Response of the Labour Market Council to Pathways to Work 2016-2020
I am pleased to present the second report of the Labour Market Council. This Response to Pathways to Work 2016–2020 considers the progress made on key action points in previous Pathways strategy documents and sets out the Council's recommendations on strategically important priorities for government.

I would like to thank my colleagues on the Labour Market Council, officials in the Department of Social Protection, in the Department of Education and Skills and other Departments and Agencies for their contribution to the work of the Council.

The Pathways to Work programme from 2012 to 2015 delivered substantial reforms to how the State approaches helping unemployed jobseekers return to work and ensuring that as many as possible of the jobs that arise in the economy are filled by unemployed jobseekers.

Today, the new Intreo service for jobseekers provides a ‘one stop shop’ of work activation and incentive supports with more qualified case officers providing much improved service levels.

JobPath, the new contracted model of employment service delivery introduced in 2016, brings additional capacity and an exclusive focus on supporting people who are long-term unemployed.

The introduction of the Youth Guarantee and establishment of a dedicated Employer Services Division within the Department of Social Protection is helping to forge stronger links with employers, ensuring that long-term and youth unemployed cohorts continue to be prioritised.

And through newly established ETBs and SOLAS there is now a greater focus on adapting and improving the State’s further education and training services. It is important that these reforms take account of the needs of employment sectors, workers and jobseekers.

There is a definite recovery in the labour market in Ireland and most importantly, the level of jobs growth has kept pace with economic growth.

While acknowledging the good progress made in achieving the targets set out in the Pathways to Work programme from 2012 to 2015, the Council has emphasised the need for a systematic evaluation of the strategies, to fully understand their impact and to guide decisions on how to allocate and prioritise State resources going forward.

The Council broadly welcomes the Pathways to Work 2016–2020 strategy and approach which places a greater emphasis on social inclusion alongside a continued focus on consolidation.

As the labour market develops there is undoubtedly potential to extend the State’s work activation services to additional groups, thereby supporting the active inclusion of all people with a capacity and a desire to work and increasing labour market participation.

Greater alignment with broader government policy including Enterprise 2025, the national and regional Action Plans for Jobs and the National Skills Strategy 2025 is critical to achieving these goals.
In 2012, the Government launched its first Pathways to Work programme from 2012 to 2015.

The Pathways to Work programme from 2012 to 2015 set out a comprehensive reform of the State’s approach to helping unemployed jobseekers return to work and was designed to complement the Action Plan for Jobs as part of a twin-pronged approach to tackling the jobs crisis that emerged after 2008 and during the Great Recession.

The Action Plan for Jobs is focused on stimulating employment growth; Pathways to Work on making sure that as many as possible of these new jobs, and other vacancies that arise in the economy, are filled by unemployed jobseekers.

Through Intreo, the Government began a fundamental reform of the approach to providing welfare and employment services to unemployed people by integrating the delivery of employment services and income support within a single Government department, the Department of Social Protection.

Pathways to Work provided for the introduction of new programmes and services (e.g. Intreo, JobBridge, JobsPlus and TÚS), the merger of three formerly separate organisations (the Department of Social Protection, the Community Welfare Services, and elements of FÁS), an innovation in the form of sub-contracting re-

The State has an opportunity to create a lasting legacy in the provision of high quality services to people who are unemployed.

While Pathways to Work 2016-2020 addresses a number of important challenges, the Council believes that this strategy has the potential to be more ambitious in its targets and we make a number of recommendations, which are contained in this report.

In closing, the Council notes that the efficient and effective management of our welfare, public employment and further education and training services is not just something to turn to during periods of economic difficulty. It is something to be proactively managed, on an ongoing basis, in order that we can exploit or mitigate, as circumstances dictate, developments in the EU and world economies.

We need a labour market activation strategy that is flexible, that is seen to meet the needs of employers and job seekers and that can respond to challenges in periods of economic difficulty as well as exploit opportunities in periods of economic recovery. As a small open economy, Ireland is particularly vulnerable to global impacts and shocks and we need to be prepared to respond to these. We need a dynamic activation strategy that is updated regularly to meet these changing requirements.

