child Increase); the restriction of Treatment Benefits; the increased rent contribution required from people in receipt of Rent Supplement.

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

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

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

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

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

Notes * Provisional.

** Source is DSP (2011).

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

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

2.3.4 Changes in DSP Employment Supports

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

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

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

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

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

2.3.5 Training and Education

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

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

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

Increasing Training Capacity

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

- A formidable increase in the numbers receiving training was achieved, in two principal ways. First, the completion of modules rather than longer courses was emphasised; for example, participation on *FÁS Specific Skills Training (SST)* trebled to just over 20,000 between 2008 and 2009, principally by reorganising a greater part of it to take the form of ten- to twenty-week, stand-alone courses leading to minor certification awards and reducing the share of SST that took the form of linked courses lasting twelve to fifty-two weeks. Second, more evening courses, online courses and blended learning initiatives were provided: in 2010, half of over 81,000 new starts on FÁS training programmes were on such courses;

- A *Labour Market Activation Fund* of €32m was established to stimulate innovative training and education provision by private, not-for-profit and public sector organisations. Those tendering were required to state the number of participants who would come from each of the four priority cohorts of unemployed, all of whom had to be receiving an unemployment payment for at least three months. Between 2010 and 2011, it is estimated that a maximum of 12,000 additional education and training places will have been provided on fifty-nine projects;[26]

- A total of €34.2m has been allocated under the *European Globalisation Adjustment Fund (EGF)* to provide upskilling and retraining supports for redundant workers from three companies – Dell (Limerick), Waterford Crystal and SR Technics (Dublin).[27] A further application was submitted in February 2011 for EGF support of €55m for former workers in three construction sub-sectors;

- Skillnets, which fosters the provision by groups of companies of employee training,[28] has been required, since 2010, to have a minimum of ten per cent of its trainees sourced from among the unemployed; 4,800 unemployed individuals benefited in 2010, and a target of 8,000 has been set for 2011 of whom up to 50 per cent are to be low skilled.

Increasing access to higher and further education

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

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

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

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

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

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

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

Apprenticeship Scheme

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

Savings

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

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

- Since January 2010, the FÁS Standard Training Allowance is no longer paid to new entrants who are not entitled to either JB or JA. This Training Allowance is equivalent to the maximum standard personal rate for Jobseeker's Benefit/ Allowance;

- Budget 2011 introduced a €200 annual PLC programme-participant contribution that is estimated will generate up to €4m in savings in a full academic year.

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

31 NFQ awards at levels 5 or 6.

2.3.6 Work Placement Initiatives and Direct Employment Programmes

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

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

2.3.7 Subsidies to the private sector

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

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

2.4 Reflections

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

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

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

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

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

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

2.4.1 Cutting social welfare

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

The primary justification or reason advanced for these cuts has not always been the same. Sometimes, the imperative of cost savings on the part of a heavily indebted state was the principal reason invoked; in particular, it was stressed that some increases in welfare rates in recent years had been particularly large and simply could no longer be sustained in the new conditions of the recession. Sometimes, a second reason was added, namely, the need to increase the incentive to work or undertake training on the part of individuals who were not adjusting their expectations and reservation wages downwards sufficiently to reflect the changed conditions in the labour market. Sometimes, a third reason was interjected of an altogether different nature, namely that the rise in the welfare bill was larger than it needed to be because its administration was lax and fraud was being insufficiently pursued. These are very different reasons for pursuing either specific or general welfare savings and will be examined in some depth in later chapters. The programme of the new government elected in 2011[36] intends to maintain social welfare payments at their current levels, rely on a major anti-welfare fraud strategy to contain welfare costs, and looks to a new Advisory Group on Taxation and Social Welfare to help identify and remove disincentives to employment arising from interactions between the taxation and welfare systems.

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

36 *Government for National Recovery 2011–2016*

37 DSP, 2011: Appendix 34.

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

2.4.2 The emphasis on training and education

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

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

The single-most important expansion in training capacity was achieved by the shift towards short rather than long training courses. As noted, FÁS achieved a dramatic increase in participation on its training programmes primarily through a reorientation towards shorter courses and the expansion of evening and online courses. Significant efforts have also been made to increase the presence of unemployed people on mainstream courses and places in colleges and third-level Institutes. Ensuring unemployed people access and benefit from mainstream courses has encouraged more providers to innovate in content and pedagogies, and to structure more courses on a part-time and flexible basis. A particularly significant measure has been reductions in the length of time people are required to be on the LR before being entitled to return to education and retain their social welfare. The reduction in the 'qualifying thresholds' for the Back to Education Allowance (second- and third-level options) contributed to increasing its recipients significantly and was a practical recognition of the value and importance of intervening early in individuals' unemployment spells.

