



An Chomhairle Náisiúnta Eacnamaíoch agus Shóisialta
National Economic & Social Council

Supports and Services for Unemployed Jobseekers: Executive Summary

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

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to those whose net pay has been reduced, social welfare been lowered, have had their entitlement to a public service withdrawn, or are having to wait longer for a public service.

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

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

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

The Context

The Fall in Employment and Rise in Unemployment

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

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

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

A significant decline in the participation rate has kept the unemployment count from rising even further. The participation rate has fallen principally because of the number of people returning to education. The significance of women’s decisions to

return to 'home duties' has been less dominant than in previous recessions. A large number of EU-12 nationals have returned home but a significant number remain unemployed in Ireland. Irish emigration has also reasserted itself; as in the 1980s, it is largely a skilled outflow but, this time, those leaving have significant work experience also.

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

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

Responses to Date

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

(i) Institutional reconfiguration

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

(ii) Priority to training and education

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

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

(iii) The emphasis on activation

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

(iv) Social welfare retrenchment

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

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

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

How People are Supported while Unemployed

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

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

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

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

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

A. Access to Employment and the Public Employment Service

Universal Access to Basic Employment Services

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

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

Job-Search and Job-Matching During a Recession

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

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

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

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

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

It is essential that the services of the NEES to unemployed jobseekers are informed as systematically as possible by the best national and international research on labour market developments, emerging skill requirements, the training processes by which skills are imparted, the educational pedagogies best suited to the diversity of learners' requirements, and the financial, social and other supports on which individuals can rely. It must also have a thorough understanding of what is on offer and of the effectiveness of specific providers, courses and programmes in procuring the outcomes its clients seek. A more authoritative NEES could play a significant role in increasing the agility of the educational and training systems, and of the social welfare code, by providing continuous feedback on the experience and progress of clients.

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

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

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

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

The ongoing ban on recruitment within the public service means that the NEES must scale up its staffing resources through redeployment and retraining from within the public sector and/or by concluding more service agreements with third parties. The first approach is demanding of in-house HR functions. Staff relocating from even closely allied activities elsewhere in the public service may need

significant further training to work as career guidance professionals, and the PES must also put in place the appropriate institutional supports necessary for staff to provide quality job-matching/placement and guidance services.

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

B. Employability: Training and Education for the Unemployed

The National Skills Strategy

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

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

Labour Market Intelligence

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

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

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

Raising Low Skills

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

of Prior Learning, as this has the potential to increase an individual's motivation to round out existing skills in order to gain a full award, and to progress up through the National Framework of Qualifications.

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

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

C. Social Welfare and the Incentive to Work

Social Welfare Payments Prior to the Recession

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

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

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

Social Welfare and the Incentive to Work

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

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

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

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

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

Concerns that social welfare is having disincentive effects may have a stronger basis in the high marginal effective tax rates that can apply when people who are combining receipt of a social welfare payment with some low-paid, part-time work attempt to earn more. Ireland’s social welfare code has developed to allow people on the LR (and those in receipt of other working-age payments, e.g., lone parents) to engage in part-time work while retaining their social welfare payments.

The withdrawal of their payments as their earnings increase, along with higher taxes they must pay, can lead people to decide it is not worth their while to work additional hours (a classic ‘poverty trap’).

While the work disincentive effects of social welfare payment rates are easy to misinterpret and exaggerate, the levels of Ireland’s social welfare payments, at their peak in 2009, were high by previous Irish standards and in an international context. The real challenge being posed to them by the onset of recession, high unemployment and the state’s fiscal crisis is their simple affordability at the current time. The state’s ‘ability to pay’, then, is the real issue. There is much less evidence that they are keeping unemployment higher than it would otherwise be.

Modernising Jobseeker’s Benefit and Jobseeker’s Allowance

Jobseeker’s Benefit

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

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

Jobseeker’s Allowance

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

As in other areas, hindsight suggests that earlier and swifter movement on this front would have ensured unemployed people received a more comprehensive and effective range of supports than is currently the case. For example, a single payment would have given them access to a payment more quickly and under more transparent and stable conditions; it would have reduced the hazards and negated the advantages of transferring to a different welfare payment; and it would have lessened poverty and unemployment traps. Above all, it would have ensured that accessing the payments that provide the more secure income

support (One Parent Family Payment, Disability Allowance) was not facilitated by demonstrating an inability to prepare for or seek employment. The current crisis, thus, should reinforce the strategic direction that the DSP is taking and bring added support from the other key departments and agencies integral to its success. It should further accelerate and guide the business transformation and organisation restructuring ongoing within the DSP. It should strengthen consultation with the community and voluntary sector in order that as widely shared as possible an understanding of activation and its requirements is embraced. It will need exceptional political commitment if exceptions and special measures are not to accompany the introduction of a Single Payment to such an extent that its intended simplicity is lost.

Social Welfare Fraud

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

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

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

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

D. The Theory, Practice and Governance of Activation

Activation Strategies

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

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

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

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

Mutual Obligations

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

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

Reforming and Up-Grading the NEAP

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

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

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

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

Different Needs Early and Late in an Unemployment Spell

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

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

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

E. Temporary Measures for Extraordinary Times

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

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

National Internship Programme

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

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

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

A Board for Temporary Projects

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