The State has an opportunity to create a lasting legacy in the provision of high quality services to people who are unemployed. Success cannot be allowed to breed complacency. A relentless focus on continuous improvement in all matters where the State engages with the micro-economy, and in particular the labour market, with employers and the unemployed, is required if the Irish economy is to operate efficiently and individuals are to participate and realise their potential.

Martin Murphy
Chairman, Labour Market Council
May 2016
Considerations

Since the introduction of the *Pathways to Work* strategy in 2012, the Council welcomes the significant progress being made on reducing the rate of unemployment in Ireland.

- The unemployment rate, which exceeded 15% in 2012, has since fallen to 8.6% in January 2016.
- The rate of long-term unemployment (referring to those unemployed for 1 year or more), which exceeded 9% in 2012, fell to 5% at the end of 2015.
- The youth unemployment rate has also fallen from a high of over 30% in 2012 to just over 19% at the beginning of 2016.
- Total employment fell by over 330,000 from a peak of over 2.1 million in early 2008 to a low of 1.8 million in 2012. Since then employment has grown by 140,000 to 1.97 million at the end of 2015.

The Council notes that although the impact of *Pathways to Work* strategies on employment outcomes for unemployed people cannot be established in advance of the completion of the programme of evaluations currently in progress, it is important to acknowledge that the high-level targets it established in relation to long-term unemployment and progression rates to employment have been achieved:

- More than 75,000 of those people who were long-term unemployed at the start of 2012 have returned to employment; the progression rate of people unemployed for two years or more into employment has increased from 25% to 42%; and the persistence rate — the percentage of unemployed people who become long-term unemployed — has fallen from 35% to 27% and is continuing to trend downwards.
- At a macro level there has been a reduction of about 37% in the numbers of people unemployed between 2012 and 2015.
- The reduction in the numbers of long-term unemployed people was even greater over the same period between 2012 and 2015 – by 46%.

The Council also notes that the impact of the overall *Pathways to Work* programme or any of the individual elements within it cannot be separated from the impact of other policy initiatives (e.g., *Action Plan for Jobs*) or from the impact of wider economic developments, until a rigorous and systematic programme of impact evaluations is completed. It will also be important to ascertain the quality of the jobs taken by the long-term unemployed and the role played by employment programmes in this process.

A key concern of the Council is that its consideration of the issues and the recommendations it makes are grounded in evidence. A programme of evaluations should not be an exercise in assessing impact for its own sake. It is necessary in order to identify what programmes work, and work best, in order to prioritise the future allocation of scarce resources to maximum effect.

Ireland’s economic welfare is, at least partly, determined by how we prepare for and respond to variability in world economic conditions. As a small regional economy within the Eurozone, Ireland is particularly susceptible to events in the global economy.

The Council notes that the State is responsible for ensuring that the policy levers within its direct control — of which labour market policy is one — are managed effectively.

It is important that our labour market operates efficiently and responds flexibly to support national competitiveness in changing economic circumstances:

- That workers are supported, through State income supports and through an effective and supportive Public Employment Service, to take up the employment opportunities that inevitably arise in a dynamic economy and that gainful, properly remunerated employment, is available to them throughout their working lives.
- That employers’ skill requirements are reflected in how the State educates and trains the workforce.
- That welfare and taxation policies support good quality employment.
- That participation in the labour market is available and promoted as a preferred option to all people of working-age with a capacity to, and an interest in, work.

The current labour market situation requires a continued focus on adapting and improving the State’s welfare, employment and further education and training services.

In this context, the Labour Market Council believes that a dynamic and effective labour market activation strategy is and will always be required, but it will need to be updated regularly to meet changing requirements and circumstances.

Assisting in this goal is a key task for the Council.

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Observations on the Approach to the Pathways to Work Programme from 2016 to 2020

A key component of the Pathways to Work programme from 2016 to 2020 is to build on the approaches and measures developed to address excessive unemployment during the recession and adapt them to the more favourable conditions of recovery. While recognising that the level of unemployment remains unacceptably high, the Council welcomes that the Pathways to Work 2016-2020 strategy places greater emphasis on social inclusion and seeks to extend the activation approach beyond those currently unemployed, to the broader population of inactive adults of working age.