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

However, the scale and speed of the expansion of places on short-term courses during 2009 and 2010 led to growing concerns about the quality and relevance of the training provided. For example, though FÁS described its restructuring of Specific Skills Training (considered one of the agency's most successful programmes) into shorter stand-alone courses as an 'extension' of the programme, it is not evident that trainees completing isolated modules can be attributed even proportionate benefits compared to people who complete linked modules over a prescribed two-year period. Consequently, the positive impact on progression associated with the established approach to SST and Traineeship programmes may not be applicable to their enhanced throughputs on shorter courses. Resources may be spread so thinly that their effectiveness is reduced. If short courses are to function as a flexible mechanism for individuals to achieve major qualifications over time, the manner in which they link with other courses to provide a progression pathway for the individual must be clearly identified. In addition, the content of a significant proportion of the additional short-course capacity and evening courses brought on-stream is new, and unproven. There is a concern that some of them may have weak links to emerging labour market needs and it is not clear that employers sufficiently endorse and value the qualifications associated with them. Significant learning from what has happened (or not) to date, and the new hand of the DES, may be evident in the major reduction in the number of training places for unemployed people that FÁS is to provide in 2011. The department's briefing for its new minister cites not just budgetary and staff cuts, but positive needs for FÁS to provide more courses of longer duration, and to invest more in ensuring the quality of its courses among the reasons for a reduction in FÁS training places for the unemployed from over 127,000 in 2010 to 90,000 in 2011 (DES, 2011:26). This apparent rebalancing does not detract from the effectiveness of courses of short duration when the worth of their content and linkage with other courses are assured.[38]

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

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

2.4.3 The emphasis on activation

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

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

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

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

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

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

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

2.4.4 An outcomes-focused policy dialogue

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

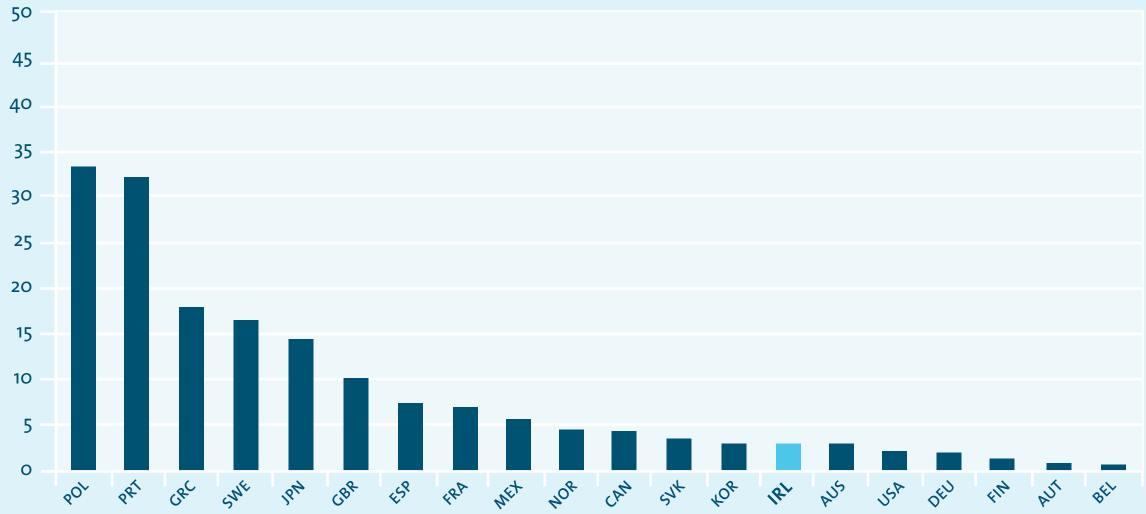
2.4.5 The issue of resources

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

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

Figure 2.4 Additional Discretionary Spending on ALMPs, 2008–10

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



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

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

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