Accordingly, the Council agrees with the two-pronged approach proposed in the Pathways to Work 2016-2020 strategy: a) to continue and consolidate progress made to date with regard to the delivery of services in support of unemployed jobseekers; and b) to extend labour market activation services to other people with a capacity and a desire to work. That is:

a) Consolidation: Consolidating the recent reforms to the Public Employment and Welfare Services and improving provision to optimise outcomes for its clients. This means ensuring that the long-term and youth unemployed cohorts continue to be prioritised and adequately supported in the provision of activation services. The new Pathways to Work strategy also undertakes to ensure that the implementation and delivery of activation services is high-quality, effective, efficient and sustainable.

b) Development: Expanding access to activation services, as resources allow, to other inactive people of working age. As employment increases, labour supply will become more constrained and the prospect of an ageing population looms on the horizon. The Pathways to Work programme envisions extending activation measures to cohorts that have traditionally not been seen by the Public Employment Services (PES) as a priority client group for employment services. This will also contribute to increasing employment across working-age households and promote the principles of active inclusion.

As the Council notes above, the recovery is not yet complete and there are particular concerns regarding the persistence of long-term, entrenched unemployment for over 150,000 people, mainly men in their 30s and 40s. Accordingly the Council agrees that the focus of activation services over the next two years should continue to be on early engagement with jobseekers to prevent any drift into long-term unemployment and in parallel the delivery of services to people who are already long-term unemployed. The Council also agrees that the State agencies and departments involved in this work need to consolidate the changes already made, complete the changes currently underway, and work to improve the consistency and quality of the services offered to Jobseekers and employers. There is now an opportunity to develop and maintain a world-class public employment service that has the capacity to match correctly the employment aspirations of unemployed people and the needs of employers seeking employees.

The Council also shares the view outlined in the Pathways to Work 2016-2020 strategy that increasing labour market participation should form a second area of focus as the economy moves closer to full employment. This is required both to meet labour market requirements as the economy recovers and also to support active inclusion of all people with a capacity and a desire to work. However, the Council considers that the extension of activation beyond the unemployed to other inactive groups will be particularly challenging. The target group is very heterogeneous and we know little about what measures are most likely to work best. The Council recognizes that important lessons can be learned from the work of non-governmental, community and local development organisations. This work highlights how essential it is that the PES incorporates a culture of active inclusion and equality and develops the appropriate capacity, resources and skills to fully engage with people in a constructive and effective manner. International experience also has insights to offer, for example, international evidence on best practices suggests that it is possible to assist lone parents with young children to find work if their needs for quality and affordable child care can be met; and that they see real financial gains from paid work. For the large group of disabled people of working age, activating those who have some work capacity will be a more challenging task and it will likely require a new mix of rehabilitation, re-employment supports and financial incentives to help them. It will also require a major effort to engage with employers to encourage them to hire people with disabilities. The Council believes that extending activation to this wider group will place additional strains on the PES and will require effective collaboration with a wider range of public agencies and NGOs. It is essential that
the appropriate balance of work incentives and welfare supports. Such a review should include consideration of whether any changes to the current system would have unintended consequences of reducing incentives to work, lowering rates of transition to employment or exacerbating poverty levels of disadvantaged people.

Building workforce skills

The Pathways to Work 2016-2020 strategy should be closely aligned with broader government policy including Enterprise 2025, the national and regional Action Plans for Jobs and the National Skills Strategy 2025. Given the clear link between activation and education policies, there is a particular need to ensure that the reforms underway in the education and training sectors are closely aligned with the needs of employers, workers and jobseekers. While the Pathways to Work 2016-2020 strategy acknowledges this imperative, it is less explicit about how it might happen, particularly at regional and local level. The reality of developing a coherent activation and skills strategy that can be effectively implemented by a diverse range of actors, including different Government Departments, poses significant challenges. The Council notes that the recent establishment of the Regional Skills Fora is an attempt to address this challenge.

The Council believes that the Pathways to Work programme from 2016 to 2020 should be implemented as a set of integrated actions to pursue ambitious but achievable goals in terms of employment and unemployment.

1. The Council recommends the Government increase the employment rate target to in excess of 73% by 2020.

The EU 2020 Strategy sets an EU-wide employment rate target at 75% for men and women aged 20-64 by 2020. Currently, the Irish target declared within the EU policy process is to achieve an employment rate in the region of 69-71% by 2020. However, the employment rate in 2015 is already estimated at 68.9%. A more ambitious, but achievable, target for Ireland would be to return to the pre-crisis rates in excess of 73% achieved in 2006 and 2007. This more ambitious strategy would be in keeping with the twin objectives set out in the Pathways to Work 2016-2020 strategy: (i) the consolidation of progress in helping the unemployed, especially the long-term unemployed, back into work; and (ii) the developmental strategy of extending activation beyond the unemployed to other currently inactive groups of working age. This would also require increasing employment rates of specific groups with low employment rates, particularly young people, women, people with disabilities, Travellers, low skilled, and others economically inactive.

2. The Council recommends the Government decrease the unemployment rate target to between 5 - 6% by 2020.

The Pathways to Work 2016-2020 strategy should also strive to achieve ambitious and realistic targets for unemployment. Total unemployment has fallen from a high of 15.1% in 2012 to 8.6% at the beginning of 2016. This is a substantial decline over a short period, but unemployment remains unacceptably high. While it is likely that the task of reducing unemployment will grow more challenging as the unemployment rate declines, the Council considers that it is reasonable to pursue a goal of reducing unemployment to between 5% and 6% by 2020. This would require an annual average decline in unemployment of 1 percentage point over the coming years – considerably less than the rate of reduction already achieved in recent years.

3. The Council recommends the Government decrease the long-term unemployment rate target to less than 2.2% by 2020.

One of the key goals in the Pathways to Work 2016-2020 strategy is the reduction in long-term unemployment. It is crucial that the focus remains on achieving significant reductions in long-term unemployment given the large economic and social costs for individuals, their families and society entailed by prolonged spells of unemployment. The share of long-term in total unemployment fell by 10 percentage points between 2012 and 2015 and the rate of long-
term unemployment fell from 9.5% to 5% of the labour force over that period. If similar progress in reducing long-term unemployment can be sustained, it appears reasonable to set a target for long-term unemployment of less than 2.2% in 2020.


Young people were hit particularly hard by the recession as the youth labour market collapsed, and they have benefitted little from the recovery. Youth unemployment soared from 9% in 2007 to over 30% in 2012 and labour force participation declined sharply as young people remained in or returned to education. Youth unemployment fell to just over 19% in January 2016, but this is in a context of a severe contraction in their labour force participation rate, down from 59% in 2007 to 39% in 2015. Setting a target for youth unemployment is challenging, but it would be ambitious to aim to reduce youth unemployment to less than twice the adult rate – suggesting a target of less than 12% in 2020. Such a target should however be accompanied by efforts to increase the labour force participation of young people above its current historically low level.

In achieving these high-level goals, the Council believes that the Pathways to Work programme from 2016 to 2020 must continuously strive to provide excellent service to both its clients (e.g. employers and unemployed), as well as other people with a capacity and a desire to work.

Services for unemployed jobseekers

5. The Council recommends the Government make further adjustments to activation measures to take account of the greater diversity of skills, experiences and motivations of the unemployed as well as other job-seekers in order that further reductions in unemployment below its current level can be achieved.

The Council makes specific recommendations that:

a) The Department of Social Protection will need to develop its capacity and skills in ‘back-to-work’ training and counselling to engage with this increasingly diverse group in a constructive and productive manner.

b) The public employment service should ensure that active labour market programmes to which jobseekers are referred (e.g. Community Employment, Tús, Gateway) represent stepping stones to decent sustainable jobs. Such programmes should not just address the skill requirements of employers but also cater for the competency levels of people who are long-term unemployed and the type of barriers that they are likely to face in returning to employment.

c) It will be important for the Department of Social Protection to work with SOLAS and the Education and Training Boards and other organisations providing services to jobseekers (such as Jobs Clubs) to ensure that consistent and high standard career guidance service is provided to unemployed people and others of working age. It will also be important for their regional offices to engage with employers in a cohesive manner through the Regional Skills Fora.

d) The Council welcomes the decision to rigorously evaluate the JobBridge programme. However, it also believes in the value of work experience in enhancing job-prospects, and accordingly recommends that, depending on the findings of the evaluation, the Department of Social Protection investigate alternative models for delivering an effective work experience programme that meets the needs of both jobseekers and employers.

e) It will be important to complete the implementation of the JobPath employment service for people who are long-term unemployed. However, the Council is conscious that JobPath is new and untested in an Irish context and that its impact is not established, so recommends that its implementation and outcomes be carefully monitored and its impact evaluated as soon as practicable. It is also important to ensure that JobPath is properly coordinated with the activities of Intreo as well as those of the Education and Training Boards in order to ensure that both employers and job seekers are offered an integrated service at local operational level.

f) Given concerns about employment stability and career progression once job-seekers find work, particularly those returning from a period of long-term unemployment, the Council recommends that the Department of Social Protection investigate the feasibility of developing employment supports for those who have been successful in finding work.

g) The LMC supports the proposal to hold a national conference of Jobseeker support agencies and bodies to ensure consistency of standards and application of best practice for jobseekers across the country.

Employer Services

6. The Council recommends the Government accelerate its efforts to develop a professional service for employers to support the recruitment of people who are unemployed, and in particular long-term unemployed.

The Council, from its engagement with the State agencies and departments concerned, is of the view that a particular effort needs to be made to complete the development of a professional service for employers if they are to be encouraged and supported in increasing their recruitment of people who are unemployed, and particularly long-term unemployed.

While it is acknowledged that significant progress has been made and that there are good examples of high-quality service delivery to employers, the Council is concerned that systems and human resources are not yet in place to sustain this level of service on an ongoing basis.

The Council makes specific recommendations that:

a) More suitably qualified and experienced ‘account management’ staff should be appointed within the Intreo service.

b) These staff should be supported with a suitable Customer Relationship Management (CRM) system and a professionally developed and implemented marketing programme. Such a CRM system should gather data on the number of employers engaging, the quality of that engagement, and the outcomes.

c) Greater efforts should be made to co-ordinate the delivery of services to employers across the various state agencies (Local Enterprise Offices (LEOs), Education and Training Boards (ETBs), Intreo, Enterprise Ireland (EI) and IDA Ireland). With the roll-out of JobPath it will be important to develop a protocol between DSP and JobPath providers to coordinate approaches to potential employers and avoid unnecessary duplication and bureaucratic hurdles.

d) Training and education for unemployed people should be designed to meet identified skills needs. The Council notes that SOLAS and the ETBs have a crucial role to play in this and considers that the impact of their services should be subject to ongoing rigorous monitoring and evaluation. It is also important that local employers be involved in the diagnosis of skill gaps.

e) Training and education for unemployed people should be designed to meet identified skills needs. The Council notes that SOLAS and the ETBs have a crucial role to play in this and considers that the impact of their services should be subject to ongoing rigorous monitoring and evaluation. It is also important that local employers be involved in the diagnosis of skill gaps.
Evidence based programme selection and design – Evaluation of programmes.

7. The Council recommends that the evaluation of programmes committed to in the Pathways to Work 2016-2020 strategy be completed in a timely manner. The development of appropriate programmes and interventions needs to take due account of experience and evidence as to what type of programmes work best in particular circumstances or for particular cohorts of jobseekers. For this reason and in order to maximise the impact of public funds and resources available to provide services to jobseekers, the Council would emphasise the importance of completing in a timely manner the ambitious programme of evaluations committed to in the Pathways to Work 2016-2020 strategy. However, evaluation is not simply an academic exercise: policy needs to learn from both success and failure. Accordingly, the Council believes that programmes that are found to enhance the employment prospects of their participants in an efficient manner should be continued, and where appropriate, expanded in scope. However, where rigorous evidence shows that programmes are not meeting the objective of assisting their participants to secure employment, it is essential that the lessons are learned; policies are adjusted, redesigned or scaled back; and scarce resources are invested in more effective programmes.

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